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# Devon Energy Corp. (DVN)

Q4 2025 Earnings Call

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*Analyst, William Blair & Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Welcome to Devon Energy's Fourth Quarter 2025 Conference Call. At this time, all participants are in listen-only mode. This call is being recorded.

I'd now like to turn the call over to Mr. Chris Carr, Director of Investor Relations. You may begin.

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### Christopher Carr

*Director-Investor Relations, Devon Energy Corp.*

Good morning, and thank you for joining us on the call today. Last night, we issued Devon's fourth quarter and year-end 2025 earnings release and presentation materials. Throughout the call today, we will make references to these materials to support prepared remarks. The release and slides can be found in the Investors section of the Devon website.

Joining me in the call today are Clay Gaspar, President and Chief Executive Officer; Jeff Ritenour, Chief Financial Officer; John Raines, SVP, Asset Management; Tom Hellman, SVP, E&P operations; and Trey Lowe, SVP and Chief Technology Officer.

As a reminder, this conference call will include forward-looking statements as defined under US securities laws. These statements involve risk and uncertainties that may cause actual results to differ materially from our forecast. Please refer to the cautionary language and risk factors provided in our SEC filings and earnings materials.

With that, I'll turn the call over to Clay.

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### Clay M. Gaspar

*President, Chief Executive Officer & Director, Devon Energy Corp.*

Thank you, Chris. Good morning, everyone, and thanks for joining us. Today, we'll focus on Devon's strong fourth quarter and full year 2025 results. Before diving into those very impressive results, I also want to cover the highlights of our recently announced merger with Coterra Energy. I'm incredibly excited about this merger and what it means for our shareholders.

The combination of these two outstanding companies creates a clear path to superior value creation that neither company could achieve independently. The merger unites complementary portfolios with substantial and overlapping positions across the best US shale basins.

At the heart of this combined portfolio is a world-class position in the Delaware Basin, which will generate more than half of our total production and cash flow, backed by a decade-plus of top tier inventory. Beyond the Delaware, the geographic diversity and balanced commodity mix provides strength throughout the volatility of the commodity price cycle.

The scale and operation overlap of our combined platform will unlock substantial value. By implementing best practices, optimizing our cost structure, and maximizing our infrastructure utilization, we will capture significant synergies.

In total, we expect to deliver \$1 billion in annual pre-tax run rate synergies by year end 2027. To be clear, these synergy targets are incremental to our business optimization program and reflect true operational and efficiency gains. And importantly, if there are any net reduction in activity levels, these capital savings will be incremental to our announced \$1 billion target.

I want to emphasize that we have a strong record of delivering on these business optimization wins. Our proven framework and experience will be leveraged to identify, deliver and communicate these merger synergies.

Another critical benefit to this transaction is the enhanced free cash flow generation from the pro forma company. With this uplift, we plan to accelerate capital returns to shareholders through higher dividends and expect a significant new share repurchase authorization to deliver cash returns consistent with best-in-class peers. Bottom line, this transformative merger checks all the boxes and positions us to be an industry leader that delivers differentiated value to investors.

With that strategic perspective, let's now turn back to Devon's impressive fourth quarter and full year 2025 results, which demonstrate the strong operational and financial momentum that we're bringing to this combination.

Let's turn to slide 4 for a deeper look on how our disciplined execution delivered another quarter of exceptional results. As you can see displayed on the left, beating on production, operating costs and capital results in an impressive free cash flow for Q4. Our production optimization efforts drove oil above the top end of the guide, fueled by strong new well performance and outstanding bass production management.

Operating costs significantly improved from the start of the year, reflecting enhanced reliability and relentless operational efficiency. Capital spending finished 4% better than guidance as we continue to capture drilling and completion efficiencies through advanced technology and a culture of continuous improvement. Combining these efforts translated into \$700 million of free cash flow, positioning us to return substantial value to shareholders.

I want to emphasize that these results are not just one-off isolated wins, they are direct outcomes of disciplined execution across our entire portfolio. This consistency is evident in our full year performance and reflects the effectiveness of both our strategy and our team.

