

DEVON ENERGY CORP/DE
Form 11-K
June 28, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

or

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

Commission File Number 001-32318

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Devon Energy Corporation Incentive Savings Plan

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

Devon Energy Corporation

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333 West Sheridan Avenue

Oklahoma City, OK 73102-5010

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

FORM 11-K

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Report of Independent Registered Public Accounting Firm

Plan Administrator

Devon Energy Corporation Incentive Savings Plan

We have audited the accompanying statements of net assets available for benefits of Devon Energy Corporation Incentive Savings Plan as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Devon Energy Corporation Incentive Savings Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2011 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

Oklahoma City, Oklahoma

June 28, 2012

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

| | December 31, | |
|---|---------------------------|---------------------------|
| | 2011 | 2010 |
| ASSETS | | |
| Investments, at fair value | \$ 579,474,149 | \$ 613,531,972 |
| Employer contributions receivable | 16,508,031 | 14,984,484 |
| Notes receivable from participants | 10,354,047 | 10,000,959 |
| Other receivables | 3,747,769 | 861,801 |
| Total assets | 610,083,996 | 639,379,216 |
| LIABILITIES | | |
| Other liabilities | 820,080 | 2,826,276 |
| Total liabilities | 820,080 | 2,826,276 |
| Net assets reflecting all investments at fair value | 609,263,916 | 636,552,940 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts held by a collective trust | 198,924 | 543,173 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 609,462,840 | \$ 637,096,113 |

See accompanying notes to financial statements

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| | Year Ended December 31, 2011 |
|---|---|
| Additions: | |
| Investment loss: | |
| Net depreciation in fair value of investments | \$ (35,472,709) |
| Dividends | 7,888,808 |
| Interest | 77,850 |
| Net investment loss | (27,506,051) |
| Interest income on notes receivable from participants | 478,752 |
| Contributions: | |
| Participant, including rollovers | 30,105,648 |
| Employer | 32,255,886 |
| Total contributions | 62,361,534 |
| Total additions | 35,334,235 |
| Deductions: | |
| Distributions to participants | 61,202,746 |
| Administrative expenses | 1,764,762 |
| Total deductions | 62,967,508 |
| Net decrease in net assets available for benefits | (27,633,273) |
| Net assets available for benefits: | |
| Beginning of year | 637,096,113 |
| End of year | \$ 609,462,840 |

See accompanying notes to financial statements

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of Plan

The following description of the Devon Energy Corporation Incentive Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the plan agreement and respective amendments for a more complete description of the Plan's provisions.

General

The Plan is a multiple employer defined contribution plan covering substantially all United States employees of each of Devon Energy Corporation (Devon) and Thunder Creek Gas Services, LLC and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Employees are eligible to participate in the Plan as soon as administratively possible following the completion of one hour of service. There is no minimum age requirement for the employees to be eligible.

Fidelity Management Trust Company (the Trustee) is the Trustee of the Plan.

The plan administrator is a committee (Benefits Committee) of employees of Devon appointed by, and serving at the direction of Devon. The Benefits Committee has the sole responsibility for the administration of the Plan, except with respect to duties related to the selection and monitoring of investment options in the Plan. The selection and monitoring of investment options, along with related functions, is the responsibility of a separate committee (Investments Committee) of employees that is also appointed by, and serving at the direction of Devon. Devon's Board of Directors, or a committee thereof, has the sole responsibility for appointing and removing the Trustee of the Plan. Under the terms of an agreement between the Trustee and the Plan, the Trustee administers the trust for the Plan, including receiving, investing and holding plan assets and paying benefits to participants in accordance with instructions from the plan administrator.

Contributions

As defined in the Plan, participants elect to contribute from 1% to 50% of their compensation to the Plan subject to limitations under the Internal Revenue Code (IRC). Amounts contributed are excluded from the participant's taxable income for the year of contribution. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (Rollover Contributions). Participant Rollover Contributions were approximately \$1,921,000 for the year ended December 31, 2011.

Participants may receive an employer match on their contribution to the Plan in an amount determined annually by Devon. The amount of the matching contribution may vary according to the participant's years of service and whether the participant is eligible for enhanced contributions. Participants employed subsequent to October 1, 2007 and participants who opted out of a separate defined benefit plan sponsored by Devon are eligible for enhanced contributions. For the year ended December 31, 2011, for all participants with at least five years of service, Devon contributed amounts equal to 100% of each participant's contributions to the Plan, with the matching contribution being limited to the lesser of 6% of the participant's compensation, or \$14,700. For participants with less than five years of service, Devon's matching contribution was limited to the lesser of 3% of the participant's compensation, or \$7,350 (except that participants who were employed prior to October 1, 2007 and elected to continue to participate in a separate defined benefit plan were not eligible for enhanced contributions and received the higher matching contribution described in the preceding sentence even if they had less than five years of service).

Participants eligible for enhanced contributions also receive additional, nondiscretionary contributions by Devon calculated as a percentage of their compensation, as defined in the Plan. In 2011, the enhanced contribution percentage ranged from 8% to 16%, depending upon a participant's years of service.

