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NUEVO ENERGY CO
Form 10-Q
August 14, 2002

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-10537

NUEVO ENERGY COMPANY
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE 76-0304436
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

1021 MAIN, SUITE 2100, HOUSTON, TEXAS 77002
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 652-0706

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's

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classes of common stock, as of the latest practicable date.

Common Stock, par value \$.01 per share. Shares outstanding on
August 8, 2002: 17,188,623.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NUEVO ENERGY COMPANY

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	Quarter Ended June 30,	
	2002	2001
Revenues		
Crude oil and liquids	\$ 75,735	\$ 65,419
Natural gas	8,340	32,598
Other	42	27
	84,117	98,044
Costs and Expenses		
Lease operating expenses	34,955	48,685
Exploration costs	424	4,502
Depletion, depreciation and amortization	18,636	19,984
Impairment of oil and gas properties	--	880
General and administrative	7,232	9,229
Other	(222)	97
Loss (gain) on disposition of properties	(15,326)	(198)
	45,699	83,179
Income From Operations	38,418	14,865
Derivative gain (loss)	(177)	4
Interest income	66	214
Interest expense	(9,212)	(10,449)
Dividends on TECONS	(1,653)	(1,653)
Income from Continuing Operations Before Income Tax	27,442	2,981
Income tax expense (benefit)		
Current	--	(535)
Deferred	11,126	1,735
	11,126	1,200
Net Income From Continuing Operations	16,316	1,781
Income from discontinued operations, including loss on disposition, net of income taxes	250	878
Net Income	\$ 16,566	\$ 2,659
Earnings Per Share		
Basic		
Net income from continuing operations	\$ 0.96	\$ 0.11
Net income	\$ 0.97	\$ 0.16

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	=====	=====
Diluted		
Net income from continuing operations	\$ 0.95	\$ 0.09
	=====	=====
Net income	\$ 0.96	\$ 0.14
	=====	=====
Weighted Average Shares Outstanding		
Basic	17,079	16,645
	=====	=====
Diluted	17,291	17,152
	=====	=====

See accompanying notes.

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NUEVO ENERGY COMPANY CONDENSED CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	June 30, 2002	
	-----	(UNAUDITED)
ASSETS		
Current assets		
Cash and cash equivalents	\$	2
Accounts receivable, net		44,5
Inventory		4,9
Assets held for sale		1,6
Assets from price risk management activities		6
Prepaid expenses and other		5,5

Total current assets		57,5

Property and equipment, at cost		
Oil and gas properties (successful efforts method)		915,7
Land		57,5
Gas plant facilities		8,7
Other property		10,8

		992,8
Accumulated depletion, depreciation and amortization		(347,1)

Total property and equipment, net		645,7

Deferred tax assets, net		61,7
Other assets		28,6

Total assets	\$	793,7
		=====

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	\$ 23,2
Accrued interest	4,0
Other accrued liabilities	46,7

Total current liabilities	74,0

Long-term debt	
9-3/8% Senior Subordinated Notes due 2010	150,0
9-1/2% Senior Subordinated Notes due 2008	257,2
9-1/2% Senior Subordinated Notes due 2006	2,3
Bank Line of Credit	8,8
Interest rate swaps - fair value adjustment	4,9

Total long-term debt	423,3

Other long-term liabilities	16,7
TECONS	115,0
Stockholders' equity	
Preferred stock, 7% Cumulative Convertible, \$1.00 par value; 10,000,000 shares authorized; none issued and outstanding in 2002 and 2001	
Common stock, \$0.01 par value, 50,000,000 shares authorized; issued 21,034,880 in 2002 and 20,905,796 in 2001	2
Additional paid-in capital	367,7
Treasury stock (at cost) 3,874,417 shares in 2002 and 3,902,721 shares in 2001 ..	(75,7
Stock held by benefit trust, 63,869 shares in 2002 and 122,995 shares in 2001 ...	(1,0
Deferred stock compensation	(8
Accumulated other comprehensive income (loss)	(4,6
Accumulated deficit	(120,9

Total stockholders' equity	164,6

Total liabilities and stockholders' equity	\$ 793,7
	=====

See accompanying notes.

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NUEVO ENERGY COMPANY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) (UNAUDITED)

Quarter Ended June 30,	
2002	2001
-----	-----

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Cash flows from operating activities			
Net income	\$ 16,566	\$ 2,659	\$
Adjustments to reconcile net income to net cash provided by operating activities			
Depletion, depreciation and amortization.....	18,636	19,984	
Dry hole costs.....	--	504	
Impairment of oil and gas properties.....	--	880	
Amortization of debt financing costs.....	664	599	
Loss (gain) on disposition of properties.....	(15,326)	(198)	
Deferred income taxes.....	11,126	1,735	
Non-cash effect of discontinued operations.....	1,159	931	
Other.....	407	(711)	
	-----	-----	
	33,232	26,383	
Working capital and other changes, net of non-cash transactions			
Accounts receivable.....	40	15,565	
Accounts payable.....	(13,850)	1,211	
Other.....	(2,737)	(8,218)	
	-----	-----	
Net cash provided by operating activities.....	16,685	34,941	
	-----	-----	
Cash flows from investing activities			
Additions to oil and gas properties.....	(12,991)	(47,028)	
Acquisitions of oil and gas properties.....	--	--	
Additions to gas plants and other facilities.....	(1,193)	(5,265)	
Proceeds from sale of properties.....	24,856	--	
	-----	-----	
Net cash provided by (used in) investing activities..	10,672	(52,293)	
	-----	-----	
Cash flows from financing activities			
Debt issuance and modification costs.....	--	--	
Payments of long-term debt.....	--	--	
Net repayments of credit facility.....	(31,175)	--	
Proceeds from exercise of stock options.....	470	3,623	
Purchase of treasury shares.....	--	--	
Other proceeds.....	1,294	--	
	-----	-----	
Net cash provided by(used in) financing activities..	(29,411)	3,623	
	-----	-----	
Decrease in cash and cash equivalents.....	(2,054)	(13,729)	
Cash and cash equivalents			
Beginning of period.....	2,299	16,822	
	-----	-----	
End of period.....	\$ 245	\$ 3,093	\$
	=====	=====	

See accompanying notes.

