

DEVON ENERGY CORP/DE

FORM 8-K (Current report filing)

Filed 08/31/99 for the Period Ending 08/17/99

Address	333 W. SHERIDAN AVENUE OKLAHOMA CITY, OK 73102
Telephone	4055528183
CIK	0001090012
Symbol	DVN
SIC Code	1311 - Crude Petroleum and Natural Gas
Fiscal Year	12/31

DEVON ENERGY CORP/DE

FORM 8-K (Unscheduled Material Events)

Filed 8/31/1999 For Period Ending 8/17/1999

Address	20 N BROADWAY STE 1500 OKLAHOMA CITY, Oklahoma 73102
Telephone	405-235-3611
CIK	0001090012
Industry	Oil & Gas Operations
Sector	Energy
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 17, 1999

DEVON ENERGY CORPORATION

(Exact Name of registrant as Specified in its Charter)

Delaware	001-30176	73-1567067
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

20 NORTH BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (405) 235-3611

A Commission file number is to be issued in connection with this filing. The Commission file number of the registrant's predecessor Devon Energy Corporation, an Oklahoma corporation is 1-10067; the Commission file number of the registrant's predecessor, PennzEnergy Company, a Delaware corporation, is 1-05591.

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On August 17, 1999, Devon Energy Corporation, a Delaware corporation, ("Devon"), completed its merger (the "Merger") with PennzEnergy Company ("PennzEnergy") pursuant to an Amended and Restated Agreement and Plan of Merger dated as of May 19, 1999 (the "Merger Agreement"). In the Merger, each issued and outstanding share of common stock of Devon Energy Corporation, an Oklahoma corporation ("Old Devon"), par value \$0.10 per share, was converted into the right to receive one share of common stock of Devon, par value \$0.10 per share. Also, each issued and outstanding share of common stock of PennzEnergy, par value \$0.83 1/3 per share, was converted into the right to receive 0.4475 shares of common stock of Devon. This exchange ratio was determined through arm's length negotiations between the parties. Also, each share of 6.49% Cumulative Preferred Stock, Series A, of PennzEnergy was converted into one share of 6.49% Cumulative Preferred Stock, Series A, of Devon.

Devon expects to issue up to 21.5 million shares of common stock to the former holders of PennzEnergy common stock. Shares of PennzEnergy common stock are no longer transferable and certificates evidencing such shares represent only the right to receive shares of Devon common stock in accordance with the provisions of the Merger Agreement. The shareholders of Old Devon and PennzEnergy approved the Merger at special meetings held on August 17, 1999.

A description of the Merger is contained in the August 17, 1999, press release attached hereto as Exhibit 99.1 and incorporated herein by reference. The Merger Agreement is incorporated herein by reference to Annex A to the Joint Proxy Statement/Prospectus contained in Devon's Registration Statement on Form S-4 (No. 333-82903), filed with the Securities and Exchange Commission on July 15, 1999, and declared effective on July 16, 1999 (the "Registration Statement"). A description of the Merger, including additional responses to the information requested in this Item 2, are contained in the Registration Statement, the text of which is incorporated by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired

Audited Annual Financial Statements of PennzEnergy

Consolidated Balance Sheets as of December 31, 1998 and 1997, and Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Shareholders' Equity and Consolidated Statements of Cash Flow for the Years Ended December 31, 1998, 1997 and 1996 (incorporated by reference to PennzEnergy's Annual Report on Form 10-K for the year ended December 31, 1998)

Unaudited Interim Financial Statements of PennzEnergy

Condensed Consolidated Balance Sheet as of June 30, 1999, and Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flow for the six month periods ended June 30, 1999 and 1998 (incorporated by reference to PennzEnergy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999)

(b) Unaudited Pro Forma Financial Information

(c) Exhibits

2.1 Amended and Restated Agreement and Plan of Merger among Registrant, Devon Energy Corporation (Oklahoma) (formerly Devon Energy Corporation, an Oklahoma corporation), Devon Oklahoma Corporation and PennzEnergy Company dated as of May 19, 1999 (incorporated by reference to Exhibit 2 to Registrant's Form S-4, File No. 333-82903).

