Taking a Proactive Approach
to Water Recycling in the Barnett Shale

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Outline

- Devon overview and current activity
- Overview of two waste waters in the Barnett
- Devon's proactive approach to water recycling
- Future activity in water recycling

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Devon Energy Overview

Who We Are and Current Activity

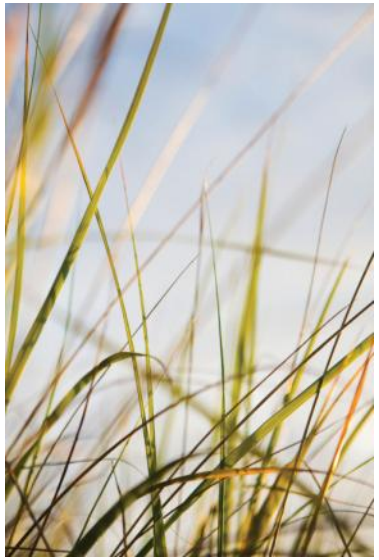
Who We Are

Oil and gas exploration and production company

Leading U.S.-based independent gas producer

Among the largest natural gas processors

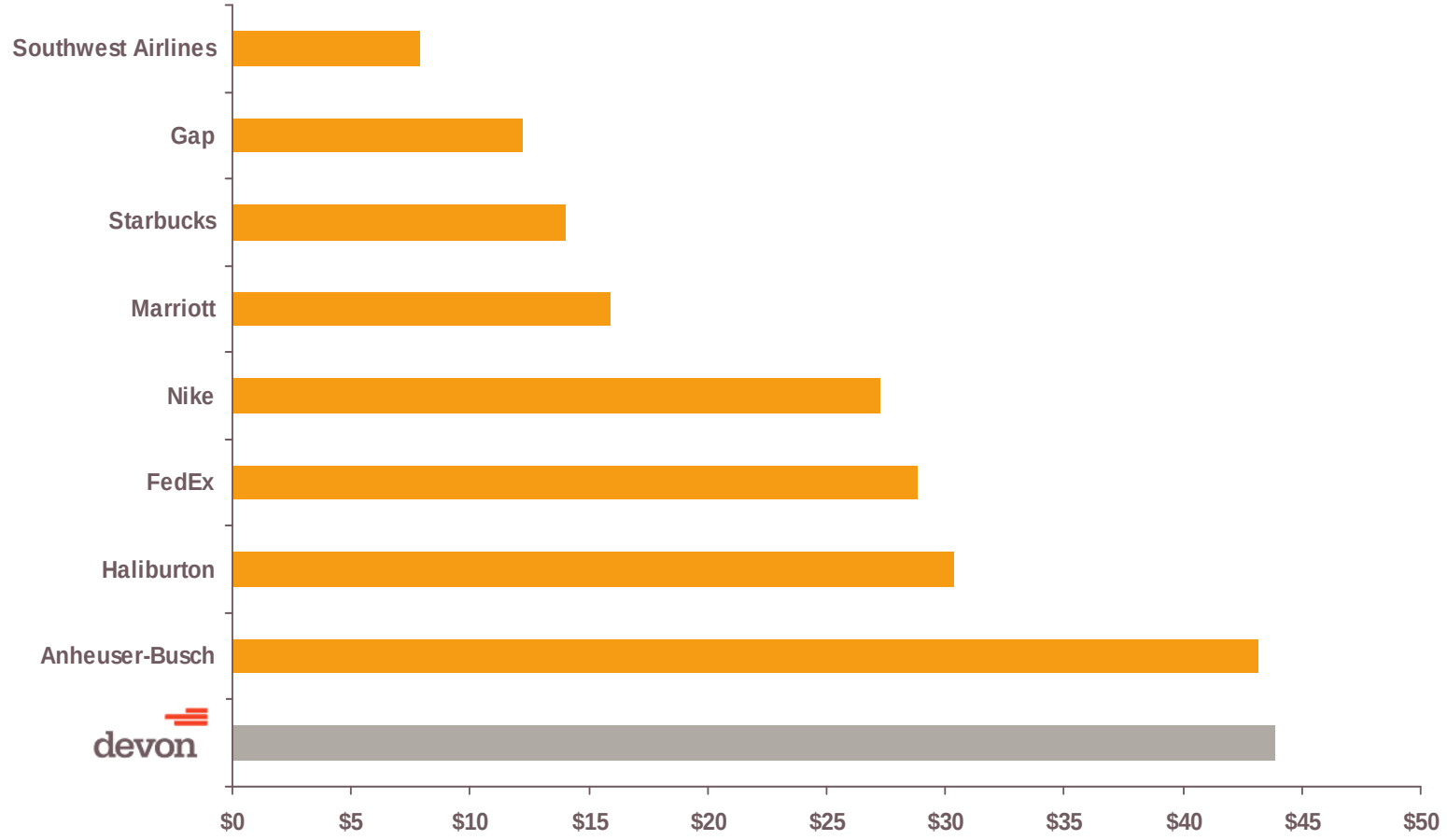
Actively involved in strategic acquisitions