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NUEVO ENERGY COMPANY CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS)
(UNAUDITED)

	Quarter Ended June 30,		Si
	2002	2001	200
Net income	\$ 16,566	\$ 2,659	\$ 18
Other comprehensive income, net of tax:			
Cumulative-effect transition adjustment	--	--	
Reclassification adjustment for settled contracts	1,195	11,577	(1
Net change in fair value of derivative instruments ...	(2,829)	(3,545)	(14
Other comprehensive income (loss)	(1,634)	8,032	(16
Comprehensive income	\$ 14,932	\$ 10,691	\$ 1

See accompanying notes.

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NUEVO ENERGY COMPANY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Our 2001 Annual Report on Form 10-K includes a summary of our significant accounting policies and other disclosures. You should read it in conjunction with this Quarterly Report on Form 10-Q. The financial statements as of June 30, 2002, and for the quarters and six months ended June 30, 2002 and 2001, are unaudited. The balance sheet as of December 31, 2001, is derived from the audited balance sheet filed in the Form 10-K. These financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission and do not include all disclosures required by accounting principles generally accepted in the United States. We have made adjustments, all of which are of a normal, recurring nature, to fairly present our interim period results. Information for interim periods may not indicate the results of

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operations for the entire year due to the seasonal nature of our business. The prior period information also includes reclassifications which were made to conform to the current period presentation. These reclassifications have no effect on our reported net income, cash flows or stockholders' equity.

Our accounting policies are consistent with those discussed in our Form 10-K, except as discussed below. You should refer to our Form 10-K for a further discussion of those policies.

Accounting for the Impairment or Disposal of Long-Lived Assets.

In October 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The standard also expanded the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. We adopted the provisions of this statement effective January 1, 2002 and it had no impact on our financial statements. At June 30, 2002, we presented certain property dispositions as discontinued operations in accordance with SFAS No. 144. (See Note 2).

Accounting for Asset Retirement Obligations.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This Statement requires companies to record a liability relating to the retirement and removal of assets used in their business. The liability is discounted to its present value, and the related asset value is increased by the amount of the resulting liability. Over the life of the asset, the liability will be accreted to its future value and eventually extinguished when the asset is taken out of service. The provisions of this Statement are effective for fiscal years beginning after June 15, 2002. We are currently evaluating the effects of this pronouncement.

Accounting for Gains and Losses from Extinguishment of Debt.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of income taxes. As a result, the criteria in Accounting Principles Board Opinion (APB) 30 will now be used to classify those gains and losses. Any gain or loss on the extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB 30 for classification as an extraordinary item shall be reclassified. The provisions of this Statement are effective for fiscal years beginning after January 1, 2003. We are currently evaluating the effects of this pronouncement.

Accounting for Costs Associated with Exit or Disposal Activities.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The provisions of this Statement are effective for exit or disposal activities initiated after December 31, 2002. We are currently evaluating the effects of this pronouncement.

2. DISCONTINUED OPERATIONS

During the second quarter of 2002, we sold a majority of our oil and gas properties located in Texas, Alabama and Louisiana (Eastern properties) for approximately \$7.4 million and entered into a letter of intent to sell the remaining Eastern properties. We recognized a \$0.1 million loss on the sale of these properties. Historical results of operations from these properties and the loss on sale are classified as discontinued operations in our statements of income. At June 30, 2002, the remaining Eastern properties that we intend to sell were reclassified to assets held for sale and are carried at the lower of cost or net realizable value.

3. RESTRUCTURING CHARGES

We terminated our California field operations and human resources outsourcing agreements effective March 15, 2002. We brought the human resources function in-house and we now employ the field employees working on our California properties. Our exploration and production operations were reorganized to create a smaller, more focused exploitation program and we eliminated our California exploration program along with approximately 20 technical positions in late 2001. The following table details the amounts related to our restructuring:

	Liability at December 31, 2001	Payments in 2002	Liability at June 30, 2002
	-----	-----	-----
	(In thousands)		
Severance, benefits and other	\$ 1,675	\$ 1,493	\$ 182
Contract termination	2,681	2,626	55
	-----	-----	-----
	\$ 4,356	\$ 4,119	\$ 237
	=====	=====	=====

We expect that the balance of the restructuring liability will be paid during 2002.

4. EARNINGS PER SHARE

SFAS No. 128, Earnings per Share, requires a reconciliation of the numerator (income) and denominator (shares) of the basic earnings per share computation to the numerator and denominator of the diluted earnings per share computation. The reconciliation is as follows:

Quarter Ended June 30,			

2002			

Net Income	Shares	Per Share	Net Income
-----	-----	-----	-----

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Basic Earnings Per Share

(In thousands, except per share data)

Income from continuing operations	\$ 16,316	17,079	\$ 0.96	\$ 1,781
		=====		
Income from discontinued operations	250	17,079	0.01	878
	-----	=====	-----	-----
Net income per common share	\$ 16,566	17,079	\$ 0.97	\$ 2,659
	=====	=====	=====	=====

Diluted Earnings Per Share

Income from continuing operations	\$ 16,316	17,079		\$ 1,781
Effect of dilutive securities				
Stock options and restricted stock		149		
Shares held by benefit trust ...	29	63		(217)
	-----	-----		-----
Net income from continuing operations available to common stockholders and assumed conversions	16,345	17,291	0.95	1,564
		=====		
Income from discontinued operations	250	17,291	0.01	878
	-----	=====	-----	-----
Net income per common share	\$ 16,595	17,291	\$ 0.96	\$ 2,442
	=====	=====	=====	=====

