

NEWFIELD EXPLORATION CO /DE/  
Form 10-Q  
November 01, 2016

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 September 30, 2016

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: 1-12534

NEWFIELD EXPLORATION COMPANY  
(Exact name of registrant as specified in its charter)  
Delaware 72-1133047  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

4 Waterway Square Place  
Suite 100  
The Woodlands, Texas 77380  
(Address and Zip Code of principal executive offices)

(281) 210-5100  
(Registrant's telephone number, including area code)

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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of October 27, 2016, there were 198,884,581 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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NEWFIELD EXPLORATION COMPANY  
CONSOLIDATED BALANCE SHEET  
(In millions, except share data)  
(Unaudited)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 478	\$ 5
Short-term investments	25	—
Accounts receivable, net	210	262
Inventories	22	34
Derivative assets	115	284
Other current assets	49	40
Total current assets	899	625
Oil and gas properties, net — full cost method (\$1,413 and \$780 were excluded from amortization at September 30, 2016 and December 31, 2015, respectively)	3,076	3,819
Other property and equipment, net	171	172
Derivative assets	10	105
Long-term investments	21	20
Other assets	36	27
Total assets	\$ 4,213	\$ 4,768
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 37	\$ 41
Accrued liabilities	401	533
Advances from joint owners	90	58
Asset retirement obligations	2	2
Derivative liabilities	55	13
Total current liabilities	585	647
Other liabilities	65	48
Derivative liabilities	10	9
Long-term debt	2,430	2,467
Asset retirement obligations	173	192
Deferred taxes	34	26
Total long-term liabilities	2,712	2,742
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock (\$0.01 par value, 5,000,000 shares authorized; no shares issued)	—	—
Common stock (\$0.01 par value, 300,000,000 shares authorized at September 30, 2016 and December 31, 2015; 200,049,384 and 164,102,786 shares issued at September 30, 2016 and December 31, 2015, respectively)	2	2
Additional paid-in capital	3,238	2,436
Treasury stock (at cost, 1,173,475 and 612,469 shares at September 30, 2016 and December 31, 2015, respectively)	(44)	(22)
Accumulated other comprehensive gain (loss)	(2)	(2)
Retained earnings (deficit)	(2,278)	(1,035)
Total stockholders' equity	916	1,379
Total liabilities and stockholders' equity	\$ 4,213	\$ 4,768

The accompanying notes to consolidated financial statements are an integral part of this statement.

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NEWFIELD EXPLORATION COMPANY  
CONSOLIDATED STATEMENT OF OPERATIONS  
(In millions, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Oil, gas and NGL revenues	\$392	\$377	\$1,057	\$1,195
Operating expenses:				
Lease operating	60	71	183	219
Transportation and processing	71	52	200	153
Production and other taxes	13	13	34	43
Depreciation, depletion and amortization	120	236	457	721
General and administrative	65	66	167	180
Ceiling test and other impairments	—	1,889	1,028	4,202
Other	18	1	19	8
Total operating expenses	347	2,328	2,088	5,526
Income (loss) from operations	45	(1,951 )	(1,031 )	(4,331 )
Other income (expense):				
Interest expense	(37 )	(37 )	(116 )	(127 )
Capitalized interest	15	8	35	23
Commodity derivative income (expense)	28	87	(122 )	230
Other, net	1	1	2	(13 )
Total other income (expense)	7	59	(201 )	113
Income (loss) before income taxes	52	(1,892 )	(1,232 )	(4,218 )
Income tax provision (benefit):				
Current	(1 )	7	3	25
Deferred	5	(672 )	8	(1,544 )
Total income tax provision (benefit)	4	(665 )	11	(1,519 )
Net income (loss)	\$48	\$(1,227)	\$(1,243)	\$(2,699)
Earnings (loss) per share:				
Basic	\$0.24	\$(7.52 )	\$(6.50 )	\$(17.17)
Diluted	\$0.24	\$(7.52 )	\$(6.50 )	\$(17.17)
Weighted-average number of shares outstanding for basic earnings (loss) per share	199	163	191	157
Weighted-average number of shares outstanding for diluted earnings (loss) per share	200	163	191	157

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$48	\$(1,227)	\$(1,243)	\$(2,699)
Other comprehensive income (loss):				
Unrealized gain (loss) on investments, net of tax	—	(1 )	—	(1 )
Other comprehensive income (loss), net of tax	—	(1 )	—	(1 )
Comprehensive income (loss)	\$48	\$(1,228)	\$(1,243)	\$(2,700)

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended September 30, 2016      2015	
Cash flows from operating activities:		
Net income (loss)	\$(1,243)	\$(2,699)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	457	721
Deferred tax provision (benefit)	8	(1,544 )
Stock-based compensation	14	19
Unrealized (gain) loss on derivative contracts	307	145
Ceiling test and other impairments	1,028	4,202
Other, net	10	38
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	43	80
Increase (decrease) in accounts payable and accrued liabilities	(65 )	(82 )
Other items, net	28	9
Net cash provided by (used in) operating activities	587	889
Cash flows from investing activities:		
Additions to oil and gas properties	(692 )	(1,294 )
Acquisitions of oil and gas properties	(497 )	(125 )
Proceeds from sales of oil and gas properties	399	86
Additions to other property and equipment	(14 )	(9 )
Proceeds from insurance settlement, net	—	57
Purchases of investments	(25 )	—
Net cash provided by (used in) investing activities	(829 )	(1,285 )
Cash flows from financing activities:		
Proceeds from borrowings under credit arrangements	536	1,442
Repayments of borrowings under credit arrangements	(575 )	(1,840 )
Proceeds from issuance of senior notes	—	691
Repayment of senior subordinated notes	—	(700 )
Debt issue costs	—	(8 )
Proceeds from issuances of common stock, net	777	817
Purchases of treasury stock, net	(22 )	(11 )
Other	(1 )	(2 )
Net cash provided by (used in) financing activities	715	389
Increase (decrease) in cash and cash equivalents	473	(7 )
Cash and cash equivalents, beginning of period	5	14
Cash and cash equivalents, end of period	\$478	\$7

The accompanying notes to consolidated financial statements are an integral part of this statement.



