

# *devon*

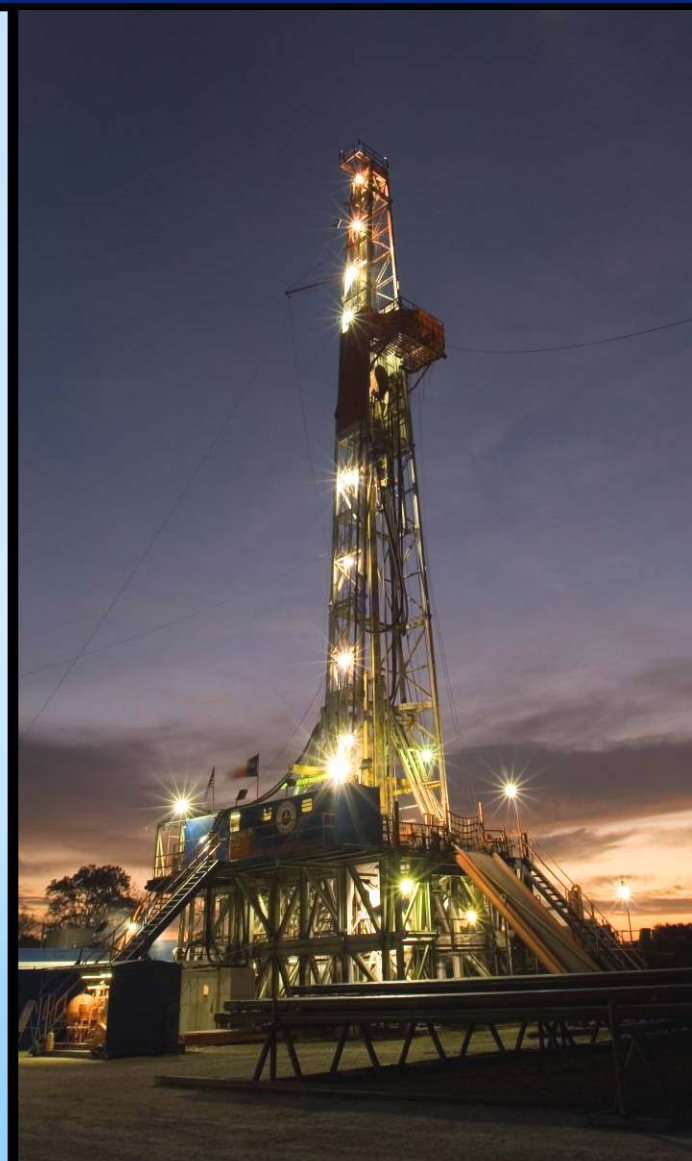
**Barnett Shale Day**

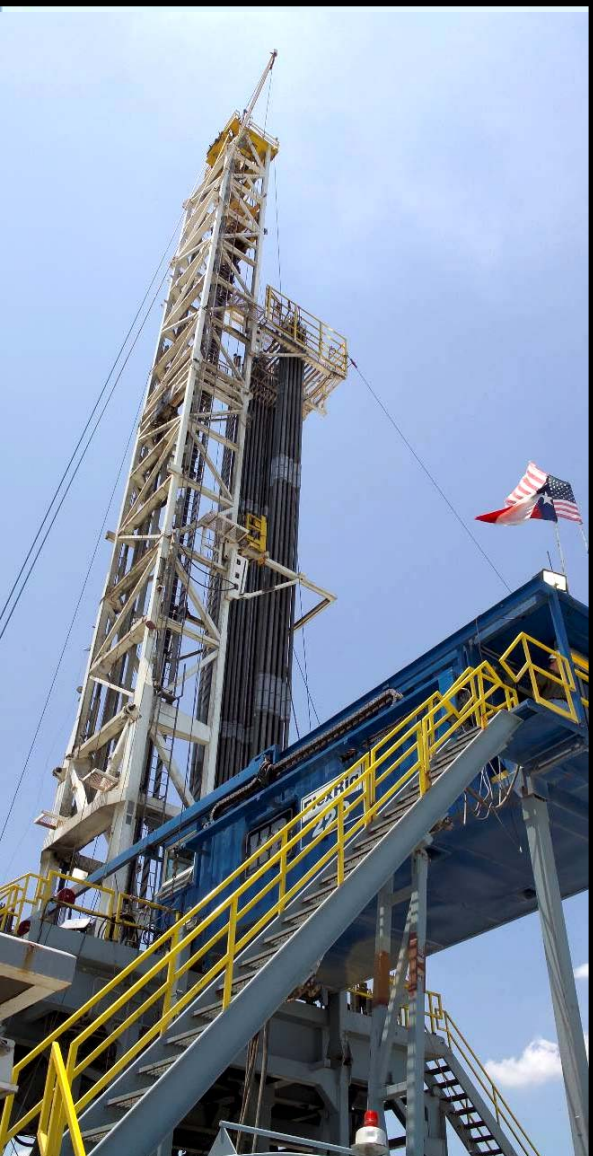
**Austin, Texas**

**March 27, 2007**

## Economic and Fiscal Impact Studies

- Devon Energy commissioned two Economic and Fiscal Impact Studies covering its operations in the North Texas Area
  - First study released in October 2004 included Wise, Denton and Tarrant Counties (original “Core Area”) for Devon Energy 2003 Operations.
  - Second study released in November 2006 included expanded nine county area for Devon Energy 2005 Operations.