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Year to Date Ended June 30,

2002				2001
Net Income	Shares	Per Share	Net Income	

(In thousands, except per share data)

Basic Earnings Per Share

Income from continuing operations	\$ 17,578	17,040	\$ 1.03	\$ 9,966
		=====		
Income from discontinued operations	450	17,040	0.03	2,296

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Net income per common share	\$ 18,028	17,040	\$ 1.06	\$ 12,262
	=====	=====	=====	=====
Diluted Earnings Per Share				
Income from continuing operations	\$ 17,578	17,040		\$ 9,966
Effect of dilutive securities				
Stock options and restricted stock		139		
Shares held by benefit trust ...	(8)	58		(170)
	-----	-----		-----
Net income from continuing operations available to common stockholders and assumed conversions	17,570	17,237	1.02	9,796
		=====		
Income from discontinued operations	450	17,237	0.03	2,296
	-----	=====	-----	-----
Net income per common share	\$ 18,020	17,237	\$ 1.05	\$ 12,092
	=====	=====	=====	=====

5. LONG-TERM DEBT

Our long-term debt consisted of the following:

	June 30, 2002	December 31, 2001
	-----	-----
	(In thousands)	
9-3/8% Senior Subordinated Notes due 2010	\$ 150,000	\$ 150,000
9-1/2% Senior Subordinated Notes due 2008	257,210	257,210
9-1/2% Senior Subordinated Notes due 2006	2,367	2,367
Bank credit facility (3.79% on June 30, 2002 and 3.71% on December 31, 2001)	8,800	41,500
	-----	-----
Total debt	418,377	451,077
Interest rate swaps - fair value adjustment (Note 6)	4,930	(633)
	-----	-----
Long-term debt	\$ 423,307	\$ 450,444
	=====	=====

6. FINANCIAL INSTRUMENTS

We have entered into commodity swaps, put options and interest rate swaps. The commodity swaps and put options are designated as cash flow hedges and the interest rate swaps are designated as fair value hedges in accordance with SFAS 133. Quantities covered by the commodity swaps and put options are based on West Texas Intermediate ("WTI") barrels. The average price realized per barrel from our production is expected to average 73% of the WTI price per barrel, therefore, each WTI barrel hedges approximately 1.38 barrels of our production.

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Derivative Instruments Designated as Cash Flow Hedges.

At June 30, 2002, we had entered into the following cash flow hedges:

	WTI Barrels Per Day	Average Price / Bbl
	-----	-----
Swaps		
Third quarter 2002	18,500	\$ 24.73
Fourth quarter 2002	20,000	24.87
First quarter 2003	13,000	24.20
Second quarter 2003	12,000	23.86
Third quarter 2003	10,000	23.49
Fourth quarter 2003.....	8,000	23.34
First quarter 2004.....	4,000	23.53
Put Options		
Third quarter 2002	9,000	22.00
Fourth quarter 2002	9,000	22.00

Subsequent to June 30, 2002, we entered into the following cash flow hedges:

	WTI Barrels Per Day	Average Price / Bbl
	-----	-----
Swaps		
First quarter 2003	2,000	\$ 25.70
Third quarter 2003	1,000	24.50
Fourth quarter 2003	1,000	24.03
First quarter 2004.....	3,000	23.75

We recorded a loss of \$2.2 million related to our settled swaps in the second quarter of 2002. During the quarter ended June 30, 2002, our put options on 14,000 WTI Bbls/day expired and we recorded a loss of \$1.5 million which is reflected in our statements of income as a reduction of revenue.

Derivative Instruments Designated as Fair Value Hedges

We have entered into three interest rate swap agreements with notional amounts totaling \$200 million, to hedge a portion of the fair value of our 9-1/2% Notes due 2008 and our 9-3/8% Notes due 2010. These swaps are designated as fair value hedges and are reflected as an increase of long-term debt of \$4.9 million as of June 30, 2002, with a corresponding increase in other long-term

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assets. During the six months ended June 30, 2002, we recognized \$3.7 million as a reduction of interest expense. Under the terms of the agreements for the 9-3/8% Notes, the counterparty pays us a weighted average fixed annual rate of 9-3/8% on total notional amounts of \$150 million, and we pay the counterparty a variable annual rate equal to the six-month and three-month LIBOR rate plus a weighted average rate of 3.49%. Under the terms of the agreement for the 9-1/2% Notes, the counterparty pays us a weighted average fixed annual rate of 9-1/2% on total notional amounts of \$50 million, and we pay the counterparty a variable annual rate equal to the six-month LIBOR rate plus a weighted average rate of 3.92%.

Derivative Instruments Not Designated as Hedges.

In December 2001, Enron Corp. ("Enron") and certain of its affiliates filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. Once a deterioration in creditworthiness creates uncertainty as to whether the future cash flows from the hedging instrument will be highly effective in offsetting the hedged risk, the derivative instrument is no longer considered highly effective and no longer qualifies for hedge accounting treatment. At such time, the fair value of the derivative asset or liability is adjusted to its new fair value, with the change in value being charged to current earnings. The net gain or loss of the derivative instruments previously reported in other comprehensive income remains in accumulated other comprehensive income and is reclassified into earnings during the period in which the originally designated hedged items affect earnings. During the second quarter, \$1.3 million was reclassified into earnings and at June

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30, 2002, a deferred gain of \$1.4 million remains in accumulated other comprehensive income related to the outstanding Enron options, which will be reclassified into earnings when the hedged production occurs during the remainder of 2002. In June 2002, we sold our bankruptcy claim to these derivatives for \$1.3 million and due to the buyer's recourse under the terms of the agreement, it is reflected in long-term liabilities.

