

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the United States Department of the Interior, Office of Natural Resources Revenue (“ONRR”) (collectively the “United States”) and Devon Energy Corporation, Devon Energy Corporation (Oklahoma), and Devon Energy Production Company, LP (collectively “Devon”) (hereafter collectively referred to as “the Parties”), through their authorized representatives.

RECITALS

A. Devon Energy Corporation is a Delaware corporation. Devon Energy Corporation (Oklahoma) is an Oklahoma corporation. Devon Energy Production Company, LP (“DEPCO”) is an Oklahoma limited partnership. DEPCO is an oil and natural gas exploration and production company. DEPCO is a wholly owned subsidiary of Devon Energy Corporation.

B. DEPCO has produced, and currently produces, natural gas and natural gas liquids (collectively “gas”) from federal leases. The leases and agreements at issue in this Agreement (“Leases”) are limited to the Powder River Basin Conventional and the San Juan Basin and identified by lease number in Exhibit A to this Agreement.

C. The term “Marketable Condition” is used in this Agreement as it is in 30 C.F.R. §§ 1206.151, 1206.152, 1206.153, 1206.157, and 1206.158 (2014).

D. The U.S. Department of Justice and the Department of the Interior, Office of the Inspector General, have investigated allegations that Devon failed properly to pay

royalties to ONRR in connection with the costs of putting natural gas produced from the Leases in Marketable Condition.

E. The United States contends that it has certain civil and administrative claims against Devon for deducting from its royalty payments the costs of putting gas in Marketable Condition, which resulted in Devon inaccurately and falsely reporting, underpaying royalties, and overstating transportation and processing allowances, with respect to the Leases, time periods, and Product Codes identified in Exhibit A. The conduct described in this Paragraph is referred to herein as the “Covered Conduct.”

F. Devon disputes the contentions of the United States.

G. This Settlement Agreement is neither an admission of liability by Devon nor a concession by the United States that its claims are not well founded.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. Devon shall pay to the United States \$6,150,000 (six million, one hundred and fifty-thousand dollars) (“Settlement Amount”), by electronic funds transfer pursuant to written instructions to be provided by the United States Attorney’s Office for the District of Colorado no later than twenty (20) days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, in consideration of the obligations of Devon set forth in this Agreement, and conditioned on Devon’s full payment of the Settlement Amount as specified in Paragraph

1 above, the United States releases Devon, together with its predecessors, successors, assigns, and affiliates, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Federal Oil and Gas Royalty Management Act (FOGRMA), 30 U.S.C. § 1722; the Mineral Leasing Act, 30 U.S.C. § 195(c); or the common law theories of breach of contract, payment by mistake, unjust enrichment, disgorgement, fraud, and negligent misrepresentation.

3. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, in consideration of the obligations of Devon set forth in this Agreement, and conditioned on Devon's full payment of the Settlement Amount as specified in Paragraph 1 above, the U.S. Department of the Interior releases Devon, together with its predecessors, successors, assigns, and affiliates, from any civil or administrative monetary claim the U.S. Department of the Interior has for the Covered Conduct under federal mineral leasing statutes and regulations that govern the reporting, calculation and payment of royalty on federal natural gas leases; and FOGRMA, 30 U.S.C. § 1719, including all claims, demands, and orders for administrative and civil penalties, interest, refunds, to perform restructured accounting, audits, compliance reviews, and data requests. For purposes of 30 U.S.C. §1713(b), the U.S. Department of the Interior acknowledges Devon is not required to maintain records relating to the Covered Conduct for any periods prior to September 1, 2015.

4. Notwithstanding the releases given in Paragraphs 2 and 3 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;
- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due; and
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct;
- j. Any liability for time periods other than those expressly identified in Exhibit A; and
- k. Any liability at issue in the following matters: (A) Order to Perform Restructured Accounting and to Pay Additional Royalties, dated April 15, 2016 (Case No. ONRR-09-01130), appealed in IBLA 2016-200, appealed in U.S. Dist. Court for the Western Dist. of Oklahoma, Civil Action No. 5:20-cv-00053 D; and (B) Order to Report and Pay Additional Royalties, dated October 2, 2012 (Case No. 09-01221.002),

appealed in ONRR-12-0083-O&G, Decision of the ONRR Director, dated June 22, 2015, appealed in IBLA-2015-0216, appealed in U.S. Dist. Court for Wyoming, Civil Action No. 16-CV-000161-ABJ, remanded by Order, dated September 11, 2019.

5. Devon is not required to revise, amend, file, or refile with ONRR any papers or adjustments including Form ONRR 2014s, transportation and processing allowances, production OGOR reports, or any other papers concerning the matters settled herein. Devon agrees to cooperate fully with ONRR as ONRR takes action to implement technical corrections in its system in relation to Devon's payment made in accordance with the terms of this Settlement Agreement.

6. Devon fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Devon has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

7. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Devon, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;

- (3) Devon's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment Devon makes to the United States pursuant to this Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Devon, and Devon shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, Devon shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Devon or any of its subsidiaries or affiliates from the United States. Devon agrees that the United States, at a minimum, shall be entitled to recoup from Devon any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Devon's books and records and to disagree with any calculations submitted by Devon or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments

previously sought by Devon, or the effect of any such Unallowable Costs on the amount of such payments.

8. It is expressly understood and agreed that this Agreement is executed for the sole purpose of settling the claims for the Covered Conduct. No Party shall be deemed to have approved, accepted, or consented to any concept, method, theory, principle, or to any statutory, regulatory, or contractual interpretation underlying, or purportedly underlying, any of the matters agreed to herein or raised in connection with the Covered Conduct. This Agreement shall have no precedent setting value and shall not be binding on any Party as to any issues, leases, royalty payments, or any time periods, other than those specifically addressed by the Covered Conduct.