Participant Accounts

Each participant's account is credited with the participant's contribution, Devon's contribution and allocations of earnings or losses on the investments selected by the participant, and charged with an allocation of administrative

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS CONTINUED

expenses. Allocations are based on participant earnings on account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investments

Participants direct their account balances to be invested in a number of investment options. Participants may change their investment options on a daily basis. Investment options of the Plan as of December 31, 2011 consist of mutual funds, equity securities, Devon common stock, money market funds, collective trust funds, stable value fund and Brokerage Link. Brokerage Link is a self-directed brokerage account that allows participants to invest in a wide variety of funds.

Vesting

Participants are vested immediately in their contributions, plus actual earnings or losses thereon. For each year of service up to four years, participants become 25% vested in employer contributions to their account and the earnings or losses generated thereon. Participants will become vested upon a change of control of Devon, as defined in the Plan, or if the participant dies, becomes totally disabled or reaches age 65 while employed by Devon or another participating employer.

Notes Receivable from Participants

Participants may borrow from their fund accounts up to 50% of their vested balance, but such loan may not be less than \$1,000 or greater than \$50,000. Participants may not have more than two loans outstanding at any time. The loans are secured by the balance in the participants' accounts. The loans bear interest at a fixed rate, which approximates the rate generally charged for consumer loans secured by certificates of deposit or marketable securities. The interest rates ranged from 4.25% to 9.75% at December 31, 2011. The terms of the loans may not exceed five years, except for loans used to purchase a primary residence, in which case the loan term generally will not exceed 15 years. Maturity dates ranged from January 2012 to May 2021 at December 31, 2011. Principal and interest is repaid through biweekly payroll deductions from the participants' wages.

Payment of Benefits

While still employed, Participants who are age 59 1/2 or older may withdraw all or part of the vested interest in their account at any time. Participants who are still employed also may withdraw their Rollover Contributions regardless of age. In addition, Participants who are still employed and who have taken all other withdrawals and loans available under the Plan may also request a withdrawal in an amount necessary to satisfy an immediate and heavy financial need.

On termination of service due to death, disability or upon retirement, participants (or a beneficiary in the case of death) may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or equal installments (monthly, quarterly, semi-annually or annually) for any period less than the life expectancy of the participant and his or her beneficiary. For termination of service for other reasons, participants may receive the value of the vested interest in their account as a lump-sum distribution. Depending on the value of the participant's vested interest in his or her account at the time of his or her termination of service, the value of the participant's vested interest may be automatically paid in a lump-sum distribution, paid in a direct rollover or automatically rolled over to an individual retirement account or annuity established in the participant's (or beneficiary's) name.

Forfeited Accounts

Upon termination of employment of participants who are not fully vested in Devon's contributions, the nonvested portion is forfeited and used to reduce Devon's future contributions. Employer contributions were reduced by \$727,000 in 2011. As of December 31, 2011 and 2010, there were approximately \$1,515,000 and \$1,098,000, respectively, of forfeitures available to reduce future employer contributions.

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS CONTINUED

2. Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan in preparing the accompanying financial statements:

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Devon's management and the plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value represents the price that would be received to sell the investment in an orderly transaction between market participants. This price is commonly referred to as the exit price. Fair value measurements are classified according to a hierarchy that prioritizes the inputs underlying the valuation techniques. This hierarchy consists of three broad levels:

Level 1 Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. When available, Level 1 inputs are used to measure fair value because they generally provide the most reliable evidence of fair value.

Level 2 Inputs consist of quoted prices that are generally observable for the asset. Common examples of Level 2 inputs include quoted prices for similar assets in active markets or quoted prices for identical assets in markets not considered to be active.

Level 3 Inputs are not observable from objective sources and have the lowest priority. The most common Level 3 fair value measurement is an internally developed cash flow model.

Realized gains or losses are calculated based on proceeds from the sale of investments and the fair value of the investments at the beginning of the plan year or at time of purchase if acquired during the current plan year. Unrealized appreciation or depreciation of the investments is calculated based on the fair value of the investments at the end of the plan year and the fair value of the investments at the beginning of the plan year or at time of purchase if acquired during the current plan year. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statements of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Notes Receivable From Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

Payment of Benefits

Benefits are recorded when paid.

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS CONTINUED

Administrative

Trustee, audit and certain other administrative fees for 2011 were paid by Devon on behalf of the Plan.

Recent Accounting Pronouncements Adopted

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. This update changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. This update is effective for the Plan prospectively for the year ending December 31, 2012. The Plan does not expect the adoption of this update will materially impact its financial statements.