I also want to quickly highlight our impressive reserve performance for 2025. Our capital program achieved a reserve replacement rate of 193% of production at an F&D cost of just over \$6 per Boe. While a single year of reserves booking should never be viewed as a sole measure of success, this result provides compelling evidence that the quality and sustainability of our advantaged multi-basin portfolio.

Turning to slide 5, you can see how our focus on operational excellence and disciplined execution culminated in outstanding full year 2025 results. Our track record speaks for itself. Quarter after quarter, we drove meaningful improvements to our outlook.

Since our preliminary guidance, we delivered an incremental 9,000 barrels of oil per day while reducing capital spend by nearly \$500 million. These results reflect a sustained commitment to margin enhancement, technology adoption, and continuous improvement across our entire organization. The impact is clear. Capital efficiency improved by more than 15% from our preliminary 2025 outlook, enabling us to extract more value from every dollar invested.

Turning to slide 6, as we've showed many times in the past, our capital efficiency results rank consistently among the very best in the industry. On the left hand side of the slide, our well productivity stands more than 20% above

peer average. On the right side, Devon's capital efficiency outperforms industry by 13%. Together, leading well productivity and capital efficiency translate directly into the strong free cash flow generation that powers our cash return framework.

Turning to slide 7, another critical driver of Devon's strong performance is our business optimization program. In less than a year, we have captured 85% of our \$1 billion target, and we are firmly on track to achieve the remaining savings during 2026. As an aside, I think it's important to remind you that this goal is focused on sustainable free cash flow. The progress of this goal will manifest in multiples of this dollar amount to our enterprise value. This outlook of continued progress is supported by several key catalysts.

The planned term loan repayment in the third quarter will deliver \$50 million in annual interest savings. At the same time, we are accelerating the implementation of AI-enabled artificial lift optimization and advanced analytics, well beyond the pilot programs that we've mentioned on prior calls. Additional benefits will come from operating cost improvements through condition-based maintenance, and enhanced drilling and completion cycle times.

Beyond these initiatives, we have more than 100 active work streams focused on driving sustained base production gains, while reducing the capital required for our maintenance programs. Most importantly, this initiative has fundamentally transformed how we operate. Continuous improvement and the accountability are embedded into our culture, empowering our teams to deliver sustainable value well beyond the initial target. Business optimization is no longer a program with an end date, it has become core to how Devon operates every single day.

Turning to slide 8, as we discussed last quarter, parallel to driving incremental value out of the day-to-day business, we are also regularly evaluating opportunities to rationalize our portfolio to enhance shareholder value. Throughout 2025, we executed on strategic transitions – transactions [ph] via (00:09:11) midstream, marketing and leasing that collectively delivered over \$1 billion of value uplift to our enterprise NAV.

To be clear, these gains are in addition to the improvements from our business optimization initiative. New this quarter, I wanted to highlight our continued investment in Fervo Energy. We recently participated in their Series E funding round, bringing our investment to approximately 15% in this innovative geothermal energy company.

Fervo is pioneering next generation geothermal technology, and we see compelling strategic and financial opportunities in this partnership. It leverages our core skills of geoscience expertise, land leasing, horizontal drilling and completions, and subsurface production and recovery skills while positioning Devon in a power-generating sector with significant growth potential.

With that, I'll now hand the call over to Jeff.

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## Jeffrey L. Ritenour

*Executive Vice President & Chief Financial Officer, Devon Energy Corp.*

Thanks, Clay. Turning to slide 9, Devon delivered another year of strong financial results. In 2025, we generated \$3.1 billion in free cash flow, demonstrating the strength of our asset base and the effectiveness of our operational execution. This robust free cash flow enabled us to return \$2.2 billion to shareholders through dividends, share buybacks and debt retirement.

We remain committed to growing our fixed dividend through the cycle. In 2025, we increased our quarterly dividend by 9% to \$0.24 per share. Following the expected close of the Devon and Coterra merger and pending board approval, we plan to raise our fixed quarterly dividend by another 31%, reflecting our strong confidence in

the combined company's ability to capture synergies and to deliver and enhance cash return profile to shareholders.