Larger Than You Might Think...

Enterprise Value

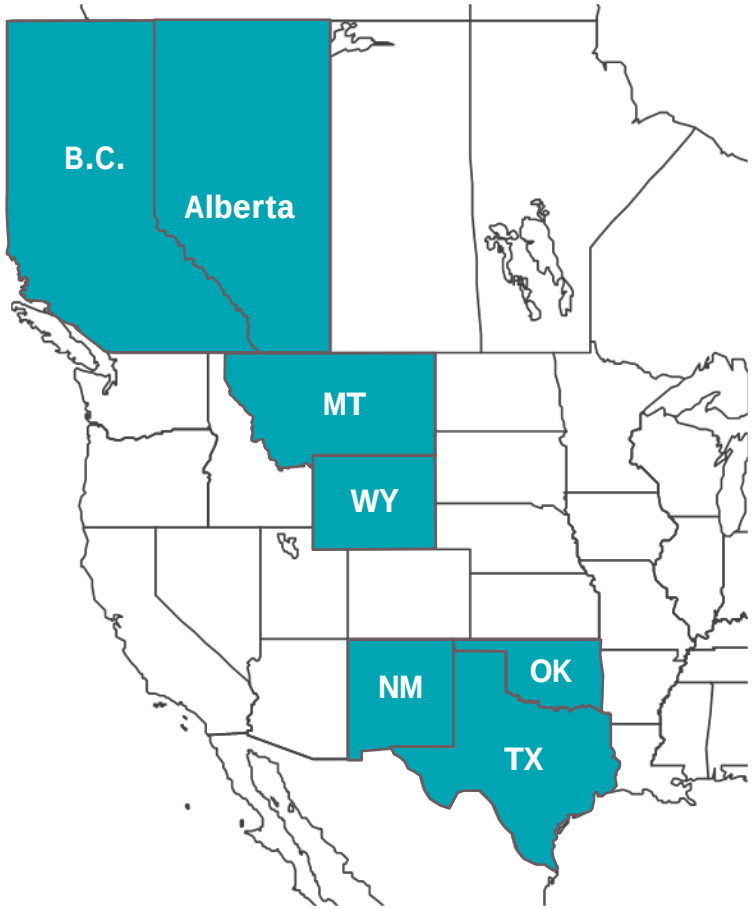
US$, Billions



Source: Enterprise Value as stated on Yahoo! Key statistics on February 6, 2008.

Devon's Worldwide Operations

North America Onshore Position



Alberta / B.C.	Largest U.S.-based independent producer Net acreage: ≈ 8,111,000 2008 plans: Drill ≈ 740 wells
Montana	2nd Largest independent gas producer Net acreage: ≈ 1,145,000 2008 plans: Drill ≈ 50 wells
Wyoming	Net acreage: ≈ 623,000 2008 plans: Drill ≈ 230 wells
New Mexico	Largest independent gas producer 3rd Largest independent oil producer Net acreage: ≈ 316,000 2008 plans: Drill ≈ 125 wells
Oklahoma	Net acreage: ≈ 295,000 2008 plans: Drill ≈ 175 wells
Texas	Largest independent gas producer Net acreage: ≈ 1,863,000 2008 plans: Drill ≈ 800 wells