In 2001 and 2000, we entered into call spreads with the anticipation of using the proceeds to offset a contingent payment obligation to Unocal. Subsequent to entering into the call spreads, the market fell and as a result, offsetting call spreads were purchased to economically nullify the trade. All of our existing call spreads had been offset through the purchase of a mirror spread, however, the call spread with Enron was cancelled. The remaining mirror call spread is not designated as a hedging instrument and is marked-to-market with changes in fair value recognized currently in earnings. The value of the call spread decreased during the quarter ended June 30, 2002, and we recorded a loss of \$0.2 million. At June 30, 2002, \$1.9 million is reflected in other long-term liabilities.

7. SEGMENTS

Our operations are the exploration for and production of crude oil and natural gas. For segment reporting purposes, domestic producing areas have been aggregated as one reportable segment due to similarities in their operations as permitted by SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. Financial information by reportable segment is presented below:

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	For the Quarter Ended June 30, 2002			
	Oil and Gas Domestic	Oil and Gas International	Other (1)	
Revenues from external customers	\$ 75,831	\$ 8,244	\$ 42	\$
Operating income before income tax	42,293	3,800	(18,651)	

	For the Quarter Ended June 30, 2001			
	Oil and Gas Domestic	Oil and Gas International	Other (1)	
Revenues from external customers	\$ 89,291	\$ 8,726	\$ 27	\$
Operating income before income tax	19,232	4,703	(20,954)	

	For the Six Months Ended June 30, 2002			
	Oil and Gas Domestic	Oil and Gas International	Other (1)	
Revenues from external customers	\$ 145,022	\$ 15,668	\$ 48	\$
Operating income before income tax	60,085	6,144	(36,681)	

	For the Six Months Ended June 30, 2001			
	Oil and Gas Domestic	Oil and Gas International	Other (1)	
Revenues from external customers	\$ 197,865	\$ 13,726	\$ 115	\$
Operating income before income tax	54,970	4,193	(42,472)	

(1) Includes unallocated corporate expenses.

8. CONTINGENCIES AND OTHER MATTERS

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On September 22, 2000, we were named as a defendant in the lawsuit Thomas Wachtell et al. versus Nuevo Energy Company in the Superior Court of Los Angeles County, California. We successfully removed this lawsuit to the United States District Court for the Central District of California. The plaintiffs, who own certain interests in the Point Pedernales properties, have asserted numerous causes of action including breach of contract, fraud and conspiracy in connection with the plaintiffs' allegation that: (i) royalties had not been properly paid to them for production from the Point Pedernales field, (ii) payments had not been made to them related to production from the Pescado and Sacate fields and (iii) we had failed to recognize the plaintiffs' interests in the

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Tranquillon Ridge project. We settled this lawsuit in June 2002 for, among other matters, making a payment to plaintiffs' of \$3.4 million, and receiving from plaintiffs certain interests in properties and extinguishing certain contract rights of plaintiffs. We established a reserve for this contingency in 2001 and the settlement payment did not have a material impact on our results of operations or financial position.

On April 5, 2000, we filed a lawsuit against ExxonMobil Corporation in the United States District Court for the Central District of California, Western Division. The Company and ExxonMobil each owned a 50% interest in the Sacate field, offshore Santa Barbara County, California. We believe that we have been denied a reasonable opportunity to exercise our rights under the unit operating agreement. We alleged that ExxonMobil's actions breach the unit operating agreement and the covenant of good faith and fair dealing. We settled this lawsuit in June 2002. Under the terms of the agreement, we received \$16.5 million from ExxonMobil and conveyed to them our interest in the Santa Ynez Unit, our non-consent interest in the adjacent Pescado field and relinquished our right to participate in the Sacate field and recorded a \$14.7 million gain related to the sale of this unproved property.

We have been named as a defendant in certain other lawsuits incidental to our business. These actions and claims in the aggregate seek damages against us and are subject to the inherent uncertainties in any litigation. We are defending ourselves vigorously in all such matters. We have reserved an amount that we deem adequate to cover any potential losses related to these matters to the extent the losses are deemed probable and estimable. This amount is reviewed periodically and changes may be made, as appropriate. Any additional costs related to these potential losses are not expected to be material to our operating results, financial condition or liquidity.

In September 1997, there was a spill of crude oil into the Santa Barbara Channel from a pipeline that connects our Point Pedernales field with shore-based processing facilities. The volume of the spill was estimated to be 163 Bbls of oil. Repairs were completed by the end of 1997, and production recommenced in December 1997. The costs of the clean up and the cost to repair the pipeline either have been or are expected to be covered by our insurance, less a deductible of \$0.1 million. As of June 30, 2002, we had received insurance reimbursements of \$4.2 million, with a remaining insurance receivable of \$0.5 million. Costs related to the settlement of claims for natural resource damage asserted by certain federal and state agencies are also expected to be covered by insurance.

Our international investments involve risks typically associated with investments in emerging markets such as an uncertain political, economic, legal

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and tax environment and expropriation and nationalization of assets. In addition, if a dispute arises in our foreign operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of the United States. We attempt to conduct our business and financial affairs to protect against political and economic risks applicable to operations in the various countries where we operate, but there can be no assurance that we will be successful in so protecting ourselves. A portion of our investment in the Congo is insured through political risk insurance provided by Overseas Private Investment Company ("OPIC"). The political risk insurance through OPIC covers up to \$25.0 million relating to expropriation and political violence, which is the maximum coverage available through OPIC. We have no deductible for this insurance.

