



Rating: Buy  
 S&P 500: 1393

## Devon Energy Corporation Resources Three Times Reserves

<i>Symbol</i>	DVN	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	12,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	55
<i>Price (\$/sh)</i>	116.65	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/7/08	<i>Adjusted Reserves/Production NTM</i>	9.4
<i>Shares (mm)</i>	449	<i>EV/Ebitda</i>	5.0
<i>Market Capitalization (\$mm)</i>	52,400	<i>PV/Ebitda</i>	5.8
<i>Debt (\$mm)</i>	8,900	<i>Undeveloped Reserves (%)</i>	25
<i>Enterprise Value (EV) (\$mm)</i>	61,300	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	52.60
<i>Present Value (PV) (\$mm)</i>	71,300	<i>Present Value Proven Reserves(\$/boe)</i>	28.60
<i>Net Present Value (\$/share)</i>	139	<i>Present Value Proven Reserves(\$/mcfe)</i>	4.80
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.44
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	0.5	<i>Indicated Annual Dividend (US\$/sh)</i>	0.56
Note: Estimated cash flow and earnings tied to one-year futures prices for natural gas and oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu.			
For historical research on Devon since 2004 see <a href="http://www.mcdep.com/3dvn.htm">http://www.mcdep.com/3dvn.htm</a>			

### Summary and Recommendation

Buy-recommended **Devon Energy (DVN)** offers unlevered appreciation potential of 16% to estimated net present value (NPV) of \$139 a share. First quarter results released today reflected rising oil and gas price beyond our projections of three months ago. Looking ahead, projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table Functional Cash Flow and Present Value). While NPV is justified primarily by 2.5 billion barrels of proven reserves, the company has an additional 7.2 billion barrels of resources described in a presentation on March 28. The Barnett Shale around Fort Worth and the Gulf of Mexico Deepwater may be half of the company's future potential (see chart Devon Resource Inventory). Finally, a strong uptrend in oil price increasingly makes current NPV tied to \$80 a barrel look low (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA



Devon Energy									
Next Twelve Months Operating and Financial Results									
									Next
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Twelve
	3/31/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	Months
									3/31/09
<b>Volume</b>									
Natural Gas (mmcf)									
U.S.	1,625	1,845	<b>1,739</b>	1,877	1,877	1,877	1,877	<b>1,882</b>	<b>1,877</b>
Canada	615	606	<b>619</b>	567	567	567	567	<b>569</b>	<b>567</b>
Overseas	3	5	<b>5</b>	6	6	6	6	<b>6</b>	<b>6</b>
Total	2,243	2,456	<b>2,363</b>	2,450	2,450	2,450	2,450	<b>2,457</b>	<b>2,450</b>
Days	90	92	<b>365</b>	91	91	92	92	<b>366</b>	<b>365</b>
Oil (mbd)	214	222	<b>220</b>	231	231	231	231	<b>231</b>	<b>231</b>
Total gas & oil (bcf)	318	349	<b>1,345</b>	349	349	353	353	<b>1,404</b>	<b>1,400</b>
Total gas & oil (mmb)	53	58	<b>224</b>	58	58	59	59	<b>234</b>	<b>233</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.97	<b>6.87</b>	8.02	10.68	11.38	11.76	<b>10.46</b>	<b>11.50</b>
U.S.	6.08	5.88	<b>5.88</b>	7.24	9.64	10.27	10.62	<b>9.45</b>	<b>10.38</b>
Canada	6.65	6.68	<b>6.42</b>	7.53	10.03	10.69	11.05	<b>9.83</b>	<b>10.80</b>
Overseas	3.21	7.58	<b>6.21</b>	8.41	11.21	11.94	12.34	<b>10.98</b>	<b>12.06</b>
Total	6.23	6.08	<b>6.02</b>	7.31	9.74	10.37	10.72	<b>9.54</b>	<b>10.48</b>
Oil (\$/bbl)									
WTI Cushing	58.08	90.67	<b>72.28</b>	97.94	117.66	118.86	117.23	<b>112.92</b>	<b>117.37</b>
Worldwide	44.97	66.46	<b>55.56</b>	79.89	91.44	92.15	90.32	<b>88.46</b>	<b>90.90</b>
Total gas & oil (\$/mcf)	6.69	7.84	<b>7.18</b>	9.48	11.73	12.17	12.29	<b>11.42</b>	<b>12.17</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	889	998	<b>3,731</b>	1,237	1,647	1,774	1,833	<b>6,490</b>	<b>7,108</b>
Canada	368	373	<b>1,451</b>	389	518	558	576	<b>2,040</b>	<b>2,235</b>
Overseas	1	3	<b>11</b>	5	6	7	7	<b>24</b>	<b>26</b>
Total	1,258	1,374	<b>5,193</b>	1,630	2,171	2,338	2,416	<b>8,555</b>	<b>9,369</b>
Oil	868	1,360	<b>4,465</b>	1,680	1,923	1,959	1,920	<b>7,482</b>	<b>7,667</b>
Total	2,126	2,734	<b>9,658</b>	4,124	4,094	4,297	4,337	<b>16,851</b>	<b>17,036</b>
<b>Expense</b>	471	698	<b>2,079</b>	1,368	1,146	1,203	1,214	<b>4,931</b>	<b>4,770</b>
<b>Ebitda (\$mm)</b>	1,655	2,036	<b>7,579</b>	2,756	2,947	3,094	3,122	<b>11,920</b>	<b>12,266</b>
Deprec., Deplet., & Amort.	633	794	<b>2,914</b>	816	816	816	816	<b>3,264</b>	<b>3,264</b>
Hedging and other			-					-	-
<b>Ebit</b>	1,022	1,242	<b>4,665</b>	1,940	2,131	2,278	2,306	<b>8,656</b>	<b>9,002</b>
Interest	110	105	<b>430</b>	102	102	102	102	<b>408</b>	<b>408</b>
<b>Ebt</b>	912	1,137	<b>4,235</b>	1,838	2,029	2,176	2,204	<b>8,248</b>	<b>8,594</b>
Income Tax	264	167	<b>1,078</b>	608	710	762	772	<b>2,851</b>	<b>3,008</b>
<b>Net Income (\$mm)</b>	648	970	<b>3,157</b>	1,230	1,319	1,414	1,433	<b>5,397</b>	<b>5,586</b>
<b>Shares (millions)</b>	450	449	<b>1,799</b>	449	449	449	449	<b>1,796</b>	<b>449</b>
Per Share (\$)	1.44	2.16	<b>7.02</b>	2.74	2.94	3.15	3.19	<b>12.02</b>	<b>12.44</b>
Ebitda Margin	78%	74%	<b>78%</b>	67%	72%	72%	72%	<b>71%</b>	<b>72%</b>
Tax Rate	29%	15%	<b>25%</b>	33%	35%	35%	35%	<b>35%</b>	<b>35%</b>