NEWFIELD EXPLORATION COMPANY  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In millions)

(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Gain (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2015	164.1	\$ 2	(0.6)	\$ (22 )	\$ 2,436	\$ (1,035 )	\$ (2 )	\$ 1,379
Issuances of common stock	35.9	—			777			777
Stock-based compensation					25			25
Treasury stock, net			(0.6)	(22 )	—			(22 )
Net income (loss)						(1,243 )		(1,243 )
Balance, September 30, 2016	200.0	\$ 2	(1.2)	\$ (44 )	\$ 3,238	\$ (2,278 )	\$ (2 )	\$ 916

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization and Principles of Consolidation

We are an independent energy company engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids (NGLs). Our operations are focused primarily on large scale, onshore liquids-rich resource plays in the United States. Our principal areas of operation are the Anadarko and Arkoma basins of Oklahoma, the Williston Basin of North Dakota, and the Uinta Basin of Utah. In addition, we have oil developments offshore China.

Our consolidated financial statements include the accounts of Newfield Exploration Company, a Delaware corporation, and its subsidiaries. We proportionately consolidate our interests in oil and natural gas exploration and production ventures and partnerships in accordance with industry practice. All significant intercompany balances and transactions have been eliminated. Unless otherwise specified or the context otherwise requires, all references in these notes to “Newfield,” “we,” “us,” “our” or the “Company” are to Newfield Exploration Company and its subsidiaries.

These unaudited consolidated financial statements reflect, in the opinion of our management, all adjustments, consisting only of normal and recurring adjustments, necessary to fairly state our financial position as of, and results of operations, for the periods presented. These financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all disclosures required for financial statements prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). Interim period results are not necessarily indicative of results of operations or cash flows for a full year.

These consolidated financial statements and notes should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Risks and Uncertainties

As an independent oil and natural gas producer, our revenue, profitability and future rate of growth are substantially dependent on prevailing prices for oil, natural gas and NGLs. Historically, the energy markets have been very volatile, and there can be no assurance that commodity prices will not be subject to wide fluctuations in the future. A substantial or extended decline in commodity prices could have a material adverse effect on our financial position, results of operations, cash flows, access to capital and on the quantities of oil, natural gas and NGL reserves that we can economically produce. Other risks and uncertainties that could affect us in the current commodity price environment include, but are not limited to, counterparty credit risk for our receivables, responsibility for decommissioning liabilities for offshore interests we no longer own, access to credit markets, regulatory risks and ability to meet financial ratios and covenants in our financing agreements.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; the reported amounts of revenues and expenses during the reporting period; and the quantities and values of proved oil, natural gas and NGL reserves used in calculating depletion and assessing impairment of our oil and gas properties. Actual results could differ significantly from these estimates. Our most

significant estimates are associated with the quantities of proved oil, natural gas and NGL reserves, the timing and amount of transfers of our unevaluated properties into our amortizable full cost pool, the recoverability of our deferred tax assets and the fair value of our derivative contracts.

#### Restructuring Costs

Restructuring costs include severance and related benefit costs, costs associated with abandoned office space, employee relocation costs and other associated costs. Employee severance and related benefit costs are recognized on a straight-line basis over the required service period, if any. Employee relocation costs are expensed as incurred. On the date a leased property ceases to be used, a liability for non-cancellable office-lease costs associated with restructuring is recognized and measured at fair value on our consolidated balance sheet. Fair value estimates include assumptions regarding estimated future sublease payments. These estimates could materially differ from actual results and may require revision to initial estimates of the liability. See Note 16, "Restructuring Costs," for additional disclosures.

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NEWFIELD EXPLORATION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Reclassifications

Certain reclassifications have been made to prior years' reported amounts in order to conform to the current year presentation. These reclassifications did not impact our net income (loss), stockholders' equity or cash flows.

Restricted Cash

Restricted cash consists of amounts held in escrow accounts to satisfy future plug and abandonment obligations for our China operations. These amounts are restricted as to their current use and will be released as we plug and abandon wells and facilities in China. Consistent with our other plug and abandonment activities, changes in restricted cash are included in cash flows from operating activities in our consolidated statement of cash flows. Restricted cash totaled \$23 million and \$13 million at September 30, 2016 and December 31, 2015, respectively, and is included in "Other assets" on our consolidated balance sheet.

Investments

Investments consist of debt and equity securities, a majority of which are classified as "available-for-sale" and stated at fair value. Accordingly, unrealized gains and losses and the related deferred income tax effects are excluded from earnings and reported in other comprehensive income within our consolidated statement of stockholders' equity. Realized gains or losses are computed based on specific identification of the securities sold. We regularly assess our investments for impairment and consider any impairment to be other than temporary if we intend to sell the security, it is more likely than not that we will be required to sell the security, or we do not expect to recover our cost of the security. Investments also consist of short-term investments in certificates of deposit, which are classified as "held-to-maturity" and stated at cost. Accordingly, no unrealized gains and losses are recognized.

