

DEVON ENERGY CORP/DE

FORM 425

(Filing of certain prospectuses and communications in connection with business combination transactions)

Filed 08/14/01

Address	333 W. SHERIDAN AVENUE OKLAHOMA CITY, OK 73102
Telephone	4055528183
CIK	0001090012
Symbol	DVN
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Fiscal Year	12/31

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Sector	Energy
Fiscal Year	12/31



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NEWS RELEASE

FOR IMMEDIATE RELEASE

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DEVON ENERGY TO ACQUIRE MITCHELL ENERGY FOR \$3.5 BILLION

OKLAHOMA CITY, and THE WOODLANDS, TEXAS — AUGUST 14, 2001 — Devon Energy Corporation (AMEX: DVN, TSE: NSX) and Mitchell Energy & Development Corp. (NYSE: MND) announced today that Devon will acquire Mitchell for cash and stock. With the acquisition, Devon will become the second largest independent natural gas producer in the United States.

“The Mitchell properties fit perfectly with our long-term objectives,” said J. Larry Nichols, Chairman, President and CEO of Devon. “The reserves are concentrated — nearly all in Texas, 71 percent natural gas with an impressive growth curve. In addition to the oil and gas properties, we will also acquire one of the largest suites of U. S. midstream assets of any independent. We believe this transaction can deliver significant growth in per share value, as Devon’s shareholders have come to expect.”

George P. Mitchell, Chairman and CEO of Mitchell, said, “This transaction provides important benefits to our shareholders and employees. It provides significant value while retaining a unique opportunity to participate in the exciting upside potential of Devon. Our shareholders and employees will benefit from becoming part of a larger, stronger and more diversified company.”

Benefits of the Transaction

- Accretive to Devon’s reserves per share, production per share, cash margin per share and earnings per share.
- Expands Devon’s year-end reserve base by approximately 38 percent, adding a new high-growth core area.
- Complements and expands Devon’s established midstream business, adding critical mass in the strategically located Dallas/Fort Worth market.
- Enhances Devon’s marketing clout in North American gas and gas liquids.
- Enhances Devon’s technological leadership in tight gas reservoir development.

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Major Terms and Conditions

Under the terms of the agreement, Mitchell's shareholders would receive, for each Mitchell common share, \$31 cash and 0.585 of a share of Devon common stock. This requires Devon to pay \$1.6 billion and issue 30.2 million shares to Mitchell's shareholders. Based upon Devon's closing stock price of \$50.26 on August 13, 2001, the total value of the cash to be paid and stock to be issued to Mitchell shareholders would be approximately \$3.1 billion. Devon would also assume approximately \$400 million of debt and other obligations of Mitchell. Devon expects the acquisition to be accounted for using the purchase method of accounting.

The board of directors of each company has unanimously approved the merger. George P. Mitchell, Chairman and CEO of Mitchell, and his wife own approximately 46 percent of Mitchell's outstanding common stock. Mr. and Mrs. Mitchell have agreed to vote their shares in favor of the acquisition by Devon. After completion of the transaction, Mr. and Mrs. Mitchell will own approximately nine percent of Devon's common shares. Todd Mitchell, son of George P. Mitchell, will join Devon's board of directors.

Pro Forma Transaction Impact

- Based upon estimates as of June 30, 2001, Devon would acquire approximately 2.5 trillion cubic feet of gas equivalent in the acquisition, increasing Devon's proved reserves to more than 1.5 billion barrels of oil equivalent.
- Proved reserves would be 58 percent natural gas, 32 percent oil and 10 percent natural gas liquids.
- Approximately 82 percent of proved reserves would be in North America.
- Devon would also acquire natural gas processing plants, pipelines and other midstream assets valued between \$800 million and \$1 billion.
- Devon and Mitchell combined produced approximately 1.4 billion cubic feet of natural gas per day in the U.S. in the second quarter of 2001, making Devon the second largest independent gas producer in the U.S.
- Devon expects to achieve annual operating and overhead synergies of at least \$20 million.

Completion of the transaction will cause Devon's outstanding shares to increase from 126 million to 156 million. Devon's capital structure after the transaction will include \$150 million in preferred securities, about \$3.4 billion of net long-term debt and other long-term liabilities of \$340 million. The \$3.4 billion debt figure excludes certain Devon debentures that are exchangeable into Chevron common stock. (Devon owns 7.1 million shares of Chevron.)

