



NEWFIELD EXPLORATION COMPANY
1999 Annual Report

COMPANY PROFILE

Newfield Exploration Company (NYSE:NFX) is an independent natural gas and crude oil exploration and production company. The Company relies on a proven growth strategy, balancing acquisitions with drill bit opportunities. Newfield's focus areas today include the Gulf of Mexico, U.S. onshore Gulf Coast and international ventures offshore Australia and China.

Founded in 1989 and taken public in 1993, Newfield has grown to become one of the Gulf of Mexico's most active drillers and ranks among the top 10 companies in terms of daily gross operated production volumes. Today, Newfield has an interest in nearly 170 blocks (about 670,000 acres) in the Gulf of Mexico, with about 85% of those company-operated.

The Company was founded on the principles of applying major company technology in the Gulf of Mexico with an independent's low cost structure and mindset. The Company has a solid track record of growth in both production and reserves in each of the last 11 years. The Company's Business Principles, which are the basis for Newfield's success in the Gulf of Mexico, have been applied to new focus areas in the U.S. and overseas.

At year-end 1999, Newfield had a proved reserve base of 595 Bcfe, an increase of 16 percent over year-end 1998 proved reserves. Newfield's reserve base is 74% natural gas. Approximately 87% of the Company's reserves are proved developed.

Newfield is headquartered in Houston, Texas.

1999 HIGHLIGHTS

- Production volumes increased 28% over 1998, setting a Company record at 113.5 Bcfe.
- Revenues from oil and gas sales reached a record \$282 million.
- Reserve replacement was 172% of production. This was the 10th consecutive year that Newfield more than replaced production with new reserves.
- Finding and development costs were \$1.08 per Mcfe. This was lower than the Company's five-year average of \$1.35 per Mcfe.
- Key acquisitions in the Gulf of Mexico and offshore Australia added reserves and new drilling opportunities.
- Newfield drilled 20 wells with a 65% success rate. Development will help fuel future production growth.
- Debt/book capitalization was 19% at year-end.



SUMMARY FINANCIAL AND RESERVE DATA

Year-Ended December 31, (In thousands, except per share data)	1999	1998	1997	1996	1995
Income Statement Data:					
Oil and gas revenues	\$ 281,967	\$ 195,685	\$ 199,399	\$ 149,256	\$ 94,598
Income (loss) from operations	65,143	(79,832)	64,567	58,789	24,226
Net income (loss)	33,204	(57,699)	40,603	38,494	16,264
Basic earnings (loss) per common share	\$ 0.81	\$ (1.55)	\$ 1.14	\$ 1.10	\$ 0.48
Diluted earnings (loss) per common share	\$ 0.79	\$ (1.55)	\$ 1.07	\$ 1.03	\$ 0.45
Weighted average number					
of shares outstanding (basic)	41,194	37,312	35,612	34,872	33,935
Weighted average number					
of shares outstanding (diluted)	42,294	37,312	38,017	37,409	36,454
Capital expenditures	\$ 209,799	\$ 310,772	\$ 253,159	\$ 163,823	\$ 104,185
Net cash provided by operating activities					
before changes in operating assets and liabilities	205,553	141,948	161,852	125,226	75,613
Net cash provided by operating activities	184,903	146,575	160,338	127,494	67,640
Net cash used in investing activities	(210,817)	(318,991)	(242,962)	(159,537)	(99,329)
Net cash provided by financing activities	67,758	164,291	77,551	32,800	33,810
Total assets	\$ 781,561	\$ 629,311	\$ 553,621	\$ 395,938	\$ 277,406
Long-term debt and capital lease obligations,					
less current maturities	124,679	208,650	129,623	60,000	25,152
Convertible preferred securities	143,750	-	-	-	-
Stockholders' equity	375,018	323,948	292,048	239,902	193,571
Oil and condensate reserves (MBbls)	25,770	15,171	16,307	13,659	9,633
Gas reserves (MMcf)	440,173	422,277	337,481	241,385	203,580
Total proved reserves (MMcfe)	594,790	513,304	435,323	323,339	261,378
Present value of estimated future pre-tax					
net cash flows	\$ 913,293	\$ 549,818	\$ 654,669	\$ 859,817	\$ 364,879

