

NEWFIELD EXPLORATION COMPANY 2003 ANNUAL REPORT



summary financial
and reserve data

Year-Ended December 31, <small>(In thousands, except per share data)</small>	2003	2002	2001	2000	1999
Oil and gas revenues	\$ 1,016,986	\$ 626,835	\$ 714,052	\$ 479,876	\$ 265,603
Income from operations	382,788	167,657	184,851	201,026	54,768
Net income	199,489	73,847	118,954	132,349	33,204
Basic earnings per common share	\$ 3.67	\$ 1.64	\$ 2.69	\$ 3.13	\$ 0.81
Diluted earnings per common share	3.57	1.61	2.56	2.93	0.79
Weighted average number of shares outstanding (basic)	54,347	45,096	44,258	42,333	41,194
Weighted average number of shares outstanding (diluted)	56,744	49,589	48,894	47,228	42,294
Capital expenditures	\$ 646,748	\$ 888,482	\$ 846,451	\$ 365,253	\$ 202,409
Net cash provided by continuing operating activities	659,167	383,257	495,623	289,384	178,916
Net cash used in continuing investing activities	(614,708)	(501,816)	(754,540)	(339,303)	(205,971)
Net cash provided by (used in) continuing financing activities	\$ (85,352)	137,030	273,127	15,933	67,758
Total assets	2,733,089	\$2,315,753	\$1,663,371	\$1,023,250	\$ 781,561
Long-term debt	643,459	709,615	428,631	133,711	124,679
Convertible preferred securities	-	143,750	143,750	143,750	143,750
Stockholders' equity	1,368,578	1,009,231	709,978	519,455	375,018
Oil and condensate reserves (MBbls)	37,774	34,037	30,959	22,551	19,637
Gas reserves (MMcf)	1,090,140	977,115	718,312	519,723	440,173
Total proved reserves (MMcfe)	1,316,786	1,181,337	904,066	655,029	557,992

2003
highlights

- We significantly expanded our Gulf Coast operations. In 2003, we drilled 69 wells along the Gulf Coast, 57 of which were successful. Through acquisitions and drilling, production nearly doubled.
- We capitalized on our EEX acquisition, which closed in late 2002. We drilled 50 wells on these acquired properties and our technical work identified an inventory of drilling ideas for 2004.
- We replaced 163% of 2003 production with the addition of new reserves. Year-end proved reserves increased 9% to 1.32 trillion cubic feet equivalent (Tcfe). Asset diversification continued, with about 60% of our reserves now located onshore. We added about 120 billion cubic feet equivalent (Bcfe) of longer-lived reserves in the Mid-Continent.
- We increased 2003 production volumes by 21% over 2002 and met our production target. We expect continued production growth in 2004. Our target range is 225-235 Bcfe.
- We added 359 Bcfe of proved reserves and 2003 finding and development costs were \$1.80 per Mcfe. Through drilling, we replaced 106% of domestic production in 2003.
- Our new drilling initiative in the Mid-Continent we refer to as "gas mining" achieved early success. We drilled 95 wells in the Mid-Continent and have plans to drill about 160 wells in this growing region in 2004.
- We acquired our first assets in the U.K. North Sea through the purchase of interests in a producing gas field and an undeveloped discovery. We also were awarded a license on adjacent acreage and expect to drill our first well in the North Sea in the second half of 2004.
- In late 2003, we marked our 10-year anniversary as a public company, and in December 2003, the 15th anniversary of our founding. Celebrations were held in New York City and Houston to commemorate our IPO anniversary. We went public on November 11, 1993 at a split-adjusted price of \$8.75 per share. On January 23, 2004, our stock closed at an all-time high of \$50.13.



At Newfield, we all share the chair. We share responsibility for maintaining our unique culture, making things happen and pushing our results up and to the right.

We started in 1989 with a group of just 26 employees, focused exclusively on the Gulf of Mexico. Today, we number about 370 and have multiple areas that provide avenues for growth. Our people are experienced in our areas of operation and reflect our changed asset base.

We continue to run our Company from the bottom up, not from the top down. We hire the best and the brightest and expect them to contribute to our growth and profitability the moment they walk in the door. This is a tall task, and it comes with much responsibility.

Although we have a proven team of value creators in our senior Leadership Group, it's our people at all levels that really make things happen. We have the people and prospects in place to continue to add value for our stockholders.

Dear fellow stockholders:

I am proud of our accomplishments in 2003 and of the people that made them happen. People are our greatest asset. Our culture requires our employees to drive for change and to assume ownership of their projects and the processes in which they are approved. So, we really do all *share the chair*.



WE ALL SHARE THE CHAIR

2003 was a record year, both financially and operationally. For the first time, revenues topped \$1 billion, resulting in \$734 million of net cash flow from continuing operating activities before changes in operating assets and liabilities. Earnings from continuing operations were a record \$211 million. Record financial results were due to a 21% increase in production volumes and strong commodity prices.