3. Fair Value Measurements

The following tables provide the Plan's investments at fair value according to the fair value hierarchy. The Plan had no Level 3 investments as of December 31, 2011 and 2010.

| | As of December 31, 2011 | | |
|-------------------------------------|-------------------------|--------------------------------|-----------------------|
| | Total | Fair Value Measurements Using: | |
| | | Level 1 Inputs | Level 2 Inputs |
| Mutual funds: | | | |
| Growth funds | \$ 50,680,396 | \$ 50,680,396 | \$ |
| Fixed income funds | 94,446,068 | 94,446,068 | |
| Balanced funds | 14,867,287 | 14,867,287 | |
| Other funds | 12,092,463 | 12,092,463 | |
| Total mutual funds | 172,086,214 | 172,086,214 | |
| Equity Securities: | | | |
| Employer stock | 72,388,968 | 72,388,968 | |
| Domestic large cap value | 50,406,623 | 50,406,623 | |
| Domestic large cap growth | 46,579,746 | 46,579,746 | |
| Domestic small cap value | 32,577,849 | 32,577,849 | |
| Domestic small cap growth | 23,643,043 | 23,643,043 | |
| Total equity securities | 225,596,229 | 225,596,229 | |
| Money market funds | 54,097,012 | 54,097,012 | |
| Collective trust funds: | | | |
| U.S. equity index (1) | 61,110,240 | | 61,110,240 |
| Stable value (2) | 42,927,580 | | 42,927,580 |
| International equity index (3) | 20,845,608 | | 20,845,608 |
| Real estate investment trust (4) | 2,811,266 | | 2,811,266 |
| Total collective trust funds | 127,694,694 | | 127,694,694 |
| Total investments | \$ 579,474,149 | \$ 451,779,455 | \$ 127,694,694 |

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS CONTINUED

| | As of December 31, 2010 | | |
|----------------------------------|-------------------------|--------------------------------|-----------------------|
| | Total | Fair Value Measurements Using: | |
| | | Level 1 Inputs | Level 2 Inputs |
| Mutual funds: | | | |
| Growth funds | \$ 58,583,003 | \$ 58,583,003 | \$ |
| Fixed income funds | 82,854,976 | 82,854,976 | |
| Balanced funds | 9,597,936 | 9,597,936 | |
| Other funds | 9,643,054 | 9,643,054 | |
| Total mutual funds | 160,678,969 | 160,678,969 | |
| Equity Securities: | | | |
| Employer stock | 98,847,937 | 98,847,937 | |
| Domestic large cap value | 60,582,670 | 60,582,670 | |
| Domestic large cap growth | 46,488,958 | 46,488,958 | |
| Domestic small cap value | 35,965,786 | 35,965,786 | |
| Domestic small cap growth | 25,041,525 | 25,041,525 | |
| Total equity securities | 266,926,876 | 266,926,876 | |
| Money market funds | 56,224,721 | 56,224,721 | |
| Collective trust funds: | | | |
| Domestic large cap blend (5) | 63,708,372 | | 63,708,372 |
| Stable value (2) | 33,365,497 | | 33,365,497 |
| International value (6) | 30,207,963 | | 30,207,963 |
| Real estate investment trust (4) | 2,419,574 | | 2,419,574 |
| Total collective trust funds | 129,701,406 | | 129,701,406 |
| Total investments | \$ 613,531,972 | \$ 483,830,566 | \$ 129,701,406 |

- (1) Investment fund seeks results that correspond generally to the price and yield performance, before fees and expenses, of the Russell 3000 Index. This fund allows for daily redemptions with no unfunded commitments.
- (2) Investment fund seeks preservation of principal and to earn current income while tracking interest rates over the intermediate term by investing in a diversified portfolio of stable value contracts, including wrap contracts issued by insurance companies, banks, and other financial institutions. This fund allows for daily redemptions with no unfunded commitments.
- (3) Investment fund seeks results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI ACWI ex-U.S. IMI Index. This fund allows for daily redemptions with no unfunded commitments.
- (4) Investment fund seeks results through active management that correspond generally to the price and yield performance, after fees and expenses, of the FTSE NAREIT Equity REITS Index. This fund allows for daily redemptions with no unfunded commitments.
- (5) Investment fund sought to provide long-term growth of capital by primarily investing in a diversified portfolio of large and medium-sized US companies and sought to outperform its benchmark, the S&P 500 Index, within defined risk and return parameters. This fund allowed for daily redemptions.
- (6) Investment fund sought to provide long-term growth of capital by investing in the stocks of large companies based outside of the United States. This fund allowed for daily redemptions.

The following methods and assumptions were used to estimate the fair values in the tables above.

Level 1 Fair Value Measurements

Amounts consist of mutual funds, equity securities and money market funds that are actively traded and can be redeemed upon demand. The fair values of these instruments are based upon quoted market prices.

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS CONTINUED

Level 2 Fair Value Measurements

Amounts consist of collective trust funds. These funds can be redeemed upon demand. The fair values are based upon the net asset values provided by investment managers.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although these valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

4. Stable Value Fund

The SEI Stable Asset Fund (the Fund) is a collective trust fund sponsored by SEI Trust Company. The beneficial interest of each participant is represented by units. Units are issued and redeemed daily at the Fund's constant NAV of \$1 per unit. Distribution to the Fund's unit holders are declared daily from the net investment income and automatically reinvested in the Fund on a monthly basis. It is the policy of the Fund to use its best efforts to maintain a stable net asset value of \$1 per unit, but there is no guarantee that the Fund will be able to maintain this value.

