

NEWFIELD EXPLORATION CO /DE/  
Form 8-K/A  
February 10, 2003

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K/A  
AMENDMENT NO. 1

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: NOVEMBER 26, 2002  
(DATE OF EARLIEST EVENT REPORTED)

NEWFIELD EXPLORATION COMPANY  
(Exact Name of Registrant as Specified in Its Charter)

|   |                             |   |
|---|-----------------------------|---|
| DELAWARE  | 1-12534                     | 72-1133047                              |
| (State or Other Jurisdiction<br>of Incorporation) | (Commission<br>File Number) | (I.R.S. Employer<br>Identification No.) |

363 N. SAM HOUSTON PARKWAY E., SUITE 2020  
HOUSTON, TEXAS 77060  
(Address of Registrant's Principal Executive Offices)

(281) 847-6000  
(Registrant's Telephone Number, Including Area Code)

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On November 26, 2002, Newfield Exploration Company ("Newfield") acquired EEX Corporation ("EEX") pursuant to a stock-for-stock merger (the "Merger") in which Newfield Operating Company, a wholly owned subsidiary of Newfield, merged with and into EEX, with EEX surviving as a wholly owned subsidiary of Newfield. A total of approximately 7.1 million shares of Newfield common stock were issued in connection with the Merger, representing approximately 12.7% of the total number of shares of Newfield common stock (on a fully diluted basis) outstanding following the completion of the Merger.

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On November 27, 2002, Newfield filed a Current Report on Form 8-K (the "Report") providing the foregoing information under Item 2 of such Report and stating under Item 7 of such Report that the required historical financial statements and other financial information with respect to EEX and the required pro forma financial information with respect to the Merger would be filed by an amendment to the Report. The Report is hereby amended to replace Item 7 of the Report with the following:

### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

#### (a) Financial statements of the business acquired.

The following information is hereby incorporated by reference into this report:

1. EEX's consolidated financial statements as of December 31, 2000 and 2001 and for each of the calendar years in the three year period ending December 31, 2001 and related notes contained in "Item 8. Financial Statements and Supplementary Data" of EEX's Annual Report on Form 10-K for the year ended December 31, 2001, and the report of Ernst & Young LLP, independent auditors, thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about EEX's ability to continue as a going concern as described in Note 2 to the consolidated financial statements) included therein; and
2. EEX's consolidated financial statements as of September 30, 2001 and 2002 and for each of the three month and nine month periods then ended and related notes contained in "Item 1. Financial Statements" of EEX's Quarterly Report on Form 10-Q for the three months ended September 30, 2002.

#### (b) Pro forma financial information.

The unaudited pro forma combined condensed financial statements as of September 30, 2002 and for the nine months ended September 30, 2002 and the calendar year ended December 31, 2001 that give effect to the Merger and the issuance of the notes described therein begin on page F-1 of this report.

#### (c) Exhibits.

##### 23.1 Consent of Ernst & Young LLP

#### EXPERTS

The consolidated financial statements of EEX appearing in EEX's Annual Report (Form 10-K) for the year ended December 31, 2001 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about EEX's ability to continue as a going concern as described in Note 2 to the consolidated financial statements) included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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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 hereunto duly authorized.

NEWFIELD EXPLORATION COMPANY

Date: February 10, 2003

By: /s/ TERRY W. RATHERT

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Terry W. Rathert  
Vice President and Chief Financial Officer  
(Authorized Officer and Principal  
Financial Officer)

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NEWFIELD EXPLORATION COMPANY

### UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

On November 26, 2002, Newfield Exploration Company ("Newfield") acquired EEX Corporation ("EEX") pursuant to a stock-for-stock merger (the "Merger") in which Newfield Operating Company, a wholly owned subsidiary of Newfield, merged with and into EEX, with EEX surviving as a wholly owned subsidiary of Newfield. A total of approximately 7.1 million shares of Newfield common stock were issued in connection with the Merger. Newfield financed the EEX debt that became due at the closing of the Merger and a portion of the transaction costs associated with the Merger with the issuance in August 2002 of \$250 million aggregate principal amount of its 8% Senior Subordinated Notes due 2012 (the "Notes").

The following summary unaudited pro forma combined condensed financial information combines the historical consolidated balance sheets and income statements of Newfield and EEX and gives effect to the issuance of the Notes and to the Merger using the purchase method of accounting.