We're also focused on opportunistically reducing our share count and returning value through buybacks. Over the past year, we've reduced our shares outstanding by approximately 5% through disciplined repurchases. Following the merger close and with board approval, we anticipate a new share repurchase authorization of more than \$5 billion, providing significant capacity to deliver strong per share growth over the next several years.

In addition to dividends and buybacks, we also possess an investment-grade balance sheet and excellent liquidity. We ended the year with \$1.4 billion in cash and a net debt-to-EBITDA (sic) [net debt-to-EBITDAX] (00:11:40) ratio of less than 1 turn. This financial strength provides flexibility to invest in high-returning opportunities while consistently returning significant capital to our shareholders.

Lastly, I want to touch on our outlook. Looking specifically at the first quarter, we expect production to average around 830,000 Boe per day. This guidance reflects approximately 10,000 Boe per day of weather-related downtime in January. Even with this temporary disruption, our previously provided full year 2026 guidance remains unchanged. Upon the close of the merger, we plan to provide updated guidance for the combined entity.

Before we open the call to questions, I want to note that, today, we would like to focus the Q&A on Devon's standalone results and outlook. As you can appreciate, we are limited in what we can discuss regarding the pending merger at this time. We expect to file our S-4 Registration Statement in the coming weeks, which will provide additional details on the transaction.

With that operator, we'll take our first question. We kindly ask that each caller limit themselves to one question.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from Neil Mehta with Goldman Sachs. Neil, please go ahead.

**Neil Mehta**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Morning, Clay. I'll try to stay on the standalone business here. And just your perspective on the business optimization and where you are relative to the \$1 billion of the pre-tax target, and what are the key milestones you're focused on the first half of 2026? Of the buckets, which is the one that you feel you're most focused on as management team right now?

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah. Thanks for the question, Neil. We're really excited about the progress. We launched this thing a year ago, and I can tell you it was a bit aspirational as we thought about how do we come up with all of these numbers? We knew that there was so much more potential to unlock, but we didn't have a line by line attribution to each individual piece. And I can tell you it's been really exciting to see the organization just really unlock around this. As we've talked about before, it's been a very heavy leaning on technology. I think we're just scratching the surface on some of that real potential.

But as we mentioned in the prepared remarks, one year in, we're now at 85%. We have clear line of sight to being able to achieve the full \$1 billion. And I think importantly, as we think about the skill set and the culture around identification, tracking and communicating, I think that really translates into our next challenge going forward, which we're incredibly excited about. I might ask Trey just to give some additional thoughts as he's a little closer to this on a day-to-day basis.

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**Trey Lowe**

*Chief Technology Officer & Senior Vice President, Devon Energy Corp.*

A

Appreciate the question, Neil. We put – Clay mentioned this in our opening comments that we now are up over 100 work streams that we're tracking related to business optimization. We have a ton of confidence in what we see coming forward. Over the last few quarters, we've talked a lot about what we're doing in the production space, specifically with trials around gas lift optimization and a few other topics.

What I can confidently say, and what we're really excited about at the team level, is a lot of the investments we've made in artificial intelligence and in the platforms that we've built over the last year are really coming to fruition in the production space. We've seen those advantages already in the drilling results that we've had that we're going to start to see over first quarter and second quarter a lot of the projects that we trialed in the second half of 2025 start to scale.

And so, as we scale these things, which all of these technologies are very scalable, we'll do that across the entire organization, we're going to see a lot of benefits flow through on the production side, ultimately resulting in kind of our ability to lower capital long term, and we'll see improvements on the LOE.

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**Neil Mehta**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks, guys.

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**Operator:** Our next question comes from Neal Dingmann with William Blair. Neal, please go ahead.

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**Neal Dingmann**

*Analyst, William Blair & Co. LLC*

Q

Morning, Clay. Thanks for the time. My question is on the Delaware position, I guess, whether it's standalone or pro forma. I'm just wondering with the larger upcoming position, I'm just wondering, is there plans to target even longer laterals and potentially up-space the wells to boost results? And then I'm just wondering will you continue to be as active on the ground game there as you've been in recent months.