Participants may direct the withdrawal or transfer of all or a portion of their investment in the Fund at contract value. Contract value represents contributions made to the Fund, plus earnings, less participant withdrawals and administrative expenses. The Fund imposes certain restrictions on the Plan, and the Fund itself may be subject to circumstances that impact its ability to transact at contract value. Plan management believes that the occurrence of events that would cause the Fund to transact at less than contract value is not probable.

5. Plan Termination

Although Devon has not expressed any intent to terminate the Plan, it may do so at any time. Benefits owed to participants are not actuarially determined and the aggregate vested benefits are limited to the Plan's net assets available for plan benefits. In the event of termination, participants will become 100% vested in their accounts.

6. Plan Investment Assets

Following is a schedule of the Plan's investments that exceed 5% of the Plan's net assets at December 31, 2011 and 2010, and the fair value of such investments:

| | 2011 | | 2010 | |
|---------------------------------------|------------------------------|---------------|------------------------------|---------------|
| | Number of shares or units | Fair value | Number of shares or units | Fair value |
| Vanguard Prime Money Market Fund | 37,574,748 | \$ 37,574,748 | 43,732,826 | \$ 43,732,826 |
| Pimco Total Return Fund | 6,473,534 | 70,367,314 | 5,977,552 | 64,856,442 |
| BlackRock, Inc. US Equity Index | 4,881,010 | 61,110,241 | | |
| Artisan International Fund | 1,580,116 | 31,333,701 | 2,578,393 | 55,951,134 |
| BlackRock, Inc. Large Cap Blend | | | 3,648,819 | 63,708,372 |
| Devon Energy Corporation Common Stock | 1,167,564 | 72,388,968 | 1,259,049 | 98,847,937 |
| SEI Stable Asset Fund | 42,927,580 | 42,927,580 | 33,365,497 | 33,365,497 |

During 2011, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows:

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| | |
|--------------------------|-----------------|
| Mutual funds | \$ (4,929,446) |
| Common collective trusts | (4,458,429) |
| Equity securities | (26,084,834) |
| | \$ (35,472,709) |

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN**NOTES TO FINANCIAL STATEMENTS CONTINUED****7. Related Party Transactions**

The Trustee and Devon are parties in interest as defined by ERISA. Certain plan investments are shares of mutual funds managed by Fidelity Management & Research Company, which is an affiliate of the Trustee. The Trustee also invests certain Plan assets in the Devon Stock Fund. Such transactions qualify as party-in-interest transactions permitted by the Department of Labor regulations.

8. Tax Status

The Internal Revenue Service (IRS) has determined and informed Devon by a letter dated April 16, 2010, that the Plan and related trusts are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Prior to April 16, 2010, the Plan operated under a determination letter dated August 1, 2002. Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions. There are currently routine IRS audits for the tax periods of 2008 and 2009 in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008. The plan administrator has responded to IRS requests for information in a timely manner and the IRS has made no adverse findings regarding the operation of the Plan.

9. Risk and Uncertainties

In general, the investments provided by the Plan are exposed to various risks, such as interest rate, credit and overall market volatility risks. Because of the risks associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

10. Reconciliation of Financial Statement to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2011 and 2010 to the Form 5500 to be filed by October 15, 2012.

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| Net assets available for benefits per the financial statements | \$ 609,462,840 | \$ 637,096,113 |
| Adjustment from contract value to fair value for interest in collective trust relating to fully benefit-responsive investment contracts | (198,924) | (543,173) |
| Net assets available for benefits per Form 5500 | \$ 609,263,916 | \$ 636,552,940 |

The following is a reconciliation of investment income per the financial statements to the Form 5500, to be filed by October 15, 2012, for the year ended December 31, 2011:

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| | |
|---|-----------------|
| Net investment loss per financial statements | \$ (27,506,051) |
| Interest income on notes receivable from participants | 478,752 |
| Adjustment from contract value to fair value for interest in collective trust relating to fully benefit-responsive investment contracts | 344,249 |
| Net investment income per Form 5500 | \$ (26,683,050) |