We ended the year with proved reserves of 1.32 Tcfe. I have great confidence in our reported proved reserves. History has shown our estimates to be consistent with actual reserves. We have had no significant net revisions in any year and only 13% of our reserves are undeveloped, among the lowest in the industry. Many of you will recall that when we announced the EEX Corporation acquisition in May 2002 we stated that we were reducing EEX's proved reserves, which had been audited by an independent firm, by 23%, or about 100 Bcfe, to conform to our view of the reserves under SEC definitions.

In November 2003, we celebrated our 10th year as a public company, and in December 2003 we marked the 15th anniversary of our founding. In this business, 15 years is a long time. We have seen many changes over this period; changes in both the supply and demand sides of our business. We have done an excellent job of adapting to change and positioning ourselves for continued success. As we enter 2004, here are some key observations about our industry and our Company.

The EEX acquisition was a "home run."

In our third quarter conference call with investors, I described our acquisition of EEX as a home run. This deal led to an excellent year and we added 359 Bcfe of new reserves, replacing 163% of our 2003 production.

By acquiring EEX, we gained a quality acreage base in Texas and an inventory of drilling ideas. We immediately put people and capital resources to work and produced good results in 2003. Although we drilled about 50 wells on this property base, our geoscientists worked hard to back-fill this inventory and developed a solid list of prospects for 2004. We are now conducting detailed studies on many of these mature fields and expect to find additional drilling ideas.

In addition to its onshore acreage, EEX also had an interesting shallow water exploration concept at ultra-deep drilling depths in the Gulf of Mexico. We now refer to this entire play as "Treasure Project." Our acreage in this play has expanded significantly over

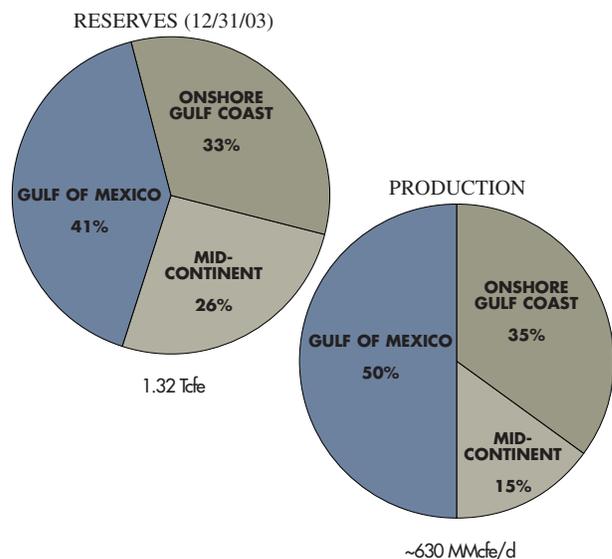
the last year. After the EEX acquisition, we had a 25% interest in 25 blocks and a 12.5% interest in one block. We now have a 100% working interest in 20 blocks, a 45% working interest in 53 blocks and a 25-100% working interest in seven blocks. We also evaluated EEX's deepwater leases and matured several prospects for future drilling.

We have diversified and achieved balance.

With the addition of new focus areas, we are now a "balanced" company. At the time of our founding, our business plan focused solely on the shallow waters of the Gulf of Mexico. As we became a larger company, and as traditional Gulf of Mexico plays matured, we realized the need for a diversification plan. We identified some basins where we felt our business strategies could be successfully implemented and we captured opportunities in new regions.

We now have a substantial onshore Gulf Coast presence, which represents about 30% of our total company production and nearly one-third of our proved reserves. We continue to amass large acreage positions through leasing and acquisitions and today own an interest in about 300,000 gross lease acres in these hydrocarbon-rich areas.

We added Mid-Continent operations in 2001. Today, we have a growing business in the Mid-Continent, accounting for 26% of our reserves and about 15% of our expected 2004 production. The Mid-Continent is a prolific gas province with targets at multiple geologic horizons. These assets are characterized by longer-lived reserves. Gas price appreciation and advances in technology make new plays economic and offer incentives to creatively look for development techniques that challenge "conventional wisdom." Our planning envisions the possible drilling of hundreds of wells over the next several years. Leasing efforts are underway to make this happen.



The Gulf of Mexico has changed, and so have we.

More than in any other area in which we operate, the Gulf of Mexico has changed. As a whole, production and reserves in the shallow water Gulf have declined dramatically in recent years. Success in deepwater has yet to offset these declines. This is critical considering that about 25-30% of daily U.S. gas supply has historically come from the Gulf of Mexico. Declining production from the Gulf is a major contributing factor to the doubling of natural gas prices since 1999. We are proud of the fact that we've continued to grow our Gulf production over the last several years and we have done it without completing a major acquisition since mid-1999. This accomplishment is further testament to the quality of our people.

At year-end 2003, about 40% of our proved reserves were located in the Gulf. Although other segments of our business are growing at a faster pace, we continue to find quality prospects to drill and exploit due in large part to our vast acreage position—some 1.7 million gross acres. High profit margins from our Gulf of Mexico fields prevail because of strong commodity prices and our unwavering attention to cost control.