Other Terms and Conditions

The transaction is subject to approval by the shareholders of both companies as well as expiration of the Hart-Scott-Rodino waiting period and other customary closing conditions. Both Devon and Mitchell intend to hold special shareholders' meetings as soon as practicable following completion of regulatory review. Completion of the transaction is expected in the fourth quarter of 2001.

Conference Call and Investor Presentation

Devon and Mitchell will discuss this transaction in a conference call webcast today. The conference call webcast will begin at 8:30 am Central Time (9:30 am Eastern Time). The webcast

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may be accessed from Devon's homepage at www.dvn.com. Devon and Mitchell will also host a meeting of investors and analysts at 11:00 am Central Time (12:00 pm Eastern Time). That webcast may also be accessed on Devon's homepage at www.dvn.com.

Mitchell Energy & Development Corp. is one of the nation's largest independent producers of natural gas and natural gas liquids. For additional information on the company and its operations, visit our Internet website at www.mitchellenergy.com.

Devon Energy Corporation is an independent energy company engaged in oil and gas exploration, production and property acquisitions. Devon ranks among the top five U.S.-based independent oil and gas producers and is included in the S&P 500 Index. Shares of Devon Energy Corporation trade on the American Stock Exchange under the symbol DVN. Devon's exchangeable shares (resulting from Northstar, Devon's wholly-owned Canadian operating unit) trade on the Toronto Stock Exchange under the symbol NSX.

INVESTOR NOTICES

This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission. Such statements are those concerning the contemplated transaction and strategic plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the companies expect, believe or

anticipate will or may occur in the future are forward-looking statements. This includes completion of the proposed transaction, realization of expected synergies from the transaction, reserve estimates, future financial performance, future equity issuance and other matters. These statements are based on certain assumptions made by the companies based on their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the companies. Statements regarding future production are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil and gas. These risks include, but are not limited to, inflation or lack of availability of goods and services, environmental risks, drilling risks and regulatory changes. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Investors and security holders are advised to read the joint proxy statement/ prospectus that will be included in the Registration Statement on Form S-4 to be filed with the Securities and Exchange Commission in connection with the proposed transaction because it will contain important information. The joint proxy statement/prospectus will be filed with the SEC by Devon and Mitchell. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus (when available) and other documents filed by Devon and Mitchell with the SEC at the SEC's web site at www.sec.gov. The joint proxy statement/prospectus and such other documents (relating to Devon) may also be obtained for free from Devon by directing such request to: Devon Energy Corporation, 20 North Broadway, Suite 1500, Oklahoma City, Oklahoma 73102-8260, Attention: Investor Relations, telephone: (405) 552-4570, e-mail: judy.roberts@dvn.com. The joint proxy statement/prospectus and such other documents (relating

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to Mitchell) may also be obtained for free from Mitchell by directing such request to: Mitchell Energy & Development Corp., 2001 Timberloch Place, The Woodlands, Texas 77380, Attention: Investor Relations, telephone: (713) 377-6625, e-mail: mndpr@mitchellenergy.com.

Devon, its directors, executive officers and certain members of management and employees may be considered "participants in the solicitation" of proxies from Devon's shareholders in connection with the transaction. Information regarding such persons and a description of their interests in the transaction is contained in Devon's Proxy Statements and Annual Reports on Form 10-K filed with the SEC. Additional information regarding the interests of those persons may be obtained by reading the proxy statement/prospectus when it becomes available.

Mitchell, its directors, executive officers and certain members of management and employees may be considered "participants in the solicitation" of proxies from Mitchell's shareholders in connection with the transaction. Information regarding such persons and a description of their interests in the transaction is contained in Mitchell's Proxy Statements and Annual Reports on Form 10-K filed with the SEC. Additional information regarding the interests of those persons may be obtained by reading the proxy statement/prospectus when it becomes available.

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Risk Factors

Information provided in this presentation includes “forward-looking statements” as defined by the SEC. Forward-looking statements are identified as “forecasts, projections, estimates, plans, expectations, etc.” and are subject to a variety of risk factors. For representative risk factors that could cause Devon’s actual results to differ materially from the estimates contained herein, see Form 10-K for the year-ended December 31, 2000.



For Immediate Release

August 14, 2001 -- Devon Energy purchases Mitchell Energy and Development Corp., creating the second largest independent natural gas producer in the U.S.