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2011

| Identity of issue, borrower, lessor or similar party | Description of investment | Number of shares or units | Current Value |
|--|---|------------------------------|------------------|
| Devon Energy Corporation** | Devon common stock | 1,167,564 | \$ 72,388,968 |
| Cash equivalent fund: | | | |
| The Vanguard Group | Vanguard Money Market Fund | 37,574,748 | 37,574,748 |
| Interest-bearing cash | Money-market securities | | 16,522,264 |
| Mutual Funds and Common Collective Trust: | | | |
| PIMCO Funds | PIMCO Total Return Fund | 6,473,534 | 70,367,314 |
| PIMCO Funds | PIMCO All Asset All Authority | 959,946 | 9,628,257 |
| Dwight Asset Management | SEI Stable Asset Fund | 42,927,580 | 42,927,580 |
| Artisan Partners Group LP | Artisan International Fund | 1,580,116 | 31,333,701 |
| Aberdeen | Aberdeen Emerging Markets Fund | 245,786 | 3,123,944 |
| Harbor Funds | Harbor International Fund | 298,786 | 15,671,314 |
| Neuberger Berman | Neuberger Berman High Yield Bond Fund | 858,593 | 7,650,062 |
| Blackrock, Inc. | US Equity Index | 4,881,010 | 61,110,241 |
| Blackrock, Inc. | International Equity Index | 2,201,226 | 20,845,608 |
| Invesco | Invesco Equity Real Estate Securities Trust | 36,529 | 2,811,266 |
| Western Asset | Inflation Indexed Plus Bond Portfolio | 1,205,864 | 14,289,491 |
| Equity Investments: | | | |
| ACCENTURE PLC CL A | Common stock | 17,050 | 907,571 |
| ALLERGAN INC | Common stock | 11,300 | 991,461 |
| ALLIANCE DATA SYSTEMS CORP | Common stock | 10,520 | 1,092,396 |
| AMAZON.COM INC | Common stock | 6,800 | 1,177,080 |
| AMERICAN TOWER CORP CL A (OLD) | Common stock | 16,180 | 970,962 |
| APPLE INC | Common stock | 6,780 | 2,745,900 |
| BAKER HUGHES INC | Common stock | 21,570 | 1,049,165 |
| CARDINAL HEALTH INC | Common stock | 28,380 | 1,152,512 |
| CITRIX SYSTEMS INC | Common stock | 14,420 | 875,582 |
| COACH INC | Common stock | 20,800 | 1,269,632 |
| DISCOVER FIN SVCS | Common stock | 50,710 | 1,217,040 |
| EBAY INC | Common stock | 38,060 | 1,154,360 |
| EXPEDITORS INTL OF WASH INC | Common stock | 26,240 | 1,074,790 |
| GOOGLE INC A | Common stock | 3,520 | 2,273,568 |
| HALLIBURTON CO | Common stock | 33,860 | 1,168,509 |
| HERSHEY CO (THE) | Common stock | 16,390 | 1,012,574 |
| JOHNSON & JOHNSON | Common stock | 18,820 | 1,234,216 |
| JOY GLOBAL INC | Common stock | 13,590 | 1,018,842 |
| ESTEE LAUDER COS INC CL A | Common stock | 8,320 | 934,502 |
| MARATHON OIL CORP | Common stock | 46,860 | 1,371,592 |
| MCDONALDS CORP | Common stock | 10,020 | 1,005,307 |
| MOSAIC CO NEW | Common stock | 23,150 | 1,167,455 |
| NORDSTROM INC | Common stock | 25,830 | 1,284,009 |
| ORACLE CORP | Common stock | 63,390 | 1,625,954 |
| PARKER HANNIFIN CORP | Common stock | 11,450 | 873,063 |
| PHILIP MORRIS INTL INC | Common stock | 15,790 | 1,239,199 |
| PRECISION CASTPARTS CORP | Common stock | 7,230 | 1,191,432 |
| QUALCOMM INC | Common stock | 30,780 | 1,683,666 |
| SM ENERGY CO | Common stock | 15,100 | 1,103,810 |
| SHERWIN WILLIAMS CO | Common stock | 14,350 | 1,281,025 |
| STARBUCKS CORP | Common stock | 26,870 | 1,236,289 |

| | | | |
|--------------|--------------|--------|-----------|
| STRYKER CORP | Common stock | 24,300 | 1,207,953 |
|--------------|--------------|--------|-----------|