The unaudited pro forma combined condensed financial information is based on the following assumptions and adjustments:

- o the income statement data assume that the issuance of the Notes and the Merger were effected on January 1, 2001;
- o the balance sheet data assume that the issuance of the Notes and the Merger were effected on September 30, 2002;
- o the balance sheet and income statement data reflect Newfield's use of the net proceeds from the issuance of the Notes to repay the EEX debt that became due at the closing of the Merger and to pay a portion of the transaction costs of the Merger; and
- o the historical financial statements of EEX have been adjusted to conform to the accounting policies of Newfield.

The historical income statement information for the year ended December 31, 2001 is derived from the audited financial statements of EEX and Newfield. The historical income statement information for the nine-month period ended September 30, 2002 and the historical balance sheet information as of September 30, 2002 are derived from the unaudited financial statements of EEX and

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Newfield. The unaudited pro forma combined condensed financial information should be read together with the historical financial statements and related notes of Newfield and EEX.

The unaudited pro forma combined condensed financial information is presented for illustrative purposes only. The financial results may have been different if the companies had always been combined or if the transactions had occurred as of the dates indicated above, nor do they purport to indicate the future results that Newfield will experience. Further, the unaudited pro forma combined condensed financial information does not reflect the effect of restructuring charges that will be incurred to fully integrate and operate the combined organization more efficiently or anticipated synergies resulting from the Merger. The restructuring activities to integrate the companies may result in asset rationalization and other activities.

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### NEWFIELD EXPLORATION COMPANY

#### UNAUDITED PRO FORMA COMBINED CONDENSED INCOME STATEMENT (IN THOUSANDS, EXCEPT PER SHARE DATA)

|  | NINE MONTHS ENDED SEPTEMBER |                   |                       |
|--|-----------------------------|-------------------|-----------------------|
|  | HISTORICAL<br>NEWFIELD      | HISTORICAL<br>EEX | PRO FORM<br>ADJUSTMEN |
| Revenues .....   | \$ 462,260                  | \$ 113,864        | \$ -                  |
| Operating expenses:  |                             |                   |                       |
| Lease operating .....  | 73,824                      | 19,747            | -                     |
| Exploration .....  | --                          | 19,504            | (19,504)              |
| Production and other taxes .....   | 12,906                      | 8,153             | -                     |
| Transportation .....   | 4,377                       | --                | -                     |
| Depreciation, depletion and amortization .....                                       | 221,528                     | 35,139            | (35,139)              |
|  |                             |                   | 65,922                |
| General and administrative .....   | 39,084                      | 13,017            | -                     |
| Gain on sales of property, plant and equipment, net ....                             | --                          | (858)             | 57                    |
|  | 351,719                     | 94,702            | 11,852                |
| Income (loss) from continuing operations .....                                       | 110,541                     | 19,162            | (11,852)              |
| Other income (expenses):   |                             |                   |                       |
| Interest and other income (expense) .....  | (17,009)                    | 1,011             | -                     |
| Interest expense .....   | (21,397)                    | (20,190)          | 1,304                 |
|  |                             |                   | 4,938                 |
| Dividends on convertible preferred securities<br>of Newfield Financial Trust I ..... | (7,008)                     | --                | -                     |
|  | (45,414)                    | (19,179)          | (1,672)               |

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|  |           |           |             |
|--|-----------|-----------|-------------|
|  | -----     | -----     | -----       |
| Income (loss) before income taxes, discontinued operations, extraordinary items and cumulative effect of change in accounting principles .....             | 65,127    | (17)      | (13,53)     |
|  | -----     | -----     | -----       |
| Income tax provision (benefit) .....   | 23,160    | 389       | (4,73)      |
|  | -----     | -----     | -----       |
| Income (loss) before discontinued operations, extraordinary items, cumulative effect of change in accounting principles and preferred stock dividends .... | \$ 41,967 | \$ (406)  | \$ (8,79)   |
|  | =====     | =====     | =====       |
| Per share data:  |           |           |             |
| Basic earnings (loss) per share (Y) .....  | \$ 0.95   | \$ (0.01) |             |
|  | =====     | =====     |             |
| Diluted earnings (loss) per share (Y) .....  | \$ 0.93   | \$ (0.01) |             |
|  | =====     | =====     |             |
| Weighted average number of shares outstanding for basic earnings (loss) per share .....  | 44,337    | 41,901    | (41,907,15) |
|  | =====     | =====     | =====       |
| Weighted average number of shares outstanding for diluted earnings (loss) per share .....  | 44,910    | 41,901    | (41,907,15) |
|  | =====     | =====     | =====       |

