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NEWFIELD EXPLORATION CO /DE/

Form 8-K

November 01, 2002

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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): OCTOBER 31, 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

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ITEM 5. OTHER EVENTS

On October 31, 2002, Newfield Exploration Company ("Newfield" or the "Company") announced its financial and operating results for the third quarter and year-to-date 2002. Set forth below is a portion of the press release.

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### THIRD QUARTER 2002

For the third quarter of 2002, Newfield reported net income of \$18.4 million, or \$0.41 per share (all per share amounts are on a diluted basis), stated before the effect of a non-cash charge related to SFAS 133. Stated after the effect of the non-cash charge, net income for the third quarter of 2002 was \$9.4 million, or \$0.21 per share. This compares to net income in the third quarter of 2001 of \$35.8 million, or \$0.76 per share, stated before the effect of a non-cash gain related to SFAS 133. Stated with the effect of the gain, earnings for the third quarter of 2001 were \$43.0 million, or \$0.91 per share. Revenues in the third quarter of 2002 were \$152.6 million compared to \$183.3 million in the same period of 2001. Operating cash flow before changes in working capital for the third quarter of 2002 was \$86.2 million, or \$1.92 per share, compared to \$129.9 million, or \$2.69 per share, in the same period of 2001. Operating cash flow in the third quarter of 2002 was negatively impacted by lower realized natural gas prices and higher current taxes.

Tropical Storm Isidore adversely impacted financial and operating results in the third quarter of 2002. Newfield was forced to shut-in a total of approximately 1.5 billion cubic feet equivalent (Bcfe) of production in the Gulf of Mexico in late September.

Newfield's total production for the third quarter of 2002 was 44.2 Bcfe, or 481 million cubic feet equivalent per day (MMcfe/d). Production in the third quarter declined 3% over the third quarter of 2001 primarily due to lower oil production and weather-related shut-ins in the Gulf of Mexico. Production in the third quarter of 2001 was 45.7 Bcfe, or 497 MMcfe/d. The following tables detail quarterly production and average realized prices:

### THIRD QUARTER PRODUCTION

	3Q02	3Q01	% CHANGE
	-----		
United States			
Natural gas (Bcf)	34.8	35.0	(1%)
Natural gas (MMcf/d)	378	381	(1%)
Oil and condensate production (MMBbls)	1.18	1.42	(17%)
Oil and condensate production (BOPD)	12,877	15,414	(17%)
Australia			
Oil and condensate liftings (MMBbls)	0.388	0.359	8%
Oil and condensate liftings (BOPD)	4,219	3,908	8%
Total			
Natural gas (Bcf)	34.8	35.0	(1%)
Oil and condensate (MMBbls)	1.57	1.78	(12%)
Total (Bcfe)	44.2	45.7	(3%)

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### AVERAGE REALIZED PRICES\*

	3Q02	3Q01	% CHANGE
	-----		
United States			
Natural gas (per Mcf)	\$3.19	\$3.94	(19%)
Oil and condensate (per Bbl)	\$24.84	\$24.52	1%

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Australia			
Oil and condensate liftings (per Bbl)	\$27.39	\$25.40	8%
Total			
Natural gas (per Mcf)	\$3.19	\$3.94	(19%)
Oil and condensate (per Bbl)	\$25.47	\$24.70	3%
Total per Mcfe	\$3.41	\$3.98	(14%)

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 \*Prices shown are net of transportation expense and after hedging. The Company has not entered into hedging transactions specifically relating to Australian production.

Newfield's LOE in the third quarter of 2002, stated on a unit of production basis, was \$0.57 per thousand cubic feet equivalent (Mcfte). This compares to \$0.66 per Mcfe in the third quarter of 2001. LOE was higher in the third quarter of 2001 primarily because of a one-time \$5.5 million charge related to workover expense on a Gulf of Mexico well. DD&A expense for the third quarter of 2002 was \$1.64 per Mcfe compared to \$1.63 per Mcfe in the same period of 2001. Newfield's general and administrative expense (including stock compensation) in the third quarter of 2002 was \$0.31 per Mcfe compared to \$0.27 per Mcfe in the third quarter of 2001. Higher G&A expense per unit reflects lower production in the third quarter of 2002 and the Company's growing workforce. Net interest expense decreased slightly to \$0.13 per Mcfe compared to \$0.14 per Mcfe in the third quarter of 2001.

### YEAR-TO-DATE 2002

For the first nine months of 2002, Newfield reported net income of \$58.5 million, or \$1.29 per share, stated before the effect of a non-cash charge related to SFAS 133. Stated after the effect of the non-cash charge, net income for the first nine months of 2002 was \$42.0 million, or \$0.93 per share. This compares to net income in the first nine months of 2001 of \$152.9 million, or \$3.21 per share, stated before the effect of a non-cash gain related to SFAS 133. Stated with the effect of the gain, earnings for the first nine months of 2001 were \$158.1 million, or \$3.32 per share.