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Transaction Summary

- Purchase of Mitchell by Devon
- Consideration: \$31.00 and .585 Devon share per Mitchell share (\$60.40 per Mitchell share)
- Board approved/Mitchell commitment
- Expected close: Q4 2001

Why Devon?

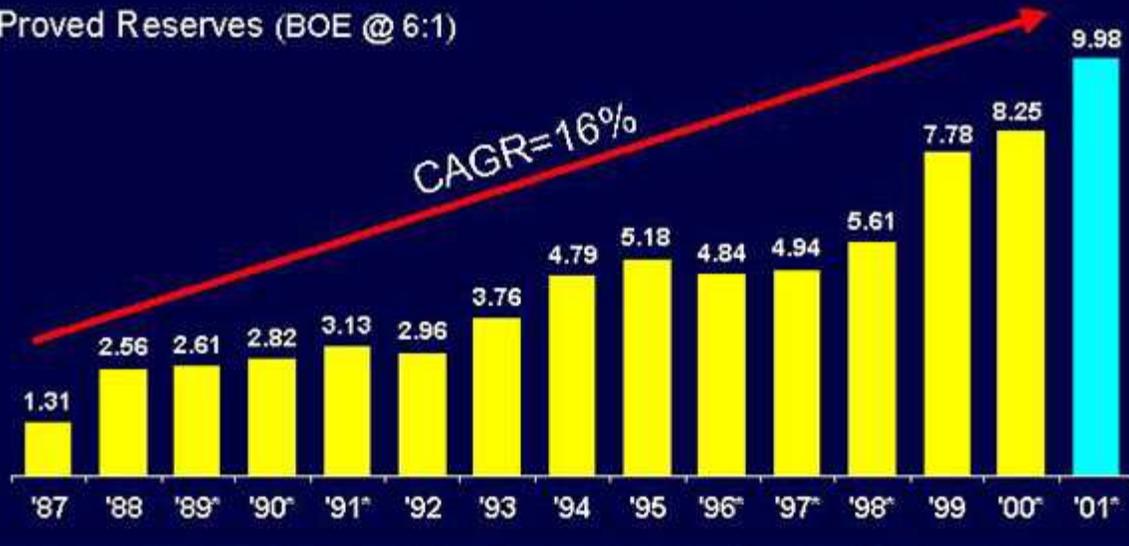
- 32% premium to Mitchell shareholders
- Improved shareholder liquidity
- Diversified exploitation and exploration portfolio
- Participation in Devon's growth

Strategic Rationale

- Per share accretion
- Expands North American gas assets
- Rapid North Texas production growth
- Focused midstream operation
- Corporate G&A synergies
- Complementary technology

Reserves Per Common Share

Proved Reserves (BOE @ 6:1)



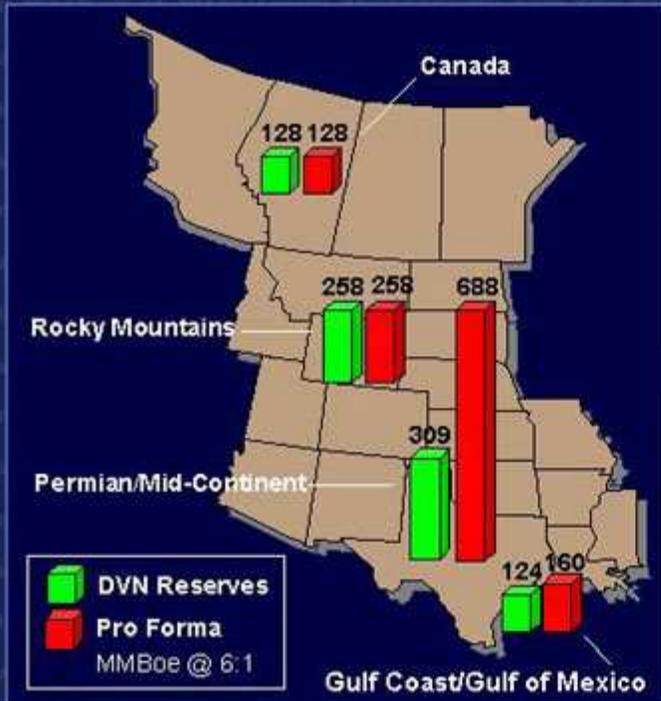
■ Represents Pro Forma Devon as of 6/30/01

Note: 1987-1997 represents historical Devon as reported prior to the 1998 Northstar merger.

1998-1999 represents historical Devon as reported prior to the 2000 Santa Fe Snyder merger.