March 4, 2000

DEAR FELLOW STOCKHOLDERS:

1999 was an excellent year. It was also a year of change. Let me explain:

Prior to 1999, virtually all of our oil and gas production came from the Gulf of Mexico. This production base expanded in 1999. We acquired two producing fields offshore Australia and enjoyed a full year of production from our first significant U.S. onshore Gulf Coast discovery. In 1999, about 10% of our production came from sources other than the Gulf of Mexico. In 2000, we expect 20% of our production to come from the onshore Gulf Coast and offshore Australia. This "shift" does not mean we view the Gulf of Mexico as less important... it simply shows a broadening of our focus areas to help ensure future growth.

Prior to 1999, we had drilled only eight wells outside of the Gulf of Mexico, including seven wells in the onshore Gulf Coast and one well in China. In 1999, we drilled only three wells onshore, but we acquired a significant leasehold and seismic position in South Texas and Louisiana and have generated a large inventory of drillable prospects. In 2000, we expect to drill 10-15 wells in the onshore Gulf Coast region, 4-6 wells in Australia and at least one well in China. As always, our drilling program will balance risk and reward.

In February 2000, we acquired three producing gas fields in South Texas for \$142 million. This was the quality onshore acquisition we had been seeking. We plan to conduct an aggressive drilling campaign on these properties with 10-12 development wells anticipated over the next 24 months. With this acquisition, our net onshore production should be over 50 million cubic feet equivalent per day (MMcfe/d).

Change also occurred at the leadership level. Newfield's Founder and Chairman, Joe B. Foster, retired as CEO on January 31. He remains our Chairman, but has turned over day-to-day management of the Company to a seasoned Leadership Group he selected and mentored.

Although we've grown and matured as a company, most things remain the same.

The Gulf of Mexico is still our mainstay. We produced 103 Bcfe from the Gulf of Mexico in 1999, a 19% increase over 1998. We replaced about 150% of our 1999 Gulf of Mexico



Left to right: Bob Waldrup, Bill Schneider, Elliott Pew, Joe Foster, David Trice, Terry Rathert & David Schaible.

production with new reserve additions. We expect to increase our Gulf of Mexico production by 10% or more in 2000. We continue to find good investment opportunities in the Gulf of Mexico and will continue our balanced exploration/acquisition strategy that has been successful for the past 11 years.

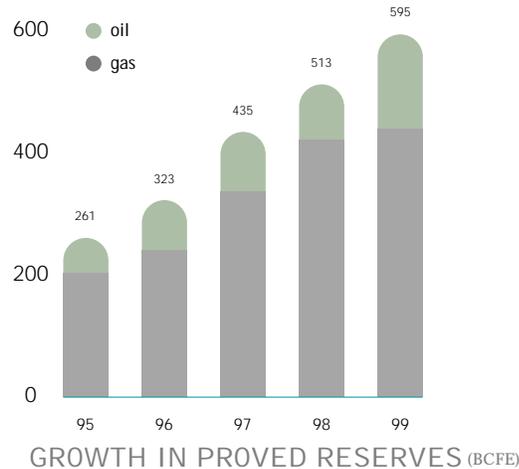
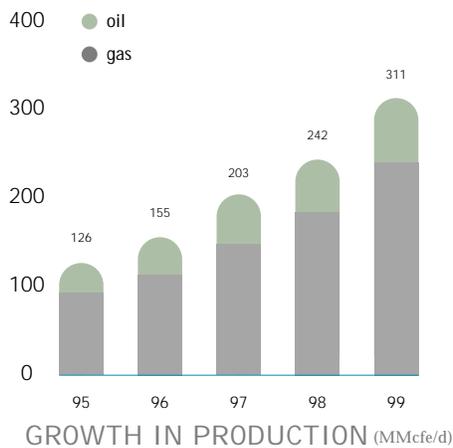
Our Leadership Group consists of five of the original founders of Newfield plus Elliott Pew who joined Newfield in 1998 and has brought a wealth of knowledge about onshore exploration and deal making to Newfield.