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

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NEWFIELD EXPLORATION COMPANY

UNAUDITED PRO FORMA COMBINED CONDENSED INCOME STATEMENT  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

|  |            |                         |             |
|--|------------|-------------------------|-------------|
|  |            | YEAR ENDED DECEMBER 31, |             |
|  | -----      | -----                   | -----       |
|  | HISTORICAL | HISTORICAL              | PRO FORMA   |
|  | NEWFIELD   | EEX                     | ADJUSTMENTS |
|  | -----      | -----                   | -----       |
| Revenues .....                                 | \$ 749,405 | \$ 157,524              | \$ --       |
|  | -----      | -----                   | -----       |
| Operating expenses:                            |            |                         |             |
| Lease operating .....                          | 108,491    | 28,057                  | --          |
| Exploration .....                              | --         | 48,116                  | (48,116)    |
| Production and other taxes .....               | 17,523     | 14,731                  | --          |
| Depreciation, depletion and amortization ..... | 282,567    | 49,294                  | (49,294)    |
|  |            |                         | 84,788      |
| Ceiling test write-down .....                  | 106,011    | --                      | --          |
| Impairment of long-lived assets .....          | --         | 111,030                 | (28,744)    |
| General and administrative .....               | 43,955     | 18,738                  | (226)       |

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|  |            |              |           |
|--|------------|--------------|-----------|
| Gain on sales of property, plant and equipment, net ....   | --         | (12,263)     | 12,263    |
|  | -----      | -----        | -----     |
| Total operating expenses .....   | 558,547    | 257,703      | (29,329)  |
|  | -----      | -----        | -----     |
| Income (loss) from operations .....  | 190,858    | (100,179)    | 29,329    |
|  | -----      | -----        | -----     |
| Other income (expenses):   |            |              |           |
| Interest and other income (expense) .....  | 28,814     | 1,232        | --        |
| Interest expense .....   | (18,968)   | (29,736)     | 627       |
|  |            |              | 6,593     |
|  |            |              | 8,955     |
|  |            |              | (21,688)  |
| Dividends on convertible preferred securities<br>of Newfield Financial Trust I .....   | (9,344)    | --           | --        |
|  | -----      | -----        | -----     |
| Total other income (expenses) .....  | 502        | (28,504)     | (5,513)   |
|  | -----      | -----        | -----     |
| Income (loss) before income taxes, discontinued<br>operations, extraordinary items and cumulative<br>effect of change in accounting principles .....             | 191,360    | (128,683)    | 23,816    |
|  | -----      | -----        | -----     |
| Income tax provision (benefit) .....   | 67,612     | 20,118       | (56,869)  |
|  | -----      | -----        | -----     |
| Income (loss) before discontinued operations,<br>extraordinary items, cumulative effect of change in<br>accounting principles and preferred stock dividends .... | \$ 123,748 | \$ (148,801) | \$ 80,685 |
|  | =====      | =====        | =====     |
| Per share data:  |            |              |           |
| Basic earnings (loss) per share (Y) .....  | \$ 2.80    | \$ (3.57)    |           |
|  | =====      | =====        |           |
| Diluted earnings (loss) per share (Y) .....  | \$ 2.66    | \$ (3.57)    |           |
|  | =====      | =====        |           |
| Weighted average number of shares outstanding for<br>basic earnings (loss) per share .....   | 44,258     | 41,724       | (41,724)  |
|  | =====      | =====        | 7,152     |
| Weighted average number of shares outstanding for<br>diluted earnings (loss) per share .....   | 48,894     | 41,724       | (41,724)  |
|  | =====      | =====        | 7,152     |
|  |            |              | (3,923)   |

See accompanying Notes to Unaudited Pro Forma Combined  
Condensed Financial Statements.

