Devon Canada Presentation to the Alberta Royalty Review Committee

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Global **VISION.** Community **VALUES.**

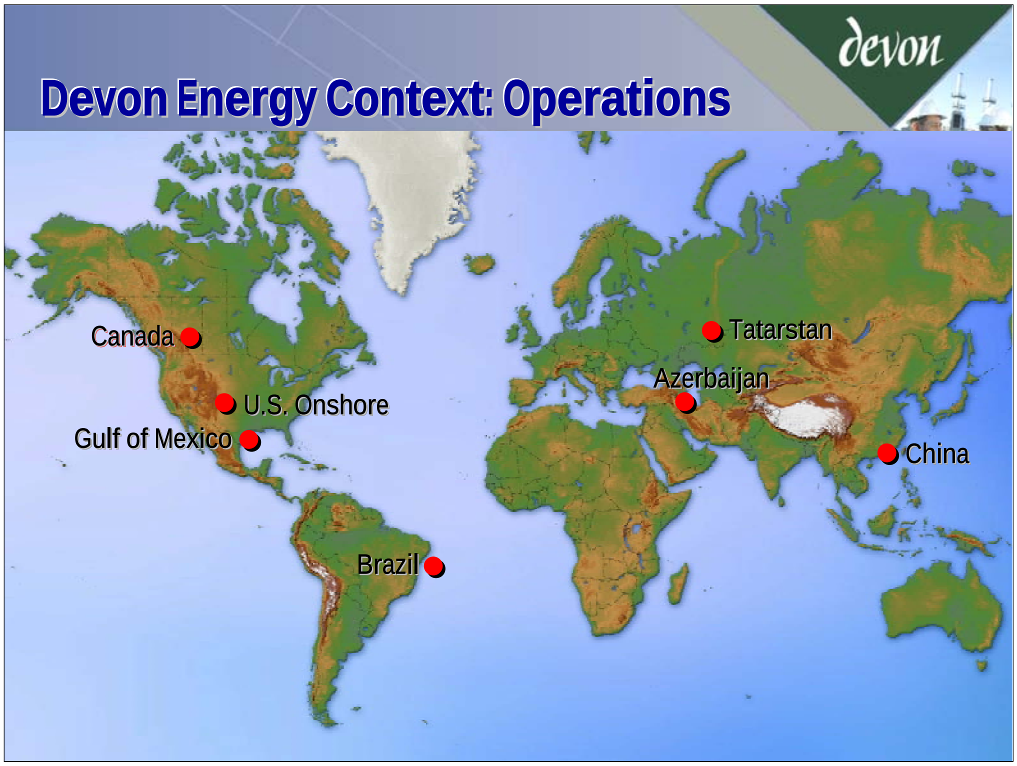
Devon Energy Context

- 2nd largest U.S. based independent
- Proved reserves (12/31/06) ≈ 2.4 Billion BOE
- Current production (Q1 2007) ≈ 588 MBOED
- Production mix: 64% gas / 36% liquids
- Production profile: 90% North American
- Active in deepwater Gulf of Mexico as well as internationally
- Enterprise value ≈ $40 Billion (U.S.)

As @ Q1 2007

This submission will provide Devon specific information in support of our view that the current royalty framework strikes the right balance between providing a fair return and maintaining an internationally competitive system that allows the Alberta economy to continue to prosper.

Devon Canada is the Canadian operating division of Oklahoma based Devon Energy Corporation. Devon Energy Corporation is one of the world's leading independent oil and gas exploration and production companies. Devon's operations are focused primarily in the United States and Canada; however, the company also explores for and produces oil and natural gas in select international areas. We also own natural gas pipelines and treatment facilities in many of our producing areas, making us one of North America's larger processors of natural gas liquids.



Devon Energy’s oil and gas properties are concentrated in areas where Devon believes we can be most competitive. By concentrating our assets, Devon has become a dominant operator in many of our core producing areas. About 90 percent of the company’s proved reserves are located in North America.