Our Founding Business Principles remain unchanged. They are:

- Talented Employees
- Focus
- Balance of Exploration and Acquisitions
- Emphasis on Technology and Teamwork
- Mindset of an Independent
- Control of Operations
- Employee Ownership

These Principles were established in Newfield's original business plan as drafted by Joe in December 1988. We believe in these Principles and talk about them all the time, both internally and externally. They have been, and will continue to be, the foundation of our success.

So while change propels us forward, we remember the foundation that got us to where we are today. Look at the photo on page three. This is a granite plaque made to honor Joe on his retirement as CEO. The plaque will be displayed in our reception area where employees and stockholders alike can see that our Principles are truly *chiseled in stone*.



Our consistent growth continued in 1999. Our proved reserves increased 16% to 595 Bcfe on reserve additions of 195 Bcfe. Capital spending for the year was \$210 million, resulting in a unit finding and development cost of \$1.08 per Mcfe. We spent less money in 1999 than in 1998, but, more importantly, we spent it more wisely. At year-end 1999, the SEC PV10 value of our proved oil and gas reserves reflected both higher commodity prices and a larger reserve base and grew 66% to \$913 million from \$550 million at the end of 1998.

Our financial results in 1999 were strong. Production increased 28% to 113.5 Bcfe and led to record revenues. About 8% of our revenues came from oil sales from the properties we acquired in Australia in July 1999. Cash flow from operations funded substantially all of our capital spending in 1999.

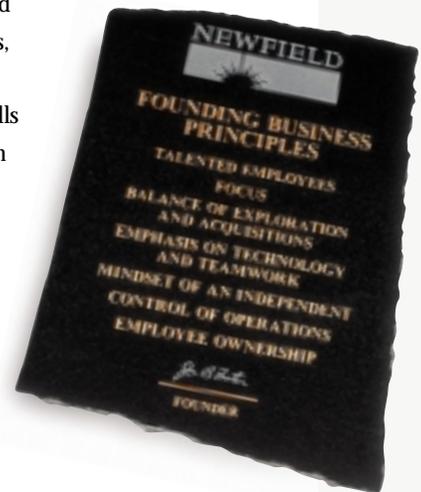
We started and ended 1999 with a strong balance sheet. At year-end 1999, we had \$35 million of working capital and our only debt was \$125 million of 7.45% Senior Notes issued in 1997. Debt to book capitalization was only 19% at year-end. In August 1999, after just completing \$86 million of property acquisitions, we issued \$144 million of quarterly income convertible preferred securities, which helped maintain our strong financial position. We used the strength of our balance sheet to make our recent South Texas acquisition and we still have ample capacity to make additional acquisitions in 2000 if good opportunities arise.

We continue to expand our operations in the Gulf of Mexico. Today, we own interests in 168 Gulf of Mexico lease blocks, up from 133 at the end of 1998. Most of these acquisitions occurred in the second half of 1999 and to date

we have completed seven field studies on these properties. The studies have identified 15-20 prospects and leads, many of which will find their way onto the drilling calendar in 2000-01.

We are excited about our prospects for continued growth in 2000. We start the year with the largest prospect inventory in our history and plan to drill 20-30 exploration/exploitation wells in 2000. This count does not include the 4-6 wells that we expect to drill this year overseas. We have entered into three joint ventures in South Texas, greatly expanding our acreage position and prospect inventory. At least six wells will be drilled on these joint ventures in 2000. Our South Texas acquisition represents the largest purchase ever for Newfield. This acquisition provides balance to our onshore effort and firmly establishes us in a major producing trend. In Australia, we expect to participate in several high-potential wildcat wells and drill two infill wells in our existing fields. If successful, these infill wells have the potential to double production from our fields and would allow us to book additional reserves. These wells could also set up additional infill drilling locations. In Bohai Bay, China, we will participate in a wildcat well on Block 05/36. Recent successes north, east and west of our block provide encouragement.

Including the impact of our South Texas acquisition, we look for 2000 production to increase more than 20% over 1999. This would mark another year of significant growth.