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NEWFIELD EXPLORATION COMPANY

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

AS OF SEPTEMBER 30, 2002

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|  | HISTORICAL<br>NEWFIELD | HISTORICAL<br>EEX | NOTES OFFERING<br>PRO FORMA<br>ADJUSTMENTS |
|--|------------------------|-------------------|--|
|  | -----                  | -----             | -----                                      |
| ASSETS   |                        |                   |  |
| Current assets.....  | \$ 145,723             | \$ 42,904         | \$ --                                      |
| Oil and gas properties.....  | 2,688,078              | 912,764           | --   |
| Other.....   | --                     | 8,609             | --   |
| Less - accumulated depreciation,<br>depletion and amortization.....  | (1,257,592)            | (399,280)         | --   |
| Property, plant and equipment, net....   | 1,430,486              | 522,093           | --   |
| Property, plant and equipment<br>held for sale.....  | --                     | --                | --   |
| Other assets.....  | 16,567                 | 3,035             | 6,125 (M)                                  |
| Total assets.....  | <u>\$ 1,592,776</u>    | <u>\$ 568,032</u> | <u>\$ 6,125</u>                            |
| LIABILITIES AND STOCKHOLDERS' EQUITY   |                        |                   |  |
| Current liabilities.....   | \$ 148,014             | \$ 283,369        | \$ (241,795) (M)                           |
| Other liabilities.....   | 8,493                  | 12,281            | --   |
| Commodity derivatives.....   | 2,596                  | --                | --   |
| Long-term debt.....  | 360,665                | 128,036           | 247,920 (M)                                |
| Deferred taxes.....  | 203,578                | --                | --   |
| Total long-term liabilities...   | 575,332                | 140,317           | 247,920                                    |
| Minority interest third party.....   | --                     | 5,000             | --   |
| Company-obligated, mandatorily<br>redeemable, convertible preferred<br>securities of Newfield Financial<br>Trust ..... | 143,750                | --                | --   |
| Stockholders' equity.....  | 725,680                | 139,346           | --   |
| Total liabilities and<br>stockholders' equity.....   | <u>\$ 1,592,776</u>    | <u>\$ 568,032</u> | <u>\$ 6,125</u>                            |

See accompanying Notes to Unaudited Pro Forma Combined  
Condensed Financial Statements.

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- (A) To record the reversal of historical EEX exploration expense recorded in accordance with the successful efforts method of accounting for oil and gas activities. No such expense is recorded under the full cost method of accounting for oil and gas activities, which method is utilized by Newfield.
- (B) To record the reversal of historical EEX depreciation, depletion and amortization expense recorded in accordance with the successful efforts method of accounting for oil and gas activities.
- (C) To record pro forma depreciation, depletion and amortization expense in accordance with the full cost method of accounting for oil and gas activities based on the purchase price allocation to depreciable and depletable assets.
- (D) To record the reversal of historical EEX impairment related to oil and gas properties recorded in accordance with Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The remaining \$82 million impairment represents the historical EEX impairment charge for non oil and gas assets. Full cost ceiling tests were performed on a pro forma combined basis resulting in no incremental impairment of oil and gas properties for the period presented.
- (E) To adjust EEX historical results of operations to reflect the discontinuance of its international operations, which occurred in 2002 prior to the Merger.
- (F) To record the reversal of the historical EEX gain on the sales of oil and gas properties recorded in accordance with the successful efforts method of accounting for oil and gas activities. The remaining \$0.3 million gain on sales of property, plant and equipment for the nine months ended September 30, 2002 relates to the sale of non oil and gas assets.
- (G) To adjust EEX historical interest expense to reflect the reversal of amortization of historical debt issuance costs.
- (H) To record the capitalization of interest based on the allocation of the purchase price to unproved oil and gas properties.
- (I) To eliminate the historical EEX interest expense of approximately \$8.4 million and \$9.0 million for the nine months ended September 30, 2002 and the year ended December 31, 2001, respectively, related to EEX's credit facility and to reflect the interest expense which results from the issuance of the Notes with a stated interest rate of 8 3/8%. The Notes were issued at a discount of 0.832%. Interest expense also includes amortization of debt issuance costs and the Note discount over the term of the Notes.