23.1 Consent of Arthur Andersen LLP.

23.2 Consent of Ryder Scott Company, L.P.

99.1 Press release dated August 17, 1999.

SIGNATURE

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

DEVON ENERGY CORPORATION

/s/ DANNY J. HEATLY
Danny J. Heatly, Controller

Date: August 31, 1999

EXHIBIT INDEX

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- 23.1 Consent of Arthur Andersen LLP.
- 23.2 Consent of Ryder Scott Company, L.P.
- 99.1 Press release dated August 17, 1999.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information has been prepared to assist in the analysis of the financial effects of the PennzEnergy merger. This pro forma information is based on the historical financial statements of Devon and PennzEnergy.

The information was prepared based on the following:

- . Devon utilizes the full cost method of accounting for its oil and gas activities.
- . The merger was accounted for as a purchase of PennzEnergy by Devon.
- . The unaudited pro forma balance sheet has been prepared as if the public offering and the merger occurred on June 30, 1999. The unaudited pro forma statements of operations have been prepared as if the public offering and the merger occurred on January 1, 1998.
- . Targeted annual general and administrative and lease operating expense savings from the merger of \$50 to \$60 million have not been reflected as an adjustment to the historical data. These cost savings are expected to result from the consolidation of the corporate headquarters of Devon and PennzEnergy and the elimination of duplicate staff and expenses.
- . Devon also expects additional annual interest expense savings of \$30 to \$35 million due to lower debt levels. Devon filed on August 27, 1999, a Form S-3 registering 8.7 million shares of common stock to be sold in a public offering. The proceeds from this offering will be used to retire \$350 million of existing debt that bears interest at 10% per year. The expected interest savings from this debt reduction are not included as adjustments to the historical data included in the accompanying pro forma data.
- . As of June 30, 1999, the merger did not cause a pro forma reduction of the carrying value of oil and gas properties under the full cost accounting "ceiling test." The June 30, 1999, ceiling test was calculated based on a posted West Texas Intermediate oil price of \$16.50 per barrel and a Texas Gulf Coast index gas price of \$2.14 per Mcf. However, the pro forma ceiling "cushion" as of June 30, 1999, in Devon's non-Canadian cost centers was less than \$20 million. Therefore, future reductions in oil and gas prices or changes to the preliminary allocation of the purchase price of PennzEnergy's oil and gas properties could cause a reduction of the carrying value to be recorded as of September 30, 1999, or in subsequent periods.

No pro forma adjustments have been made with respect to the following unusual items. These items are reflected in the historical results of Devon or PennzEnergy, as applicable, and should be considered when making period-to- period comparisons:

- . In 1998, PennzEnergy realized pretax gains on the sale and exchange of Chevron Corporation common stock of \$230.1 million. The unaudited pro forma statement of operations does not include the \$207.0 million after-tax extraordinary loss resulting from the early extinguishment of related debentures exchangeable for such common stock.
- . In 1998, PennzEnergy incurred \$24.3 million of nonrecurring general and administrative expenses in connection with the spin-off of Pennzoil- Quaker State Company on December 30, 1998.
- . In 1998, Devon incurred \$13.1 million of nonrecurring expenses related to the merger with Northstar.
- . In 1998, Devon reduced the carrying value of its oil and gas properties by \$126.9 million (\$88.0 million after-tax) due to the full cost ceiling limitation.
- . In the second quarter of 1999, PennzEnergy recognized a gain of \$46.7 million (\$29.8 million after-tax) from the sale of land, timber and mineral rights in Pennsylvania and New York.

The unaudited pro forma financial statements and related notes are presented for illustrative purposes only. If the PennzEnergy merger had occurred in the past, Devon's financial position or operating results might have been different from those presented in the unaudited pro forma information. The unaudited pro forma information should not be relied upon as an indication of the financial position or operating results that Devon would have achieved if the merger had occurred as of June 30, 1999 or January 1, 1998. You also should not rely on the unaudited pro forma information as an indication of the future results that Devon will achieve after the merger.

