

DEVON ENERGY CORP/DE
Form 10-Q
May 09, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-32318

DEVON ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: DEVON ENERGY CORP/DE - Form 10-Q

Delaware
(State of other jurisdiction of
incorporation or organization)

73-1567067
(I.R.S. Employer
identification No.)

333 West Sheridan Avenue,
Oklahoma City, Oklahoma
(Address of principal executive offices)

73102-5015
(Zip code)

Registrant's telephone number, including area code: (405) 235-3611

Former name, address and former fiscal year, if changed from last report: Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On April 23, 2014, 407.9 million shares of common stock were outstanding.

Table of Contents**DEVON ENERGY CORPORATION****FORM 10-Q****TABLE OF CONTENTS****Part I. Financial Information****Item 1. Financial Statements****Consolidated Comprehensive Statements of Earnings**

3

Consolidated Statements of Cash Flows

4

Consolidated Balance Sheets

5

Consolidated Statements of Stockholders' Equity

6

Notes to Consolidated Financial Statements

7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

26

Item 3. Quantitative and Qualitative Disclosures About Market Risk

40

Item 4. Controls and Procedures

40

Part II. Other Information**Item 1. Legal Proceedings**

42

Item 1A. Risk Factors

42

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

42

Item 3. Defaults Upon Senior Securities

42

Item 4. Mine Safety Disclosures

42

Item 5. Other Information

42

Item 6. Exhibits

43

Signatures

44

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements as defined by the United States Securities and Exchange Commission (SEC). Such statements are those concerning strategic plans, our expectations and objectives for future operations, as well as other future events or conditions. Such forward-looking statements are based on our examination of historical operating trends, the information used to prepare our December 31, 2013 reserve reports and other data in our possession or available from third parties. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially from our expectations due to a number of factors, such as changes in the supply of and demand for oil, natural gas and natural gas liquids (NGLs) and related products and services; exploration or drilling programs; our ability to successfully complete mergers, acquisitions and divestitures; political or regulatory events; general economic and financial market conditions; and other risks and factors discussed in this report.

All subsequent written and oral forward-looking statements attributable to Devon Energy Corporation, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements above. We assume no duty to update or revise our forward-looking statements based on new information, future events or otherwise.

Table of Contents**Part I. Financial Information****Item 1. Financial Statements**

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE STATEMENTS OF EARNINGS

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
	(In millions, except per share amounts)	
Oil, gas and NGL sales	\$ 2,557	\$ 1,804
Oil, gas and NGL derivatives	(320)	(320)
Marketing and midstream revenues	1,488	487
Total operating revenues	3,725	1,971
Lease operating expenses	598	525
Marketing and midstream operating expenses	1,305	363
General and administrative expenses	211	150
Production and property taxes	137	113
Depreciation, depletion and amortization	739	704
Asset impairments		1,913
Restructuring costs	37	38
Other operating items	8	22
Total operating expenses	3,035	3,828
Operating income (loss)	690	(1,857)
Net financing costs	112	103
Other nonoperating items	18	2
Earnings (loss) before income taxes	560	(1,962)
Income tax expense (benefit)	231	(623)
Net earnings (loss)	329	(1,339)
Net earnings attributable to noncontrolling interests	5	
Net earnings (loss) attributable to Devon	\$ 324	\$ (1,339)
Net earnings (loss) per share attributable to Devon:		
Basic	\$ 0.80	\$ (3.34)
Diluted	\$ 0.79	\$ (3.34)
Comprehensive earnings (loss):		
Net earnings (loss)	\$ 329	\$ (1,339)
Other comprehensive loss, net of tax:		
Foreign currency translation	(298)	(183)
Pension and postretirement plans	3	4
Other comprehensive loss, net of tax	(295)	(179)

Comprehensive earnings (loss)	\$	34	\$	(1,518)
-------------------------------	----	----	----	---------

See accompanying notes to consolidated financial statements.

Table of Contents**DEVON ENERGY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31, 2014 2013 (Unaudited)	
	(In millions)	
Cash flows from operating activities:		
Net earnings (loss)	\$ 329	\$ (1,339)
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation, depletion and amortization	739	704
Asset impairments		1,913
Deferred income tax expense (benefit)	208	(623)
Derivatives and other financial instruments	307	305
Cash settlements on derivatives and financial instruments	(54)	114
Other noncash charges	108	83
Net change in working capital	(152)	(158)
Change in long-term other assets	(88)	(6)
Change in long-term other liabilities	13	9
Net cash from operating activities	1,410	1,002
Cash flows from investing activities:		
Acquisition of GeoSouthern	(5,935)	
Capital expenditures	(1,583)	(1,926)
Proceeds from property and equipment divestitures	142	29
Purchases of short-term investments		(871)
Redemptions of short-term investments		1,988
Redemptions of long-term investments	57	1
Other	37	(3)
Net cash from investing activities	(7,282)	(782)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt, net of issuance costs	3,346	
Net short-term debt borrowings	257	508
Long-term debt repayments	(1,577)	
Proceeds from stock option exercises	11	
Dividends paid on common stock	(90)	(81)
Excess tax benefits related to share-based compensation	1	3
Distributions to noncontrolling interests	(100)	
Other	(4)	
Net cash from financing activities	1,844	430
Effect of exchange rate changes on cash	(11)	(12)
Net change in cash and cash equivalents	(4,039)	638
Cash and cash equivalents at beginning of period	6,066	4,637

Edgar Filing: DEVON ENERGY CORP/DE - Form 10-Q

Cash and cash equivalents at end of period

\$ 2,027

\$ 5,275

See accompanying notes to consolidated financial statements.

Table of Contents**DEVON ENERGY CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	March 31, 2014 (Unaudited)	December 31, 2013
	(In millions, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,027	\$ 6,066
Accounts receivable	2,580	1,520
Other current assets	413	419
Total current assets	5,020	8,005
Property and equipment, at cost:		
Oil and gas, based on full cost accounting:		
Subject to amortization	79,399	73,995
Not subject to amortization	3,821	2,791
Total oil and gas	83,220	76,786
Other	8,801	6,195
Total property and equipment, at cost	92,021	82,981
Less accumulated depreciation, depletion and amortization	(54,592)	(54,534)
Property and equipment, net	37,429	28,447
Goodwill	9,155	5,858
Other long-term assets	1,161	567
Total assets	\$ 52,765	\$ 42,877
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,581	\$ 1,229
Revenues and royalties payable	1,529	786
Short-term debt	3,773	4,066
Other current liabilities	697	574
Total current liabilities	7,580	6,655
Long-term debt	11,739	7,956
Asset retirement obligations	2,218	2,140
Other long-term liabilities	933	834
Deferred income taxes	5,249	4,793
Stockholders' equity:		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 408 million and 406 million shares in 2014 and 2013, respectively	41	41
Additional paid-in capital	3,836	3,780
Retained earnings	15,644	15,410
Accumulated other comprehensive earnings	973	1,268

&n