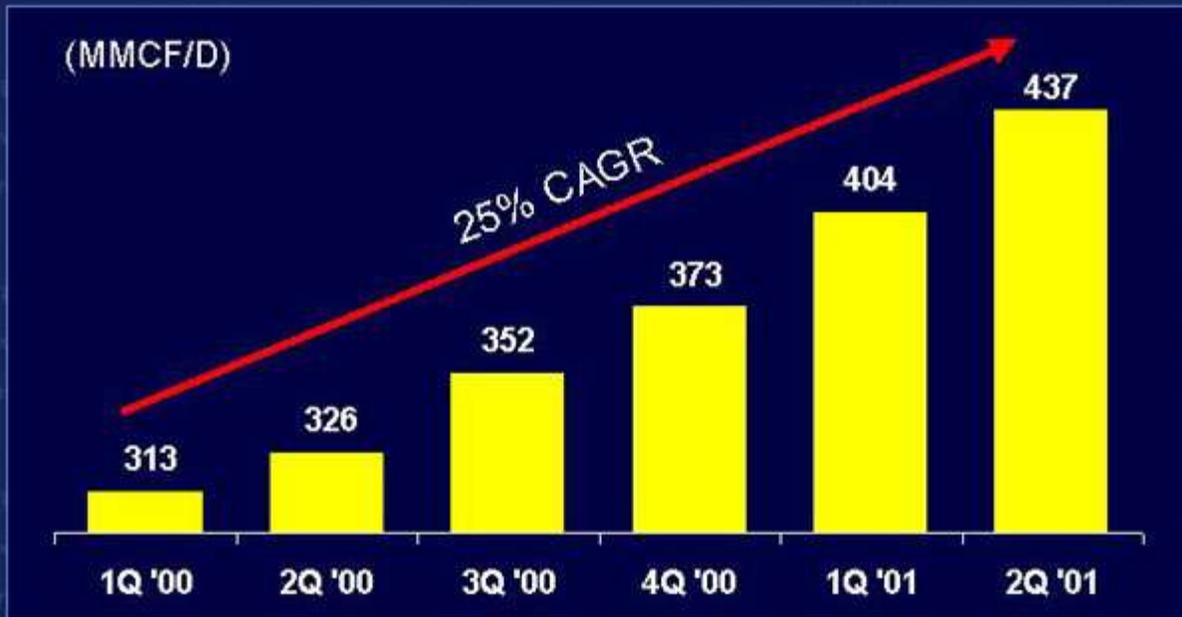
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North American Operations



	DVN	Pro Forma
Permian/MC	28%	45%
Rockies	24%	17%
Gulf	11%	11%
Canada	12%	9%
Total N.A.	75%	82%

Mitchell Production Growth



Mitchell Operations

E & P Operations:

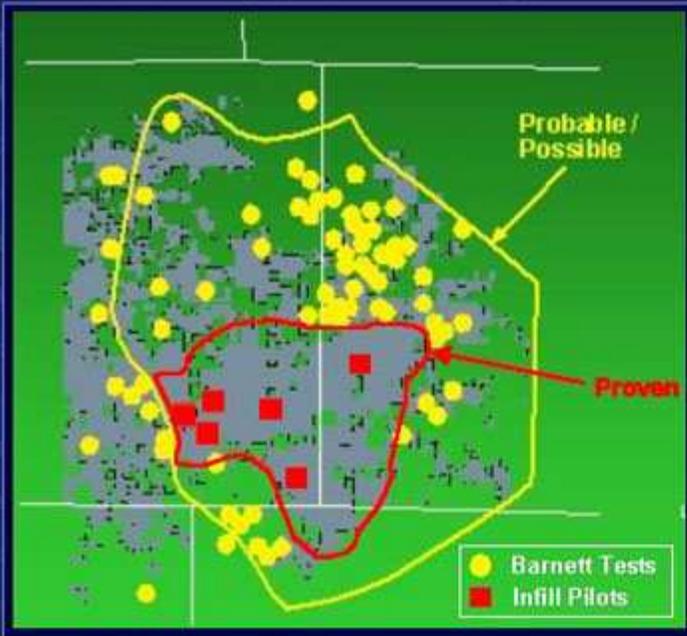
– Barnett shale proved reserves	2.1 TCFE
– Other Texas proved reserves	<u>0.4 TCFE</u>
Total proved	2.5 TCFE