Unaudited Pro Forma Balance Sheet

June 30, 1999

(In Thousands)

	Devon Historical	PennzEnergy Historical Reclassified (Note 5)	Pro Forma Adjustments (Note 2)	Devon Pro Forma
	-----	-----	-----	-----
Assets:				
Current assets.....	\$ 104,760	\$ 128,912	\$(10,300)(a) 10,300 (c)	\$ 233,672
Oil and gas properties, net.....	1,162,164	1,616,916	385,545 (a) 553,489 (c)	3,718,114
Other properties, net.....	23,465	--	5,000 (a)	28,465
Investment in common stock of Chevron Corporation (Note 3).....	--	674,224	--	674,224
Other assets.....	14,774	34,054	30,179 (a)	79,007
	-----	-----	-----	-----
Total assets.....	\$1,305,163	\$2,454,106	\$974,213	\$4,733,482
	=====	=====	=====	=====
Liabilities:				
Current liabilities.....	\$ 73,677	\$ 145,167	\$ (5,374)(a)	\$ 213,470
Debentures exchangeable into shares of Chevron Corporation common stock (Note 3).....	--	740,361	35,158 (a)	775,519
Other long-term debt.....	448,013	822,652	48,032 (a) 71,545 (a)	1,390,242
Other long-term liabilities.....	34,584	133,280	(2,590)(a)	165,274
Deferred income taxes.....	44,149	187,257	(187,257)(a) 563,789 (c)	607,938
Company-obligated mandatorily redeemable convertible preferred securities of subsidiary trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation..	149,500	--		149,500
Stockholders' equity:				
Preferred stock.....	--	1,500		1,500
Common stock.....	4,882	43,507	2,148 (a) (43,507)(b)	7,030
Additional paid-in capital.....	807,270	354,504	710,151 (a) 14,000 (a) 148,500 (a) (354,504)(b)	1,679,921
Accumulated deficit.....	(225,582)	(23,743)	23,743 (b)	(225,582)
Accumulated other comprehensive earnings (loss).....	(31,330)	275,743	(275,743)(b)	(31,330)
Treasury stock.....	--	(226,122)	226,122 (b)	--
	-----	-----	-----	-----
Total stockholders' equity.....	555,240	425,389	450,910	1,431,539
	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$1,305,163	\$2,454,106	\$974,213	\$4,733,482
	=====	=====	=====	=====

Unaudited Pro Forma Statement of Operations

Year Ended December 31, 1998

(In Thousands, Except Per Share Data)

	Devon Historical	PennzEnergy Historical Reclassified (Note 5)	Pro Forma Adjustments (Note 2)		Devon Pro Forma
Revenues:					
Oil sales.....	\$143,624	\$159,294			\$ 302,918
Gas sales.....	209,344	344,594			553,938
NGL sales.....	16,692	47,011			63,703
Other.....	17,848	286,468	(8,513) (g)		295,803
Total revenues.....	387,508	837,367	(8,513)		1,216,362
Costs and expenses:					
Lease operating expenses.....	113,484	181,255			294,739
Production taxes.....	13,916	14,232			28,148
Depreciation, depletion and amortization.....	123,844	208,009	178,211 (d)		510,064
General and administrative expenses.....	23,554	126,124	(10,300) (g)		139,378
Northstar combination expenses.....	13,149	--			13,149
Interest expense.....	22,632	156,272	4,114 (e)		176,659
			(6,359) (f)		
Exploration expenses.....	--	139,970	(139,970) (g)		--
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt.....	16,104	--			16,104
Distributions on preferred securities of subsidiary trust.....	9,717	--			9,717
Reduction of carrying value of oil and gas properties.....	126,900	74,739	(74,739) (g)		126,900
Total costs and expenses.....	463,300	900,601	(49,043)		1,314,858
Earnings (loss) before income tax expense (benefit)....	(75,792)	(63,234)	40,530		(98,496)
Income tax expense (benefit):					
Current.....	7,687	2,637	--		10,324
Deferred.....	(23,194)	(20,405)	15,401 (h)		(28,198)
Total income tax expense (benefit).....	(15,507)	(17,768)	15,401		(17,874)
Net earnings (loss).....	(60,285)	(45,466)	26,029		(80,622)
Preferred stock dividends.....	--	5,625	--		5,625
Net earnings (loss) applicable to common shareholders...	\$ (60,285)	\$ (51,091)	\$ 26,029		\$ (86,247)
Net loss per average common share outstanding					
--basic and diluted.....	\$ (1.25)	\$ (1.07)			\$ (1.24)
Weighted average common shares outstanding					
--basic (Note 4).....	48,376	47,716			69,729

Unaudited Pro Forma Statement of Operations

Six Months Ended June 30, 1999

(In Thousands, Except Per Share Data)