Although we remain active in the traditional shallow water plays, we expect our future growth to come from deepwater and deeper drilling on the Shelf.

Over the last three years, we have posted excellent results in the deep shelf play (generally wells below 15,000' and/or with high geopressures and temperatures). We've drilled 17 wells in this play with a 70% success rate. Deep shelf prospects have subtle geophysical attributes and well costs of \$8-15 million. Due to a combination of risks and costs, these prospects require more technical analysis and additional time to mature. We have made significant investments in data and technical expertise to make quality drilling decisions. We expect to drill six to eight deep shelf wells in 2004.

Another notable change in our Gulf of Mexico program is the addition of a significant deepwater effort. We expect to drill three to five deepwater wells in 2004. We participated in the drilling of two deepwater wells in 2003 and announced our first discovery at our Rigel Prospect located in Mississippi Canyon. The field is being developed with first production expected in 2005. We also signed a joint venture agreement in 2003 with Shell Exploration and Production to develop the Glider field located in Green Canyon. First production from Glider is expected in the second half of 2004. This will be our first deepwater development and it is expected to provide a meaningful increase to our oil



We All Share the Chair.

Newfield's corporate culture is unique. *It is one of the differentiating factors and believed by management and employees alike to be one of the drivers of our success. What does it really mean to share the chair. Below are some excerpts taken from recent speeches to employees by President and CEO David A. Trice that stress the importance of team and individual contribution.*

"So where did Newfield get this employee emphasis? How did we become a 'bottoms up' company and not a 'top down' company that is much more common in all sectors? All of this goes back to the beginning and back to the Principles that (Founder) Joe Foster established in the original business plan... the Principle at the top of the list was 'talented people'."

"...the people at Newfield come from a variety of corporate backgrounds and fresh from colleges and graduate schools. We're a melting pot that is just plain Newfield. We have top flight people and a spirited working environment."

"There's an emphasis on teamwork and we are committed to working together and trusting one another..."

"We are committed to remaining an organization with as few levels as possible so that ideas can bubble to the top, people can have some input in the decision-making process and decisions can be made quickly when necessary."

On employee ownership: "Ownership includes ownership of the processes and the way we do things. Ownership includes a responsibility to be a catalyst for change when change is necessary or desirable."

"... we are committed to sharing information and receiving input from all sources. We make better decisions by doing so."

"We trust one another and encourage innovation, which means we are willing to tolerate some mistakes and failures along the way."

"We have a challenge to preserve our culture. It is something special... It's what makes our employees willing to work nights and weekends more often than they would like, to always go the extra mile and to look for improvement every step of the way."

volumes in the second half of 2004. We own a 25% working interest in both of these deepwater fields.

Balance is the right formula.

Balance is an integral component of our strategy. We believe in a balanced drilling portfolio—from “gas mining” in Oklahoma to exploration in deepwater and international focus areas—and we continue to actively work acquisition opportunities to increase our presence and growth potential in our core focus areas.

During 2003, we reviewed over \$3.5 billion in available property packages and elected to bid on about \$1.5 billion of these opportunities. We closed about \$140 million in acquisitions, or a capture rate of about 10%. Our largest transaction was in the Mid-Continent with our purchase of Primary Natural Resources for about \$90 million. We have a history of adding value through acquisitions and will continue to employ the same careful analysis to our future efforts. Although we have the financial strength to make significant acquisitions, we will only make those deals that meet our economic criteria.

International operations are growing in importance.

International operations have been a small part of our story to date. We believe this will change. We have become a larger company and can now afford a larger international presence.

In 2003, we drilled successful appraisal wells in our two oil discoveries in Bohai Bay, China. We are working on the overall development plan and expect first production in 2006. If the development plan is approved by the Chinese government, we expect to book undeveloped proved reserves for these fields.

In the North Sea, we recently acquired working interests in one producing field and one undeveloped discovery. We were also awarded an exploration license on adjacent acreage. We expect to drill at least two wells in the North Sea in 2004 and our goal is to capture multiple prospects for future drilling. An extensive 3-D mapping project of the Southern Gas Basin is nearing completion and we have identified more than 30 prospects that we will seek to capture.

Our financial and risk management programs provide stability.

Risk management is one of our strengths. Risks are inherent in our business, but commodity prices, at least in the short term, are largely controllable through derivatives markets. We have locked-in excellent profit margins by hedging more than 85% of our expected gas

volumes in the first 10 months of 2004. We also have hedged about half of our expected oil production in 2004. The majority of our gas positions are in wide-band collars, providing protection with strong floor prices but leaving us with significant upside. Hedging reduces commodity price volatility and ensures profitability and returns on projects and acquisitions. Our hedge positions are detailed in our Form 10-K.

Giving Back.

About three years ago, our Chairman suggested establishing a foundation through which Newfield could give back to the communities in which we work. This became a reality in 2001 with the formation of the Newfield Foundation. By year-end 2003, we had contributed about \$4 million to the Foundation. This endowment, which we hope to increase each year, will allow Newfield to make substantial grants to worthy causes for years to come. The Foundation Grant Committee is comprised of a cross section of non-officer employees. Separately, we pledged \$250,000 to help establish the Joe B. Foster Chair in Business Leadership at the Mays School of Business at Texas A&M University.

