

Opening Statement

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Subcommittee on Oversight and Investigations

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Chair DeGette, Ranking Member Griffith, and members of the Committee, thank you for the opportunity to discuss the current state and importance of U.S. energy production before you today. We are at a moment of crisis given Russia's unprovoked and unjustified invasion of Ukraine.

Devon Energy is an onshore independent oil and natural gas exploration and production company headquartered in Oklahoma City, Oklahoma. Founded in 1971, Devon employs more than 1,600 people with operations in Oklahoma, Texas, New Mexico, Wyoming, and North Dakota. In January 2021, we completed a merger with WPX Energy, and as a stronger combined company, are proudly producing more American-made energy today than at any time in our 50-year history.

Devon is an upstream company — we find and produce oil, natural gas, and natural gas liquids. We do not refine or sell refined products. We invest heavily to recover these resources, and then contract to sell them at prices dictated by a complex global commodity market. We do not set or have significant influence over the price of our products.

Multiple factors impact the price of any global commodity, and over the past two years we have seen extreme volatility. As the COVID pandemic all but shut down global economies, demand for our products decreased drastically and the market price for crude plummeted. In fact, in April of 2020 crude futures went to negative \$37 a barrel.

As economies began reopening, markets adjusted and we at Devon adjusted and began increasing production. We began implementing our 2022 plan when events began unfolding in Ukraine. We are now seeing prices level off, but uncertainty creates volatility, and we are not out of the woods yet.

Shifting to our operations, Devon operates on private, State, Federal and Indian leases, and must follow numerous stringent permitting processes before we can begin production. One of the permits we must obtain is an APD, or an application for permit to drill. Devon's APD's only cover the drilling and completion activity that will be done on the lease itself. In addition, we often must obtain additional permits for things like rights of way for pipelines, roads, water

disposal, electricity, and a host of other things for activity that will occur off the lease. Under normal circumstances, in the Delaware basin, our most active area, Devon's practice is to plan on getting from APD to drilling in 5-6 weeks if there were no infrastructure or permit issues to slow the process. Additionally, the process to complete a well and bring it to full production may mean that a significant number of weeks transpire before a well reaches its potential. Now with the significant delays in obtaining the materials needed to operate due to global supply chain constraints and a shortage of workers, the time has substantially increased and is now closer to six months.

Even with constraints, Devon's net domestic oil production increased to a new record high in 2021, reaching an average of nearly 300,000 barrels of oil produced per day, making Devon one of the largest oil producers in the U.S. To build upon this momentum in 2022, our plan is designed to increase the rig count from 14 to 19 — representing an investment of approximately \$2 billion. This level of activity is expected to bring more than 300 new producing wells online and bolster our productive capacity.

I can assure you that at Devon we are pragmatically investing in our business for the long haul, and we have a responsibility to our more than 660,000 shareholder owners to be prudent and thoughtful. As a publicly traded company, a significant component of Devon's owners consists of pensions that represent our government, teachers, police, firefighters, and non-profit organizations. We are also owned by many hard-working individuals through their retirement plans or brokerage accounts. Like other sectors in the market, our shareholders expect us to operate in a way that delivers a return on capital invested while providing additional value in the form of cash returns. We are focused on achieving these objectives while pursuing environmental and operational excellence with a sense of urgency and transparency.

In fact, we have set aggressive targets to reduce the carbon intensity of our operations. We have been focused on this for many years, and over the past three years have reduced our methane intensity by 58 percent. We are identifying and piloting additional technologies and best practices to further reduce emissions. It is incumbent on us to continually improve how we operate, and our targets require us to mitigate climate change risk and publicly disclose our progress.

Devon Energy has an important role as a responsible participant in our industry to be a safe, ethical, and environmentally responsible oil and gas producer in a world with growing energy demands.

What's required now is a thoughtful and collaborative dialogue between policymakers and participants in the oil and gas industry. Pragmatic solutions that ensure our nation's energy security and leadership in the global marketplace must be fostered by clear and consistent regulatory policies. We know that oil and gas will remain a critical energy source for decades, and Devon is proud to produce it safely, responsibly and with care for the environment and our stakeholders.

Thank you again for the invitation to address the committee and further this important discussion.