	Devon Historical	PennzEnergy Historical Reclassified (Note 5)	Pro Forma Adjustments (Note 2)	Devon Pro Forma
Revenues:				
Oil sales.....	\$64,784	\$ 85,114		\$149,898
Gas sales.....	112,938	150,884		263,822
NGL sales.....	9,764	18,732		28,496
Other.....	4,092	67,119	(5,557) (g)	65,654
Total revenues.....	191,578	321,849	(5,557)	507,870
Costs and expenses:				
Lease operating expenses.....	54,520	76,476		130,996
Production taxes.....	6,415	6,764		13,179
Depreciation, depletion and amortization.....	69,321	131,450	46,597 (d)	247,368
General and administrative expenses.....	13,175	49,870	(5,150) (g)	57,895
Interest expense.....	13,779	61,811	2,057 (e)	74,232
			(3,415) (f)	
Exploration expenses.....	--	17,537	(17,537) (g)	--
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt.....	(8,746)	--		(8,746)
Distributions on preferred securities of subsidiary trust.....	4,859	--		4,859
Total costs and expenses.....	153,323	343,908	22,552	519,783
Earnings (loss) before income tax expense (benefit).....	38,255	(22,059)	(28,109)	(11,913)
Income tax expense (benefit):				
Current.....	4,302	(34)	--	4,268
Deferred.....	11,764	(9,140)	(10,681) (k)	(8,057)
Total income tax expense (benefit).....	16,066	(9,174)	10,681	(3,789)
Net earnings (loss).....	22,189	(12,885)	(17,428)	(8,124)
Preferred stock dividends.....	--	4,868	--	4,868
Net earnings (loss) applicable to common shareholders....	\$22,189	\$(17,753)	\$(17,428)	\$(12,992)
Net earnings (loss) per average common share outstanding--basic and diluted.....	\$ 0.46	\$ (0.37)		\$ (0.19)
Weighted average common shares outstanding --basic (Note 4).....	48,575	47,923		70,021

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

December 31, 1998 and June 30, 1999

1. Method of Accounting for the Merger

Devon accounted for the merger using the purchase method of accounting for business combinations. Accordingly, PennzEnergy's assets acquired and liabilities assumed by Devon were revalued and recorded at their estimated "fair values." In the merger, Devon issued 0.4475 shares of Devon common stock for each outstanding share of PennzEnergy common stock. This resulted in Devon issuing approximately 21.4 million shares of its common stock to PennzEnergy stockholders.

The purchase price of PennzEnergy's net assets acquired was based on the value of the Devon common stock issued to the PennzEnergy stockholders. The value of the Devon common stock issued was based on the average trading price of Devon's common stock for a period of three days before and after the public announcement of the merger. This average trading price equaled \$33.40 per share.

2. Pro Forma Adjustments Related to the Merger

The unaudited pro forma balance sheet includes the following adjustments:

(a) This entry adjusts the historical book values of PennzEnergy's assets and liabilities to their estimated fair values as of June 30, 1999. The calculation of the total purchase price and the preliminary allocation to assets and liabilities are shown below.

	(In Thousands, Except Share Price)

Calculation and preliminary allocation of purchase price:	
Shares of Devon common stock issued to PennzEnergy stockholders.....	21,476
Average Devon stock price.....	\$ 33.40

Fair value of common stock issued.....	717,298
Plus preferred stock assumed by Devon.....	150,000
Plus estimated merger costs to be incurred.....	71,545
Plus fair value of PennzEnergy employee stock options assumed by Devon.....	14,000
Less estimated stock registration and issuance costs to be incurred.....	(4,999)

Total purchase price.....	947,844
Plus fair value of liabilities assumed by Devon:	
Current liabilities.....	139,793
Debentures exchangeable into Chevron Corporation common stock.....	775,519
Other long-term debt.....	870,684
Other long-term liabilities.....	130,690

	2,864,530

Less fair value of non oil and gas assets acquired by Devon:	
Current assets.....	118,612
Non oil and gas properties.....	5,000
Investment in common stock of Chevron Corporation.....	674,224
Other assets.....	64,233

	862,069

Fair value allocated to oil and gas properties, including \$111 million of undeveloped leasehold.....	\$2,002,461
	=====

The total purchase price includes the value of the Devon common stock issued, net of \$5.0 million of estimated registration and issuance costs. The purchase price also includes:

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and June 30, 1999

. \$150 million of Devon preferred stock issued in exchange for the same amount of PennzEnergy preferred stock. The unaudited pro forma balance sheet includes \$1.5 million of PennzEnergy's historical aggregate par value of the preferred stock, plus \$148.5 million of additional paid-in capital.