The company's primary goal is to build value per share by:

•Exploring for undiscovered oil and gas reserves,

•Purchasing and exploiting producing oil and gas properties,

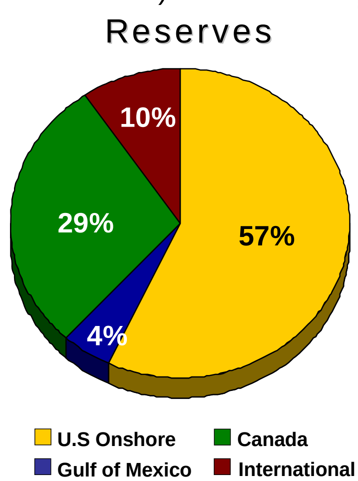
•Enhancing the value of its production through marketing and midstream activities,

•Optimizing production operations to control costs, and

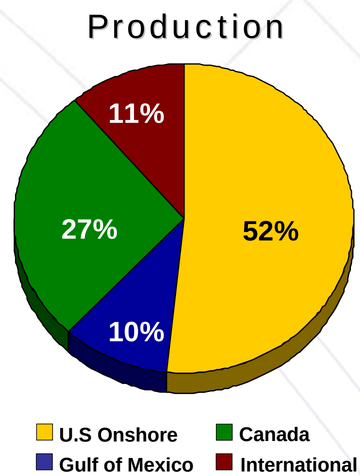
•Maintaining a strong balance sheet.

Devon Energy Context: Reserves & Production

(US Convention)