Major player throughout western U.S. and Canada

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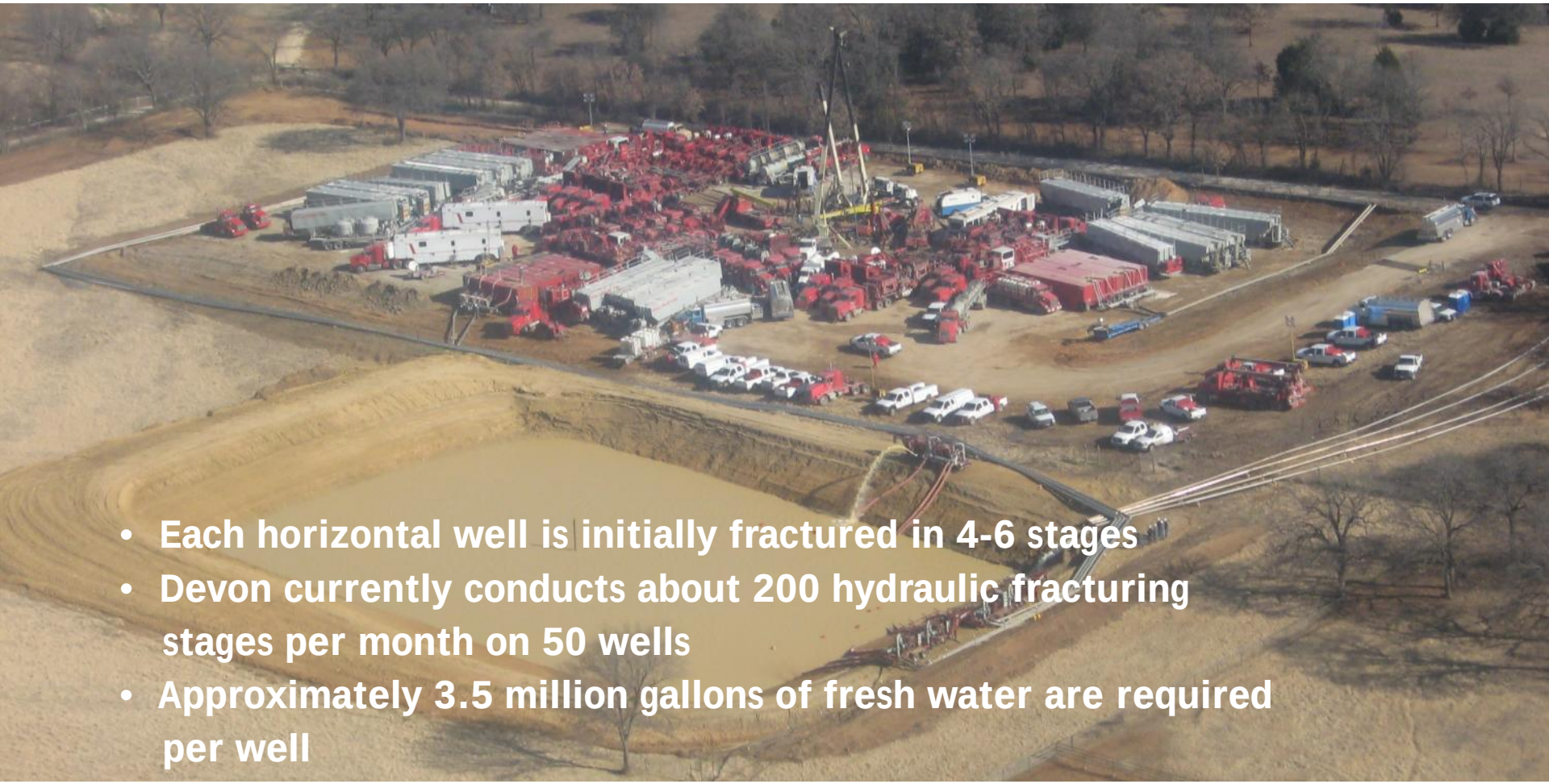
Current Activity in Fort Worth Basin Drilling

Producing wells:	≈ 3,200 wells
2005 activity:	Drilled 268 wells
2006 activity:	Drilled 383 wells
2007 activity:	Drilled 522 wells
2008 activity:	Project 600 wells

Devon's activity accounts for approximately 25% of the total drilling activity in the Barnett Shale.