New Accounting Requirements

In March 2016, the Financial Accounting Standards Board (FASB) issued guidance regarding the simplification of employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We adopted this guidance in the second quarter of 2016 as permitted by the guidance. Adoption of this guidance did not impact our financial statements, except for the simplification in accounting for income taxes using a modified retrospective approach. Upon adoption, we recorded a related deferred tax asset for previously unrecognized excess tax benefits of \$37 million. As we consider it more likely than not that the deferred tax asset will not be realized, we recorded a full valuation allowance of \$37 million, resulting in no net effect on our consolidated statement of operations. We elected to continue our current policy of estimating forfeitures.

In February 2016, the FASB issued guidance regarding the accounting for leases. The guidance requires recognition of most leases on the balance sheet. The guidance requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The guidance is effective for interim and annual periods beginning after December 15, 2018. We are currently evaluating the impact of this guidance on our financial statements.

In January 2016, the FASB issued guidance regarding several broad topics related to the recognition and measurement of financial assets and liabilities. The guidance is effective for interim and annual periods beginning after December

15, 2017. We are currently evaluating the impact of this guidance on our financial statements.

In August 2014, the FASB issued guidance regarding disclosures of uncertainties about an entity's ability to continue as a going concern. The guidance applies prospectively to all entities, requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern and disclose certain information when substantial doubt exists. We will adopt this guidance for the annual period ending December 31, 2016.

In May 2014, the FASB issued guidance regarding the accounting for revenue from contracts with customers. In April and May 2016, the FASB issued additional guidance, addressed implementation issues and provided technical corrections. The guidance may be applied retrospectively or using a modified retrospective approach to adjust retained earnings (deficit). The guidance is effective for interim and annual periods beginning on or after December 15, 2017. We are currently evaluating the impact of this guidance on our financial statements.

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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

## 2. Accounts Receivable

Accounts receivable consisted of the following:

	September 30, 2016	December 31, 2015
	(In millions)	
Revenue	\$ 124	\$ 94
Joint interest	65	125
Other	37	59
Reserve for doubtful accounts	(16 )	(16 )
Total accounts receivable, net	\$ 210	\$ 262

## 3. Inventories

Inventories primarily consist of tubular goods and well equipment held for use in our oil and natural gas operations, and oil produced but not sold in our China operations. At September 30, 2016 and December 31, 2015, the crude oil inventory from our China operations consisted of approximately 190,000 and 335,000 barrels of crude oil, respectively.

## 4. Derivative Financial Instruments

## Commodity Derivative Instruments

We utilize derivative strategies that consist of either a single derivative instrument or a combination of instruments to manage the variability in cash flows associated with the forecasted sale of our future domestic oil and natural gas production. While the use of derivative instruments may limit or partially reduce the downside risk of adverse commodity price movements, their use also may limit future income from favorable commodity price movements.

In addition to the derivative strategies outlined in our Annual Report on Form 10-K for the year ended December 31, 2015, we also utilize swaptions from time to time. A swaption is an option to exercise a swap where the buyer (counterparty) of the swaption purchases the right from the seller (Newfield), but not the obligation, to enter into a fixed-price swap with the seller on a predetermined date (expiration date). The swap price is a fixed price determined at the time of the swaption contract. If the swaption is exercised, the contract will become a swap treated consistent with our other fixed-price swaps.

Our oil and gas derivative contracts are settled based upon reported prices on the NYMEX. The estimated fair value of these contracts is based upon various factors, including closing exchange prices on the NYMEX, over-the-counter quotations, estimated volatility, non-performance risk adjustments using counterparty rates of default and time to maturity. The calculation of the fair value of options requires the use of an option-pricing model. See Note 5, "Fair Value Measurements."



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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

At September 30, 2016, we had outstanding derivative positions as set forth in the tables below.

## Crude Oil

Period and Type of Instrument	NYMEX Contract Price Per Bbl						Estimated Fair Value Asset (Liability)  (In millions)
	Volume in MBbls	Swaps (Weighted Average)	Purchased Calls (Weighted Average) <sup>(2)</sup>	Sold Puts (Weighted Average) <sup>(1)</sup>	Collars		
					Floors	Ceilings	
					(Weighted Average)	(Weighted Average)	
2016:							
Fixed-price swaps	3,404	\$41.84	\$	—\$	—\$	—\$	—\$ (24 )
Fixed-price swaps with sold puts:	2,116						
Fixed-price swaps		89.90	—	—	—	—	86
Sold puts		—	—	74.35	—	—	(55 )
Collars with sold puts:	1,472						
Collars		—	—	—	90.00	95.98	60
Sold puts		—	—	75.00	—	—	(39 )
Purchased calls	3,588	—	73.63	—	—	—	1
2017:							
Fixed-price swaps	6,205	45.43	—	—	—	—	(38 )
Fixed-price swaps with sold puts:	4,468						
Fixed-price swaps		88.37	—	—	—	—	162
Sold puts		—	—	73.28	—	—	(100 )
Collars with sold puts:	2,080						
Collars		—	—	—	90.00	95.59	81
Sold puts		—	—	75.00	—	—	(51 )
Purchased calls	6,548	—	73.81	—	—	—	4
Total							\$ 87

(1) For the volumes with sold puts, if the market prices remain below our sold puts at contract settlement, we will receive the market price plus the following:

• the difference between our floors and our sold puts for collars with sold puts; or

• the difference between our swaps and our sold puts for fixed-price swaps with sold puts.

We have effectively locked in the spreads noted above (less the deferred call premium) for a portion of the volumes with sold puts through the use of purchased calls.

(2) We deferred the premiums related to the purchased calls until contract settlement. At September 30, 2016, the deferred premiums totaled \$15 million.