– Prospective acreage	283,800 net acres
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Midstream Operations:

– @ PV 10	\$800 MM - \$1 B
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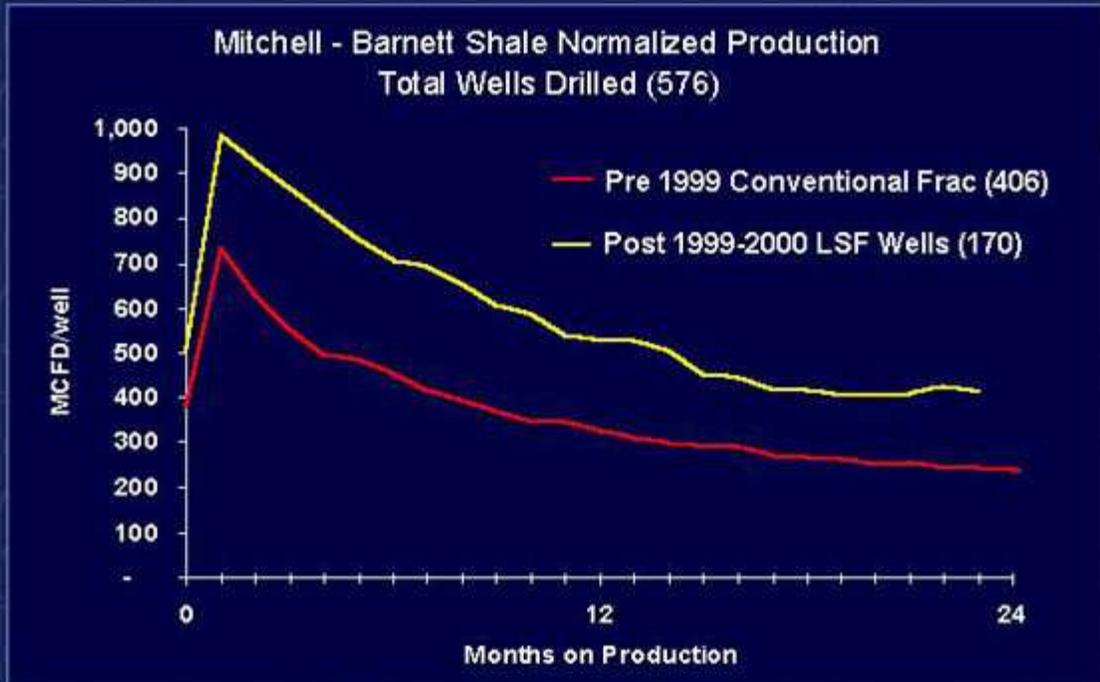
Barnett Shale



- 2.1 TCFE proved reserves (8% of gas in place)
- Long-lived development
- Strategic market access
- 230,000 net acres
- WI >90%



Light Sand Fracturing Technology



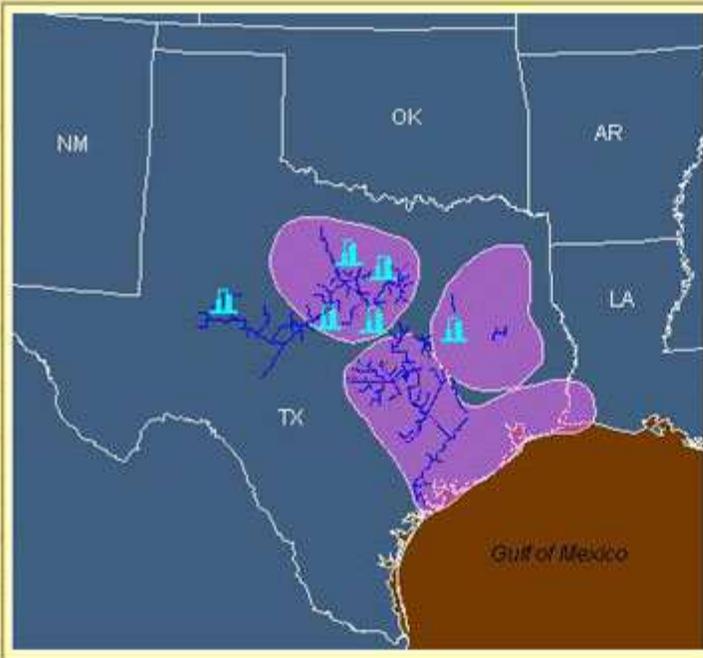
Barnett Shale Upside

- Multi-TCF potential
- Expanding field limits
- Infill drilling
- Refracturing opportunities