Current Activity in Fort Worth Basin Fracturing



- Each horizontal well is initially fractured in 4-6 stages
- Devon currently conducts about 200 hydraulic fracturing stages per month on 50 wells
- Approximately 3.5 million gallons of fresh water are required per well

Trifecta Frac

Johnson County

Two Different Waste Waters in the Barnett Shale

Overview

Flow-back vs. Produced Water

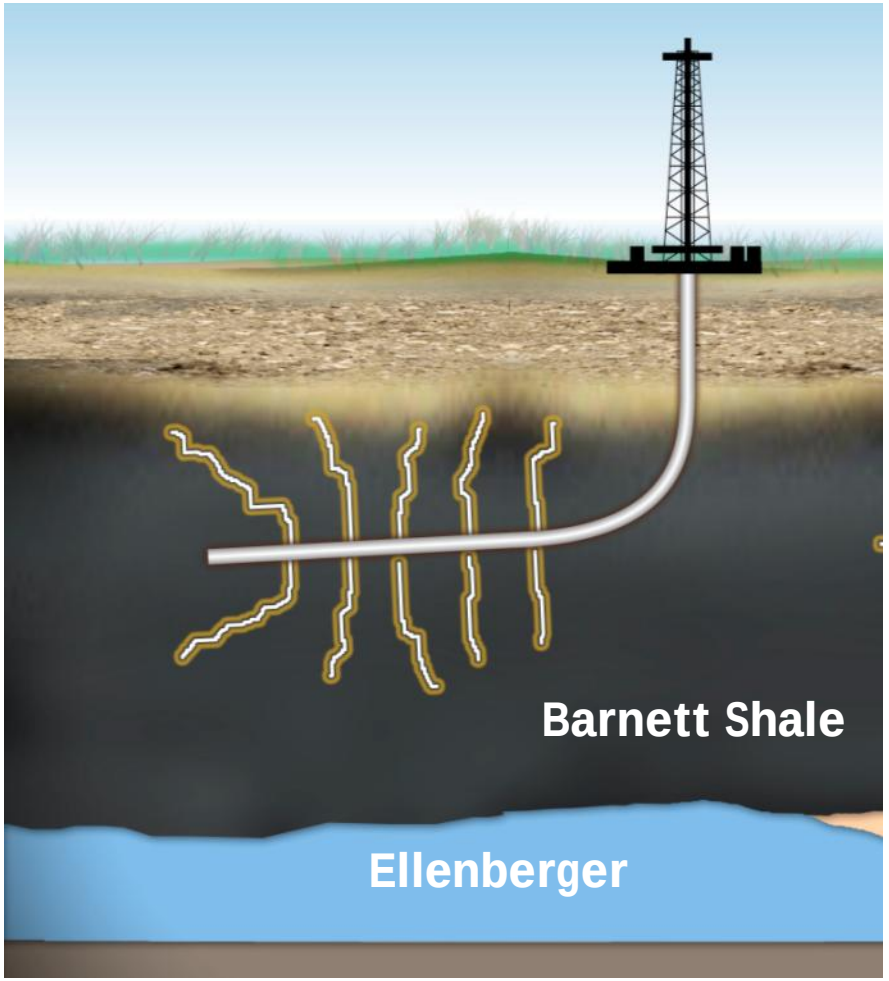
Flow-back Water

- Water recovered immediately following the fracture stimulation of the Barnett
- Chloride content begins near zero then rises to 40-50,000 ppm
- 20-30% of the volume pumped during frac is recovered in first 2-3 weeks following the frac
- Devon is recycling 90-100% of the flow-back water recovered

Flow-back vs. Produced Water

Produced Water

- Water pre-existing in the Barnett or the formation below, Ellenberger
- Chloride content 60,000 to 100,000 ppm
- Some amount of water is produced for life of the well
- Amount produced varies with each well from near zero to 400-500 bbls/day
- Disposed by re-injecting into the Ellenberger formation