- Both studies prepared by Bernard L. Weinstein, Ph.D. and Terry L. Clower, Ph.D., Professor and Assistant Professor of Applied Economics at the University of North Texas





## Economic and Property Income Impacts of Devon's Operations in North Central Texas \* 2005

Description	Impact
<b>Total Impacts Exploration, Drilling, and Production Activities</b>	
Expenditures	\$ 833,850,000
Total Economic Activity Supported	\$ 1,363,412,000
Total Labor Income	\$ 410,717,000
Total Employment (jobs)	8,844

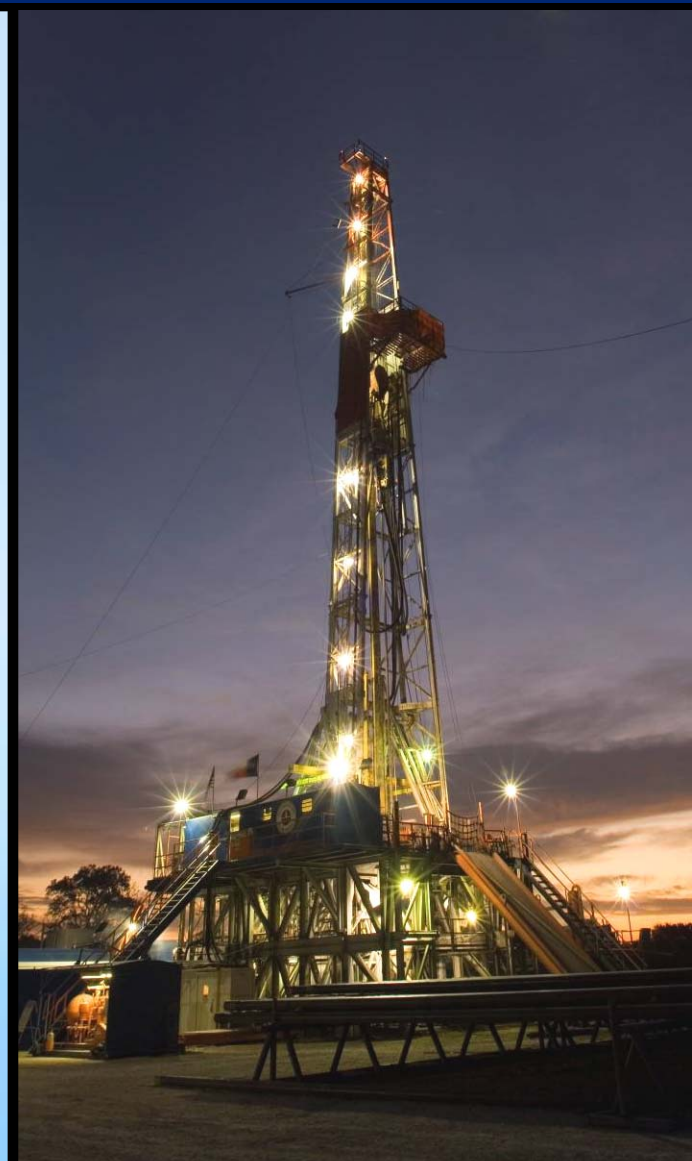
- Denton, Erath, Hill, Hood, Johnson, Palo Pinto, Parker, Tarrant, and Wise counties