. \$71.5 million of estimated merger costs. These costs include advisory fees, severance and other merger-related costs. These costs are added to long-term debt in the unaudited pro forma balance sheet.

. \$14 million of Devon employee stock options issued in exchange for existing vested PennzEnergy employee stock options. The value of these options is added to additional paid-in capital in the unaudited pro forma balance sheet.

(b) This adjustment includes a \$43.5 million reduction to par value, a \$354.5 million reduction of additional paid-in capital, a \$23.7 million reduction of accumulated deficit, a \$275.7 million reduction of accumulated other comprehensive earnings and a \$226.1 million reduction of treasury stock. These adjustments eliminate PennzEnergy's historical book values of those accounts.

(c) This adjustment increases the value of PennzEnergy's oil and gas properties acquired by \$553.5 million, and increases current assets by \$10.3 million, both for related deferred income taxes. This adjustment equals the deferred income tax effect of the difference between the fair values assigned to PennzEnergy's assets and liabilities and their bases for income tax purposes. Due to the tax-free nature of the merger, Devon's tax basis in those assets and liabilities is the same as PennzEnergy's tax basis.

The unaudited pro forma statements of operations include the following adjustments:

(d) This adjustment reflects the pro forma depreciation, depletion and amortization expense using the full cost method of accounting based on the preliminary allocation of the purchase price.

(e) This adjustment increases interest expense due to the \$71.5 million of merger costs assumed to be funded with borrowings from credit facilities.

(f) This adjustment reduces interest expense for the year 1998 and the first quarter of 1999 by \$6.4 million and \$1.7 million, respectively. These amounts represent the amortization of the pro forma premium recorded in long-term debt as of January 1, 1998 as part of pro forma adjustment (a) to record PennzEnergy's assets and liabilities at their estimated fair values.

(g) This adjustment eliminates historical amounts recorded by PennzEnergy under the successful efforts accounting method for gains on property sales, general and administrative expenses, exploration expenses and asset impairments to conform to the full cost method of accounting followed by Devon. Under the full cost method, proceeds from the sale of oil and gas properties are generally recorded as an adjustment of the carrying value of the properties, with no gain or loss recognized. Also, general and administrative expenses incurred for property acquisition, exploration and development activities are capitalized under the full cost method. In addition, exploration expenses, which include items such as dry hole costs and lease expirations or impairment expenses, are capitalized under the full cost method. The \$74.7 million reduction of oil and gas properties recorded by PennzEnergy in the year 1998 was calculated under the successful efforts method and therefore has been eliminated in the pro forma statement of operations for 1998.

(h) This adjustment records the net tax effect of all pro forma adjustments at an effective income tax rate of 38%.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and June 30, 1999

3. Investment in Chevron Common Stock and Related Exchangeable Debentures

As of June 30, 1999 and December 31, 1998, PennzEnergy beneficially owned approximately 7.1 million shares of Chevron Corporation common stock. These shares have been deposited with an exchange agent for possible exchange for \$761.2 million principal amount of exchangeable debentures of PennzEnergy. Each \$1,000 principal amount of the exchangeable debentures is exchangeable into 9.3283 shares of Chevron common stock, an exchange rate equivalent to \$107 7/32 per share of Chevron common stock.

The exchangeable debentures consist of \$443.8 million of 4.90% debentures and \$317.4 million of 4.95% debentures. The exchangeable debentures were issued on August 3, 1998 and mature August 15, 2008. The exchangeable debentures are callable beginning on August 15, 2000. The exchangeable debentures are exchangeable at the option of the holders at any time prior to maturity for shares of Chevron common stock. In lieu of delivering Chevron common stock, PennzEnergy may, at its option, pay to any holder an amount in cash equal to the market value of the Chevron common stock to satisfy the exchange request.