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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

## Natural Gas

Period and Type of Instrument	Volume in MMBtus	NYMEX Contract Price Per MMBtu			Estimated Fair Value Asset (Liability) (In millions)
		Collars Swaps (Weighted Average)	Floors Swaps (Weighted Average)	Ceilings Swaps (Weighted Average)	
2016:					
Fixed-price swaps	18,400	\$2.28	\$ —	\$ —	—\$ (14 )
Collars	2,760	—	4.00	4.54	3
Swaptions <sup>(1)</sup>	—	3.75	—	—	—
2017:					
Fixed-price swaps	27,375	2.73	—	—	(10 )
Collars	40,150	—	2.71	3.12	(7 )
Swaptions <sup>(1)</sup>	—	3.75	—	—	—
2018:					
Collars	10,950	—	2.80	3.32	1
Total					\$ (27 )

(1) During the third quarter of 2016, we sold natural gas swaption contracts that expired unexercised in October 2016.

## Additional Disclosures about Derivative Financial Instruments

We had derivative financial instruments recorded in our consolidated balance sheet as assets (liabilities) at their respective estimated fair value, as set forth below.

	Derivative Assets				Derivative Liabilities			
	Gross Fair Value	Offset in Balance Sheet	Balance Sheet Location	Current Noncurrent	Gross Fair Value	Offset in Balance Sheet	Balance Sheet Location	Current Noncurrent
	(In millions)				(In millions)			
September 30, 2016								
Oil positions	\$410	\$ (289 )	\$112	\$ 9	\$(323)	\$ 289	\$(28)	\$ (6 )
Natural gas positions	13	(9 )	3	1	(40 )	9	(27 )	(4 )
Total	\$423	\$ (298 )	\$115	\$ 10	\$(363)	\$ 298	\$(55)	\$ (10 )
December 31, 2015								
Oil positions	\$1,005	\$ (638 )	\$262	\$ 105	\$(660)	\$ 638	\$(13)	\$ (9 )
Natural gas positions	22	—	22	—	—	—	—	—
Total	\$1,027	\$ (638 )	\$284	\$ 105	\$(660)	\$ 638	\$(13)	\$ (9 )

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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

The amount of gain (loss) recognized in “Commodity derivative income (expense)” in our consolidated statement of operations related to our derivative financial instruments follows:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
(In millions)				
Derivatives not designated as hedging instruments:				
Realized gain (loss) on oil positions	\$45	\$100	\$174	\$287
Realized gain (loss) on natural gas positions	(6 )	31	11	88
Total realized gain (loss)	39	131	185	375
Unrealized gain (loss) on oil positions	(27 )	(30 )	(259 )	(92 )
Unrealized gain (loss) on natural gas positions	16	(14 )	(48 )	(53 )
Total unrealized gain (loss)	(11 )	(44 )	(307 )	(145 )
Total	\$28	\$87	\$(122)	\$230

The use of derivative transactions involves the risk that the counterparties, which generally are financial institutions, will be unable to meet the financial terms of such transactions. Our derivative contracts are with multiple counterparties to minimize our exposure to any individual counterparty, and we have netting arrangements with all of our counterparties that provide for offsetting payables against receivables from separate derivative instruments with that counterparty. At September 30, 2016, 10 of our 16 counterparties accounted for approximately 85% of our contracted volumes, with the largest counterparty accounting for approximately 12%.

At September 30, 2016, approximately 85% of our volumes subject to derivative instruments are with lenders under our credit facility. Our credit facility, senior notes and substantially all of our derivative instruments contain provisions that provide for cross defaults and acceleration of those debt and derivative instruments in certain situations.

## 5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The authoritative guidance requires disclosure of the framework for measuring fair value and requires that fair value measurements be classified and disclosed in one of the following categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that we value using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange traded derivatives such as over-the-counter commodity fixed-price swaps.

Measured based on prices or valuation models that require inputs that are both significant to the fair value Level measurement and less observable from objective sources (i.e., supported by little or no market activity). Level 3 instruments primarily include derivative instruments, such as commodity options (i.e., price collars, sold puts, purchased calls or swaptions).

We use a modified Black-Scholes option pricing valuation model for option and swaption derivative contracts that considers various inputs including: (a) forward prices for commodities, (b) time value, (c) volatility factors, (d) counterparty credit risk and (e) current market and contractual prices for the underlying instruments.

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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Our valuation model for the Stockholder Value Appreciation Program (SVAP) was a Monte Carlo simulation that was based on a probability model and considered various inputs including: (a) the measurement date stock price, (b) time value and (c) historical and implied volatility.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy.

The determination of the fair values of our derivative contracts incorporates various factors, which include not only the impact of our non-performance risk on our liabilities but also the credit standing of the counterparties involved. We utilize counterparty rate of default values to assess the impact of non-performance risk when evaluating both our liabilities to, and receivables from, counterparties.

## Recurring Fair Value Measurements

The following table summarizes the valuation of our assets and liabilities that are measured at fair value on a recurring basis.

	Fair Value Measurement Classification			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)			
	Significant Other Observable Inputs (Level 2)			
	Significant Unobservable Inputs (Level 3)			Total
	(In millions)			
As of December 31, 2015:				
Money market fund investments	\$2	\$ —	\$ —	\$2
Deferred compensation plan assets	5	—	—	5
Equity securities available-for-sale	8	—	—	8
Oil and gas derivative swap contracts	—	675	—	675
Oil and gas derivative option contracts	—	—	(308 )	(308 )
Stock-based compensation liability awards	(12 )	—	—	(12 )
Total	\$3	\$ 675	\$ (308 )	\$370
As of September 30, 2016:				
Money market fund investments	\$469	\$ —	\$ —	\$469
Deferred compensation plan assets	6	—	—	6
Equity securities available-for-sale	9	—	—	9

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Oil and gas derivative swap contracts	—	163	—	163
Oil and gas derivative option and swaption contracts	—	—	(103 )	(103 )
Stock-based compensation liability awards	(8 )	—	—	(8 )
Total	\$476	\$ 163	\$ (103 )	\$536

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## NEWFIELD EXPLORATION COMPANY

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## Level 3 Fair Value Measurements

The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy for the indicated periods.