# Economic Impact



## Economic and Property Income Impacts of Devon's Operations on the Overall Texas Economy 2005

Description	Impact
<b>Total Impacts Exploration, Drilling, and Production Activities</b>	
Expenditures	\$ 833,850,000
Total Economic Activity Supported	\$ 1,703,460,000
Total Labor Income	\$ 564,382,000
Total Employment (jobs)	11,168





## Fiscal Impacts of Devon's North Texas Operations 2005

Description	Impact
State Severance Taxes*	\$ 62,449,000
Local Property Taxes*	
County and County Entities^	\$ 8,008,000
Municipalities	\$ 1,112,000
Public School Districts	\$ 35,578,000
Other Taxing Entities+	\$ 94,000
Total Local Property Taxes	\$ 44,792,000
Indirect and Induced State and Local Tax Revenues	\$ 29,307,000
Estimated Total State Tax Revenues@	\$ 135,000,000 - \$ 150,000,000

\* Based on activities in Denton, Erath, Hill, Hood, Johnson, Palo Pinto, Parker, Tarrant, and Wise counties.

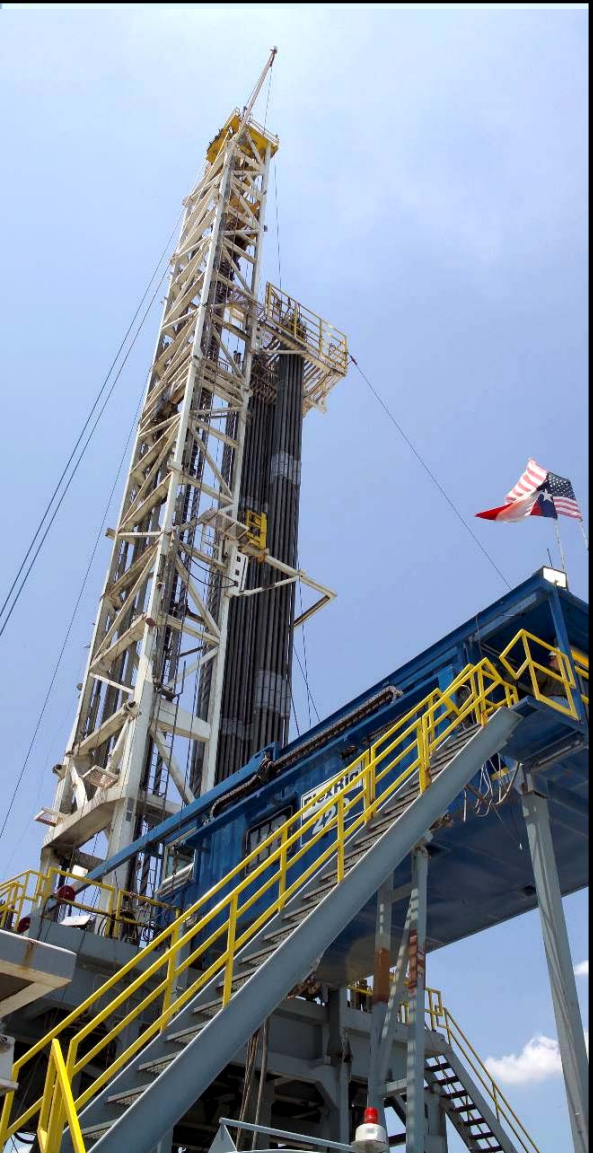
^ Includes counties, county hospital districts, county community college districts, special county taxing entities such as road districts.

+ Includes water districts and other entities.

@ Estimates of direct sales and use tax payments are not available, but likely total several million dollars each year.