A lot has changed since our founding in 1989 and our initial public offering in 1993. We're bigger, stronger and balanced. On the macro side, higher natural gas prices reflect the maturity of the gas basins in the U.S. and are trading in a higher range. They have the potential to stay high for several years.

Despite the changes, many things have stayed the same. We continue to manage our business through the same strategies that have made us successful. We still employ the best people and rely on them to manage our business. Our interests are aligned with yours and we are committed to continued growth and profitability for our stockholders.

Thank you for your continued interest in Newfield Exploration Company.

Sincerely,



David A. Trice
March 10, 2004





■ ■ ■ ONE OF OUR MOST ACTIVE REGIONS IS THE ONSHORE GULF COAST. WE DRILLED NEARLY 70 WELLS IN THIS FOCUS AREA DURING 2003. OUR GROSS ACREAGE POSITION HAS GROWN TO ABOUT 300,000 ACRES THROUGH A COMBINATION OF ACQUISITIONS AND LEASING EFFORTS.

WE ALL SHARE THE CHAIR.

ONSHORE GULF COAST

Our fastest growing segment continues to be the onshore Gulf Coast. We have grown our production to approximately 200 million cubic feet equivalent per day (MMcfe/d) and our reserves at year-end 2003 represented nearly 35% of our total reserves. Our acreage position and production volumes increased significantly in late 2002 with the acquisition of EEX. Today we own interests in about 300,000 gross acres in Texas and Louisiana.

After drilling 10 wells in this area in 2002, we drilled a record 69 wells in 2003, of which 57 were successful. About 50 of the wells were on properties acquired in the EEX transaction. Simultaneous with drilling efforts, prospect generators were actively developing an inventory of ideas and we expect to drill 50-60 wells in the area in 2004.

Nearly 50 of the wells we drilled in 2003 were development wells. Significant development drilling programs include the following areas:

Val Verde Basin – Our most active drilling area along the Gulf Coast was the Val Verde Basin of southwest Texas. Current activities

are primarily focused in Edwards, Terrell and Val Verde Counties, where we own interests in about 80,000 gross lease acres, including nearly 15,000 gross acres added in 2003. We own an interest in 70 wells producing about 30 MMcfe/d (gross).

We drilled 22 wells with 20 successes in the basin in 2003. Our efforts focused on development and extension locations in existing fields. In addition, four wells were drilled on two exploratory structures. Both structures are gas productive and will be undergoing additional seismic acquisition and delineation drilling efforts in 2004. We are working several geologic trends in the basin and expect to drill four to seven exploratory prospects along with five to 10 development wells.

Our most significant development project in the basin was in the East Vinegarone Field, located in Edwards County. The field is a Canyon Sand Play offering targets at multiple horizons. We drilled 14 development wells in 2003. This drilling effort, along with a workover program, increased gross field production from 14 MMcfe/d in early 2003 to a 2003 exit rate of about 22 MMcfe/d. We own a 100% working interest in the field. At least three to five

development wells are planned in the field for 2004. We own an interest in more than 17,000 gross acres in and around the field.

The Val Verde Basin covers more than 7,000 square miles and drilling density is sparse. Reserves in the trend are long-lived, with fields typically producing more than 30 years. The majority of the seismic data available in the area is older vintage and we are applying modern reprocessing technology to it with positive results. In select areas, we are also acquiring new seismic data.

West Caney Creek – One of our 2003 development drilling highlights was in the West Caney Creek Field, located in Wharton County, Texas. Our South Texas team had a plan to improve well production through fracture stimulation and to extend known field limits with development drilling. Today we own an interest in approximately 12,000 gross lease acres in our West Caney Creek Field area. Our working interests range from 58-77%.

In 2003, we drilled four successful development wells in the field and one exploratory dry hole. Gross production is nearly 40 MMcfe/d and five additional development well locations remain.



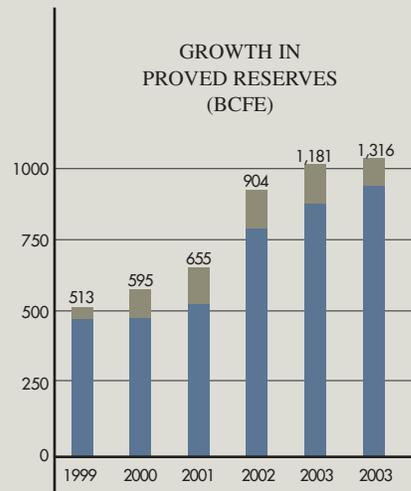
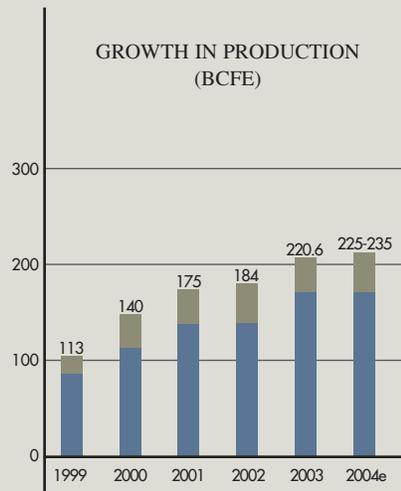
Our most recent success in the field, the Peach Creek Gas Unit #5, came on-line in early 2004 at 18 MMcfe/d (gross).