NINE  
MONTHS ENDED  
SEPTEMBER 30,  
2002

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|   |           |
|---|-----------|
| Interest expense - \$250 million senior subordinated notes.....   | \$ 15,703 |
| Amortization of note discount - senior subordinated notes.....    | 111       |
| Amortization of debt issuance costs - senior subordinated notes.. | 459       |
|   | -----     |
|   | \$ 16,273 |
|   | =====     |

- (J) To record income tax expense on the pro forma adjustments based on the applicable statutory tax rate of 35%.
- (K) To reverse historical EEX common stock and reflect the issuance of 7.1 million shares of Newfield common stock.
- (L) To adjust the weighted average number of shares outstanding for the calculation of diluted earnings per share to exclude the dilutive effect of the shares underlying Newfield's 6 1/2% quarterly income convertible trust preferred securities because to include such shares would have been antidilutive.

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NEWFIELD EXPLORATION COMPANY  
 NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED  
 FINANCIAL STATEMENTS-- (CONTINUED)

- (M) To reflect the issuance of the Notes (net of a discount of 0.832%) and the application of the net proceeds therefrom for the repayment of EEX debt that became due at the closing of the Merger and the adjustment associated with debt issuance costs related to the Notes.
- (N) To increase historical EEX current assets related to a lawsuit settlement and insurance purchased as required by the terms of the Merger.
- (O) To reverse historical EEX oil and gas property balances and the related accumulated depreciation, depletion and amortization recorded in accordance with the successful efforts method of accounting for oil and gas activities.
- (P) To record the preliminary pro forma allocation of the purchase price of the acquisition of EEX including acquisition costs to oil and gas properties using the purchase method of accounting. The following is a calculation and allocation of purchase price to the acquired assets and liabilities based on their relative fair values:

CALCULATION OF PURCHASE PRICE (IN THOUSANDS, EXCEPT PER SHARE):

|  |       |
|--|-------|
| Shares of common stock issued.....             | ..... |
| Newfield stock price.....                      | ..... |
| Fair value of stock issued.....                | ..... |
| Add: Estimated merger costs (see Note S).....  | ..... |
| Plus fair market value of liabilities assumed: |       |
| Other liabilities.....                         | ..... |
| Debt.....                                      | ..... |
| Total purchase price for assets acquired.....  | ..... |

ALLOCATION OF PURCHASE PRICE (IN THOUSANDS):

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|  |  |
|--|--|
| Oil and gas properties.....                      |  |
| Property, plant and equipment held for sale..... |  |
| Deferred tax asset.....                          |  |
| Other assets.....                                |  |
| Total.....                                       |  |

The Newfield stock price included in the table above is calculated based on the average of the closing prices of Newfield's common stock for the five day trading period around the announcement of the Merger.

- (Q) To reclassify EEX historical furniture, fixtures and equipment and associated accumulated depreciation, depletion and amortization balances to conform to Newfield's presentation and adjust to fair value.
- (R) To record the reversal of the capitalized debt issuance costs related to EEX's historical long-term debt.
- (S) To accrue for merger costs, consisting primarily of severance costs, bankers' and other professional fees, and to reverse historical EEX preferred stock dividends payable, which were converted to shares of Newfield common stock in the Merger. Severance costs are based on the change in control provisions in EEX's employment contracts and employee plans. All such costs are included in the preliminary purchase price allocation (see Note P). Additionally, the restructuring activities to integrate the companies may result in asset rationalization and other activities. However, no adjustments have been made to the pro forma income statements for such costs.
- (T) To increase historical EEX other liabilities by \$0.9 million to adjust the pension and post-retirement benefit liabilities to estimated fair market value.

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NEWFIELD EXPLORATION COMPANY  
 NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED  
 FINANCIAL STATEMENTS--(CONTINUED)

- (U) To record an increase in the estimated fair market value of an EEX forward gas sales obligation. Current maturities of long term debt included in pro forma combined current liabilities are \$14.6 million.
- (V) To record the pro forma deferred income tax effects of the Merger using the purchase method of accounting (see Note P).
- (W) To adjust the historical EEX minority interest third party balance to fair market value in accordance with understandings with such third party.
- (X) To record the pro forma adjustments to stockholder's equity using the purchase method of accounting. The adjustment amount is calculated as follows (in thousands):

Fair value of stock issued, as calculated in Note P above..... \$ 259,

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|  |         |
|--|---------|
| Less: EEX historical shareholders' equity..... | 139,    |
| Adjustment to stockholders' equity.....        | \$ 120, |
|  | =====   |

(Y) Calculated by dividing income (loss) before discontinued operations, extraordinary items, cumulative effect of change in accounting principles and preferred stock dividends by the weighted average number of shares outstanding.