Midstream Strategy

- Develop infrastructure to support E&P activities
- Avoid monopolistic 3rd party transportation
- Own reserves to support midstream economics

Mitchell Midstream Operations



- 100% Texas
- 6 plants
- 9,000 miles of pipe
- Own 50% of current throughput
- Access to multiple markets

Combined Company

Proved Reserves: 1,555 MMBOE

Reserve profile: 82% North America
18% International

Production Mix: 67% gas / 33% oil

R/P Ratio: 9.2 years

Financial Strength

	Pro Forma Six Months Ended June 30, 2001
EBITDA (\$MM)	\$1,756
Total Net Debt	\$ 3,368
EBITDA/Interest	22.0x
Net Debt/Annualized EBITDA	1.0x
Net Debt/Total Cap	39%

Note: Debt and total cap exclude the market value of Chevron common stock: \$642 MM.

U.S. Natural Gas Production



Note: Data for quarter ended 6/30/01 adjusted for major acquisitions.

Growth Portfolio

- Leading North American gas producer
- Portfolio of North American growth projects
- Long-term International growth projects
- High potential exploration prospects

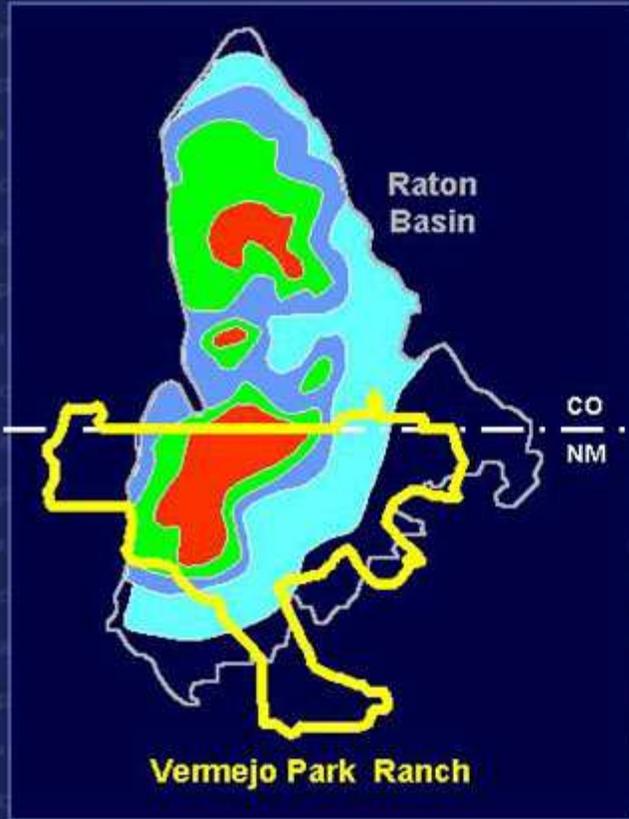
Cherokee CBM



- 374,000 net acres
- Geology:
 - Depths 800-3,000'
 - Pennsylvanian coals
- Current Status:
 - 3 rigs drilling, acquiring a fourth
 - Anticipate drilling 100 wells in '01 and 400-500 wells in '02