<b>Devon Energy</b>					
<b>Functional Cash Flow and Present Value</b>					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	6,730	9.1	5.6	38,000	53%
Oil	5,540	9.9	6.0	33,300	47%
	12,270	9.4	5.8	71,300	100%
Debt (US\$mm)					8,900
Net Present Value (US\$mm)					62,400
Shares (mm)					449
Net Present Value - Standard Estimate (US\$/sh)					139
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					134

## Devon Resource Inventory

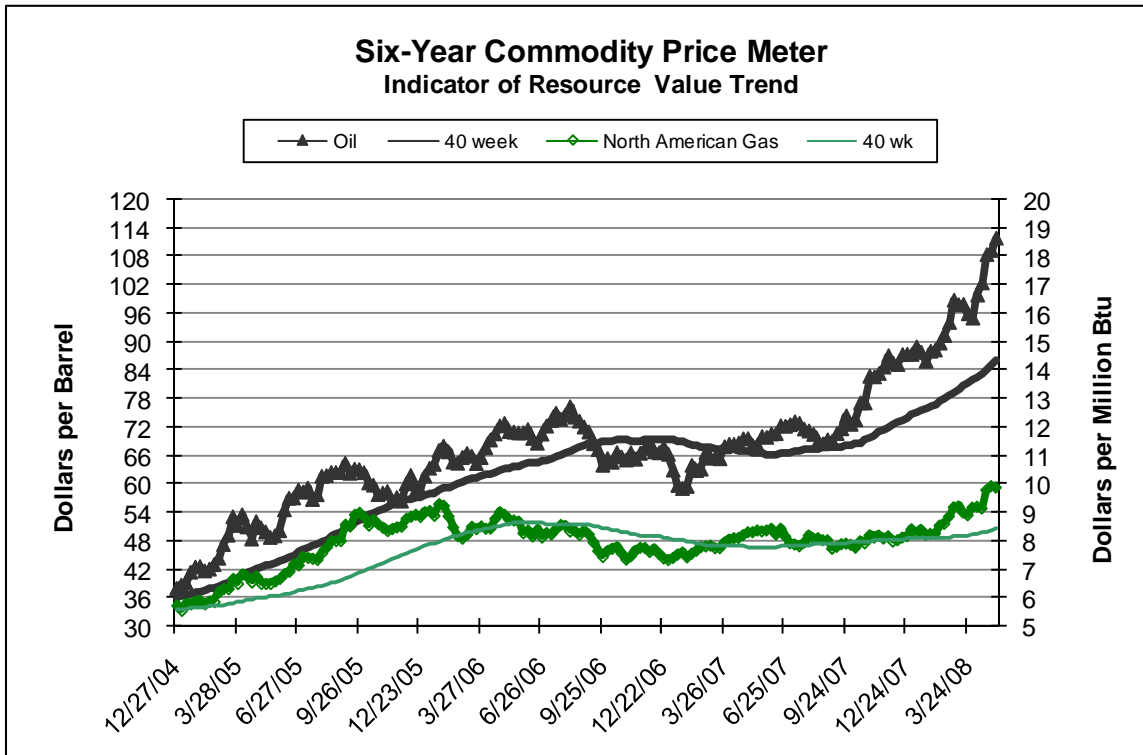
### Strong Foundation for Growth



MMBOE

Risked

	Total Unrisked Resources	Proved Reserves	Probable & Possible Resources	Contingent Resources	Prospective Resources	Total Resources
Barnett Shale	6,840	720	1,380	950	-	3,050
Gulf of Mexico Deepwater	6,240	60	210	350	1,650	2,270
Canada Oil Sands	1,170	330	140	680	-	1,150
International	4,740	120	120	-	710	950
Canada Conventional	980	400	180	210	-	790
East Texas	890	260	260	-	90	610
Rocky Mountains	830	230	240	90	20	580
Mid Continent	720	140	370	-	-	510
Canada Unconventional	820	-	-	330	-	330
Permian Basin	280	160	80	-	10	250
Gulf of Mexico Shelf	390	50	30	-	100	180
South Texas	180	30	40	-	30	100
<b>Total</b>	<b>24,080</b>	<b>2,500</b>	<b>3,050</b>	<b>2,610</b>	<b>2,610</b>	<b>10,770</b>



**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.