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**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah. Thanks for the question, Neal. The Delaware Basin is just an incredible piece of business, stack of rocks and a great place to work. And so, incredibly excited about our current position and the pro forma position as well. What I would tell you is the truism of the best place to find oil is where you found oil before continues to hold true. We think about additional landing zones. We think about innovative technology. We think about improving recovery. We think about flattening our base decline, lowering our downtime.

All of these mechanisms that we are so excited about absolutely translate into this incredible position that we have in the Delaware Basin. As we go forward, you bet, we're going to be in a very strong financial position to be

opportunistic as we have been. I think that continues in a position of strength, how we think about those opportunities, I think we'll be in a great position to maximize those opportunities. So, thanks for the question.

**Neal Dingmann**

*Analyst, William Blair & Co. LLC*

Q

Thanks, buddy.

**Operator:** The next question comes from Doug Leggate with Wolfe Research. Doug, please go ahead.

**Doug Leggate**

*Analyst, Wolfe Research LLC*

Q

Thanks. Good morning. Clay, you're making it hard for us. Now, we all want to ask questions about the merger and all that stuff, but we'll try and behave ourselves and not do that this morning. So, I just want to ask you a question about...

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Doug, we want to talk about it as well, so...

[indiscernible] (00:17:55)

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

I hear you.

**Doug Leggate**

*Analyst, Wolfe Research LLC*

Q

Yeah, well, yeah, I don't want to waste my question on something you're not going to answer, so I'm going to try something else. Exploration, Clay, you and I've talked about this before, about the, perhaps, the loss of collective capability on some of your peers. We're seeing speculation, or perhaps not so much speculation that you guys are now looking internationally. I wonder if you could just frame for us whether it's conventional or unconventional, domestic or international? What is the role of exploration in Devon? And if I may ask you to opine just on a broader issue, what does this say about the maturity of US shale, if indeed you are pursuing opportunities elsewhere?

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah, that's a great question, Doug. I'm happy to talk about it. When I think about it, internally, we have some terminology we use around pillars. Pillar one is make Devon a better Devon. And that's clearly the focus around this business optimization, all of the work that we're doing with technology, leaning in efficiency, that just translates into everything else that we do and importantly, buys us the credibility to be able to consider things above and beyond just making Devon a better Devon.

The pillar two is a little bit more organic in nature, and these are things that – we mentioned Fervo on this call. We think about what the potential is from there. We've talked about exploration. We've clearly been interested in

understanding the potential not just here in the US, but around the globe. What I would tell you, those are long-dated investments, long-dated relationship builds, things that we need to evaluate over time.

And as we know, the best time to evaluate those are when you're in an incredible position of strength. And so, I think about our portfolio today, the free cash flow that we just displayed in full year 2025. As I look forward to our capabilities kind of going forward, this is exactly the right time for us to really think about leveraging not just our financial strength, but our operational strength. And so, when I think about the skills that we have and really exporting that or at least leveraging that into other opportunities, these things can be multiple years in the making.

What we want to make sure that we are in position is that, one, we really objectively understand the skills that we currently have, how we evolve those over time, where business opportunities are in adjacent businesses or businesses that look slightly different than what we do today, and then really hunt for those opportunities where those kind of that Venn diagram overlaps and be in a ready position to be able to capture those opportunities, albeit most of those will evolve over time, but be ready to capture those and be positioned for that opportunity when those do come up.

What I would tell you is please don't mistake any work that we're doing for next decade opportunities to conflate anything of a lack of confidence in the near term. The confidence in the near term is exactly why we need to be doing things to think about the next decade for Devon and well beyond the positions that we're in today.

Again, from an opportunity, a position of strength, that's exactly what we're doing, continuing to refine the skills that we have. Think about things creative and beyond our current footprint and then – and be ready for when those stars do align that we can jump right on them.

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**Doug Leggate**

*Analyst, Wolfe Research LLC*

Q

Can you confirm the Kuwait interest, Clay?