	Derivatives	Stock-Based Compensation	Total
	(In millions)		
Balance at January 1, 2015	\$(381)	\$ (3 )	\$(384)
Unrealized gains (losses) included in earnings	(116 )	3	(113 )
Purchases, issuances, sales and settlements:			
Settlements	185	—	185
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at September 30, 2015	\$(312)	\$ —	\$(312)
Change in unrealized gains or losses included in earnings relating to Level 3 instruments still held at September 30, 2015	\$(88 )	\$ 3	\$(85 )
Balance at January 1, 2016	\$(308)	\$ —	\$(308)
Unrealized gains (losses) included in earnings	(28 )	—	(28 )
Purchases, issuances, sales and settlements:			
Settlements	187	—	187
Transfers into Level 3	—	—	—
Transfers out of Level 3 <sup>(1)</sup>	46	—	46
Balance at September 30, 2016	\$(103)	\$ —	\$(103)
Change in unrealized gains or losses included in earnings relating to Level 3 instruments still held at September 30, 2016	\$23	\$ —	\$23

(1) During the second quarter of 2016, we transferred \$46 million of derivative option contracts out of the Level 3 category, resulting from our Level 3 swaptions being exercised by the counterparties as swaps in June 2016.

## Qualitative Disclosures about Unobservable Inputs for Level 3 Fair Value Measurements

**Derivatives.** The calculation of the fair value of our option contracts requires the use of an option-pricing model. The estimated future prices are compared to the strike prices fixed by our derivative contracts, and the resulting estimated future cash inflows or outflows over the contractual life are discounted to calculate the fair value. These pricing and discounting variables are sensitive to market volatility as well as changes in future price forecasts and interest rates. Significant increases (decreases) in the quoted forward prices for commodities generally lead to corresponding decreases (increases) in the fair value measurement of our oil and gas derivative contracts. Significant changes in the volatility factors utilized in our option-pricing model can cause significant changes in the fair value measurement of our oil and gas derivative contracts. Historically, we have not experienced significant changes in the fair value of our derivative contracts resulting from changes in counterparty credit risk as the counterparties for all of our derivative transactions have an “investment grade” credit rating. See Note 4, “Derivative Financial Instruments,” for additional discussion of our derivative instruments.

**Stock-Based Compensation.** The calculation of the fair value of the SVAP liability required the use of a probability-based Monte Carlo simulation, which included unobservable inputs. The simulation predicted multiple

scenarios of future stock returns over the performance period, which were discounted to calculate the fair value. The fair value was recognized over a service period derived from the simulation. The SVAP performance period and program ended December 31, 2015.

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## Quantitative Disclosures about Unobservable Inputs for Level 3 Fair Value Measurements

Instrument Type	Estimated Fair Value	Quantitative Information about Level 3 Fair Value Measurements		
	Asset (Liability) (In millions)	Valuation Technique	Unobservable Input	Range
Oil option contracts	\$ (99 )	Modified Black-Scholes	Oil price volatility Credit risk	28.58 % —77.39 % 0.01 % —1.67 %
Natural gas option and swaption contracts	\$ (4 )	Modified Black-Scholes	Natural gas price volatility Credit risk	23.70 % —60.41 % 0.01 % —1.67 %

## Fair Value of Debt

The estimated fair value of our notes, based on quoted prices in active markets (Level 1) as of the indicated dates, was as follows:

	September 30, 2016	December 31, 2015
	(In millions)	
5¾% Senior Notes due 2022	\$ 776	\$ 668
5 % Senior Notes due 2024	1,057	831
5 % Senior Notes due 2026	705	542

Any amounts outstanding under our revolving credit facility and money market lines of credit as of the indicated dates are stated at cost, which approximates fair value. See Note 11, "Debt."

## 6. Oil and Gas Properties

Oil and gas properties consisted of the following:

	September 30, 2016	December 31, 2015
	(In millions)	
Proved	\$21,653	\$21,568
Unproved	1,413	780
Gross oil and gas properties	23,066	22,348
Accumulated depreciation, depletion and amortization	(9,481 )	(9,048 )
Accumulated impairment	(10,509 )	(9,481 )
Net oil and gas properties	\$3,076	\$3,819

Costs withheld from amortization as of September 30, 2016 consisted of the following:

Costs Incurred In				
2016	2015	2014	2013	Total
(In millions)				



Acquisition costs	\$ 503	\$ 339	\$ 165	\$ 106	\$ 1,113
Exploration costs	183	9	—	—	192
Capitalized interest	35	33	40	—	108
Total costs withheld from amortization (unproved)	\$ 721	\$ 381	\$ 205	\$ 106	\$ 1,413

We capitalized approximately \$33 million and \$23 million of interest and direct internal costs during the three months ended September 30, 2016 and 2015, respectively, and \$89 million and \$81 million during the nine months ended September 30, 2016 and 2015, respectively.

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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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At September 30, 2016, the ceiling value of our reserves was calculated based upon SEC pricing of \$41.73 per barrel for oil and \$2.28 per MMBtu for natural gas. Using these prices, our ceiling for the U.S. exceeded the net capitalized costs of oil and gas properties and no ceiling test impairment was required at September 30, 2016. In the first and second quarters of 2016, we recorded U.S. ceiling test impairments totaling approximately \$962 million (\$962 million after tax due to a full valuation allowance on related deferred tax assets).