4. Common Shares Outstanding

Net earnings (loss) per average share outstanding have been calculated based upon the pro forma weighted average number of shares outstanding as follows:

	Year Ended December 31, 1998	Six Months Ended June 30, 1999
	-----	-----
	(In Thousands)	
Devon's weighted average common shares outstanding.....	48,376	48,575
Devon shares issued in exchange for all outstanding shares of PennzEnergy	21,353	21,446
	-----	-----
Pro forma weighted average Devon shares outstanding with the PennzEnergy merger.....	69,729	70,021
	=====	=====

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and June 30, 1999

Pro forma common shares outstanding at June 30, 1999, are as follows:

	(In Thousands)

Devon's common shares outstanding.....	48,820
Devon shares issued in exchange for all outstanding shares of PennzEnergy	21,476

Pro forma Devon common shares outstanding with the PennzEnergy merger.....	70,296
	=====

5. PennzEnergy Historical and Reclassified Balances

Devon and PennzEnergy record certain revenues and expenses differently in their respective consolidated financial statements. To make the unaudited pro forma financial information consistent, we have reclassified certain of PennzEnergy's balances to conform to Devon's financial presentation. The following tables present PennzEnergy's balances as presented in its historical financial statements and the reclassified balances which are included in the accompanying unaudited pro forma statements of operations.

Securities and Exchange Commission rules regarding pro forma presentation require that the pro forma statements of operations disclose income or loss from continuing operations. As shown in the tables below, PennzEnergy's historical results for the year 1998 included a loss from discontinued operations and extraordinary items that are not included in the reclassified balances presented in the accompanying unaudited pro forma statement of operations for 1998.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and June 30, 1999

In addition to the reclassifications shown below for the unaudited pro forma statements of operations, a reclassification has been made to PennzEnergy's historical balance sheet for the accompanying unaudited pro forma balance sheet as of June 30, 1999. PennzEnergy had \$38.4 million classified as minority interest in its June 30, 1999 historical consolidated balance sheet. To conform to Devon's presentation, this amount is included as other long-term liabilities in the accompanying unaudited pro forma balance sheet.

	Year Ended December 31, 1998		Six Months Ended June 30, 1999			
	PennzEnergy Historical	Reclassifications	PennzEnergy Historical Reclassified	PennzEnergy Historical	Reclassifications	PennzEnergy Historical Reclassified
	(Unaudited) (In Thousands)					
Revenues:						
Net sales.....	\$ 550,899	\$(550,899)	\$ --	\$254,730	\$(254,730)	\$ --
Oil sales.....	--	159,294	159,294	--	85,114	85,114
Gas sales.....	--	344,594	344,594	--	150,884	150,884
NGL sales.....	--	47,011	47,011	--	18,732	18,732
Investment and other income.....	286,468	--	286,468	67,119	--	67,119
Total revenues.....	837,367	--	837,367	321,849	--	321,849
Costs and expenses:						
Lease operating expenses.....	217,194	(35,939)	181,255	90,782	(14,306)	76,476
Production taxes.....	--	14,232	14,232	--	6,764	6,764
General and administrative expenses.....	52,228	73,896	126,124	19,676	30,194	49,870
Depreciation, depletion and amortization.....	208,009	--	208,009	131,450	--	131,450
Impairment of long- lived assets.....	74,739	--	74,739	--	--	--
Exploration expenses...	161,615	(21,645)	139,970	25,921	(8,384)	17,537
Taxes, other than income.....	30,544	(30,544)	--	14,268	(14,268)	--
Interest charges, net.....	156,272	--	156,272	61,811	--	61,811
Total costs and expenses.....	900,601	--	900,601	343,908	--	343,908
Loss from continuing operations before income tax.....	(63,234)	--	(63,234)	(22,059)	--	(22,059)
Income tax benefit.....	(17,768)	--	(17,768)	(9,174)	--	(9,174)
Loss from continuing operations.....	\$ (45,466)	\$ --	\$ (45,466)	\$(12,885)	\$ --	\$(12,885)
Loss from discontinued operations.....	(3,246)	--	--	--	--	--
Loss before extraordinary items....	(48,712)	--	--	(12,885)	--	--
Extraordinary items.....	(206,963)	--	--	--	--	--
Net loss.....	(255,675)	--	--	(12,885)	--	--
Preferred stock dividends.....	5,625	--	--	4,868	--	--
Net loss available to common shareholders....	\$(261,300)	--	--	\$(17,753)	--	--

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 8-K of our report dated March 19, 1999 included in the PennzEnergy Company Form 10-K for the year ended December 31, 1998. It should be noted that we have not audited any financial statements of the Company subsequent to December 31, 1998 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Houston, Texas

August 25, 1999

Exhibit 23.2

ENGINEER'S CONSENT

We consent to the reference to our appraisal report for PennzEnergy Company as of the years ended December 31, 1996, 1997, and 1998, incorporated herein by reference.