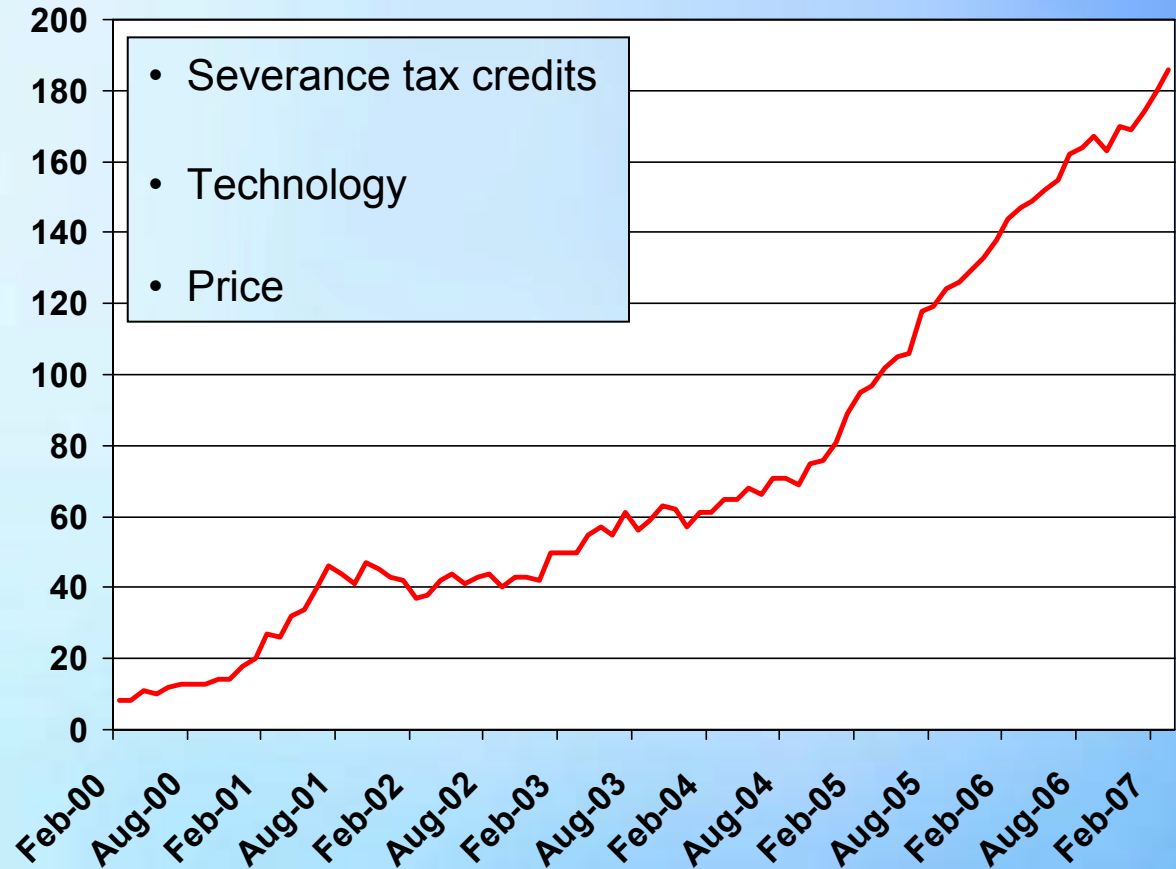
# Regulatory History of Barnett Shale

## Tight Gas Sand Designations



- December 13, 1985, FERC issued order designating – all of Wise County, western half of Denton County and northwest quarter of Tarrant County as a tight gas sand formation.
- October 7, 2003 the Railroad Commission of Texas issues Final Order designating the Barnett Shale Formation in Johnson, Tarrant, Hood, Palo Pinto, Parker, Clay, Denton, Jack, Montague, and Wise Counties as a tight gas sand formation.
- June 6, 2006 the Railroad Commission of Texas issues Final Order expanding the Barnett Shale Formation tight gas sand designation to include all of Erath County.
- October 10, 2006 the Railroad Commission of Texas issues Final Order expanding the Barnett Shale Formation tight gas sand designation to include all of Hill county.

# Barnett Shale Rig Count by Month



## North Texas Area Gas Production and Severance Taxes 2003 – 2006<sup>(1)</sup>

Year	Devon Production (BCF)	Devon Severance Taxes (\$MM)	Industry Production (BCF)	Estimated Industry Severance Tax <sup>(2)</sup>
2003	233.7	\$54.3	331.9	\$77.1
2004	252.3	\$73.7	409.6	\$119.6
2005	255.2	\$62.4	528.9	\$129.3
2006	275.3	\$68.4	736.0	\$182.9
<b>Total</b>	<b>1,016.5</b>	<b>\$258.8</b>	<b>2,006.4</b>	<b>\$508.9</b>

(1) Includes Boonesville Bend Conglomerate Gas reservoir data in Barnett Shale Area.

(2) Assumption made that industry effective severance tax rate is same as rate paid by Devon.

Production data source: PI Dwigths