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR) CONTINUED

DECEMBER 31, 2011

| Identity of issue, borrower, lessor or similar party | Description of investment | Number of shares or units | Current Value |
|--|---------------------------|------------------------------|------------------|
| TJX COMPANIES INC NEW | Common stock | 20,480 | 1,321,984 |
| TERADATA CORP | Common stock | 21,970 | 1,065,765 |
| TRANSDIGM GROUP INC | Common stock | 12,880 | 1,232,358 |
| VMWARE INC CL A | Common stock | 11,940 | 993,289 |
| WHOLE FOODS MARKET INC | Common stock | 15,420 | 1,072,924 |
| WYNN RESORTS LTD | Common stock | 10,180 | 1,124,788 |
| WILLIS GROUP HOLDINGS PLC | Common stock | 12,900 | 500,520 |
| AEROPOSTALE INC | Common stock | 10,400 | 158,600 |
| ALASKA AIR GROUP INC | Common stock | 2,200 | 165,198 |
| ALLIANT ENERGY CORPORATION | Common stock | 9,500 | 419,045 |
| AMEDISYS INC | Common stock | 15,800 | 172,378 |
| AMERIGROUP CORP | Common stock | 5,500 | 324,940 |
| BASIC ENERGY SERVICES INC | Common stock | 500 | 9,850 |
| BERKLEY (WR) CORP | Common stock | 15,800 | 543,362 |
| BLOCK H & R INC | Common stock | 33,500 | 547,055 |
| CMS ENERGY CORP | Common stock | 32,900 | 726,432 |
| CVR ENERGY INC | Common stock | 14,700 | 275,331 |
| CACI INTERNATIONAL INC CL A | Common stock | 6,300 | 352,296 |
| CASEY GENERAL STORES | Common stock | 9,000 | 463,590 |
| CENTERPOINT ENERGY INC | Common stock | 16,400 | 329,476 |
| CLEARWATER PAPER CORP | Common stock | 9,000 | 320,490 |
| COMERICA INC | Common stock | 10,800 | 278,640 |
| ASPEN INSURANCE HLDGS LTD | Common stock | 23,900 | 633,350 |
| AMDOCS LTD | Common stock | 16,000 | 456,480 |
| CROWN HOLDINGS INC | Common stock | 18,800 | 631,304 |
| CUBIC CORP | Common stock | 8,400 | 366,156 |
| CURTISS WRIGHT CORPORATION | Common stock | 7,900 | 279,107 |
| WHITE MOUNTAINS INS GROUP LTD | Common stock | 1,400 | 634,844 |
| DEVRY INC | Common stock | 10,100 | 388,446 |
| DIAMOND FOODS INC | Common stock | 9,600 | 309,792 |
| DIGITALGLOBE INC | Common stock | 20,300 | 347,333 |
| DIGITAL GENERATION INC | Common stock | 13,900 | 165,688 |
| DOMTAR CORP | Common stock | 4,200 | 335,832 |
| PARTNERRE LTD | Common stock | 7,800 | 500,838 |
| RENAISSANCERE HLDGS LTD | Common stock | 6,700 | 498,279 |
| EAST WEST BANCORP INC | Common stock | 8,400 | 165,900 |
| EHOSTAR CORP CL A | Common stock | 14,300 | 299,442 |
| EMCOR GROUP INC | Common stock | 12,400 | 332,444 |
| ENDO PHARMACEUTICALS HLDGS INC | Common stock | 15,000 | 517,950 |
| FTI CONSULTING INC | Common stock | 13,500 | 572,670 |
| FAIR ISSAC CORP | Common stock | 8,400 | 301,056 |
| FIRST REPUBLIC BANK | Common stock | 13,400 | 410,174 |
| GT ADVANCED TECHNOLOGIES INC | Common stock | 36,800 | 266,432 |
| GAMESTOP CORP CL A | Common stock | 19,200 | 463,296 |
| GLOBAL CASH ACCESS HLDGS INC | Common stock | 49,900 | 222,055 |
| GLOBAL PAYMENTS INC | Common stock | 10,000 | 473,800 |
| HCC INSURANCE HOLDINGS INC | Common stock | 19,100 | 525,250 |
| HAEMONETICS CORP MASS | Common stock | 9,300 | 569,346 |
| HANOVER INSURANCE GROUP INC | Common stock | 15,400 | 538,230 |
| HENRY (JACK) & ASSOCIATES INC | Common stock | 4,800 | 161,328 |

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|------------------------|--------------|--------|---------|
| HOLOGIC INC | Common stock | 19,300 | 337,943 |
| ICONIX BRAND GROUP INC | Common stock | 17,400 | 283,446 |
| IDACORP INC | Common stock | 14,600 | 619,186 |