Raton Basin

- WI=25%, NRI=42%
- 280,000 gross acres (minerals)
- 0.5-1.0 TCF net target



Coal seam thickness

- > 80 FEET
- > 60 FEET
- > 40 FEET
- > 20 FEET

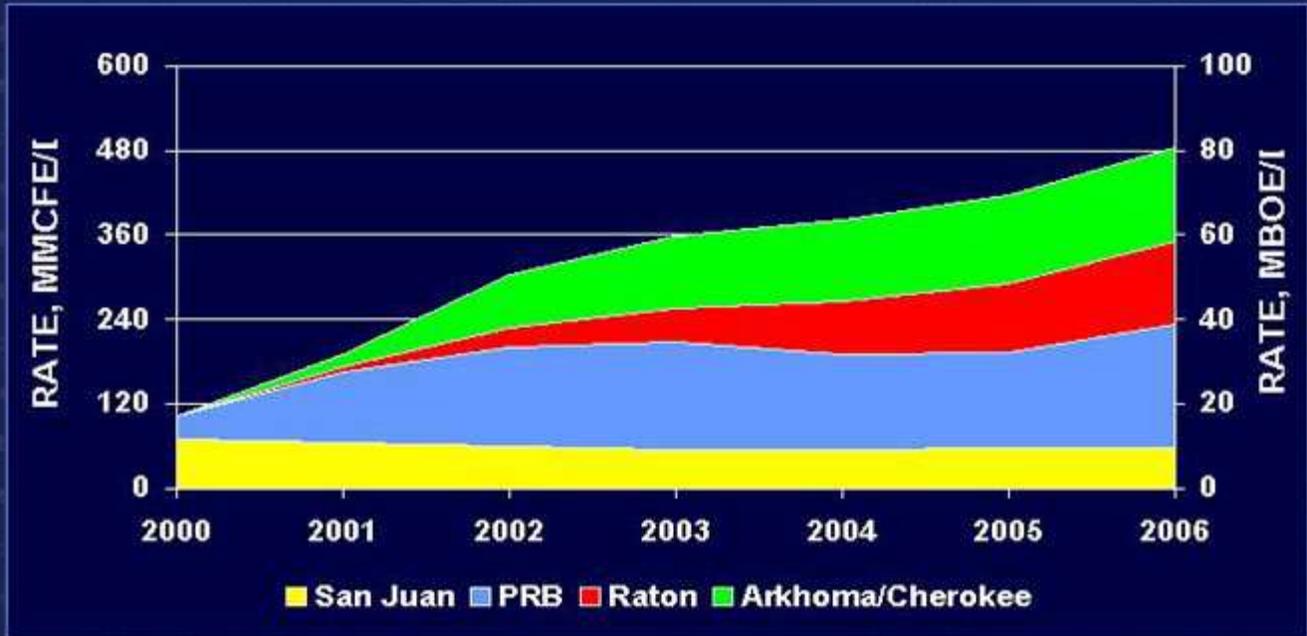


Powder River Basin

- Dominant acreage position
- Increasing volumes
- High operating margins
- High working interest



Coalbed Methane Production



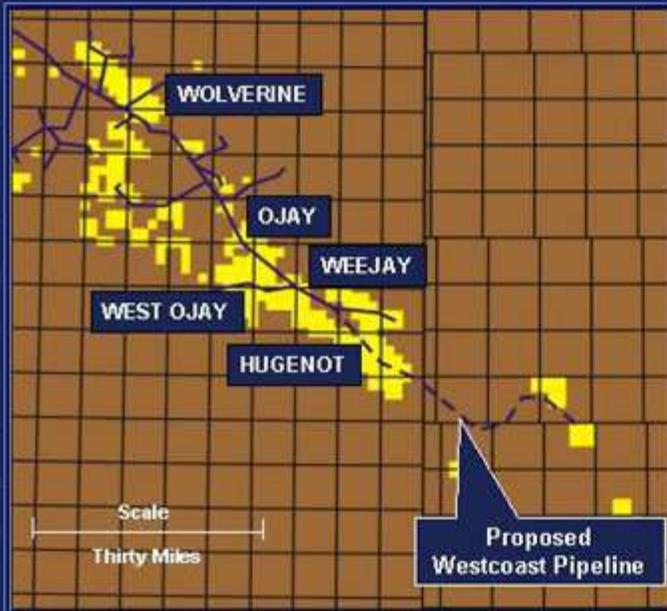
Hamburg - Slave Point



- High-impact exploration
- Large strategic land position
- Multiple targets of 5-30 BCF
- Attractive liquids/gas ratios
- Moderate well cost
- Six recent 3D programs



Northern Foothills



- High impact exploration joint venture with BP
- Deep structural gas targets
- Six stacked play types
- Significant early success
- Coalbed methane potential