Revenues for the first nine months of 2002 were \$462.3 million. For the same period of 2001, they were \$593.3 million. Operating cash flow before changes in working capital decreased to \$282.6 million, or \$6.29 per share, in the first three quarters of 2002 compared to \$415.6 million, or \$8.57 per share, in the same period of 2001. The decreases reflect lower commodity prices and, in the case of operating cash flow, higher current taxes.

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### YEAR-TO-DATE PRODUCTION

For the Nine Months Ended September 30

	YTD 09/02	YTD 09/01	% CHANGE
-----			
United States			
Natural gas (Bcf)	106.5	101.3	5%
Natural gas (MMcf/d)	390	371	5%
Oil and condensate production (MMBbls)	3.86	4.03	(4%)
Oil and condensate production (BOPD)	14,150	14,775	(4%)
Australia			
Oil and condensate liftings (MMBbls)	0.964	0.941	2%
Oil and condensate liftings (BOPD)	3,531	3,447	2%

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Total			
Natural gas (Bcf)	106.5	101.3	5%
Oil and condensate (MMBbls)	4.83	4.97	(3%)
Total (Bcfe)	135.5	131.1	3%

AVERAGE REALIZED PRICES\*

For the Nine Months Ended September 30

	YTD 09/02	YTD 09/01	% CHANGE
United States			
Natural gas (per Mcf)	\$3.22	\$4.59	(30%)
Oil and condensate (per Bbl)	\$23.52	\$24.55	(4%)
Australia			
Oil and condensate liftings (per Bbl)	\$25.24	\$26.58	(5%)
Total			
Natural gas (per Mcf)	\$3.22	\$4.59	(30%)
Oil and condensate (per Bbl)	\$23.86	\$24.93	(4%)
TOTAL PER MCFE	\$3.38	\$4.49	(25%)

\*Prices shown are net of transportation expense and after hedging. The Company has not entered into hedging transactions specifically relating to Australian production.

For the first nine months of 2002, the Company's LOE averaged \$0.54 per Mcfe compared to \$0.56 per Mcfe in the first nine months of 2001. DD&A expense in the first three quarters of 2002 was \$1.63 per Mcfe compared to \$1.58 per Mcfe in the same period of 2001. Year-to-date, G&A expense per Mcfe (including stock compensation) averaged \$0.29 compared to \$0.27 in the same period of last year.

Capital expenditures through the end of the third quarter were \$247 million. For the full-year 2002, Newfield expects to invest about \$340 million, excluding the pending acquisition of EEX Corporation.

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
OIL AND GAS REVENUES	\$ 152,610	\$ 183,259	\$ 462,260	\$ 500,000
OPERATING EXPENSES:				
Lease operating	25,065	30,245	73,824	73,824
Transportation	1,730	1,325	4,377	4,377
Production and other taxes	5,635	3,311	12,906	12,906
Depreciation, depletion and amortization	72,294	74,259	221,528	221,528
General and administrative	13,045	11,406	37,018	37,018
Stock compensation	731	729	2,066	2,066
TOTAL OPERATING EXPENSES	118,500	121,275	351,719	351,719

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INCOME FROM OPERATIONS	34,110	61,984	110,541	
OTHER INCOME (EXPENSE):				
Interest expense	(7,049)	(6,897)	(21,397)	
Capitalized interest	2,280	2,354	6,553	
Dividends on preferred securities of Newfield Financial Trust I	(2,336)	(2,336)	(7,008)	
Unrealized commodity derivative income (expense)*	(13,952)	11,101	(25,477)	
Other	1,346	316	1,915	
	-----	-----	-----	-----
	(19,711)	4,538	(45,414)	
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	14,399	66,522	65,127	
	-----	-----	-----	-----
Income tax provision	5,028	23,546	23,160	
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle	9,371	42,976	41,967	
Cumulative effect of change in accounting principle*	--	--	--	
	-----	-----	-----	-----
NET INCOME	\$ 9,371	\$ 42,976	\$ 41,967	\$
	=====	=====	=====	=====
EARNINGS PER SHARE:				
BASIC				
Income before cumulative effect of change in accounting principle	\$ 0.21	\$ 0.97	\$ 0.95	\$
Cumulative effect of change in accounting principle*	--	--	--	
	-----	-----	-----	-----
Net income	\$ 0.21	\$ 0.97	\$ 0.95	\$
	=====	=====	=====	=====
DILUTED				
Income before cumulative effect of change in accounting principle	\$ 0.21	\$ 0.91	\$ 0.93	\$
Cumulative effect of change in accounting principle*	--	--	--	
	-----	-----	-----	-----
Net income	\$ 0.21	\$ 0.91	\$ 0.93	\$
	=====	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	44,420	44,219	44,337	
WEIGHTED AVERAGE SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	44,905	48,798	44,910	