In connection with our February 1995 acquisitions of two subsidiaries owning interests in the Yombo field offshore Congo, we and a wholly-owned subsidiary of CMS NOMECO Oil & Gas Co. ("CMS") agreed with the seller of the subsidiaries not to claim certain tax losses ("dual consolidated losses") incurred by such subsidiaries prior to the acquisitions. Under the tax law in the Congo, as it existed when this acquisition took place, if an entity is acquired in its entirety and that entity has certain tax attributes, for example tax loss carryforwards from operations in the Republic of Congo, the subsequent owners of that entity can continue to utilize those losses without restriction. Pursuant to the agreement, we and CMS may be liable to the seller for the recapture of dual consolidated losses (net operating losses of any domestic corporation that are subject to an income tax of a foreign country without regard to the source of its income or on a residence basis) utilized by the seller in years prior to the acquisitions if certain triggering events occur, including:

- o a disposition by either us or CMS of its respective Congo subsidiary,
- o either Congo subsidiary's sale of its interest in the Yombo field,
- o the acquisition of us or CMS by another consolidated group or
- o the failure of CMS's Congo subsidiary or us to continue as a member of its respective consolidated group.

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A triggering event will not occur, however, if a subsequent purchaser enters into certain agreements specified in the consolidated return regulations intended to ensure that such dual consolidated losses will not be claimed. The only time limit associated with the occurrence of a triggering event relates to the utilization of a dual consolidated loss in a foreign jurisdiction. A dual consolidated loss that is utilized to offset income in a foreign jurisdiction is only subject to recapture for 15 years following the year in which the dual consolidated loss was incurred for U.S. income tax purposes. We and CMS have agreed among ourselves that the party responsible for the triggering event shall indemnify the other for any liability to the seller as a result of such triggering event. Our potential direct liability could be as much as \$38.5 million if a triggering event with respect to us occurs. Additionally, we believe that CMS's liability (for which we would be jointly liable with an indemnification right against CMS) could be as much as \$56.2 million. During the second quarter of 2002, we were notified by CMS that they have entered into an agreement to sell their interest in the Yombo field offshore Congo and that the transaction will be structured to avoid a triggering event.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Our results of operations are significantly affected by fluctuations in oil and gas prices. Success in acquiring oil and gas properties and our ability to maintain or increase production through exploitation activities has also significantly affected our operating results. We sold our properties located in Texas, Louisiana and Alabama (Eastern properties) during the second quarter of 2002 and reflected the Eastern properties as discontinued operations in our financial statements. The following table reflects our production and average prices for oil and natural gas excluding the Eastern properties for all periods presented:

	Quarter Ended June 30,		Six Months June 30	
	2002	2001	2002	
Crude Oil and Liquids				
Sales Volumes (MBbls/day)				
Domestic	39.4	40.6	40.2	
International	5.4	5.9	5.2	
Total	44.8	46.5	45.4	
Sales Prices (\$/Bbl)				
Unhedged	\$ 19.13	\$ 20.04	\$ 17.45	\$
Hedged	18.60	15.46	17.76	
Revenues (\$/thousands)				
Domestic	\$ 69,904	\$ 76,332	\$ 128,191	\$
International	9,686	9,797	17,364	
Congo Earnout	(1,442)	(1,071)	(1,696)	
Marketing Fees	(253)	(249)	(446)	
Hedging	(2,160)	(19,390)	2,523	
Total	\$ 75,735	\$ 65,419	\$ 145,936	\$
Natural Gas				
Sales Volumes (MMcf/day)				
Domestic	31.3	29.1	31.8	
Sales Prices (\$/Mcf)				

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Unhedged	\$	2.93	\$	12.32	\$	2.57	\$
Revenues (\$/thousands)							
Domestic	\$	8,489	\$	32,905	\$	14,991	\$
Marketing Fees		(149)		(307)		(237)	
		-----		-----		-----	
Total	\$	8,340	\$	32,598	\$	14,754	\$
		=====		=====		=====	

Below is a list of terms commonly used in the oil and gas industry.

/d	=	per day
Bbl	=	barrel of crude oil or other liquid hydrocarbons
Bcf	=	billion cubic feet of natural gas
Bcfe	=	billion cubic feet of natural gas equivalent
BOE	=	barrel of oil equivalent, converting gas to oil at the ratio of 6 Mcf of gas to 1 Bbl of oil
BOPD	=	barrel of oil per day
MBbl	=	thousand barrels of crude oil or other liquid hydrocarbons
Mcf	=	thousand cubic feet of natural gas
MMBbl	=	million barrels of oil or other liquid hydrocarbons
MMcf	=	million cubic feet of natural gas
MBOE	=	thousand barrels of oil equivalent
MMBOE	=	million barrels of oil equivalent

QUARTER ENDED JUNE 30, 2002 COMPARED TO QUARTER ENDED JUNE 30, 2001

We had net income of \$16.6 million, or \$0.96 per diluted share for the quarter ended June 30, 2002 as compared to net income of \$2.7 million, or \$0.14 per diluted share in the same period of 2001. Our net income for the quarter ended June 30, 2002 includes an after-tax gain of approximately \$8.7 million related to the litigation settlement with ExxonMobil. Excluding this gain, our net income was \$7.8 million, or \$0.46 per diluted share.

Revenues

Oil and Gas Revenues. Oil and gas revenues of \$84.1 million for the quarter ended June 30, 2002 decreased 14% from \$98.0 million in the same period of 2001 due to significantly lower natural gas prices and lower oil production which was partially offset by lower hedging losses in 2002. The realized oil price in the second quarter of 2002 was \$18.60 per Bbl, an increase of \$3.14 per Bbl from the same period in 2001. Crude oil production averaged 44.8 MBbls/day

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in the second quarter 2002, a decrease of 4% from the same period in 2001. Lower production from our California properties was due to downtime at Cymric and Point Pedernales fields which were partially offset by increased production due to re-steaming at Belridge and Midway-Sunset. We had a hedging loss of \$2.2 million in the second quarter of 2002 compared to a hedging loss of \$19.4 million in same period of 2001. Natural gas production averaged 31.3 MMcf per day in the second quarter of 2002, an increase of 8% from the 2001 period of 29.1 MMcf per day primarily due to increased production onshore California. The second quarter 2002 realized natural gas price was \$2.93 per Mcf, which decreased 76% from \$12.32 per Mcf in the prior year period.