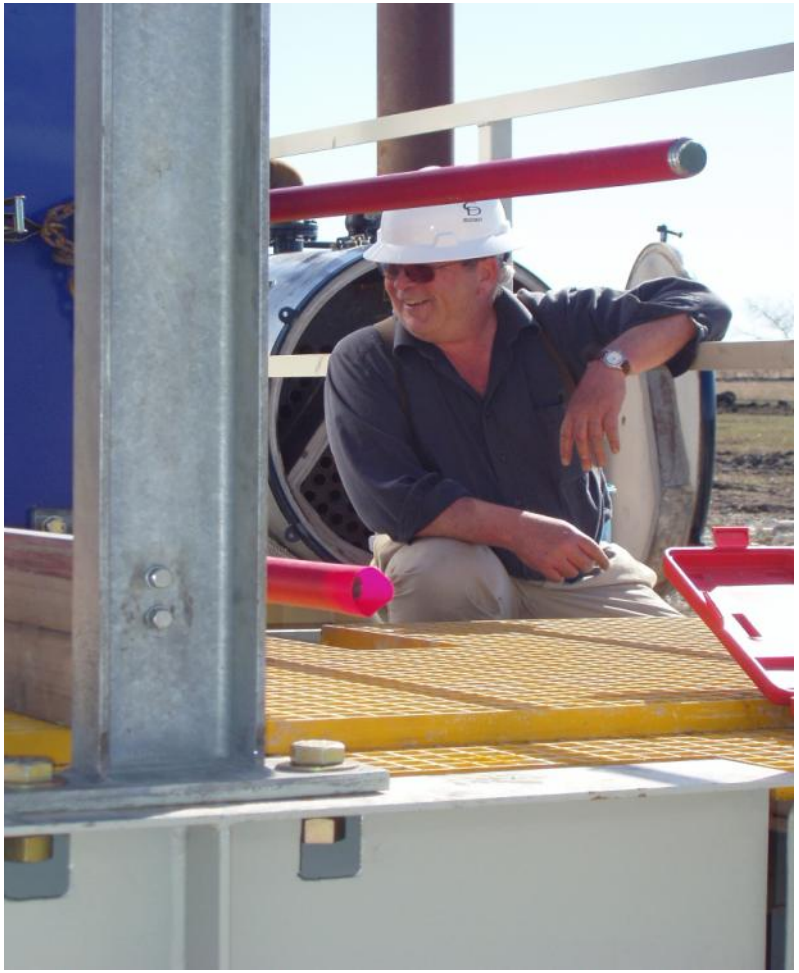
Devon’s Proactive Approach to Water Recycling