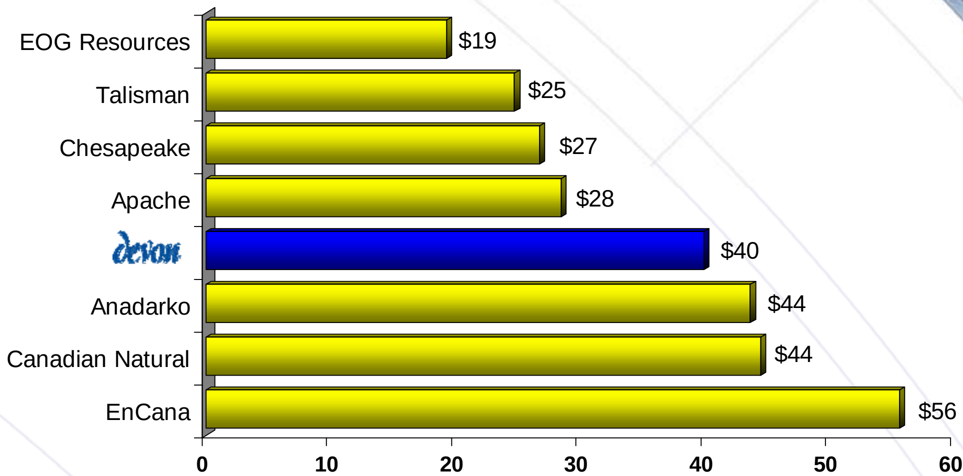
2006 Total: 2,376 MMBOE



2006 Total: 214 MMBOE

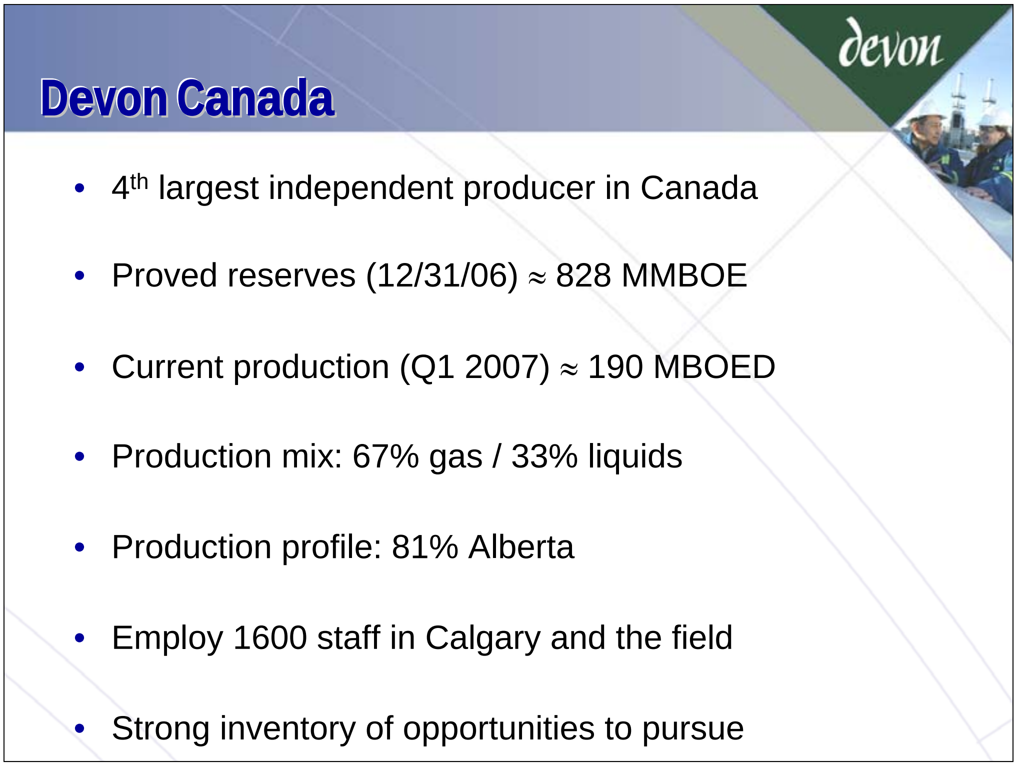
Leading Independents

(Enterprise Value, $ Billions)



Source: Enterprise Value* as stated on Yahoo! key statistics on May 14, 2007.

*Enterprise value is market capitalization plus net debt



At Devon Canada, we employ about 1,600 people and provide about one quarter of total company production. Our portfolio of oil and gas properties provides a strong platform for future growth.

Currently weighted at about 70% natural gas and 30% oil and natural gas liquids, our strategy continues for focus on expanding our substantial gas portfolio. From an exploration perspective within Alberta, the Peace River Region and Central and Southern Plains will continue to be key areas providing sustained production. Significant growth in production is expected to come from the less explored areas of the Western Canada Sedimentary Basin, in particular from the Foothills, Northwest Alberta and the deeper part of the Deep Basin immediately to the east of the Foothills.

In addition to conventional oil and gas reserves, Devon Canada is actively pursuing heavy oil and oil sands development opportunities and by 2011 these projects are expected to be producing approximately 90 – 100,000 barrels per day, shifting the company's oil production to approximately half of total production.

Devon Canada: Scope of Operations

devon

Gas
- Shallow gas (NE Alberta)
- CBM in central Alberta
- Deep sweet and sour gas in the Deep Basin (Grande Prairie)
- Deep sour Foothills gas (Coleman to NE BC)

Oil
- Conventional light oil
- Miscible flooding (Swan Hills: CH_4, CO_2)
- Cold-flow heavy oil (Lloydminster, Bonnyville)

Thermal heavy oil (Dover SAGD, Jackfish)
- Near completion of construction on SAGD project
- In application for second SAGD project, adjacent to first
- Early involvement in the original SAGD pilot at Dover

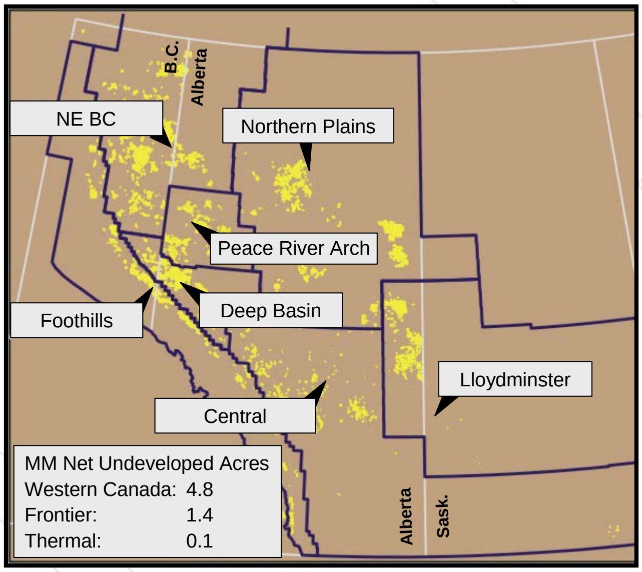
Devon's strategy for growth is:

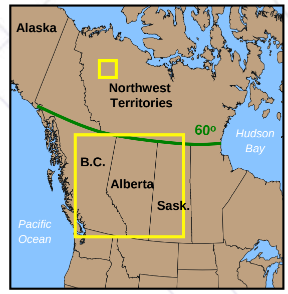
•Optimize near-term growth through development of low-risk property base;

•Provide long-term growth opportunities through investing in high-impact projects.

In implementing this strategy, Devon Canada has gained comprehensive land holdings across the basin. Through these holdings we are proud to be able to call ourselves a microcosm of the industry and as such have developed expertise across the basin.

Canadian Operations





Devon Canada Observations

- Have a broad portfolio of investments across all facets of the Alberta oil patch
- Top quartile performer in Canada over the last five years as measured by Finding and Development Costs (F&D)
- Our investment opportunities are very similar to Devon Energy's portfolio onshore U.S.

Devon Canada Observations

- Within the last two years, the conventional business (gas and oil) in Canada has become uncompetitive with U.S. onshore. This is due in large part to:
  - Significant increase in cost structure
    - Currently see an approximate 20% disadvantage in F&D costs versus U.S. onshore.
  - Strengthening of the Canadian dollar
  - The additive burden and uncertainty associated with federal and provincial initiatives may widen this gap

The costs of adding new volumes to our business within the WCSB are increasing, for each boed of volume we add to our existing production, it costs us 20% more than it did in 1999 while prices have only increased about 22%.

As Devon Canada is a division of US based Devon Energy its useful to consider how Canadian costs look to a US parent company. For several years the F/X (Foreign Exchange) rate was working to our advantage, this appears to be now diminishing with the sustained high value Canadian dollar. High foreign exchange rates make Canada an expensive place to do business from the eyes of a US investor. An increase in royalties is viewed by these investors as an added cost and has the potential to impact our competitiveness with other Devon divisions, as capital guidance is provided to us is in US$. The current F/X trend erodes our Canadian spending power and this trend does not appear to be breaking as yet.

The WCSB is currently one of the most expensive basins in the world in which producers can choose to operate. For Devon, Canada is our most expensive region. This said, Alberta has been a secure basin and most producers are willing to accept some level of higher cost as a predictable regime is worth a premium over a more lucrative one that suffers from frequent and dramatic revisions. Unfortunately for the WCSB uncertainty on regulatory and fiscal regimes coupled with increasing costs are serving to affect the basin's competitiveness.

Conclusion

- From a Devon Canada perspective, the conventional business in Alberta is uncompetitive in its current state.
  - Reflected in reduced CAPEX from 2006 to 2007
- We continue to invest in Alberta, albeit at a reduced pace
  - Believe in the long term resource potential of the basin
- In the long term we need a business environment that is conducive to pursuing these opportunities.

The result (for Devon Energy) of increased costs, uncertainty in regulatory and fiscal regimes, and resultant decline in basin competitiveness is a review of capital expenditures. Devon's Canadian division has historically enjoyed receiving more capital funding than any other Devon division – disproportionate to our production, as Devon's Canadian operations are poised to deliver a significant contribution to Devon Energy. That said, upward cost pressures have caused 2007 (excluding the acquisition of Chief in 2006) to be the first year in which Canada did not receive the most capita of Devon's operating divisions.

Our suggestion in moving forward on the royalty review is three fold:

-Lets work together to reduce costs. For oil sands reduced cost lead to Albertans receiving more sooner. For conventional, reduced costs enable Albertans to receive a larger piece of the pie.

-All initiatives related to royalty review and potential change should be preceded by meaningful consultation with industry.

-Any potential change be done in a way that recognizes and respects historical investment and risk taking while at the same time minimizes disruption to new investment so that Alberta retains a stable business environment and continues to enjoy a healthy and vibrant economy.

-Ensure Albertans are adequately informed on royalty mechanisms, benefits and costs.

Thank you