Costs and Expenses

Costs and Expenses. Lease operating expenses ("LOE") for the quarter ended June 30, 2002 decreased 28% to \$35.0 million from \$48.7 million for the 2001 period principally due to lower steam and workover costs in our California operations. Excluding the steam component, LOE decreased 11% in the second quarter of 2002 compared to the same period of 2001. Exploration costs were \$0.4 million in the quarter ended June 30, 2002, a decrease from \$4.5 million in the same period of 2001 which had \$2.6 million for the acquisition of seismic and \$0.9 million related to new ventures. Depreciation, depletion and amortization ("DD&A") decreased to \$18.6 million in second quarter of 2002 primarily due to a lower DD&A rate and lower oil production. The DD&A rate was \$4.10 per BOE in the 2002 period compared to \$4.28 per BOE in 2001. General and administrative expense of \$7.2 million in 2002 was \$2.0 million lower than the comparable period in 2001 which had \$1.7 million in severance costs. In 2002, under the terms of a settlement agreement with ExxonMobil, we conveyed to them our interest in the Santa Ynez Unit, our non-consent interest in the adjacent Pescado field and relinquished our right to participate in the Sacate field and recorded a \$14.7 million gain related to the sale of this unproved property.

Derivative Gain (Loss). Our derivative loss for the quarter ended June 30, 2002 is comprised of a loss on our mark-to-market derivatives of \$0.2 million.

Interest Expense. Interest expense of \$9.2 million in the quarter ended June 30, 2002 decreased 12% compared to interest expense of \$10.4 million in the same period of 2001. The decrease is primarily due to the benefit of our interest rate swaps in 2002 of \$1.8 million.

Dividends. Dividends on the TECONS were \$1.7 million in both quarters ended June 30, 2002 and 2001. The TECONS pay dividends at a rate of 5.75% and were issued in December 1996.

Income Tax. We had income tax expense of \$11.1 million in the quarter ended June 30, 2002 compared to an expense of \$1.2 million in the prior year period. Our effective income tax rate was 40.5% in 2002 and 40.3% in 2001.

YEAR TO DATE JUNE 30, 2002 COMPARED TO YEAR TO DATE JUNE 30, 2001

We had net income of \$18.0 million, or \$1.05 per diluted share for six months ended June 30, 2002 as compared to net income of \$12.3 million, or \$0.71 per diluted share in the same period of 2001. Excluding the gain from the settlement with ExxonMobil mentioned above, our net income for the 2002 period was \$9.3 million, or \$0.55 per share.

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Revenues

Oil and Gas Revenues. Oil and gas revenues decreased 24% to \$160.7 million for the six months ended June 30, 2002 from \$211.7 million in the same period of 2001 due to significantly lower realized natural gas prices and lower production which was partially offset by hedging gains in 2002. Crude oil production averaged 45.4 MBbls/day for the six months ended June 30, 2002, a decrease of 2% from the same period of 2001 primarily due to lower production offshore California due to mechanical downtime. The realized oil price for the six months ended June 30, 2002 was \$17.76 per Bbl, an increase of \$2.16 per Bbl from the same period in 2001. We had hedging gains of \$2.5 million in the six months ended June 30, 2002 compared to a hedging loss of \$40.9 million in same period of 2001. Natural gas production averaged 31.8 MMcf per day for the six months ended June 30, 2002, declining 4% from the 2001 period of 33.2 MMcf per day. The decline was primarily due to lower domestic production onshore and offshore California. The realized natural gas price for the six months ended June 30, 2002 was \$2.57 per Mcf, which decreased 81% from \$13.46 per Mcf in the comparable period in 2001.

Costs and Expenses

Costs and Expenses. LOE for the six months ended June 30, 2002 totaled \$72.6 million, as compared to \$105.6 million for the 2001 period. The 31% decrease in LOE is principally due to lower steam and workover costs in our California operations. Exploration costs were \$1.5 million in the six months ended June 30, 2002, a decrease from \$7.2 million in the same period of 2001 which had \$2.5 million in seismic acquisitions and \$1.5 million of dry hole costs associated with our exploratory well offshore the Republic of Ghana. DD&A decreased to \$37.0 million for the six months ended June 30, 2002 primarily due to lower gas production. The DD&A rate was \$4.03 per BOE in the 2002 period compared to \$4.14 per BOE in 2001. General and administrative expense of \$13.3 million in 2002 was \$3.2 million lower than the comparable period in 2001 due to a \$1.7 million severance payment in 2001 and lower project costs. In 2002, under the terms of a settlement agreement with ExxonMobil, we conveyed to them our interest in the Santa Ynez Unit, our non-consent interest in the adjacent Pescado field and relinquished our right to participate in the Sacate field and recorded a \$14.7 million gain related to the sale of this unproved property.

Derivative Gain (Loss). Our derivative loss for the six months ended June 30, 2002 is comprised of a loss on our mark-to-market derivatives of \$0.8 million and \$0.1 million of ineffectiveness on our hedges.

Interest Expense. Interest expense of \$18.2 million for the six months ended June 30, 2002 decreased 16% compared to interest expense of \$21.6 million in the same period of 2001. The decrease is primarily due to the benefit of our interest rate swaps in 2002 of \$3.8 million which more than offset higher average borrowings.

Dividends. Dividends on the TECONS were \$3.3 million in both the six months ended June 30, 2002 and 2001. The TECONS pay dividends at a rate of 5.75% and were issued in December 1996.