Using SEC pricing, our ceiling for China exceeded the net capitalized costs of oil and gas properties and no ceiling test impairment was required at September 30, 2016. In the first and second quarters of 2016, we recorded China ceiling test impairments totaling approximately \$66 million (\$66 million after tax due to a full valuation allowance on related deferred tax assets).

Future declines in SEC pricing or downward revisions to our estimated proved reserves could result in additional ceiling test impairments of our oil and gas properties in subsequent periods.

**Texas Asset Sale**

On September 23, 2016, we closed on our previously disclosed transactions to divest substantially all of our oil and gas assets in Texas for approximately \$380 million, subject to customary purchase price adjustments. The sales of our Texas assets did not significantly alter the relationship between capitalized costs and proved reserves, and as such, all proceeds were recorded as adjustments to our domestic full cost pool with no gain or loss recognized. These consolidated financial statements include the results of our Texas operations through the date of sale.

**Anadarko Basin Acquisition**

On June 30, 2016, we acquired additional properties in the Anadarko Basin STACK play for an adjusted cash purchase price of \$490 million. The purchase price is subject to customary post-close adjustments and is pending the outcome of pre-acquisition contingencies associated with title matters. We also assumed asset retirement obligations of \$8 million. We allocated \$412 million to unproved properties and wells in progress and \$86 million to proved oil and gas properties.

**7. Other Property and Equipment**

Other property and equipment consisted of the following:

	September 30, 2016	December 31, 2015
	(In millions)	
Furniture, fixtures and equipment	\$ 149	\$ 152
Gathering systems and equipment	116	115
Accumulated depreciation and amortization	(94 )	(95 )
Net other property and equipment	\$ 171	\$ 172





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## NEWFIELD EXPLORATION COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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## 10. Asset Retirement Obligations

The change in our asset retirement obligations (ARO) is set forth below (in millions):

Balance at January 1, 2016	\$ 194
Accretion expense	8
Additions <sup>(1)</sup>	8
Settlements <sup>(2)</sup>	(35 )
Balance at September 30, 2016	175
Less: Current portion of ARO at September 30, 2016	(2 )
Total long-term ARO at September 30, 2016	\$ 173

<sup>(1)</sup> Additions include \$8 million of abandonment obligations assumed through our Anadarko Basin acquisition. See Note 6, "Oil and Gas Properties."

<sup>(2)</sup> Settlements include \$33 million related to the sale of our Texas assets. See Note 6, "Oil and Gas Properties."

## 11. Debt

Our debt consisted of the following:

	September 30, 2016	December 31, 2015
	(In millions)	
Senior unsecured debt:		
Revolving credit facility — LIBOR based loans (matures in June 2020)	\$ —	\$ —
Money market lines of credit <sup>(1)</sup>	—	39
Total credit arrangements	—	39
5¾% Senior Notes due 2022	750	750
5 % Senior Notes due 2024	1,000	1,000
5 % Senior Notes due 2026	700	700
Total senior unsecured debt	2,450	2,489
Debt issuance costs	(20 )	(22 )
Total long-term debt	\$2,430	\$ 2,467

Because we have the ability and intent to use our available credit facility capacity to repay borrowings under our (1) money market lines of credit as of the indicated dates, amounts outstanding under these obligations, if any, are classified as long-term debt.

## Credit Arrangements

In March 2016, we entered into the fifth amendment to our Credit Agreement. This amendment changed certain definitions related to our financial covenants and decreased our interest coverage ratio from 3.0:1.0 to 2.5:1.0. Our borrowing capacity remains at \$1.8 billion and the facility maturity date remains June 2020. We incurred approximately \$3 million of financing costs related to this amendment, which were included in "Interest expense" on our consolidated statement of operations. As of September 30, 2016, the largest individual loan commitment by any lender was 12% of total commitments.

During the first quarter of 2016, our debt rating was downgraded by rating agencies, and as a result, our borrowing costs under the credit facility increased by 50 basis points. In addition, our available borrowing capacity (before any amounts drawn) under our money market lines of credit with various institutions, the availability of which is at the discretion of those financial institutions, was reduced from \$195 million at December 31, 2015 to \$105 million at September 30, 2016. This borrowing capacity is subject to compliance with restrictive covenants in our credit facility.

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Loans under the credit facility bear interest, at our option, equal to (a) a rate per annum equal to the higher of the prime rate announced from time to time by JPMorgan Chase Bank, N.A. or the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System during the last preceding business day plus 50 basis points, plus a margin that is based on a grid of our debt rating (125 basis points per annum at September 30, 2016) or (b) the London Interbank Offered Rate, plus a margin that is based on a grid of our debt rating (225 basis points per annum at September 30, 2016).

Under our credit facility, we pay commitment fees on available but undrawn amounts based on a grid of our debt rating (42.5 basis points per annum at September 30, 2016). We incurred aggregate commitment fees under our credit facility of approximately \$2 million and \$6 million for the three and nine-month periods ended September 30, 2016, respectively, which were recorded in "Interest expense" on our consolidated statement of operations. For the three and nine-month periods ended September 30, 2015, we incurred commitment fees under our credit facility of approximately \$2 million and \$4 million, respectively.

Our credit facility has restrictive financial covenants that include the maintenance of a ratio of total debt to book capitalization not to exceed 0.6 to 1.0 and the maintenance of a ratio of earnings before gain or loss on the disposition of assets, interest expense, income taxes and noncash items (such as depreciation, depletion and amortization expense, unrealized gains and losses on commodity derivatives and ceiling test impairments) to interest expense of at least 2.5 to 1.0. At September 30, 2016, we were in compliance with all of our debt covenants.

As of September 30, 2016, we had no letters of credit outstanding under our credit facility. Letters of credit are subject to a fronting fee of 20 basis points and annual fees based on a grid of our debt rating (225 basis points at September 30, 2016).

