

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

NEWFIELD EXPLORATION CO /DE/
Form 8-K
July 24, 2002

=====

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): JULY 22, 2002

NEWFIELD EXPLORATION COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	1-12534	72-1133047
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

363 N. SAM HOUSTON PARKWAY E.
SUITE 2020
HOUSTON, TEXAS 77060
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (281) 847-6000

=====

ITEM 5. OTHER EVENTS

On July 22, 2002, Newfield Exploration Company ("Newfield" or the "Company") announced its financial and operating results for the second quarter and year-to-date 2002. Set forth below is a portion of the press release.

SECOND QUARTER 2002

For the second quarter of 2002, Newfield reported net income of \$20.1 million, or \$0.44 per share (all per share amounts are on a diluted basis), stated before the effect of a non-cash charge related to FAS 133. Stated after the effect of the non-cash charge, net income for the second quarter of 2002 was \$16.3 million, or \$0.36 per share. Revenues in the second quarter of 2002 were \$161.6 million. This compares to net income in the second quarter of 2001 of \$53.0 million, or \$1.11 per share, stated before the effect of a non-cash gain related to FAS 133. Stated after the effect of the non-cash gain, earnings for

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

the second quarter of 2001 were \$56.7 million, or \$1.18 per share. Revenues in the second quarter of 2001 were \$200.7 million. For the second quarter of 2002, operating cash flow before changes in working capital was \$99.7 million, or \$2.07 per share, compared to \$144.7 million, or \$2.97 per share, in the same period of 2001.

Newfield's second quarter 2002 production, when stated on an energy equivalent basis, increased 4% over the same period of 2001 and 8.5% over the first quarter of 2002. Newfield's second quarter 2002 production was 47.5 billion cubic feet equivalent (Bcfe), or an average of 522 million cubic feet equivalent per day. The following tables detail quarterly production and average realized prices:

SECOND QUARTER PRODUCTION

	2Q02 -----	2Q01 -----
United States		
Natural gas (Bcf)*	37.9	35.5
Natural gas (MMcf/d)	416	390
Oil and condensate production (MMBbls)	1.33	1.37
Oil and condensate production (BOPD)	14,602	15,101
Australia		
Oil and condensate liftings (MMBbls)	.278	.342
Oil and condensate liftings (BOPD)	3,049	3,757
Total		
Natural gas (Bcf)	37.9	35.5
Oil and condensate (MMBbls)	1.61	1.72
Total Production (Bcfe)	47.5	45.8

* During the second quarter of 2002, the Company resolved several open accounting matters relating to prior periods. The matters included such things as the calculation of royalties due to the Minerals Management Service and accounting for production from a recent acquisition. As a result of the resolution of these matters, the Company recorded an additional 1.9 Bcf of gas production and related revenue, DD&A and income tax in the second quarter of 2002.

AVERAGE REALIZED PRICES

	2Q02 -----	2Q01 -----	
United States			
Natural gas (per Mcf)	\$ 3.21	\$ 4.39	
Oil and condensate (per Bbl)	\$ 23.84	\$ 24.45	
Australia			
Oil and condensate (per Bbl)	\$ 25.72	\$ 28.02	
Total			
Natural gas (per Mcf)	\$ 3.21	\$ 4.39	
Oil and condensate (per Bbl)	\$ 24.17	\$ 25.16	
Total per Mcfe	\$ 3.37	\$ 4.35	

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

Newfield's lease operating expense (LOE) in the second quarter of 2002, stated on a unit of production basis, was \$0.54 per thousand cubic feet equivalent (Mcf) compared to \$0.50 per Mcfe in the same period last year. Newfield's DD&A expense in the second quarter of 2002 was \$1.64 per Mcfe compared to \$1.56 per Mcfe in the second quarter of 2001. The Company's general and administrative (G&A) expense for the second quarter of 2002 was \$0.27 per Mcfe compared to \$0.26 per Mcfe in the same period of 2001. Net interest expense and dividends were \$0.15 per Mcfe in the second quarter of 2002 compared to \$0.12 per Mcfe in the second quarter of 2001. Capitalized interest in the second quarter of 2002 was \$2.1 million compared to \$2.8 million in the same period last year.

Capital expenditures in the second quarter of 2002 were about \$80 million.