Devon: Proactive Approach to Water Recycling

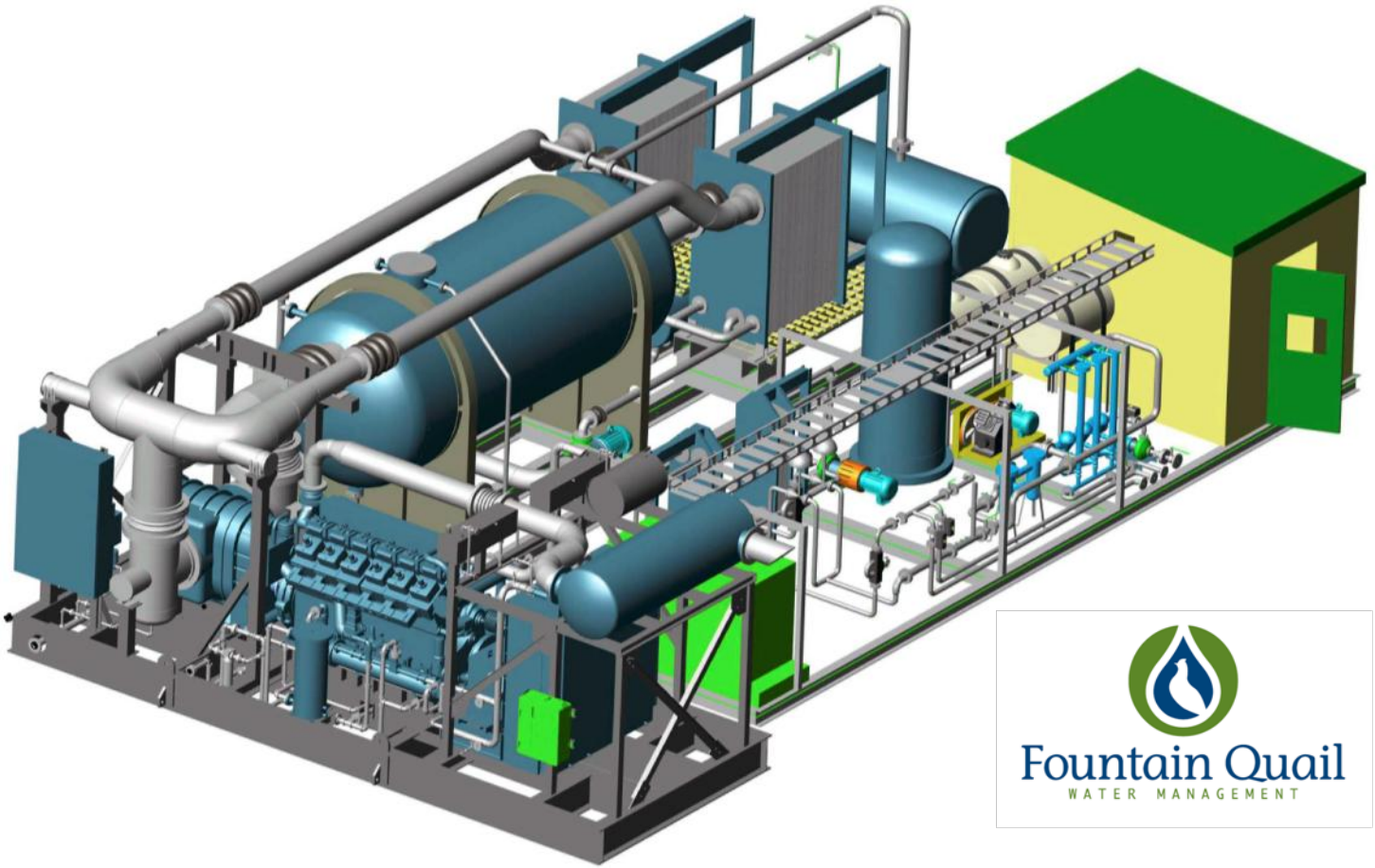
- Piloted two technologies:
  - Mobile heated distillation system
  - Sequential filtration/ reverse osmosis
- Actively participates in a Barnett Shale industry group:
  - Barnett Shale Water Conservation and Management Committee

Mobile Heated Distillation System (NOMAD)

- Technology approved by the Railroad Commission of Texas in 2005
- Implemented in 2005 in partnership with Fountain Quail Water Management
- Vaporizes the frac flow-back wastewater and condenses it into clean, distilled water
- Remaining concentrated water removed for disposal or utilized for controlling pressures in another well completion as a “kill fluid”