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\*Associated with SFAS 133

PRODUCTION DATA

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	FOR THE NINE MONTHS ENDED SEPTEMBER 30,
	-----	-----
	2002	2001
		2002

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Average daily production:				
Oil and condensate (Bbls)	17,096	19,322	17,681	
Gas (Mcf)	378.0	381.0	390.0	
Average realized price: *				
Oil and condensate (Bbls)	\$ 25.47	\$ 24.70	\$ 23.86	\$
Gas (Mcf)	\$ 3.19	\$ 3.94	\$ 3.22	\$

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 \* Prices Shown are Net of Transportation Expense and After Hedging.

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CONSOLIDATED BALANCE SHEET (UNAUDITED, IN THOUSANDS OF DOLLARS)	SEPTEMBER 30, 2002	DECEMBER 31, 2001
	-----	-----
<b>ASSETS</b>		
Current assets:		
Cash & cash equivalents	\$ 23,694	\$ 26,610
Accounts receivable, oil and gas	88,936	92,644
Inventories	7,776	7,332
Commodity derivatives *	6,712	79,012
Other current assets	16,276	25,006
Deferred taxes	2,329	--
	-----	-----
Total current assets	145,723	230,604
	-----	-----
Oil and gas properties, net (full cost method)	1,430,486	1,408,579
Furniture, fixtures and equipment, net	6,748	6,807
Commodity derivatives *	663	7,409
Other assets	9,156	9,972
	-----	-----
Total assets	\$ 1,592,776	\$ 1,663,371
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$ 128,073	\$ 131,386
Advances from joint owners	173	10
Commodity derivatives *	19,768	4,217
Deferred taxes	--	29,418
	-----	-----
Total current liabilities	148,014	165,031
	-----	-----
Other liabilities	8,493	6,288
Commodity derivatives *	2,596	1,813
Long-term debt	360,665	428,631
Deferred taxes	203,578	207,880
	-----	-----
Total long-term liabilities	575,332	644,612
	-----	-----
Company-obligated, mandatorily redeemable, convertible preferred securities of Newfield Financial Trust I	143,750	143,750

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STOCKHOLDERS' EQUITY		
Common stock	453	449
Additional paid-in capital	373,429	364,734
Treasury stock	(26,161)	(25,794)
Unearned compensation	(6,965)	(7,845)
Accumulated other comprehensive income (loss)		
Foreign currency translation adjustment	(6,053)	(8,918)
Commodity derivatives *	(13,406)	24,936
Retained earnings	404,383	362,416
	-----	-----
Total stockholders' equity	725,680	709,978
	-----	-----
Total liabilities and stockholders' equity	\$ 1,592,776	\$ 1,663,371
	=====	=====

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\* Associated with SFAS 133.

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CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED, IN THOUSANDS OF DOLLARS)	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR T NINE MONT SEPTEMB
	2002	2001	2002
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,371	\$ 42,976	\$ 41,967
Depreciation, depletion and amortization	72,294	74,259	221,528
Deferred taxes	(10,122)	23,073	(8,412)
Stock compensation	731	729	2,066
Unrealized commodity derivative*	13,952	(11,101)	25,477
Cumulative effect of change in accounting principle*	--	--	--
	-----	-----	-----
Changes in assets and liabilities	86,226	129,936	282,626
	12,711	(19,387)	12,739
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	98,937	110,549	295,365
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition, net of cash acquired	--	--	--
Additions to oil and gas properties	(68,603)	(161,968)	(233,586)
Additions to furniture, fixtures and equipment	(692)	(1,432)	(2,249)
	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(69,295)	(163,400)	(235,835)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	229,000	258,000	490,000
Repayments of borrowings	(244,000)	(216,000)	(558,000)
Proceeds from issuance of senior notes	--	--	--
Proceeds from issuances of common stock	1,001	442	5,830
Purchases of treasury stock	(30)	(8,316)	(366)
	-----	-----	-----

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NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(14,029)	34,126	(62,536)
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	424	131	90
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	16,037	(18,594)	(2,916)
Cash and cash equivalents, beginning of period	7,657	51,789	26,610
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 23,694	\$ 33,195	\$ 23,694
	=====	=====	=====

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\* Associated with SFAS 133.

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### ITEM 9. REGULATION FD DISCLOSURE

On October 31, 2002, Newfield issued a press release that contained estimates of certain significant operating and financial data for the fourth quarter of 2002 and some preliminary guidance on the impact of the pending acquisition of EEX Corporation. These estimates and preliminary guidance are set forth below.