YEAR-TO-DATE 2002

Stated without the effect of a non-cash charge related to FAS 133, Newfield posted net income of \$40.1 million, or \$0.88 per share in the first half of 2002. Stated with the impact of the non-cash charge, net income for the first half of 2002 was \$32.6 million, or \$0.73 per share. Revenues for the first half of 2002 were \$309.7 million. Stated without the impact of a non-cash gain related to FAS 133, net income for the first half of 2001 was \$117.2 million, or \$2.45 per share. Stated with the impact of the non-cash gain, income in the first half of 2001 was \$115.1 million, or \$2.41 per share. Revenues for the first six months of 2001 were \$410.1 million. Operating cash flow before changes in working capital was \$196.4 million, or \$4.08 per share, in the first half of 2002 compared to \$285.7 million, or \$5.88 per share, in the first half of 2001.

Production volumes for the first half of 2002 were 7% above the same period last year. The Company produced 91.3 Bcfe in the first six months of 2002 compared to 85.4 Bcfe in the first six months of the prior year. The following tables detail production and average realized prices for the first half of 2002:

YEAR-TO-DATE PRODUCTION

	1H02 -----	1H01 -----	%
United States			
Natural gas (Bcf)*	71.8	66.3	
Natural gas (MMcf/d)	397	366	
Oil and condensate production (MMBbls)	2.68	2.62	
Oil and condensate production (BOPD)	14,797	14,450	
Australia			
Oil and condensate liftings (MMBbls)	.576	.581	
Oil and condensate liftings (BOPD)	3,181	3,212	
Total			
Natural gas (Bcf)	71.8	66.3	
Oil and condensate (MMBbls)	3.25	3.20	
Total Production (Bcfe)	91.3	85.4	

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

*During the second quarter of 2002, the Company resolved several open accounting matters relating to prior periods. The matters included such things as the calculation of royalties due to the Minerals Management Service and accounting for production from a recent acquisition. As a result of the resolution of these matters, the Company recorded an additional 1.9 Bcf of gas production and related revenue, DD&A and income tax in the second quarter of 2002.

AVERAGE REALIZED PRICES

	1H02 -----	1H01 -----	% CH -----
United States			
Natural gas (per Mcf)	\$ 3.23	\$ 4.94	(
Oil and condensate (per Bbl)	\$22.93	\$24.56	
Australia			
Oil and condensate liftings (per Bbl)	\$23.80	\$27.30	(
Total			
Natural gas (per Mcf)	\$ 3.23	\$ 4.94	(
Oil and condensate (per Bbl)	\$23.08	\$25.06	
Total per Mcfe	\$ 3.36	\$ 4.77	(

In the first half of 2002, LOE, stated on a unit of production basis, averaged \$0.53 per Mcfe compared \$0.51 per Mcfe in the first half of 2001. DD&A expense in the first half of 2002 was \$1.63 per Mcfe compared to \$1.55 per Mcfe in the same period of the prior year. G&A expense in the first half of 2002 was \$0.28 per Mcfe, up slightly when compared to the prior year expense of \$0.27 per Mcfe.

Capital spending in the first half of 2002 totaled \$161 million.

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE DATA)	FOR THE THREE MONTHS ENDED JUNE 30,		FOR SIX MONTHS ENDED JUNE 30,
	2002 -----	2001 -----	2002 -----
OIL AND GAS REVENUES	\$ 161,611	\$ 200,747	\$ 309,650
OPERATING EXPENSES:			
Lease operating	25,706	22,750	48,759
Transportation	1,316	1,563	2,647
Production and other taxes	3,861	5,463	7,271
Depreciation, depletion and amortization	78,027	71,577	149,234
General and administrative	12,206	11,236	23,973

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

Stock compensation	757	703	1,335
	-----	-----	-----
TOTAL OPERATING EXPENSES	121,873	113,292	233,219
	-----	-----	-----
INCOME FROM OPERATIONS	39,738	87,455	76,431
OTHER INCOME (EXPENSE):			
Interest income and other, net	(1,247)	529	569
Interest expense	(7,134)	(6,641)	(14,348)
Capitalized interest	2,130	2,824	4,273
Dividends on preferred securities of Newfield Financial Trust I	(2,336)	(2,336)	(4,672)
Unrealized commodity derivative expense *	(5,880)	5,719	(11,525)
	-----	-----	-----
	(14,467)	95	(25,703)
	-----	-----	-----
INCOME BEFORE INCOME TAXES	25,271	87,550	50,728
	-----	-----	-----
Income tax provision	9,001	30,813	18,132
	-----	-----	-----
Income before cumulative effect of change in accounting principle	16,270	56,737	32,596
Cumulative effect of change in accounting principle*	--	--	--
	-----	-----	-----
NET INCOME	\$ 16,270	\$ 56,737	\$ 32,596
	=====	=====	=====
EARNINGS PER SHARE:			
BASIC			
Income before cumulative effect of change in accounting principle	\$ 0.37	\$ 1.27	\$ 0.74
Cumulative effect of change in accounting principle*	--	--	--
	-----	-----	-----
Net income	\$ 0.37	\$ 1.27	\$ 0.74
	=====	=====	=====
DILUTED			
Income before cumulative effect of change in accounting principle	\$ 0.36	\$ 1.18	\$ 0.73
Cumulative effect of change in accounting principle*	--	--	--
	-----	-----	-----
Net income	\$ 0.36	\$ 1.18	\$ 0.73
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	44,376	44,651	44,295
WEIGHTED AVERAGE SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	48,928	49,314	48,838

*ASSOCIATED WITH SFAS 133.