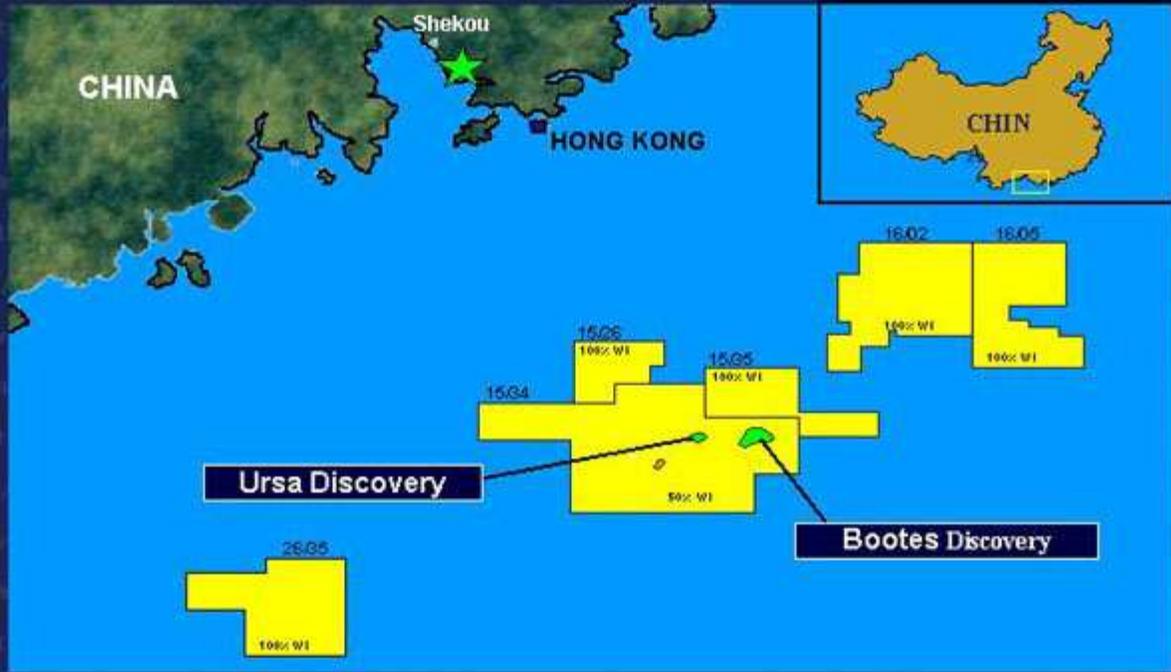


Indonesia



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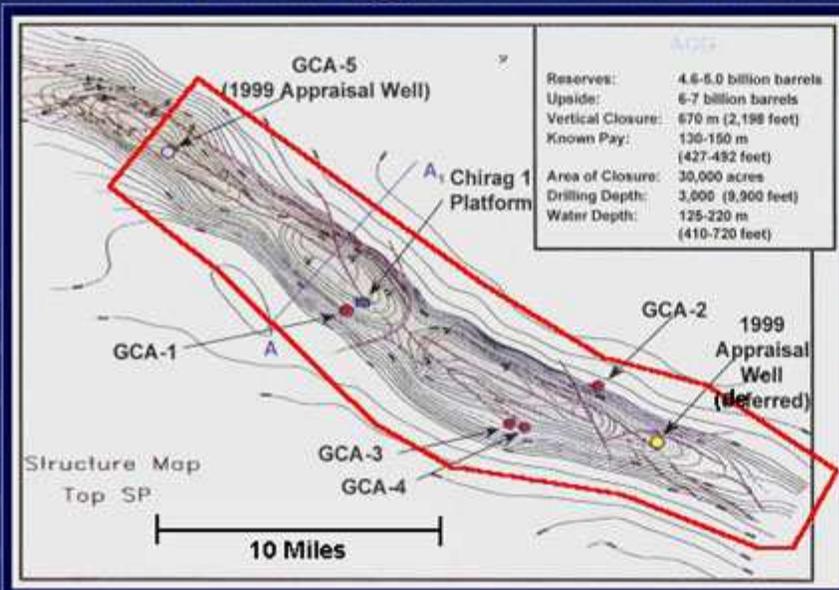
Pearl River Basin



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Azerbaijan

Azeri-Chirag Guneshli Unit



- Operator: BP Amoco
- 5.6% carried interest
- Current production: 115 MBO/D (gross)
- Gross proven reserves: 4+ BBO
- Ultimate gross potential: 6+ BBO

Exploration Upside

- West Africa (Gabon, Congo, Ghana)
- South China Sea (Block 27-10)
- Argentina (El Mangrullo)
- Canadian Foothills
- Canadian Slavepoint (Wildmint, Ladyfern)
- Deepwater Gulf of Mexico

A Decade of Opportunities

- 2002 - Accelerate Barnett shale development
- 2002 - Canadian Foothills on stream
- 2002 - 1st significant production from Cherokee CBM
- 2003 - Initial gas sales to Singapore
- 2003 - 2004 - Powder River Basin peak production
- 2004 - Raton Basin peak production
- 2007 - 2008 - ACG field peak production

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Mitchell Energy

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