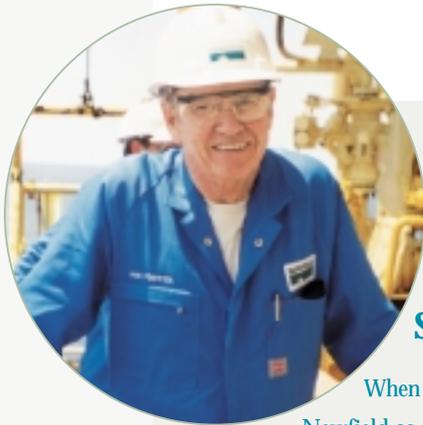
We are optimistic about natural gas prices. Our optimism comes from the industry's loss of productive capacity in the U.S due to the lack of drilling and investment in the second half of 1998 and in 1999. We continue to use our gas hedging program. This technically driven model has increased our gas revenues by more than \$12 million over the last two years. This program has worked well and we will continue to follow it. We have hedged about half of our 2000 oil production at approximately \$22 per barrel.

I can speak on behalf of the employees and say, from the original founders to the ones that joined in 2000, we all feel privileged to have worked for Joe Foster. He sets the standard for what a CEO should be in this or any industry. He is a leader, a listener, a decision-maker and a man of honor and integrity. He can be tough, but he is always fair

and generous with employees. Be assured, he has personally promised to come back and haunt the Leadership Group if we stray from the Founding Business Principles. He need not worry.

Let me close by thanking our employees. Their hard work and dedication are the drivers behind our past and future success. It is a great pleasure to work with this talented group of people.

Thank you for your continued support of Newfield.

Dear Stockholders:

When we started Newfield as a private company in 1989, we managed it on the premise that we would, at some point, take it public. We had outside auditors. We had non-employee directors and regular board meetings.

I wrote periodic letters to the 40 or so stockholders. I knew every employee, every investor and a very large percentage of our shares were represented in the board room.

My letters to stockholders since Newfield became public have been colored by those beginnings. I have tried to lay out our plans, strategies and thinking, as well as to report and describe our results. I have tried to write in plain English. I have tried to think of stockholders as

real people with real money invested in our Company and real concerns about how we spend or invest it— and not as faceless institutions. I have ended many of those letters with “thanks for your support” because I have indeed felt grateful that there were people out there willing to invest in our Company.

I have enjoyed writing these letters, but a key reason is that we have generally had good news to report. We've had a helluva run at Newfield during my tenure as CEO—from no reserves and no leases to a 595 Bcfe reserve base in three attractive focus areas, and from \$9 million of initial equity to more than \$1.3 billion of market capitalization. I am proud of that. I am even more proud of the people who got it done. Every employee contributed in some way. But I have been “carried”—especially in the last two years—by the people who compose our current Leadership Group, all the guys in the shirts and ties posing with me in the

photograph on page two. With this group in charge, led by David Trice, I am retiring in full confidence that there will be no loss of direction or momentum at Newfield.

It has been a great help to me to have board members with significant holdings of Newfield stock, and others who, regardless of their ownership, behave as owners. I am confident my other board members will not mind if I mention two directors who have been especially helpful for over 10 years—Charles Duncan, Jr. and Howard Newman. Charles has a remarkable sense of “smell” for what is right and what is wrong. Howard not only asks the tough questions; he helps us find the answers.

In closing, to whoever it is out there, on this particular day, who own those 42 million shares: Thanks for your support!





GULF
COAST

EA FLD 12/99
NEWFIELD FLD 2002

GULF
OF MEXICO

AUSTRALIA

U.S. ONSHORE GULF COAST



Newfield's U.S. onshore Gulf Coast position will provide 10-15 drilling opportunities in 2000.

Initially an offshore company, Newfield added the U.S. onshore Gulf Coast as a focus area in the mid-1990s. Today, Newfield holds an interest in more than 50,000 acres (gross) in South Texas and Louisiana. With similar geologic features, these onshore programs benefit from our core competencies and are a natural extension of our offshore efforts.

Newfield believes that *focus* is critical. The Company's onshore efforts are centered on small geographic regions in South Texas and Louisiana. Over the last several years, Newfield has assembled an experienced team of geoscientists and landmen with the knowledge and experience to generate opportunities and create value in these highly competitive areas.

By adding prospective acreage onshore, the Company has better balanced its drilling portfolio and gained significant reserve exposure. In periods of escalating rig and service costs in the Gulf of Mexico, Newfield now has other options to consider. This flexibility allows the Company to drill the *right wells* at the *right time*.