Our increased acreage position along the onshore Gulf Coast provides exploration opportunities.

A notable 2003 exploration discovery was Destino Deep, located in Duvall County, Texas. We sidetracked an existing wellbore to target a more optimal location and found more than

400' of net gas pay. The well was drilled to 17,000' and had bottom hole temperatures in excess of 400° F. In late 2003, we successfully offset this discovery with the Carillo Conoco Fee #1 well, finding pay in two objectives. At year-end 2003, the field was producing 18 MMcfe/d (gross) from the first well. The second well, once placed on-line, is expected to add about 10 MMcfe/d (gross). Our working interest in the field averages about 70%.

We continue to explore in southern Louisiana. In 2003, we drilled two exploration wells, one of which was successful. In early 2004, we spud an exploration well on our Moose prospect, which has a planned drilling depth of 23,500'. We also own an interest in about 63,000 gross acres of fee minerals.



THE MID-CONTINENT

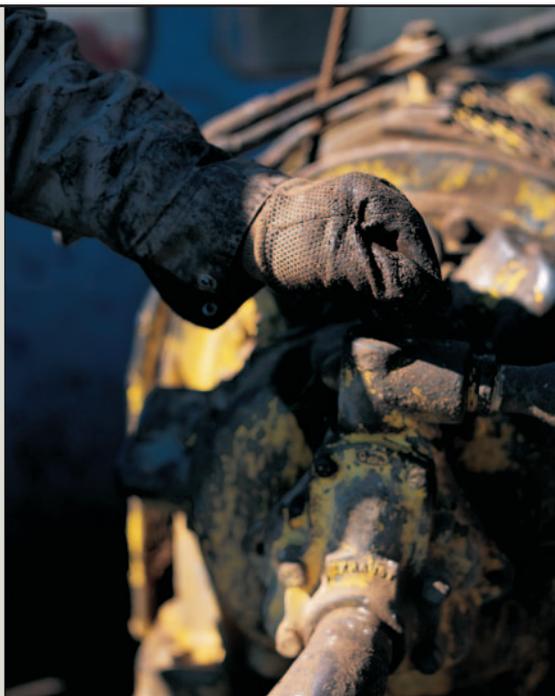
We stepped up our activity levels in the Mid-Continent in 2003. We drilled 95 wells, making this our most active drilling region. Since entering this focus area in 2001, we have drilled 220 wells and completed several acquisitions. Today we own an interest in more than 600,000 gross acres and about 1,700 producing wells, primarily in the Anadarko and Arkoma Basins. Our net daily production from the Mid-Continent is now about 90 million cubic feet equivalent (MMcfe) and rising and we expect Mid-Continent production will represent about 15% of our total 2004 production. Approximately 80% of our Mid-Continent production is operated. Proved reserves in the region comprise about one-quarter of our total reserves and have helped lengthen our average reserve life.

Some major changes were made in this region over the last year. Our exploration and development teams were aligned under new management and we began a drilling initiative we refer to as “gas mining.” We are targeting development drilling opportunities with a high probability of success and are ensuring economics by hedging the expected future production. We plan to drill about 160 wells in the Mid-Continent in 2004.

Our leasing efforts in 2003 were focused on our gas mining initiative. We identified thousands of prospective acres and recent pilot drilling programs have been encouraging.

One of our most active gas mining plays is the Grand area in western Oklahoma, where we added more than 24,000 net lease acres in 2003. We drilled 26 wells in the area in 2003 and production grew to 11 MMcfe/d at year-end. We plan to operate a three-rig drilling program in the area throughout 2004 and expect to drill 35 wells. We hold approximately 38,000 net lease acres in the Grand area and our working interests range from 50-100%.

Our Cromwell Play in the Arkoma Basin was another area with a high level of drilling activity. We drilled 22 wells in the area in 2003. We plan to run a three-rig drilling program through the first half of 2004 and expect to drill 50 wells. During 2003, we acquired 24,000



net acres in the Cromwell Play and now hold more than 40,000 net acres.

THE GULF OF MEXICO

Over the last several years, our operations in the Gulf of Mexico have undergone significant changes. Although we continue to find attractive prospects and development programs in the traditional Shelf plays, our exploration emphasis is now focused on two higher potential plays

—the deep shelf and deepwater. The Gulf remains our largest focus area, comprising about 40% of our total reserves and half of our daily production. We own an interest in about 1.7 million gross lease acres. This includes 249 lease blocks in the shallow water and 85 lease blocks in deepwater.