The credit facility includes events of default relating to customary matters, including, among other things, nonpayment of principal, interest or other amounts; violation of covenants; inaccuracy of representations and warranties in any material respect when made; a change of control; or certain other material adverse changes in our business. Our senior notes also contain standard events of default. If any of the foregoing defaults were to occur, our lenders under the credit facility could terminate future lending commitments, and our lenders under both the credit facility and our notes could declare the outstanding borrowings due and payable. In addition, our credit facility, senior notes and substantially all of our derivative arrangements contain provisions that provide for cross defaults and acceleration of those debt and derivative instruments in certain situations.

#### Senior Subordinated Notes

In April 2015, we redeemed our \$700 million aggregate principal amount of 6 % Senior Subordinated Notes due 2020. In connection with the redemption, we paid a premium of \$24 million. The premium was recorded under the caption "Other income (expense) — Other, net" on our consolidated statement of operations. In addition, associated unamortized offering costs and discounts of approximately \$8 million were charged to interest expense during the second quarter of 2015 as a result of the redemption.

#### 12. Commitments and Contingencies

In May 2015, a lawsuit was filed against the Company alleging certain plugging and abandonment predecessor-in-interest liabilities related to offshore assets sold by the Company in 2010. The Company responded to the petition, denied the allegations and vigorously defended the case. The court held that the Company must bear a

"portion" of the plugging and abandonment costs, but the "exact percentage" of such costs should be determined in arbitration and stayed the case pending arbitration. Through settlement negotiations surrounding the arbitration proceeding, the Company and the plaintiff reached a mutual settlement on September 23, 2016 involving a cash payment by the Company totaling \$18 million. The settlement was recorded under the caption "Operating expenses — Other" on our consolidated statement of operations. On October 3, 2016, the court dismissed the case with prejudice.

We have been named as a defendant in a number of lawsuits and are involved in various other disputes, all arising in the ordinary course of our business, such as (a) claims from royalty owners for disputed royalty payments, (b) commercial disputes, (c) personal injury claims and (d) property damage claims. Although the outcome of these lawsuits and disputes cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial position, cash flows or results of operations.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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## 13. Stockholders' Equity Activity

During the first quarter of 2016, we issued 34.5 million additional shares of common stock through a public equity offering. We received net proceeds of approximately \$776 million, a portion of which was used to repay borrowings under our credit facility and money market lines of credit. The remainder was used for other corporate purposes, which included the acquisition of additional properties in the Anadarko Basin STACK play.

During the first quarter of 2015, we issued 25.3 million additional shares of common stock through a public equity offering. We received net proceeds of approximately \$815 million, which were used primarily to repay all borrowings under our credit facility and money market lines of credit that were outstanding at that time.

## 14. Earnings Per Share

The following is the calculation of basic and diluted weighted-average shares outstanding and earnings per share (EPS) for the indicated periods.

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015		2015	
	(In millions, except per share data)			
Net income (loss)	\$48	\$(1,227)	\$(1,243)	\$(2,699)
Weighted-average shares (denominator):				
Weighted-average shares — basic	199	163	191	157
Dilution effect of stock options and unvested restricted stock awards and restricted stock units outstanding at end of period	1	—	—	—
Weighted-average shares — diluted	200	163	191	157
Excluded due to anti-dilutive effect	1	2	2	3
Earnings (loss) per share:				
Basic	\$0.24	\$(7.52 )	\$(6.50 )	\$(17.17)
Diluted	\$0.24	\$(7.52 )	\$(6.50 )	\$(17.17)

## 15. Stock-Based Compensation

Our stock-based compensation expense consisted of the following:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	(In millions)			
Equity awards	\$7	\$ 9	\$25	\$31
Liability awards:				
Cash-settled restricted stock units	7	3	17	15

Stockholder Value Appreciation Program	—	(3 )	—	(3 )
Total liability awards	7	—	17	12
Total stock-based compensation	14	9	42	43
Capitalized in oil and gas properties	(4 )	(2 )	(13 )	(11 )
Net stock-based compensation expense	\$ 10	\$ 7	\$ 29	\$ 32

As of September 30, 2016, we had approximately \$71 million of total unrecognized stock-based compensation expense related to unvested stock-based compensation awards that vest within four years. On September 30, 2016, the last reported sales price of our common stock on the New York Stock Exchange was \$43.46 per share.

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## Equity Awards

Equity awards consist of service-based and performance- or market-based restricted stock awards and restricted stock units, stock options and stock purchase options under the Employee Stock Purchase Plan (ESPP). At September 30, 2016, we had approximately (1) 5.1 million shares available for issuance under our 2011 Omnibus Stock Plan, as amended (2011 Plan), if all future awards are stock options, or (2) 2.7 million shares available for issuance under our 2011 Plan if all future awards are restricted stock awards or restricted stock units.

Restricted Stock. The following table provides information about restricted stock awards and restricted stock unit activity.

	Service-Based Shares	Weighted-Average Grant Date Fair Value per Share	Performance/ Market-Based Shares <sup>(1)</sup>	Weighted-Average Grant Date Fair Value per Share	Total Shares
(In thousands, except per share data)					
Non-vested shares outstanding at January 1, 2016	1,700	\$ 30.30	1,074	\$ 23.76	2,774
Granted	965	37.81	436	28.94	1,401
Forfeited	(197 )	28.79	(77 )	43.04	(274 )
Vested	(836 )	29.35	(574 )	21.36	(1,410)
Non-vested shares outstanding at September 30, 2016	1,632	\$ 35.16	859	\$ 26.28	2,491

In February 2016, we granted approximately 436,000 restricted stock units, which based on achievement of certain (1) performance criteria, could vest within a range of 0% to 200% of shares granted upon completion of the performance period ending in December 2018.