NOMAD Water Distillation Unit



Fountain Quail
WATER MANAGEMENT

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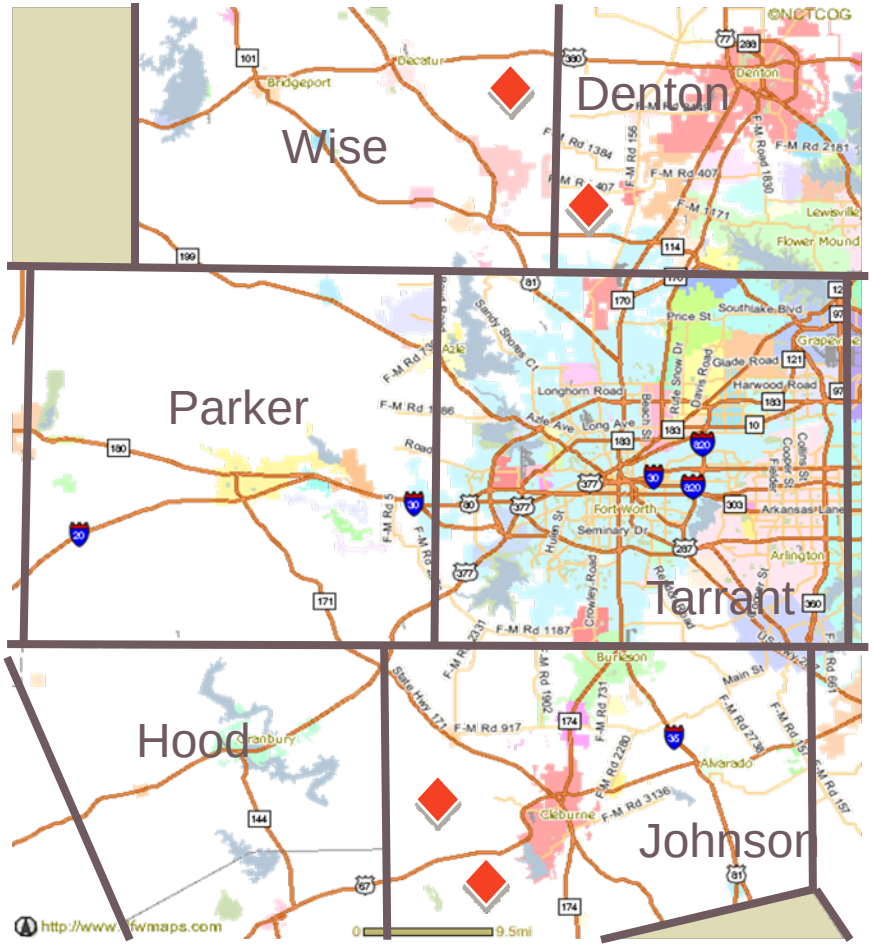
NOMAD Water Recycling Locations

Devon currently has 9 NOMAD units operating at four (4) strategic locations:

- Blakely (SW Denton Co.)
- Johnson Ranch (E Wise Co.)
- Godley (W Johnson Co.)
- Circle R (W Johnson Co.)