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR) CONTINUED

DECEMBER 31, 2011

| Identity of issue, borrower, lessor or similar party | Description of investment | Number of shares or units | Current Value |
|--|---------------------------|------------------------------|------------------|
| IMPAX LABORATORIES INC | Common stock | 33,600 | 677,712 |
| KEMET CORP | Common stock | 32,600 | 229,830 |
| KEYCORP | Common stock | 36,100 | 277,609 |
| KIRBY CORP | Common stock | 5,600 | 368,704 |
| KULICKE & SOFFA INDUSTRIES INC | Common stock | 31,100 | 287,675 |
| LAM RESEARCH CORP | Common stock | 11,200 | 414,624 |
| LENDER PROCESSING SVCS INC | Common stock | 18,600 | 280,302 |
| LEXMARK INTERNATIONAL INC CL A | Common stock | 13,400 | 443,138 |
| LIFEPOINT HOSPITALS INC | Common stock | 12,800 | 475,520 |
| MFA FINANCIAL INC | Common stock | 89,400 | 600,768 |
| MARKEL CORP | Common stock | 1,200 | 497,604 |
| MEDICIS PHARMACEUTICAL CL A | Common stock | 14,900 | 495,425 |
| MEDNAX INC | Common stock | 7,300 | 525,673 |
| NETSCOUT SYSTEMS INC | Common stock | 9,300 | 163,680 |
| NEUSTAR INC CL A | Common stock | 8,000 | 273,360 |
| NEUTRAL TANDEM INC | Common stock | 18,700 | 199,903 |
| NEWPARK RESOURCES INC | Common stock | 17,600 | 167,200 |
| OGE ENERGY CORP | Common stock | 5,900 | 334,589 |
| OCWEN FINANCIAL CORP | Common stock | 26,500 | 383,720 |
| OSHKOSH CORP | Common stock | 1,100 | 23,518 |
| PATTERSON-UTI ENERGY INC | Common stock | 7,600 | 151,848 |
| PINNACLE WEST CAPITAL CORP | Common stock | 13,700 | 660,066 |
| POWER-ONE INC | Common stock | 68,300 | 267,053 |
| SXC HEALTH SOLUTIONS CORP | Common stock | 2,900 | 163,792 |
| SANDRIDGE ENERGY INC | Common stock | 34,200 | 279,072 |
| SILICON IMAGE INC | Common stock | 51,500 | 242,050 |
| SIRONA DENTAL SYSTEMS INC | Common stock | 6,800 | 299,472 |
| SUNOCO INC | Common stock | 10,200 | 418,404 |
| TELLABS INC | Common stock | 64,600 | 260,984 |
| TERADYNE INC | Common stock | 23,600 | 321,668 |
| TESSERA TECHNOLOGIES INC | Common stock | 28,500 | 477,375 |
| TOTAL SYS SVCS INC | Common stock | 21,400 | 418,584 |
| URS CORP NEW | Common stock | 9,800 | 344,176 |
| USEC INC | Common stock | 77,000 | 87,780 |
| UNISYS CORP NEW | Common stock | 11,200 | 220,752 |
| UNITED ONLINE INC | Common stock | 33,600 | 182,784 |
| VALASSIS COMMUNICATIONS INC | Common stock | 16,700 | 321,141 |
| VONAGE HOLDINGS CORP | Common stock | 116,400 | 285,180 |
| WASHINGTON POST CO CL B | Common stock | 1,000 | 376,810 |
| WELLCARE HEALTH PLANS INC | Common stock | 5,200 | 273,000 |
| WESTAR ENERGY INC | Common stock | 28,800 | 828,864 |
| WILEY (JOHN) & SONS INC CL A | Common stock | 8,600 | 381,840 |
| INGERSOLL RAND PLC | Common stock | 28,200 | 859,254 |
| ANGLOGOLD ASHANTI LTD SPON ADR | Common stock | 56,713 | 2,407,467 |
| AON CORP | Common stock | 34,900 | 1,633,320 |
| APACHE CORP | Common stock | 24,700 | 2,237,326 |
| BARRICK GOLD CORP | Common stock | 37,400 | 1,692,350 |
| CVS CAREMARK CORP | Common stock | 34,000 | 1,386,520 |
| CA INC | Common stock | 128,800 | 2,603,692 |
| CANADIAN NATL RESOURCES LTD | Common stock | 36,800 | 1,375,216 |

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|-------------------|--------------|--------|-----------|
| CISCO SYSTEMS INC | Common stock | 83,600 | 1,511,488 |
| CITIGROUP INC | Common stock | 53,250 | 1,401,008 |
| GENERAL MOTORS CO | Common stock | 36,700 | 743,909 |

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR) CONTINUED

DECEMBER 31, 2011

| Identity of issue, borrower, lessor or similar party | Description of investment | Number of shares or units | Current Value |
|--|---------------------------|------------------------------|------------------|
| GENWORTH FINANCIAL INC A | Common stock | 126,500 | 828,575 |
| GOLDMAN SACHS GROUP INC | Common stock | 11,400 | 1,030,902 |
| HALLIBURTON CO | Common stock | 14,800 | 510,748 |
| HARTFORD FINL SVCS GROUP INC | Common stock | 35,200 | 572,000 |
| HESS CORP | Common stock | 11,800 | 670,240 |
| JPMORGAN CHASE & CO | Common stock | 27,200 | 904,400 |
| LINCOLN NATIONAL CORP | Common stock | 31,100 | 603,962 |
| LOEWS CORP | Common stock | 38,300 | 1,441,995 |
| MERCK & CO INC NEW | Common stock | 25,100 | 946,270 |
| METLIFE INC | Common stock | 45,100 | 1,406,218 |
| MICROSOFT CORP | Common stock | 48,050 | 1,247,378 |
| MOTOROLA SOLUTIONS INC | Common stock | 22,342 | 1,034,211 |
| NRG ENERGY INC | Common stock | 27,700 | 501,924 |
| NOBLE ENERGY INC | Common stock | 14,000 | 1,321,460 |
| OCCIDENTAL PETROLEUM CORP | Common stock | 9,060 | 848,922 |
| PACCAR INC | Common stock | 21,750 | 814,973 |
| PFIZER INC | Common stock | 118,400 | 2,562,176 |
| PHILIP MORRIS INTL INC | Common stock | 10,450 | 820,116 |
| PITNEY-BOWES INC | Common stock | 27,650 | 512,631 |
| RAYTHEON CO | Common stock | 23,250 | 1,124,835 |
| SANOFI SPON ADR | Common stock | 64,000 | 2,338,560 |
| TALISMAN ENERGY INC (CANA) | Common stock | 118,800 | 1,514,700 |
| TEVA PHARMACEUTICAL IND ADR | Common stock | 29,200 | 1,178,512 |
| TIME WARNER INC | Common stock | 38,800 | 1,402,232 |
| UNION PACIFIC CORP | Common stock | 10,000 | 1,059,400 |
| UNUM GROUP | Common stock | 64,400 | 1,356,908 |
| VIACOM INC CL B | Common stock | 52,600 | 2,388,566 |
| WELLS FARGO & CO | Common stock | 58,500 | 1,612,260 |
| ADVISORY BOARD CO | Common stock | 9,394 | 697,129 |
| ANSYS INC | Common stock | 10,136 | 580,590 |
| ARIBA INC | Common stock | 14,202 | 398,792 |
| ARUBA NETWORKS INC | Common stock | 17,610 | 326,137 |
| BANKRATE INC | Common stock | 31,544 | 678,196 |
| BE AEROSPACE INC | Common stock | 17,521 | 678,238 |
| BJ'S RESTAURANTS INC | Common stock | 9,621 | 436,024 |
| BORGWARNER INC | Common stock | 4,687 | 298,749 |
| CARBO CERAMICS INC | Common stock | 2,641 | 325,715 |
| CATALYST HEALTH SOLUTIONS | Common stock | 13,152 | 683,904 |
| CHICAGO BRIDGE & IRON (NY REG) | Common stock | 20,488 | 774,446 |
| CHIPOTLE MEXICAN GRILL INC | Common stock | 2,010 | 678,857 |
| COMPLETE PRODUCTION SERVCS INC | Common stock | 8,213 | 275,628 |
| CONCUR TECHNOLOGIES INC | Common stock | 14,030 | 712,584 |
| CROCS INC | Common stock | 14,511 | 214,327 |
| EQUINIX INC | Common stock | 7,278 | 737,989 |
| EXLSERVICE HOLDINGS INC | Common stock | 13,108 | 293,226 |
| FARO TECHNOLOGIES INC | Common stock | 13,060 | 600,760 |
| GENESEE & WYOMING INC CL A | Common stock | 7,082 | 429,028 |
| GENTEX CORP | Common stock | 21,455 | 634,853 |
| HMS HOLDINGS CORP | Common stock | 29,700 | 949,806 |
| HEICO CORP | Common stock | 9,324 | 545,268 |