#### FOURTH QUARTER 2002 ESTIMATES

Below are estimates of certain significant operating and financial data for the fourth 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. THE INFORMATION RELATED TO NEWFIELD'S FOURTH QUARTER EXPECTATIONS DOES NOT INCLUDE THE EFFECT OF THE COMPANY'S PENDING ACQUISITION OF EEX CORPORATION, WHICH IS EXPECTED TO CLOSE IN LATE NOVEMBER 2002. Please see the discussion regarding forward-looking information set forth below.

#### NATURAL GAS PRODUCTION AND PRICING

Newfield's natural gas production in the fourth quarter of 2002 is expected to be 34 - 35 Bcf (370 - 380 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 fourth quarter of 2002 is expected to be 1.5 - 1.6 million barrels (16,300 - 17,400 BOPD). Australian oil production during the fourth quarter is expected to be 240 - 250 thousand barrels (2,600 - 2,700 BOPD). The oil volume estimate for the Company's Australian production reflects production downtime associated with annual maintenance on the production facilities and the timing of expected liftings. Both events will impact reported production and revenues for the fourth quarter of 2002. The price the Company receives from its Gulf Coast production has typically averaged about \$2 below the NYMEX West Texas Intermediate price. Oil



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production from the Mid-Continent has typically sold at a \$1.00 - \$1.50 per barrel discount to West Texas Intermediate (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 about 180 Bcfe, an increase of 3% over 2001 production. Due to recent storms in the Gulf of Mexico, the Company was forced to shut-in a total of about 4 Bcfe of production.

### LEASE OPERATING EXPENSE AND PRODUCTION AND OTHER TAXES

Newfield's LOE, including domestic production and severance taxes and resource rent tax in Australia, is expected to be \$31 - \$35 million in the fourth quarter of 2002 (\$0.72 - \$0.79 per Mcfe). The Company's domestic LOE, including taxes, is expected to be \$0.62 - \$0.68 per Mcfe in the fourth quarter of 2002. This estimate includes severance taxes of \$0.10 - \$0.12 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 fourth quarter of 2002 is expected to be \$12.3 - \$13.6 million (\$0.28 - \$0.32 per Mcfe). This estimate includes accrual of performance-based pay.

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### INTEREST EXPENSE

The non-capitalized portion of the Company's interest expense for the fourth 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 Newfield's bank facilities are about \$45 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 fourth quarter of 2002 is expected to be about \$2.2 million. The proceeds from the Company's recent \$250 million senior subordinated notes offering are being held in escrow pending the closing of the EEX acquisition, and no interest expense with respect to the notes will be accrued prior to closing.

### INCOME TAXES

Including both current and deferred taxes, the Company expects its consolidated income tax rate in the fourth quarter of 2002 to be about 35%. Current taxes for the full-year 2002 are expected to be about \$44 million. The Company expects that the entire tax expense in the fourth quarter will be current.

### KEY FACTS RELATING TO EEX ACQUISITION:

The following is some preliminary guidance on the impact of the EEX acquisition. Additional guidance will be given following the close of this transaction.

- o The S-4 registration statement was declared effective on October 10 and proxies were mailed to EEX shareholders. EEX shareholders will vote on the transaction November 26.
- o Newfield is planning to drill about 35 development wells and 8-10 exploration wells on EEX's acreage in 2003.

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- o Newfield expects to reduce EEX's 2003 ongoing G&A expense by at least 50% versus 2002.
- o Newfield expects to invest \$70-75 million in 2003 on the properties acquired from EEX. This is double the current investment level on these properties. Areas of significant activity are expected to include:
  - The Monte Christo Field: (EEX 20-40% working interest) The Company is planning to participate in a five-well development program. One exploration well is also planned.
  - Fashing: (EEX 49% working interest) This is a mature field discovered in the 1950s with cumulative production of more than 1.5 Tcfe. Newfield is planning to drill seven development wells in the field next year, work to lower field reservoir pressure and increase reserve recovery, and analyze the field's geology for exploration/exploitation drilling potential.
  - Dinn Ranch: (Joint operatorship, 35-50% EEX working interest) Significant discoveries were made in this field over the last two years. Current gross production capacity is about 80 MMcf/d and an active development drilling program is planned for 2003.
  - Vaquillas Ranch: (EEX working interest 100%) Newfield is planning to drill at least three development wells in the field in 2003. In addition, a field study is also planned to identify additional drilling opportunities.
  - The Val Verde Basin: (EEX operated, working interest varies between 45-100%) The Company plans to focus efforts on the Val Verde Basin of southwest Texas. Newfield is planning to drill at least one exploration well and at least five development wells and invest in new seismic acquisition and processing.

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

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the Company's web page at <http://www.newfld.com>. Through the web page, interested persons may elect to receive @NFX through e-mail distribution.

### FORWARD-LOOKING INFORMATION

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

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production of hydrocarbons are subject to governmental regulations and operating risks.

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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: November 1, 2002

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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