Income Tax. We had income tax expense of \$12.0 million for the six months ended June 30, 2002 compared to an expense of \$6.7 million in the prior year period. Our effective income tax rate was 40.5% in 2002 and 40.3% in 2001.

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CAPITAL RESOURCES AND LIQUIDITY

We have grown and diversified our operations through acquisitions of oil and gas properties and the subsequent exploitation and development of these properties. We have historically funded our operations and acquisitions with operating cash flows, bank financing, private and public placements of debt and equity securities, property divestitures and joint ventures with industry participants.

Net cash provided by operating activities was \$29.0 million for the six months ended June 30, 2002 and \$28.3 million was invested in oil and gas properties and \$2.2 million on gas plant and other facilities. We also received \$24.9 million in proceeds from the sale of properties in the six months ended June 30, 2002.

We believe our working capital, cash flow from operations and available financing sources are sufficient to meet our obligations as they become due and to finance our capital budget through 2002. We have a \$135 million borrowing base under our Credit Agreement. Under the most restrictive covenant, \$128 million was available at June 30, 2002 of which we had drawn \$8.8 million under the agreement. We have interest rate swaps totaling \$200 million; \$150 million on our 9-3/8% Notes and \$50 million on our 9-1/2% Notes.

CONTINGENCIES AND OTHER MATTERS

On September 14, 2001, during an annual inspection, we discovered fractures in the heat affected zone of certain flanges on our pipeline that connects the Point Pedernales field with onshore processing facilities. We voluntarily elected to shut-in production in the field while repairs were being made. The daily net production from this field was approximately 5,000 barrels of crude oil and 1.2 MMcf of natural gas, representing approximately 11% of our daily production. We replaced the damaged flanges, as well as others which had not shown signs of damage. We resumed production in January 2002. Certain costs related to repair and business interruption are expected to be covered by insurance based on a tentative agreement we have with our underwriters. We expect payment on these claims in the next twelve months once the claims are fully adjusted.

On June 15, 2001, we experienced a failure of a carbon dioxide treatment vessel at the Rincon Onshore Separation Facility ("ROSF") located in Ventura County, California. There were no injuries associated with this event. Crude oil and natural gas produced from three fields offshore California are transported onshore by pipeline to the ROSF plant where crude oil and water are separated and treated, and carbon dioxide is removed from the natural gas stream. The daily net production associated with these fields is 3,000 barrels of crude oil and 2.4 MMcf of natural gas, representing approximately 6% of our daily production. Crude oil production resumed in early July and full gas sales resumed by mid August. The cost of repair, less a \$50,000 deductible, is expected to be covered by insurance. We expect to settle the insurance claims within the next twelve months.

On September 22, 2000, we were named as a defendant in the lawsuit Thomas Wachtell et al. versus Nuevo Energy Company in the Superior Court of Los Angeles County, California. We successfully removed this lawsuit to the United States District Court for the Central District of California. The plaintiffs, who own certain interests in the Point Pedernales properties, have asserted numerous causes of action including breach of contract, fraud and conspiracy in connection with the plaintiffs' allegation that: (i) royalties have not been properly paid to them for production from the Point Pedernales field, (ii) payments have not been made to them related to production from the Pescado and

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Sacate fields and (iii) we have failed to recognize the plaintiffs' interests in the Tranquillon Ridge project. We settled all issues associated with this lawsuit in June 2002 for, among other matters, making a payment to plaintiffs of \$3.4 million, and receiving from plaintiffs' certain interests in properties and extinguishing certain contract rights of plaintiffs. We established a reserve for this contingency in 2001 and the settlement payment did not have a material impact on our results of operations or financial position.

On April 5, 2000, we filed a lawsuit against ExxonMobil Corporation in the United States District Court for the Central District of California, Western Division. The Company and ExxonMobil each owned a 50% interest in the Sacate field, offshore Santa Barbara County, California. We believe that we have been denied a reasonable opportunity to exercise our rights under the unit operating agreement. We alleged that ExxonMobil's actions breach the unit operating agreement and the covenant of good faith and fair dealing. We settled this lawsuit in June 2002. Under the terms of the agreement, we received \$16.5 million from ExxonMobil and conveyed to them our interest in the Santa Ynez Unit, our non-consent interest in the adjacent Pescado field and

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relinquished our right to participate in the Sacate field and recorded a \$14.7 million gain related to the sale of this unproved property.

We have been named as a defendant in certain other lawsuits incidental to our business. Management does not believe that the outcome of such litigation will have a material adverse impact on our operating results, financial condition or liquidity above the amounts we have reserved to cover any potential losses. However, these actions and claims in the aggregate seek damages against us and are subject to the inherent uncertainties in any litigation. We are defending ourselves vigorously in all such matters.

In September 1997, there was a spill of crude oil into the Santa Barbara Channel from a pipeline that connects our Point Pedernales field with shore-based processing facilities. The volume of the spill was estimated to be 163 Bbls of oil. Repairs were completed by the end of 1997 and production recommenced in December 1997. The costs of the clean-up and the cost to repair the pipeline either have been or are expected to be covered by our insurance, less a deductible of \$0.1 million. As of June 30, 2002, we had received insurance reimbursements of \$4.2 million, with a remaining insurance receivable of \$0.5 million. We expect to settle the insurance claims within the next twelve months.

Our international investments involve risks typically associated with investments in emerging markets such as an uncertain political, economic, legal and tax environment and expropriation and nationalization of assets. In addition, if a dispute arises in our foreign operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of the United States. We attempt to conduct our business and financial affairs so as to protect against political and economic risks applicable to operations in the various countries where we operate, but there can be no assurance that we will be successful in so protecting ourselves. A portion of our investment in the Congo is insured through political risk insurance provided by the Overseas Private Investment Corporation ("OPIC"). The political risk insurance through OPIC covers up to \$25.0 million relating to expropriation and political violence, which is the maximum coverage available through OPIC. We have no deductible for this insurance.