9. This Agreement is intended to be for the benefit of the Parties only.

10. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

11. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

12. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for either the District of Colorado or the Western District of Oklahoma. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

13. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

14. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

15. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

16. This Agreement is binding on Devon's successors, transferees, heirs, and assigns.

17. All Parties consent to the United States' and Devon's disclosure of this Agreement, and information about this Agreement, to the public.

18. This Agreement is effective on the date of signature of the last signatory to the Agreement ("Effective Date of this Agreement"). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

DATED: 9/24/21 BY: Gregory Pearson
Gregory Pearson
Trial Attorney
Commercial Litigation Branch
Civil Division
United States Department of Justice

DATED: _____ BY: _____
Amanda Rocque
Deputy Civil Chief
United States Attorney's Office
District of Colorado

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THE UNITED STATES OF AMERICA

DATED: _____

BY: _____

Gregory Pearson
Trial Attorney
Commercial Litigation Branch
Civil Division
United States Department of Justice

DATED: 9-24-21

BY: Amanda Rocque

Amanda Rocque
Deputy Civil Chief
United States Attorney's Office
District of Colorado

THE U.S. DEPARTMENT OF THE INTERIOR

This action is taken pursuant to delegated authority.

DATED: _____

BY: **RACHAEL TAYLOR** _____

Digitally signed by
RACHAEL TAYLOR
Date: 2021.09.20
16:29:41 -04'00'

Rachael S. Taylor
Principal Deputy Assistant Secretary
Policy, Management and Budget
U.S. Department of the Interior

DEVON ENERGY CORPORATION
DEVON ENERGY CORPORATION (OKLAHOMA)
DEVON ENERGY PRODUCTION COMPANY, L.P.

DATED: _____

BY: _____
Dennis C. Cameron, Executive Vice President
and General Counsel

THE U.S. DEPARTMENT OF THE INTERIOR

DATED: _____

BY: _____

Rachael S. Taylor
Principal Deputy Assistant Secretary
Policy, Management and Budget
U.S. Department of the Interior

DEVON ENERGY CORPORATION
DEVON ENERGY CORPORATION (OKLAHOMA)
DEVON ENERGY PRODUCTION COMPANY, L.P.

DATED: 9/1/2021

BY:  _____

Dennis C. Cameron, Executive Vice President
and General Counsel

MBM

Exhibit A to the Settlement Agreement

Powder River Basin: Conventional Gas

Product Codes: 03, 04, 07, and 15

Sales Months: January 2009 to December 2019

0480443770	0490093830	0491072390	0491549270	0491845790
0480476100	0490099440	0491072460	0491565360	0500075270
0480476110	0490139460	0491072470	0491567480	0500095840
0480611880	0490155730	0491072480	0491567490	0501550480
0480746900	0490155740	0491072510	0491583520	048045537A
0480893650	0490243800	0491072530	0491731180	048093721A
0480937210	0490302110	0491072590	0491737590	048202988B
0481034110	0490302270	0491110810	0491742330	048241794A
0481034530	0490307480	0491121410	0491742340	048313182A
0481438200	0490317050	0491129190	0491744790	048314351A
0481481070	0490320150	0491204390	0491750510	048314362A
0481514540	0490328250	0491232150	0491750530	048325478B
0481926360	0490328260	0491244580	0491750540	049007526A
0481959020	0490337850	0491244590	0491756370	049034720A
0481973880	0490338010	0491300490	0491756410	
0482417940	0490351840	0491317060	0491761170	
0482417970	0490366750	0491322280	0491761400	
0482417980	0490399480	0491326030	0491761700	
0482585230	0490399490	0491335820	0491761870	
0482637400	0490436830	0491335950	0491761880	
0482666270	0490441680	0491336050	0491761900	
0482711220	0490474370	0491348820	0491761950	
0482711230	0490498810	0491355690	0491761960	
0482711240	0490511990	0491369390	0491761990	
0482751690	0490518670	0491396620	0491762000	
0482873990	0490525030	0491402300	0491765240	
0482970270	0490569250	0491444900	0491770980	
0482971090	0490582190	0491444910	0491773440	
0483113860	0490585370	0491451380	0491773470	
0483119660	0490595750	0491472750	0491773550	
0483131820	0490604100	0491473010	0491776720	
0483143610	0490619380	0491473100	0491776770	
0483145380	0490630290	0491517070	0491776910	
0483168980	0490647820	0491531110	0491801520	
0483169060	0490700560	0491531120	0491801530	
0483236880	0490803210	0491531130	0491803380	
0483242390	0490803220	0491531140	0491806040	
0483254740	0490805390	0491549120	0491806880	
0490040650	0490975240	0491549130	0491810760	
0490070830	0490990130	0491549180	0491817310	
0490075260	0491045390	0491549190	0491817340	
0490077830	0491049170	0491549200	0491820850	
0490085100	0491072350	0491549220	0491840540	

Exhibit A to the Settlement Agreement

San Juan Basin: Conventional Gas

Product Codes: 03, 04, and 07

Sales Months: January 2009 to March 2016

0290033560
0290033570
0290033580
0290038450
0290050580
0290142260
0300287580
0820789700
0820789880
0820790030
0820790100
0820790420
0820790430
0820790450
0820790600
0820790730
0820790820
0820805570
029013706A
0820786150
0820795110
082078581A
082079001A

San Juan Basin: Val Verde CBM Gas

Product Code 39

Sales Months: January 2009 to March 2016

892000929B (unit agreement)
891000569C (unit agreement)