RYDER SCOTT COMPANY, L.P.

August 25, 1999

DEVON
ENERGY CORPORATION

PENNZENERGY

FOR IMMEDIATE RELEASE

CONTACT: VINCE WHITE
DEVON ENERGY CORPORATION
(405) 552-4505

JEANNE BUCHANAN
PENNZENERGY COMPANY
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DEVON ENERGY AND PENNZENERGY ANNOUNCE COMPLETION OF MERGER

OKLAHOMA CITY, OKLAHOMA; HOUSTON, TEXAS, AUGUST 17, 1999--Devon Energy Corporation (AMEX: DVN, TSE: NSX) and PennzEnergy Company (NYSE: PZE) today announced that their merger has been completed. The merger was announced on May 20, 1999. Shareholders of both companies approved the merger at special meetings of shareholders on August 17, 1999. More than 99 percent of the shares represented at the Devon meeting were cast in favor of the merger. Of the shares represented at the PennzEnergy meeting, approximately 92 percent were cast in favor of the merger.

TERMS OF MERGER

In the merger, each PennzEnergy share was converted into 0.4475 shares of common stock of the new Devon Energy Corporation. Each share of Devon common stock was converted into one share of new Devon. PennzEnergy shareholders will own approximately 31 percent of the combined company and Devon shareholders will own approximately 69 percent.

THE NEW DEVON ENERGY CORPORATION

Devon Energy Corporation now ranks in the top 10 of all U.S.-based independent oil and gas producers in terms of market capitalization, total proved reserves and annual production. Key measures of Devon Energy Corporation include:

- . Total capitalization of approximately \$5.0 billion.
- . Proved reserves, as of December 31, 1998, of approximately 660 million barrels of oil equivalent (MMBOE) (52 percent natural gas and 48 percent liquids).
- . Net average daily production during 1998 of 230,000 barrels of oil equivalent (60 percent natural gas and 40 percent liquids).
- . U.S. operations concentrated in four core areas with year-end 1998 proved reserves of 422 MMBOE.

. One of the world's largest coal bed methane producers from Devon's stable San Juan Basin reserves. Significant exposure to the developing Powder River Basin and Raton Basin coal seam plays.

. One of the largest producers in the Gulf of Mexico with operations on 75 blocks. Interests in an additional 98 undeveloped blocks.

. Significant operations in the Western Canadian Sedimentary Basin. Year-end 1998 proved reserves of 144 MMBOE.

. International operations in the Caspian Sea region, Egypt and Venezuela. Year-end 1998 proved reserves of 94 MMBOE, primarily in Azerbaijan.

. An aggregate 15 million net undeveloped acres, providing an extensive inventory of exploration opportunities.

James L. Pate, Chairman of Devon Energy Corporation, said, "This merger has created a powerful new independent energy company. Devon is now poised to take advantage of substantial economies of scale, cost savings and opportunities for strategic expansion. These synergies will result in improved value for all shareholders of the new Devon."

"I am excited and eager to begin this new chapter in the life of Devon Energy Corporation," said J. Larry Nichols, President and CEO of Devon. "This merger is the largest in Devon's history. It carries with it more opportunities to enhance shareholder value than anything we have accomplished to date. This is truly a banner day and I want to welcome all our new shareholders to Devon."

EXCHANGE AND TRANSMITTAL OF SHARES

Shareholders of Devon and PennzEnergy will receive written instructions for exchanging their current shares for shares of the new Devon Energy Corporation. The exchange and transmittal process will begin promptly. Questions concerning this process should be directed to the Exchange Agent, BankBoston, N.A., at its toll free number (800) 733-5001.

FORWARD LOOKING STATEMENTS

This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission. Such statements are those concerning the company's 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 company expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the company. 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.

Devon Energy Corporation is an independent energy company engaged in oil and gas property acquisition, exploration and production. It is one of the top 10 public independent oil and gas companies in the United States and Canada, as measured by oil and gas reserves. Devon's Canadian operations are primarily conducted by its subsidiary, Northstar Energy Corporation, traded on the Toronto Stock Exchange under the symbol NSX. Shares of the new Devon Energy Corporation will continue to trade on the American Stock Exchange under the symbol DVN.

End of Filing

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