Johnson County Site

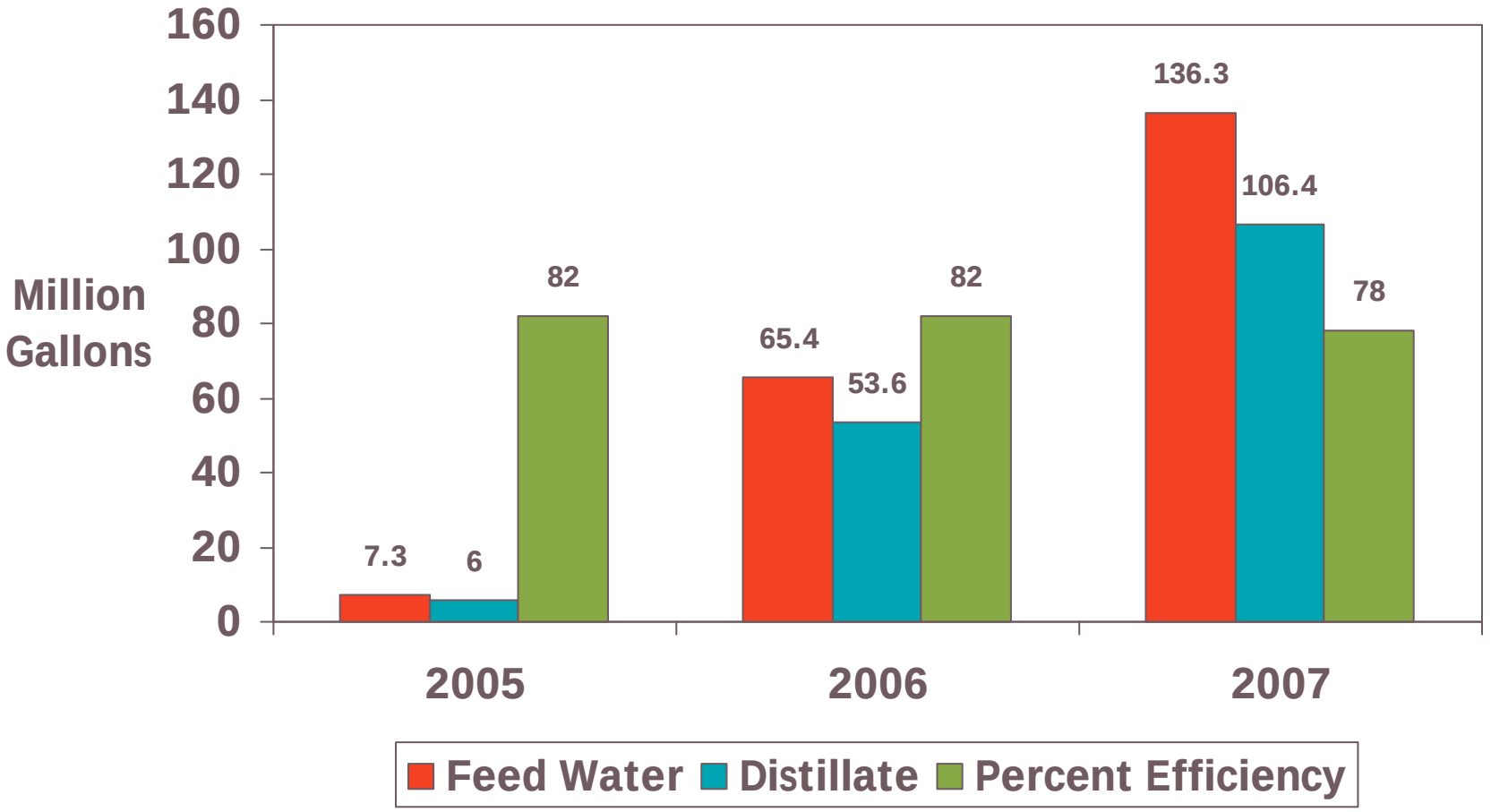
NOMAD Water Recycling Results

- 5 million barrels processed (210 million gallons) processed
- 4 million barrels of distilled water generated
- 50 wells fraced with recycled water

Sequential Filtration Reverse Osmosis

- Approved for pilot program by the Railroad Commission of Texas in 2006
- Tested two systems in 2007
- Limited capability at this time
- Low efficiency
- Further testing required

Water Processed by Year



January 2008
Cost & Production Report

Feed Water	338,974 Bbls
Fresh Water Produced	271,179 Bbls
Concentrate Produced	67,795 Bbls
Efficiency	80%
Total Cost of Processing	$874,552
Trucking Cost	$491,512
Concentrate Disposal	$135,590
Cost per BBL	$4.43/Bbl
Value of Fresh Water	$366,091
Net Disposal Cost	$3.35/Bbl

Future Activity in Water Recycling

Barnett Shale Water Conservation and Management Committee (BSWCMC)

- Committee formed in 2006
- Facilitated by Dr. Tom Hayes, GTI
- Comprised of 14 operators in the Barnett Shale
- Meet monthly to discuss emerging technologies

BSWCMC Activities

- Reviewed presentations on six recycling technologies
- Reviewed presentations from Tarrant Regional Water District and Brazos River Authority on water availability
- Completed industry water use survey for submission to Texas Water Development Board for study completed in 2007
- Facilitated fracturing expert panel focused on water qualities required for completing a successful Barnett frac

BSWCMC Activities

- Submitting proposal to Research Partnership to Secure Energy for America (RPSEA) for assistance in future research involving the following participants:
  - University of Texas
  - Bureau of Economic Geology
  - Illinois Institute of Technology
  - Texerra
  - GeoPure/Texas A&M
  - Gas Technology Institute

Conclusions

Conclusions

- Conservation, recycling and reuse of water continue to be top of mind in the Barnett Shale region
- The ability to recycle "flow-back" has increased dramatically in a very short time through a proactive approach by companies like Devon and Fountain Quail
- As current technologies advance and future technologies emerge, the opportunities are unlimited for gas producers to lead the way in effective stewardship of our region's most valuable resources

Thank You.