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|------------------------|--------------|--------|---------|
| HITTITE MICROWAVE CORP | Common stock | 6,646 | 328,179 |
| HOMEAWAY INC | Common stock | 12,816 | 297,972 |
| HUB GROUP INC CL A | Common stock | 7,914 | 256,651 |

DEVON ENERGY CORPORATION INCENTIVE SAVINGS PLAN

SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR) CONTINUED

DECEMBER 31, 2011

| Identity of issue, borrower, lessor or similar party | Description of investment | Number of shares or units | Current Value |
|--|---|------------------------------|------------------|
| HUNT J B TRANSPORT SERVICES IN | Common stock | 16,066 | 724,095 |
| KANSAS CITY SOUTHERN | Common stock | 12,215 | 830,742 |
| LUFKIN INDUSTRIES INC | Common stock | 3,742 | 251,874 |
| LULULEMON ATHLETICA INC | Common stock | 9,023 | 421,013 |
| NETSUITE INC | Common stock | 15,744 | 638,419 |
| NORTHERN OIL AND GAS INC | Common stock | 25,232 | 605,063 |
| PEGASYS INC | Common stock | 8,256 | 242,726 |
| POLYPORE INTERNATIONAL INC | Common stock | 5,268 | 231,739 |
| PORTFOLIO RECOVERY ASSOC INC | Common stock | 5,210 | 351,779 |
| QLIK TECHNOLOGIES INC | Common stock | 10,559 | 255,528 |
| QUESTCOR PHARMACEUTICALS INC | Common stock | 9,610 | 399,584 |
| RTI INTERNATIONAL METALS INC | Common stock | 9,189 | 213,277 |
| REALPAGE INC | Common stock | 25,402 | 641,909 |
| RUE21 INC | Common stock | 9,459 | 204,314 |
| SXC HEALTH SOLUTIONS CORP | Common stock | 16,385 | 925,425 |
| SALIX PHARMACEUTICALS LTD | Common stock | 15,025 | 718,946 |
| ULTA SALON COSMETICS & FRG INC | Common stock | 6,428 | 417,306 |
| ULTIMATE SOFTWARE GROUP INC | Common stock | 11,913 | 775,775 |
| UNDER ARMOUR INC CL A | Common stock | 5,828 | 418,392 |
| UNITED THERAPEUTICS CORP DEL | Common stock | 5,828 | 275,373 |
| VERIFONE SYSTEMS INC | Common stock | 18,145 | 644,510 |
| VOLCANO CORP | Common stock | 8,027 | 190,962 |
| WABTEC | Common stock | 6,165 | 431,242 |
| Brokerage Link** | Participant directed accounts including certain Fidelity investment funds | | 20,199,353 |
| | | | \$ 579,474,149 |

** Represents party in interest to the Plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator of the Plan has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 28, 2012

Devon Energy Incentive Savings Plan

/s/ Frank W. Rudolph

Frank W. Rudolph

Executive Vice President Human Resources