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NEWFIELD EXPLORATION COMPANY

UNAUDITED PRO FORMA COMBINED SUPPLEMENTARY OIL AND GAS DISCLOSURES

The following pro forma estimated reserve quantities show the effect of the Merger as if it had occurred on December 31, 2001.

|                                 | HISTORICAL<br>NEWFIELD | HISTORICAL<br>EEX | EEX<br>DISPOSITIONS<br>PRO FORMA<br>ADJUSTMENTS (A) |
|---------------------------------|------------------------|-------------------|---|
|                                 | -----                  | -----             | -----   |
| Proved:                         |                        |                   |   |
| Oil and condensate (MBbls)..... | 36,342                 | 14,560            | (10,856)  |
| Gas (MMcf).....                 | 718,312                | 394,987           | ---   |
| Total (MMcfe).....              | 936,364                | 482,347           | (65,136)  |
| Proved developed:               |                        |                   |   |
| Oil and condensate (MBbls)..... | 34,534                 | 9,724             | (6,644)   |
| Gas (MMcf).....                 | 662,879                | 310,884           | ---   |
| Total (MMcfe).....              | 870,083                | 369,228           | (39,864)  |

(A) To adjust EEX historical reserves for the discontinuance of its international operations, which occurred in 2002 prior to the Merger.

(B) Represents adjustments to EEX's reserves based on Newfield's estimate of EEX's reserves as of December 31, 2001. Newfield's estimates vary significantly from those of EEX.

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NEWFIELD EXPLORATION COMPANY

UNAUDITED PRO FORMA COMBINED SUPPLEMENTARY OIL AND GAS DISCLOSURES

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The following pro forma estimated standardized measure of discounted future net cash flows shows the effect of the Merger as if it had occurred on December 31, 2001.

|  | HISTORICAL<br>NEWFIELD | HISTORICAL<br>EEX | EEX<br>DISPOSITIONS<br>PRO FORMA<br>ADJUSTMENTS (A) |
|--|------------------------|-------------------|---|
|  | -----                  | -----             | -----   |
|  |                        |                   | (IN THOUSANDS)                                      |
| Future cash inflows.....   | \$ 2,552,744           | \$ 1,227,200      | \$ (194,400)  |
| Less related future:   |                        |                   |   |
| Production costs.....  | (686,995)              | (553,000) (C)     | 162,600 (C)   |
| Development and<br>abandonment costs.....                        | (258,885)              | --                | --  |
|  | -----                  | -----             | -----   |
| Future net cash flows<br>before income taxes.....                | 1,606,864              | 674,200           | (31,800)  |
| Future income tax expense.....                                   | (282,460)              | (4,300)           | 4,300   |
|  | -----                  | -----             | -----   |
| Future net cash flows<br>before discount.....                    | 1,324,404              | 669,900           | (27,500)  |
| 10% annual discount for estimating<br>timing of cash flows.....  | (352,886)              | (280,700)         | 5,500   |
|  | -----                  | -----             | -----   |
| Standardized measure of discounted<br>future net cash flows..... | \$ 971,518             | \$ 389,200        | \$ (22,000)   |
|  | =====                  | =====             | =====   |

(A) To adjust EEX historical reserves for the discontinuance of its international operations, which occurred in 2002 prior to the Merger.

(B) Represents adjustments attributable to EEX's reserves based on Newfield's estimate of EEX's reserves as of December 31, 2001. Newfield's estimates vary significantly from EEX's historical estimates.

(C) Includes related future development costs.

Newfield's estimate of EEX's proved oil and gas reserves at December 31, 2001 is approximately 23% less than EEX's historical estimate. Prior to the Merger, EEX disagreed with Newfield's estimate and believed that no adjustment was required with respect to its reported estimate of proved reserves at December 31, 2001. In general, an estimate of proved reserves depends on the availability of data needed to develop the estimate and on the experience and judgment of the reservoir engineer making the estimate. Estimating accumulations of oil and gas is complex. Estimates prepared by different persons may vary significantly because of the judgments made in interpreting the data.

EXHIBIT INDEX

EXHIBIT NUMBER

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DESCRIPTION

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23.1

Consent of Ernst & Young LLP