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**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah. What I would tell you is we have explored interest in a lot of places. That's a long, long way from putting material dollars to work. What I would tell you is to really understand the potential that we have. For example, the work that we're doing in resource plays domestically, clearly, there will be opportunities internationally. For us to understand and evaluate where that potentially could fit in our long-term horizons, we absolutely need to be engaged in those conversations, getting our name out there, participating in that so that we can understand the surface challenges, the kind of above-ground risks, and how do we quantify that and put it in context to other opportunities that we have.

So, while I'll avoid commenting on any one particular deal because I think it's way too early for any of that, I can confirm that we are exploring a lot of different ideas and opportunities so that, one, we have a better kind of relative positioning and understanding of what will absolutely fit us best for our longer-term horizons.

Thanks for the question, Doug.

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**Doug Leggate**

*Analyst, Wolfe Research LLC*

Q

Terrific. Thanks. Thank you.

**Operator:** The next question comes from Kalei Akamine with Bank of America. Please go ahead.

**Kalei Akamine**

*Analyst, BofA Securities, Inc.*

Q

Hey, good morning, guys. My question is on cash OpEx. I'm noticing that LOE plus GP&T on the full year guide is lower [audio gap] (00:23:03) than 1Q, 2026. Can you kind of talk about the cadence of the lower cost there, and whether it's reflective of the GP&T optimization efforts on the NGL front?

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Kalei, this is John. You cut out a little bit. So, jump in if I'm not answering your question, but just for the cadence on OpEx for the full year, we've continued to make consistent improvements in our workflow – our work over optimization. We've consistently reduced our failure rates. That really contributed to a lot of the drop in LOE plus GP&T for the full year.

Going into Q4, we actually saw some tailwinds on some recurring items. Trey mentioned, and Clay mentioned in his comments the condition-based maintenance approach. We're very early innings in that. We're starting to scale that. We started changing some of our maintenance approaches in Delaware Basin, and we've already seen some costs come out of the system, and so that contributed to the Q4 number.

From a power standpoint, we've also energized two microgrids in the Delaware Basin. With that, we're able to release a lot of site-specific generation. So, just good blocking and tackling on the LOE front.

About the time you cut out, I think you were talking about Q1. We do see an uptick there on LOE plus GP&T. Really what's driving that is twofold. One, it's a little bit of a soft spot in our volumes for the year. As Jeff mentioned, we had the weather downtime that hit us in Q1. But then, very specifically, we've got line of sight to just some higher workover activity in the Williston that was mainly weather-driven and then some workover activity in the Eagle Ford that was driven or is driven by some well clean-outs.

On the GP&T front, you did see the drop off in Q4, and that is absolutely related to one of our new gathering and processing contracts going effective in the Delaware Basin. And so, that's at a much lower rate, and you're seeing that contribute as well.

**Kalei Akamine**

*Analyst, BofA Securities, Inc.*

Q

Sorry for dropping off, but you did answer the question, John. Thank you.

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Okay. Thank you.

**Operator:** The next question comes from John Freeman with Raymond James. Please go ahead.

**John Freeman**

*Analyst, Raymond James Financial, Inc.*

Q

Yeah. Thank you. Just to follow-up on the last question on the OpEx side. It sounded like, Clay, maybe that when you talked about sort of the expanding of the automation of the artificial lift optimization, and I think you said sort of above and beyond what you all have contemplated previously, I'm just trying to get a sense, does that mean that there is potential that you all could ultimately exceed that kind of \$1 billion target with just sort of – whether it's that or some of the other [ph] talents (00:25:49) that you all sort of outlined on slide 7, I'm just trying to get a sense of what's left to be accomplished for the \$1 billion, and if there's potential upside based on some of this.

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**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah, John, what I was really just trying to articulate and frame is that while we've achieved 85%, we have a great deal of confidence in being able to achieve the full \$1 billion. More to come on that particular topic, but that'll be something that will unfold in the coming quarters. Just again reiterating we haven't changed the \$1 billion target. I think what has changed is just kind of our approach that this is kind of how we work going forward. And there's so many smaller wins that just don't make the headlines that I'm equally excited about.