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In connection with our February 1995 acquisitions of two subsidiaries owning interests in the Yombo field offshore Congo, we and a wholly-owned subsidiary of CMS NOMEKO Oil & Gas Co. agreed with the seller of the subsidiaries not to claim certain tax losses ("dual consolidated losses") incurred by such subsidiaries prior to the acquisitions. Under the tax law in the Congo, as it existed when this acquisition took place, if an entity is acquired in its entirety and that entity has certain tax attributes, for example tax loss carryforwards from operations in the Republic of Congo, the subsequent owners of that entity can continue to utilize those losses without restriction. Pursuant to the agreement, we and CMS may be liable to the seller for the recapture of dual consolidated losses (net operating losses of any domestic corporation that are subject to an income tax of a foreign country without regard to the source of its income or on a residence basis) utilized by the seller in years prior to the acquisitions if certain triggering events occur, including:

- o a disposition by either us or CMS of its respective Congo subsidiary,
- o either Congo subsidiary's sale of its interest in the Yombo field,
- o the acquisition of us or CMS by another consolidated group or
- o the failure of CMS's Congo subsidiary or us to continue as a member of its respective consolidated group.

A triggering event will not occur, however, if a subsequent purchaser enters into certain agreements specified in the consolidated return regulations intended to ensure that such dual consolidated losses will not be claimed. The only time limit associated with the occurrence of a triggering event relates to the utilization of a dual consolidated loss in a foreign jurisdiction. A dual consolidated loss that is utilized to offset income in a foreign jurisdiction is only subject to recapture for 15 years following the year in which the dual consolidated loss was incurred for U.S. income tax purposes. We and CMS have agreed among ourselves that the party responsible for the triggering event shall indemnify the other for any liability to the seller as a result of such triggering event. Our potential direct liability could be as much as \$38.5 million if a triggering event with respect to us occurs. Additionally, we believe that CMS's liability (for which we would be jointly liable with an indemnification right against CMS) could be as much as \$56.2 million. During the second quarter 2002, we were notified by CMS that they have entered into an agreement to sell their interest in the Yombo field offshore Congo and the transaction will be structured to avoid a triggering event.

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During 1997, a new government was established in the Congo. Although the political situation in the Congo has not to date had a material adverse effect on our operations in the Congo, no assurances can be made that continued political unrest in West Africa will not have a material adverse effect on us or our operations in the Congo in the future.

In 1996, the Congo government requested that the convention governing the Marine 1 Exploitation Permit be converted to a Production Sharing Agreement ("PSA"). We are under no obligation to convert to a PSA, and our existing convention is valid and protected by law. Our position is that any conversion to a PSA would have no detrimental impact to us, otherwise, we will not agree to any such conversion. Discussions with the government have been ongoing intermittently since early 1997. To date, no final agreement has been reached

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concerning conversion to a PSA.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Accounting for Asset Retirement Obligations.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This Statement requires companies to record a liability relating to the retirement and removal of assets used in their business. The liability is discounted to its present value, and the related asset value is increased by the amount of the resulting liability. Over the life of the asset, the liability will be accreted to its future value and eventually extinguished when the asset is taken out of service. The provisions of this Statement are effective for fiscal years beginning after June 15, 2002. We are currently evaluating the effects of this pronouncement.

Accounting for Gains and Losses from Extinguishment of Debt.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of income taxes. As a result, the criteria in Accounting Principles Board Opinion (APB) 30 will now be used to classify those gains and losses. Any gain or loss on the extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB 30 for classification as an extraordinary item shall be reclassified. The provisions of this Statement are effective for fiscal years beginning after January 1, 2003. We are currently evaluating the effects of this pronouncement.

Accounting for Costs Associated with Exit or Disposal Activities.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The provisions of this Statement are effective for exit or disposal activities initiated after December 31, 2002. We are currently evaluating the effects of this pronouncement.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains or incorporates by reference forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this document, including without limitation, statements in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial position, estimated quantities and net present values of reserves, business strategy, plans and objectives of our management for future operations and covenant compliance, are forward looking statements. We can give no assurances that the assumptions upon which such forward-looking statements are based will prove to be correct.

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Important factors that could cause actual results to differ materially from our expectations are included throughout this document. The cautionary statements expressly qualify all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in this item updates, and should be read in conjunction with Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2001.

There are no material changes in our quantitative and qualitative disclosures about market risks from those reported in our Annual Report on Form 10-K for the year ended December 31, 2001.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I, Item 1, Financial Statements, Note 8, which is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

We held our Annual Meeting of Stockholders on May 22, 2002. The following Directors were elected with the following voting results:

	For	Withheld
Isaac Arnold, Jr.	14,943,850	117,835
David H. Batchelder	14,944,169	117,516
Charles M. Elson	14,944,169	117,516
Robert L. Gerry III	14,944,169	117,516
James T. Jongebloed	14,837,169	224,516
James L. Payne	14,944,169	117,516
Gary R. Petersen	14,842,969	218,716
Sheryl K. Pressler	14,837,169	224,516

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

99.1 Certification with respect to quarterly report of Nuevo Energy Company.

(b) REPORTS ON FORM 8-K:

- o We filed a current report on Form 8-K on July 22, 2002 announcing a change in our independent auditors.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NUEVO ENERGY COMPANY
(Registrant)

Date: August 14, 2002

By: /s/ James L. Payne

James L. Payne
Chairman, President and
Chief Executive Officer

Date: August 14, 2002

By: /s/ Janet F. Clark

Janet F. Clark
Senior Vice President and
Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number

Description

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99.1

Certification with respect to Quarterly Report of Nuevo
Energy Company