The traditional Shelf plays are mature. Better technology and the impact of higher commodity prices have allowed industry to maintain activity levels, but quality prospects are becoming harder to find. Primarily due to our people, we continue to find attractive drilling opportunities on our held-by-production acreage and acreage controlled by others. We have more than 150 production platforms on the Shelf and operate gross daily production of nearly 530 MMcfe/d. This infrastructure is an advantage in both the traditional Shelf play and in the underlying deep trends. We drilled 21 traditional Shelf wells in 2003, 16 of which were successful. We plan to drill 15-20 of these wells in 2004.

Our inventory is supplemented through lease sales and we have been actively acquiring acreage in both shallow water and deepwater plays. The majority of our new leases are related to prospects in the deep shelf (below 15,000') and ultra-deep shelf (below 20,000') trends. We expect that our capital investment in deeper drilling trends will continue to increase over the next several years.

We became active in the deep shelf play about three years ago and our geoscientists have made some significant discoveries. In the deep shelf play, we drilled four successful wells out of six attempts in 2003. Over the last three years, we are 12 of 17 in the deep shelf play.



■■■ NEWFIELD OPERATES ABOUT 150 PRODUCTION PLATFORMS IN THE GULF OF MEXICO. THIS INFRASTRUCTURE PROVIDES A COMPETITIVE ADVANTAGE AND IS OFTEN UTILIZED TO HELP LOWER DEVELOPMENT COSTS AND REDUCE THE TIME FROM FIELD DISCOVERY TO FIRST PRODUCTION.

WE ALL SHARE THE CHAIR.

A notable deep shelf discovery in 2003 was West Cameron 73. The #1 well found more than 250' of net gas pay. We purchased an existing production facility from another operator and the field came on-line in the fourth quarter of 2003. We may elect to drill a second well in the field in 2004. We operate the field with a 70% working interest.

The South Timbalier 156 discovery, announced in late 2002, came on-line in mid-2003. We are evaluating the possibility of drilling a second well in the field during 2004. We own a 33% working interest in this outside operated field.

We have modified our internal capabilities to meet the challenges of identifying and drilling deep shelf prospects. Deep shelf prospects typically have little or no supporting seismic amplitude anomalies and are located in geo-pressured environments. We are planning to drill six to eight deep shelf prospects in 2004.

Below the deep shelf trend is an ultra-deep exploration concept we refer to as "Treasure Project." During 2003, we increased our

acreage position in the concept by acquiring interests in 54 lease sale blocks. Today we own an interest in 80 blocks associated with Treasure Project.

We continue to make geophysical refinements in this high risk, high potential play. Our objective is to get an ultra-deep wildcat spud in 2004. Drilling is contingent upon us signing an exploration agreement with a partner that will agree to carry all, or a substantial portion, of the estimated well costs on our behalf.

Our deepwater team had success in 2003 with the announcement of our first deepwater discovery and through the signing of a joint venture development agreement with another operator. Our deepwater team plans to drill three to five wells in 2004. We drilled two deepwater wells in 2003, leading to the announcement of our first deepwater discovery—Rigel.

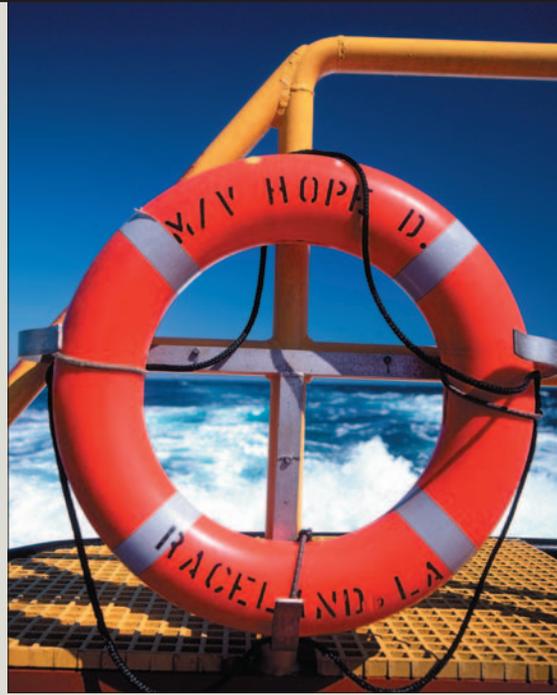
Rigel is located at Mississippi Canyon 296 in about 5,200' of water. The Rigel well was drilled to a total depth of 16,200' and found about 140' of gross gas pay. Additional gas pay was found in

a shallower objective that may allow for a future recompletion. The well was temporarily abandoned and will be used as a subsea completion to one of several production facilities in the region. We have a 25% working interest in this outside operated development and expect first production in the first half of 2005.

In mid-2003, we signed an agreement with Shell Exploration and Production to develop and exploit additional opportunities in the Glider Field, located at Green Canyon 247/248 in about 3,400' of water. We have a 25% working interest in the project. We plan to develop the Glider Field in two or more phases. Phase I, which was to begin about the time this report was released for printing, includes the drilling of one new development well and the completion of an existing well. Both subsea wells will be tied back to Shell's Brutus platform with first production expected in the second half of 2004.