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

PRODUCTION DATA

FOR THE
THREE MONTHS ENDED
JUNE 30,

	2002	2001	2000
Average daily production:			
Oil and condensate (Bbls)	17,651	18,858	
Gas (Mcf)	416.0	390.2	
Average realized price:			
Oil and condensate (Bbls)	\$ 24.17	\$ 25.16	\$
Gas (Mcf)	\$ 3.21	\$ 4.39	\$

CONSOLIDATED BALANCE SHEET
(UNAUDITED, IN THOUSANDS OF DOLLARS)

JUNE 30,
2002

DECEMBER 31,
2001

	JUNE 30, 2002	DECEMBER 31, 2001
ASSETS		
Current assets:		
Cash & cash equivalents	\$ 7,657	\$ 26,610
Accounts receivable, oil and gas	120,918	92,644
Inventories	9,446	7,332
Commodity derivatives *	9,318	79,012
Other current assets	22,827	25,006
Total current assets	170,166	230,604
Oil and gas properties, net (full cost method)	1,419,746	1,408,579
Furniture, fixtures and equipment, net	6,868	6,807
Commodity derivatives *	743	7,409
Other assets	9,396	9,972
	\$ 1,606,919	\$ 1,663,371
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 148,538	\$ 160,814
Commodity derivatives *	8,133	4,217
Total current liabilities	156,671	165,031
Other liabilities	8,959	6,288
Commodity derivatives *	3,119	1,813
Long-term debt	375,653	428,631
Deferred taxes	205,472	207,880

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

Total long-term liabilities	593,203	644,612
Company-obligated, mandatorily redeemable, convertible preferred securities of Newfield Financial Trust I	143,750	143,750
STOCKHOLDERS' EQUITY		
Common stock	453	449
Additional paid-in capital	372,242	364,734
Treasury stock	(26,130)	(25,794)
Unearned compensation	(7,659)	(7,845)
Accumulated other comprehensive income (loss)		
Foreign currency translation adjustment	(4,056)	(8,918)
Commodity derivatives *	(16,567)	24,936
Retained earnings	395,012	362,416
Total stockholders' equity	713,295	709,978
Total liabilities and stockholders' equity	\$ 1,606,919	\$ 1,663,371

* Associated with SFAS 133.

CONSOLIDATED STATEMENT OF
CASH FLOWS
(UNAUDITED, IN THOUSANDS OF DOLLARS)

	FOR THE THREE MONTHS ENDED JUNE 30,		SIX M J
	2002	2001	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 16,270	\$ 56,737	\$ 32,5
Depreciation, depletion and amortization	78,027	71,577	149,2
Deferred taxes	(1,194)	21,414	1,7
Stock compensation	757	703	1,3
Commodity derivatives *	5,880	(5,719)	11,5
Cumulative effect of change in accounting principle*	--	--	--
Changes in operating assets and liabilities	99,740 (1,961)	144,712 6,299	196,4
NET CASH PROVIDED BY OPERATING ACTIVITIES	97,779	151,011	196,4
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition, net of cash acquired	--	--	--
Additions to oil and gas properties	(80,494)	(147,992)	(164,9
Additions to furniture, fixtures and equipment	(731)	(924)	(1,5

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

NET CASH USED IN INVESTING ACTIVITIES	(81,225)	(148,916)	(166,5
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	133,000	189,000	261,0
Repayments of borrowings	(168,000)	(187,000)	(314,0
Proceeds from issuance of senior notes	--	--	
Proceeds from issuances of common stock	1,433	823	4,8
Purchases of treasury stock	(118)	(16,461)	(3
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(33,685)	(13,638)	(48,5
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(340)	(274)	(3
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(17,471)	(11,817)	(18,9
Cash and cash equivalents, beginning of period	25,128	63,606	26,6
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 7,657	\$ 51,789	\$ 7,6
	=====	=====	=====

* Associated with SFAS 133.

ITEM 9. REGULATION FD DISCLOSURE

On July 22, 2002, Newfield issued a press release that contained the following estimates of certain significant operating and financial data for the third quarter of 2002.