I see this kind of contagion around the organization and all parts of the company really contributing and thinking differently about how do they get their share of the contribution of this sustained free cash flow win. And to me, that's just a winning culture. So, really feel confident in the \$1 billion, and I feel equally confident that there's more to come in regards to just the change in culture and innovativeness that we're leaning towards.

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**John Freeman**

*Analyst, Raymond James Financial, Inc.*

Q

Thanks, Clay, well done.

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**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Thank you, John.

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**Operator:** The next question comes from Arun Jayaram with JPMorgan. Please go ahead.

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**Arun Jayaram**

*Analyst, JPMorgan Securities LLC*

Q

Yeah. Good morning, gentlemen. Clay, I was wondering if you could just maybe provide some insights around the 2026 program. You're spending or plan to spend about \$3.5 billion upstream. How should we think about kind of capital allocation between regions outside of the Delaware? Looks like, today, you're operating about half of your rigs in the Delaware, but how should we think about capital allocation between the Mid-Con, Williston Basin, Eagle Ford, PRB?

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**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah. Arun, I would say, directionally, think of it pretty similar to how we have been allocating. Clearly, don't want to get ahead of myself once we get the deal closed, that will be a first order of business. As I mentioned on the last call, really thinking about those opportunities around capital allocation and stepping up the value creation there.

**Arun Jayaram**

*Analyst, JPMorgan Securities LLC*

Q

Understood. And my follow-up is just you guys have had some really good opportunities in terms of portfolio management, thinking about Matterhorn, and your investment in WaterBridge. Clay, I was wondering maybe you could elaborate on the ownership position in Fervo Energy. I think Fervo, we saw them at Baker Hughes' recent annual meeting, have some really unique technology in geotherm. But talk about the decision to invest in Fervo and value creation potential for Devon shareholders from that.

**Trey Lowe**

*Chief Technology Officer & Senior Vice President, Devon Energy Corp.*

A

Yeah. Thanks for the question, Arun. This is Trey. I've been a part of the kind of Fervo investment decision since we started at Devon. And honestly, we originally got introduced to the team there through some of our technical contacts on the engineering and geoscience side. Fervo is a pioneer in a space with enhanced geothermal systems, and that basically means they're using horizontal drilling and multi-stage hydraulic fracturing to build out geothermal systems. And it looks a lot like what we have led the way on with subsurface interpretation and with how we've characterized, as an example, hydraulic fractures. And so, we got to know them on the technical basis originally.

Then we met the management team, got to know the founders really well, and ultimately started to really see a lot of things that we liked about what Fervo was doing and wanted to support them and to better understand that geothermal business. That's led us over the last couple of years to where we are today, where we're now a 15% owner in the business and continue to be really enthusiastic about what they're doing. Operationally, they're having a lot of success. They continue to drive well costs down, and we've been supporting them with technical support throughout that process to help make their business better.

**Arun Jayaram**

*Analyst, JPMorgan Securities LLC*

Q

Great. Thanks.

**Operator:** The next question comes from Phillip Jungwirth with BMO. Please go ahead.

**Phillip Jungwirth**

*Analyst, BMO Capital Markets Corp.*

Q

Thanks. Hi. Good morning. I'll try not to ask this in relation to the merger, but Jeff will be heading up commercial, which has become an increasingly important role for large E&Ps. So, the question is more, just how do you see the commercial opportunity for Devon standalone, and where is the current focus now for the company?

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Well, I think that does kind of venture into an area we probably don't want to spend too much time on. But I can reiterate what we said on the last call. Once we get the company combined, the management team, the new board, I think it's going to be a really exciting platform to reevaluate. As I just mentioned, some things near term like capital allocation, but also thinking about asset rationalization, thinking about some of these long-term opportunities.

Remember, we're going to have an incredible financial footprint, operational footprint, portfolio. And I think that just really opens up the door to a lot more possibility. So, without getting too far ahead of ourselves, I would just say the financial footwork – financial foundation is there and we feel really good about that positioning and really opening the doors to additional opportunities.