INTERNATIONAL

We invested \$17 million in international activities in 2003. Today, we are active internationally in China's Bohai Bay, the North Sea and



offshore Brazil. During the second half of 2003, we sold our Australian assets and are no longer conducting business offshore Australia. Our international areas of activity are in offshore regions where we believe our experience in the Gulf of Mexico is relevant to future success.

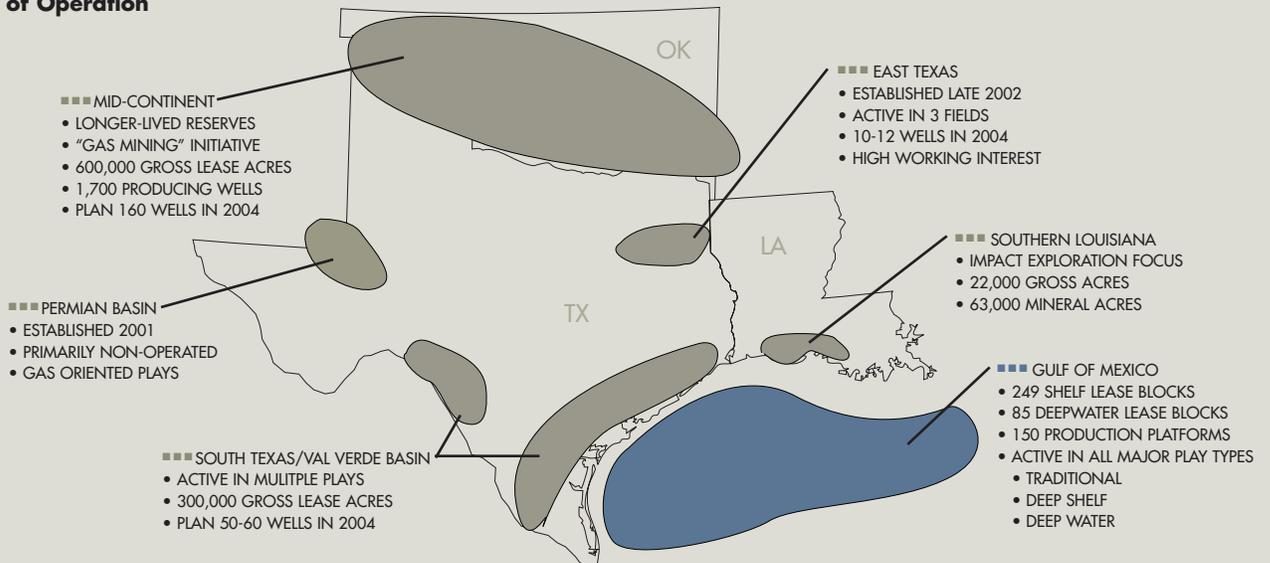
On a license area located in Block 05/36 in China's Bohai Bay, our 2003 appraisal drilling program provided encouraging results and we expect to

declare our two fields commercial in 2004. The operator is in the process of filing the required development plans with the Chinese government. If approved, first oil production is estimated in 2006. We own a 35% interest, subject to a 51% reversionary interest held by the Chinese government.

We also are active in the North Sea, primarily in the Southern Gas Basin. We continue to view the North Sea as being similar to the Gulf of Mexico more than a decade ago as the major oil companies were leaving the basin in search of larger impact projects elsewhere. We opened an office in London during 2002.

During 2003, we acquired our first interests in the North Sea—one producing field and one undeveloped discovery. We now own

Our Areas of Operation





■ ■ ■ WE PLAN TO INVEST ABOUT \$230 MILLION IN EXPLORATION ACTIVITIES IN 2004. THE RESERVES TARGETED BY OUR DRILLING PROGRAM ARE DISTRIBUTED THROUGHOUT THE RISK/REWARD SPECTRUM.

WE ALL SHARE THE CHAIR.

a 20% interest in the Windermere Field, which is currently producing about 12 MMcf/d (gross). In addition, we have a 40% interest in the undeveloped Chiswick Discovery. Additional drilling is required to prove commerciality of Chiswick. We also were awarded an adja-

cent license—49/4b—in a 2003 licensing round. We expect to drill an exploration well on this license to test our Cumbria prospect in the second half of 2004.

** Certain of the statements set forth in this annual report regarding estimated or anticipated production volumes, capital spending, drilling activities and future commodity prices 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, 2003. In addition, the drilling of oil and gas wells and the production of hydrocarbons are subject to government regulations and operating risks.

NEWFIELD



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Newfield Exploration Company



DAVID A. TRICE
President and Chief Executive Officer
Newfield Exploration Company



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Chief Investment Officer
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PHILIP J. BURGUIERES
Chief Executive Officer
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HOWARD H. NEWMAN
Vice Chairman
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C. E. (CHUCK) SHULTZ
Chairman and
Chief Executive Officer
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Retired President
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DAVID F. SCHAIBLE
Vice President - Acquisitions
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Duncan Interests



DENNIS R. HENDRIX
Retired Chairman
PanEnergy Corp



CLAIRE S. FARLEY
Chief Executive Officer
Randall & Dewey Inc.