Employee Stock Purchase Plan. During the first six months of 2016, options to purchase approximately 60,000 shares of our common stock were issued under our ESPP. The fair value of each option was \$9.20 per share. The fair value of the options granted was determined using the Black-Scholes option valuation method assuming no dividends, a risk-free interest rate of 0.47%, an expected life of six months and weighted-average volatility of 47.9%.

On July 1, 2016, options to purchase approximately 41,000 shares of our common stock were granted under our ESPP. The fair value of each option was \$12.58 per share as determined using the Black-Scholes option valuation method assuming no dividends, a risk-free interest rate of 0.35%, an expected life of six months and weighted-average volatility of 48%.

Stock Options. As of September 30, 2016, we had approximately 190,000 stock options outstanding and exercisable. No stock options have been granted since 2008, except for ESPP options as discussed above.

## Liability Awards

Liability awards consist of service-based awards that are settled in cash instead of shares, as discussed below.

Cash-Settled Restricted Stock Units. The value of the cash-settled restricted stock units, and the associated stock-based compensation expense, is based on the Company's stock price at the end of each period. As of September 30, 2016, we had a liability of \$8 million for future cash settlement upon vesting of awards. The following

table provides information about cash-settled restricted stock unit activity.

	Cash-Settled Restricted Stock Units (In thousands)
Non-vested units outstanding at January 1, 2016	708
Granted	299
Forfeited	(97 )
Vested	(446 )
Non-vested units outstanding at September 30, 2016	464

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## NEWFIELD EXPLORATION COMPANY

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## 16. Restructuring Costs

In May 2016, we announced plans to consolidate and reorganize domestic operating functions to our headquarters in The Woodlands, Texas, which resulted in a significant reduction of employees located in the Tulsa, Oklahoma office during the third quarter of 2016. Our decision to restructure the organization was primarily in response to the current oil and gas commodity price environment. Substantially all restructuring-related costs are expected to be incurred by the end of 2016. We abandoned our Tulsa, Oklahoma office space during the third quarter of 2016 and recorded a liability for the remaining contracted payments.

In April 2015, we announced plans to combine our onshore Gulf Coast and Rocky Mountain business units. Our decision to restructure the organization, which only affected our Gulf Coast and Rocky Mountain business units, was primarily in response to the oil and gas commodity price environment. Substantially all restructuring-related costs were incurred by December 31, 2015. We abandoned our Denver, Colorado office space during the third quarter of 2015 and recorded a loss for the remaining contracted payments net of expected sublease income. We closed our North Houston (Greenspoint area) office in the first quarter of 2016.

Restructuring costs recorded in our consolidated statement of operations are set forth below.

		Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Type of Restructuring Cost	Location in the Consolidated Statement of Operations	2016	2015	2016	2015
(In millions)					
Severance and related benefit costs	Operating expenses - General and administrative	\$10	\$3	\$18	\$6
Relocation costs	Operating expenses - General and administrative	3	2	4	3
Office-lease abandonment costs	Operating expenses - General and administrative	3	13	6	13
Other associated costs	Operating expenses - Depreciation, depletion and amortization	—	—	—	1
Total		\$16	\$18	\$28	\$23

The following table summarizes our restructuring costs and related accruals.

	Severance and Related Benefit Costs	Office-lease Abandonment Costs	Relocation Costs	Other Associated Costs	Total
(In millions)					
Restructuring liability at January 1, 2015	\$—	\$—	\$—	\$—	\$—
Additions	6	13	3	1	23
Settlements	(4)	—	(3)	(1)	(8)
Revisions	—	—	—	—	—
Restructuring liability at September 30, 2015	\$2	\$13	\$—	\$—	\$15
Cumulative costs as of September 30, 2015	\$6	\$13	\$3	\$1	\$23

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Restructuring liability at January 1, 2016	\$1	\$ 13	\$ —	\$ —	\$14
Additions	18	3	4	—	25
Settlements	(12 )	(4 )	(4 )	—	(20 )
Revisions	—	3	—	—	3
Restructuring liability at September 30, 2016	\$7	\$ 15	\$ —	\$ —	\$22
Cumulative costs as of September 30, 2016	\$25	\$ 20	\$ 9	\$ 1	\$55
Expected total costs as of September 30, 2016	\$26	\$ 20	\$ 13	\$ 1	\$60

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## NEWFIELD EXPLORATION COMPANY

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## 17. Segment Information

While we only have operations in the oil and gas exploration and production industry, we are organizationally structured along geographic operating segments. Our current operating segments are the United States and China. The accounting policies of our operating segments are the same as those described in Note 1, "Organization and Summary of Significant Accounting Policies," in our Annual Report on Form 10-K for the year ended December 31, 2015.

The following tables provide the geographic operating segment information for the three and nine-month periods ended September 30, 2016 and 2015. Income tax allocations have been determined based on statutory rates in the applicable geographic segment. Our income tax allocation of our China operations is based on the combined statutory rates for China and the United States.

	Dome	China	Total
	(In millions)		
Three Months Ended September 30, 2016:			
Oil, gas and NGL revenues	\$354	\$ 38	\$392
Operating expenses:			
Lease operating	50	10	60
Transportation and processing	71	—	71
Production and other taxes	12	1	13
Depreciation, depletion and amortization	105	15	120
General and administrative	63	2	65
Other	18	—	18
Allocated income tax (benefit)	13	6	
Net income (loss) from oil and gas properties	\$22	\$ 4	
Total operating expenses			347
Income (loss) from operations			45
Interest expense, net of interest income, capitalized interest and other			(21 )
Commodity derivative income (expense)			28
Income (loss) from operations before income taxes			\$52
Total assets			