**Phillip Jungwirth**

*Analyst, BMO Capital Markets Corp.*

Q

Thanks, and appreciate the answer.

**Operator:** The next question comes from Charles Meade with Johnson Rice. Please go ahead.

**Charles Meade**

*Analyst, Johnson Rice & Co. LLC*

Q

Good morning, Clay, to you and the whole Devon team there. I don't intend to make this a post-deal question, but I acknowledge it may be. But I wondered if you could talk about the dividend, how you chose that new level. It's a big bump. And what the thought process is there to arrive at \$0.315 as the right number?

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah. I think it's a big bump from our side. From the Coterra side, it's basically on par with what they have been doing. And so, I think that was kind of the foundation. Now, obviously, again, this is all presupposing a little bit on what the new pro forma board will approve, but what we've guided to is that \$0.315, which, again, is a nice bump on our side.

And then, in combination, we also project that the board will approve a very substantial share repurchase program. I think that gives us a lot of latitude in addition to being able to pay down some debt that's coming due, I think, just gives us a great framework of opportunities to return this very significant free cash flow directly back to shareholders.

**Charles Meade**

*Analyst, Johnson Rice & Co. LLC*

Q

That's great. Thanks, Clay.

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

You bet, Charles.

**Operator:** The next question comes from Paul Cheng with Scotiabank. Please go ahead.

**Paul Y. Cheng**

*Analyst, Scotia Capital (USA), Inc.*

Q

Thank you. Good morning team. [ph] Clay (00:33:30), the fourth quarter Delaware result is really very impressive. I mean, you have lesser number [ph] of TU (00:33:40) and then production is actually higher than expected. Just want to see that, how repeatable or that there's some one-off item that we should be aware such as the timing of when the well come on stream. Anything that you can share on that? And also that the outperformance, how much is really coming from the new well and how much is on the base operation doing better?

**Clay M. Gaspar**

*President, Chief Executive Officer & Director, Devon Energy Corp.*

A

Yeah. Thanks for the question, Paul. We did have an outstanding fourth quarter. That's on the back of quarter after quarter performance. There is a kind of a overall downdraft in cost structure. That's efficiency. That's technology. There's also an updraft in productivity. And so, thinking about how do we get more out of these precious resources that we have in the portfolio today. And what you see in the fourth quarter is that really coming together.

Well, quarter to quarter, it's always going to vary just a little bit. I mean, you bring on these big pads just to shift in a couple of weeks from beginning to – little bit later in the quarter can manifest in different kind of near term ebbs and flows. I would look at the overall quarter-over-quarter progress, and I think that I feel very confident in extending well into 2026 and beyond. I think that is what we're most excited about. This business optimization was really code for how do we all get really hungry and really creative on that incremental value opportunity. I might turn to John and ask him his thoughts on the balance of new wells versus the base, the incredible base work that we're doing as well.

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Yeah. Thanks, Clay. I mean, really, the story is twofold. I mean, we did have some help from timing on the wedge. We had three incredible programs come on in the fourth quarter. The timing helped, but also the wells all outperformed our internal expectations there. The well mix, for us, it changes quarter to quarter. But we had a pretty balanced well mix. These three programs in particular had a good balance of Wolfcamp B, Bone Spring, but also Wolfcamp A. So, all of those things were contributing factors. But Clay's right, we would be remiss not to talk about the base.

Throughout the course of 2025, we saw a lot of production optimization through various projects on the base. And all in all, for the full year, the base outperformed by about 5,000 barrels of oil a day. So, when you think about that type of contribution on the base, it's almost 2% of the base. That's just a huge part of our business and an exceptional result and exceptional value to the company.

**Paul Y. Cheng**

*Analyst, Scotia Capital (USA), Inc.*

Q

Hey, John, what's the underlying base decline rate in the Delaware right now for you guys?

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Paul, if you are asking about decline rates, right now, yes, our base decline rates right now is spread in the mid 30% range.

**Paul Y. Cheng**

*Analyst, Scotia Capital (USA), Inc.*

Q

Has that changed from previously or that is still the same...