Corporate Information

EXECUTIVE OFFICERS

DAVID A. TRICE (55)

President and Chief Executive Officer

DAVID F. SCHAIBLE (43)

Vice President - Acquisitions and Development

TERRY W. RATHERT (51)

Vice President,
Chief Financial Officer & Secretary

ELLIOTT PEW (49)

Vice President – Exploration

WILLIAM D. SCHNEIDER (52)

Vice President – International

BRIAN RICKMERS (35)

Controller and Assistant Secretary

SUSAN G. RIGGS (46)

Treasurer

DIRECTORS

JOE B. FOSTER (**)(69)**

Chairman
Newfield Exploration Company

PHILIP J. BURGUIERES (*)(60)**

Chief Executive Officer
EMC Holdings, LLC

Vice Chairman
Houston Texans

CHARLES W. DUNCAN, JR. (*) (*) (77)**

Chairman
Duncan Interests

CLAIRE S. FARLEY () (****) (45)**

Chief Executive Officer
Randall & Dewey Inc.

DENNIS R. HENDRIX (*) (*) (64)**

Retired Chairman
PanEnergy Corp

JOHN RANDOLPH KEMP III (*) (**) (59)**

Retired President
Exploration Production,
Americas, Conoco Inc.

HOWARD H. NEWMAN () (***) (56)**

Vice Chairman
Warburg Pincus LLC

THOMAS G. RICKS () (***) (50)**

Chief Investment Officer
H&S Ventures L.L.C.

C. E. (CHUCK) SHULTZ (*) (**) (64)**

Chairman and Chief Executive Officer
Dauntless Energy Inc.

DAVID A. TRICE (55)

President and Chief Executive Officer
Newfield Exploration Company

DAVID F. SCHAIBLE (43)

Vice President - Acquisitions and
Development
Newfield Exploration Company

(*) MEMBER OF THE COMPENSATION AND
MANAGEMENT DEVELOPMENT COMMITTEE

(**) MEMBER OF THE AUDIT COMMITTEE

(***) MEMBER OF THE NOMINATING AND
CORPORATE GOVERNANCE COMMITTEE

(****) MEMBER OF THE INTERNATIONAL ADVISORY COMMITTEE

MARKET INFORMATION

The Company's common stock is traded on the NYSE under the symbol NFX. The stock began trading November 12, 1993. The range of high and low quarterly sales prices for 2002 and 2003, as reported by the NYSE, are set forth below:

	High	Low
2002		
First Quarter	38.20	30.34
Second Quarter	39.15	34.10
Third Quarter	37.49	27.16
Fourth Quarter	39.24	31.24
2003		
First Quarter	36.90	31.35
Second Quarter	39.10	32.49
Third Quarter	40.33	33.64
Fourth Quarter	45.51	38.20

TRANSFER AGENT

For more information regarding change of address or other matters concerning your stockholder account, please contact the transfer agent directly at:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
(800) 937-5449
www.amstock.com

Management believes after inquiry, that the number of beneficial owners of the Company's common stock is in excess of 17,000.

ANNUAL MEETING

The Annual Meeting of Stockholders of Newfield Exploration Company will be held at 11 a.m. on May 6, 2004 at the Hotel Sofitel, 425 N. Sam Houston Parkway E., Houston, Texas.

CORPORATE ADDRESS

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Houston, Texas 77060
(281) 847-6000
www.newfld.com

LEGAL COUNSEL

Vinson & Elkins L.L.P.
Houston, Texas

AUDITORS

PricewaterhouseCoopers LLP
Houston, Texas

ADDITIONAL INFORMATION

For copies of our recent publications, please visit our website at www.newfld.com or contact Investor Relations at the corporate address.



NEWFIELD EXPLORATION COMPANY

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Fax: 281-405-4242**

Newfield Exploration Company (NYSE:NFX) is an independent crude oil and natural gas exploration and production company. We rely on a proven growth strategy—balancing acquisitions with drill bit opportunities. Our areas of operation include the Gulf of Mexico, the onshore U.S. Gulf Coast, the Anadarko and Arkoma Basins, China's Bohai Bay and the North Sea.

We were founded in 1989 and went public in 1993. Our early focus centered on the shallow waters of the Gulf of Mexico and this remained our sole focus area through the mid-1990s. Over the last several years, we have acquired significant onshore assets. These onshore reserves are in longer-lived basins. At year-end 2003, about 60% of our proved reserves were located onshore. We have recently added opportunities in the Gulf of Mexico's deepwater play and have initiated an exploration program in the North Sea.

We are proud of our profitable track record of growing both production and reserves. Today, we have a proved reserve base of 1.32 Tcfe, of which 83% is natural gas and 87% is proved developed.

We are headquartered in Houston, Texas.

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