THIRD QUARTER 2002 ESTIMATES

Below are estimates of certain significant operating and financial data for the third quarter of 2002. Although the Company believes the expectations reflected in this forward-looking information are reasonable, such expectations are based upon assumptions and anticipated results that are subject to numerous uncertainties. Please see the discussion regarding forward-looking information set forth below.

NATURAL GAS PRODUCTION AND PRICING

Newfield's natural gas production in the third quarter of 2002 is expected to be 34 - 37 Bcf (370 - 410 MMcf/d). The price received by the Company for its natural gas production from the Gulf of Mexico and onshore Gulf Coast has typically tracked the Henry Hub Index. Gas from the Company's Mid-Continent properties has typically sold at a discount of \$0.12 - \$0.15 per Mcfe to Henry Hub. Hedging gains or losses will affect price realizations.

CRUDE OIL PRODUCTION AND PRICING

Consolidated oil production in the third quarter of 2002 is expected to be 1.4 - 1.6 million barrels (16,000 - 18,000 BOPD). Australian oil production during the third quarter is expected to be 260 - 285 thousand barrels (2,800 - 3,100 BOPD). The oil volume estimates for the Company's Australian production in the third quarter reflect production downtime associated with annual maintenance

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

on the production facilities. The timing of liftings in Australia will impact reported production and revenues. The price the Company receives from its Gulf Coast production has typically averaged about \$2 below the NYMEX WTI price. Oil production from the Mid-Continent has typically sold for a \$1.00 - \$1.50 per barrel discount to WTI. Australian crude oil sales are based on the Tapis Benchmark, which has historically been comparable to WTI. Hedging gains or losses will affect price realizations.

For the full-year 2002, the Company expects to produce 180-185 Bcfe, an increase of 3-6% over 2001 production volumes. This production estimate excludes the impact of the previously announced agreement to acquire EEX Corporation, which is expected to close in late September 2002. The Company may, however, elect to voluntarily curtail production in response to low oil and gas prices. Any curtailments could adversely impact the Company's growth projections.

LEASE OPERATING EXPENSE

Newfield's LOE, including domestic production and severance taxes and resource rent tax in Australia, is expected to be \$31 - \$35 million in the third quarter of 2002 (\$0.70 - \$0.78 per Mcfe). The Company's domestic LOE, including taxes, is expected to be \$0.60 - \$0.66 per Mcfe in the third quarter of 2002. This estimate includes severance taxes of \$0.08 - \$0.10 per Mcfe. LOE varies and is subject to impact from, among other things, production volumes and commodity pricing, tax rates, service costs, the costs of goods and materials and workover activities.

GENERAL AND ADMINISTRATIVE EXPENSE

Newfield's G&A expense for the third quarter of 2002 is expected to be \$12 - \$13 million (\$0.26 - \$0.29 per Mcfe). This estimate includes accrual of performance-based pay.

INTEREST EXPENSE

The non-capitalized portion of the Company's interest expense for the third quarter of 2002 is expected to be \$6 - \$7 million (\$0.14 - \$0.16 per Mcfe), including a \$2.3 million payment on its convertible trust preferred securities. Current borrowings under the Company's bank

facilities are \$56 million. The remainder of long-term debt consists of two separate issuances of senior notes that in the aggregate total \$300 million. Capitalized interest for the third quarter of 2002 is expected to be about \$2.2 million.

INCOME TAXES

Including both current and deferred taxes, the Company expects its consolidated income tax rate in the third quarter of 2002 to be about 35%.

The Company provides information regarding its outstanding hedging positions in its annual report and quarterly reports filed with the SEC and in its electronic publication -- @NFX. This publication can be found on the Company's web page at <http://www.newfld.com>. Through the web page, stockholders can elect to receive @NFX through e-mail distribution.

FORWARD-LOOKING INFORMATION

Certain of the statements set forth above regarding estimated or anticipated third quarter 2002 results, capital spending and yearly production

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 8-K

volumes are forward-looking and based upon assumptions and anticipated results that are subject to numerous uncertainties. Actual results may vary significantly from those anticipated due to many factors, including drilling results, oil and gas prices, industry conditions, the prices of goods and services, the availability of drilling rigs and other support services and the availability of capital resources, labor conditions and other factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2001. In addition, the drilling of oil and gas wells and the production of hydrocarbons are subject to governmental regulations and operating risks.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 8-K to be signed on its behalf by the undersigned thereunto duly authorized.

NEWFIELD EXPLORATION COMPANY

Date: July 24, 2002

By: /s/ TERRY W. RATHERT

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