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

No.

**Paul Y. Cheng**

*Analyst, Scotia Capital (USA), Inc.*

Q

...because I would imagine with your better base operation, your underlying decline rate should be lower or should be less?

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Yeah, I'd say we've had some tailwinds on the base. The decline rate itself hasn't changed dramatically year over year. Now, granted, we're, call it, one year into a lot of these production optimization projects. What I would tell you is our downtime is significantly lower. Historically that was in the 7% range. As we go into this year, we're looking at something inside of 5%. So, that's really where you're seeing a lot of the base wins show up.

**Paul Y. Cheng**

*Analyst, Scotia Capital (USA), Inc.*

Q

Thank you.

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Thank you.

**Operator:** The next question comes from Kevin MacCurdy with Pickering Energy Partners. Please go ahead, Kevin.

**Kevin MacCurdy**

*Analyst, Pickering Energy Partners*

Q

Hey. Good morning. I wanted to stick on the Delaware productivity as it was very impressive in 4Q. Is there anything you can comment on the standalone 2026 program and how it compares to the 2025 program in terms of the zones you're targeting, the geography and the forecasted productivity? Thank you.

**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

A

Yeah. Great question. I'll hit on that at a high level. So, just top line 2025 well productivity, 2026 is going to look very similar to that. We moved more wholesomely into the multi-zone co-development in 2025. We're firmly into that development methodology. So, you'll see very consistent well productivity in 2026.

When I think about the mix, the one thing I would ask folks to consider is I'm going to talk about the full year, but these things can vary pretty significantly quarter to quarter. But as I think about the program, about 90% of our activity is going to be weighted to New Mexico. When I break that down a little bit further kind of by area, we'll see a little bit of an uptick in [ph] Tod (00:39:02) this year in the Delaware, it's about 30%. Cotton Draw is about 25%, Stateline's about 15%. And the balance of that activity is really spread out across the remainder of the Delaware Basin.

Zone mix is another thing. We've got a lot of diversity in the zones for 2026, just like we did in 2025. But just to break it down at a high level, we're about 40% Wolfcamp. We're about 45% Bone Spring and about 15% Avalon. So, all those things very similar to 2025. And because of that, we're expecting pretty consistent year-over-year well productivity.

**Kevin MacCurdy**

*Analyst, Pickering Energy Partners*

Great detail. Thank you.



**Operator:** Our final question today comes from Matthew Portillo with TPH. Please go ahead.

**Matthew Merrel Portillo**

*Analyst, Tudor, Pickering, Holt & Co. Securities LLC*

Good morning, Clay and team. I actually had a question on the Bakken. Looking at the state data, you already have an impressive mix of 3-mile laterals in the development program. As you continue to shift more capital to the Grayson acreage, I was just curious how that mix shift might change for 3-mile and 4-mile lateral development moving forward, and what that might mean for the breakeven of the asset base?



**John Raines**

*Senior Vice President-E&P Asset Management, Devon Energy Corp.*

Yeah, Matt, great question. I mean, when you look back at 2025, admittedly, our lateral lengths were a little bit probably shorter than what we wanted, just given the layout of some of the units that we had last year. So, we averaged closer to about a 2-mile lateral in the Williston. As you fast forward into 2026, we're going to average something closer to a 3-mile lateral. But when you look at the breakout, we are starting to introduce 4-mile laterals into the equation. We're actually drilling our first 4-mile pad right now. So, the teams have continued to optimize the program for longer lateral development. And of course, as you go longer, you're enhancing the economics of those programs and the breakevens are coming in pretty significantly.



**Matthew Merrel Portillo**

*Analyst, Tudor, Pickering, Holt & Co. Securities LLC*

Thank you.



**Christopher Carr**

*Director-Investor Relations, Devon Energy Corp.*

It looks like we've kind of exhausted the question list. Thanks for your interest today. And if you have further questions, please reach out to the Investor Relations team. Have a good day.

**Operator:** Thank you, everyone, for joining us today. This concludes our call and you may now disconnect your lines.

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