Drilling programs in the onshore basins are driven by the same strategies and technologies that have worked well offshore. The onshore team uses 3-D seismic data to identify prospective targets and better analyze field development. As always, Newfield prefers to operate. This allows us to control the technical efforts, operating costs and timing in our work programs. The Company operates 94% of its leased acreage position onshore and operated 11 of the wells drilled to date. The Company drilled three onshore wells in 1999 and expects to drill 10-15 onshore wells in 2000.

SOUTHERN LOUISIANA

Newfield's efforts in southern Louisiana began in 1995. Since that time, the Company has acquired nearly 450 square miles of 3-D seismic data and has built a land position of 17,500 acres (gross). The Company has more than 11 prospects and leads in the Bol-Mex and Marg-Tex trends. The Company's efforts are focused in an area known as the Nodisaria Embayment, a deep, complexly faulted basin primarily in and around the city of Lafayette, Louisiana.

Newfield's program in southern Louisiana relies on three key strategies: 1) acquiring known fields with exploitation upside; 2) generating exploration ideas based on 3-D seismic data; and 3) participating in deals generated by third parties.

The Company's first major success in the area came in mid-1998 with a discovery in the Broussard Field. Our wells today are producing 40 million cubic feet per day (MMcf/d) of gas and 1,000 barrels of condensate per day (BCPD) (gross). Broussard is one of the Company's largest operated fields, with Newfield holding a 50% working interest.

At the time this report was released for printing, the Wright prospect was drilling. This prospect is located near a significant 1999 discovery called the Wright Field. Newfield's Wright prospect is an 18,800-foot test and results are expected in the second quarter of 2000. The Company's Riverbend prospect, drilled in late 1999, was a dry hole. Newfield plans to drill 2-4 wells in southern Louisiana in 2000.

Other opportunities in southern Louisiana are being studied. In 1999, the Company was the lead underwriter on a 40 square mile 3-D seismic shoot near the town of Houma, Louisiana. The survey was shot over a large producing field



operated by another company. In return, Newfield will earn a 50% working interest in prospects identified by the shoot. A number of leads have been identified and Newfield may conduct drilling in this area in late 2000.

SOUTH TEXAS

Newfield's entry into South Texas began in the Fall of 1998. The Company wanted to establish a position in the Lower Wilcox Trend in Lavaca, Colorado, DeWitt and Victoria Counties. Although gas fields in this area have produced for more than 50 years, 3-D seismic technology, new drilling techniques and better well completion methods have brought a resurgence of activity into the area.

Shortly after Newfield began buying leases in the area, the Company approached Shell Western E&P Inc. and proposed a joint venture to explore beneath its legacy Provident City Field, located in Lavaca County, Texas. The Provident City Field was discovered in the 1940s and has produced more than 700 Bcf. It is one of the larger fields in South Texas.

A joint venture covering about 14,000 acres was created in July 1999. The agreement calls for the drilling of at least three wells, all operated by Newfield. The Company holds a 75% interest in the joint venture. The first wildcat drilled under the agreement was the Real prospect. The Rexer-Neuhaus No. 1 well found 100 feet of net gas pay and an additional 50 feet of potential productive pay in four intervals. The well was being tested at the time this report was released for printing. First production from the well is expected in the second quarter of 2000. The second well under the joint venture, known as the Cash prospect, was drilling at the time this report was released for printing. During 2000, 3-5 wells are planned under the Provident City joint venture.

In separate transactions, Newfield signed two other Lower Wilcox alliances during 1999. These deals added seven exploration prospects and additional acres to the Company's position.

In 2000, the Company expects to invest about \$10-15 million in South Texas. The increase reflects a more active drilling campaign, development of existing discoveries, the acquisition of new leases and the purchase of additional 3-D seismic data.

For some time, Newfield had been looking for a quality onshore acquisition to add production and drilling opportunities to the Company's position in South Texas. The opportunity came in February 2000 when Newfield acquired interests in three producing gas fields for \$142 million. The gas fields are located in Hidalgo, Brooks and Kenedy Counties. Newfield will operate two of the three fields. The effective date of the transaction is January 1, 2000.

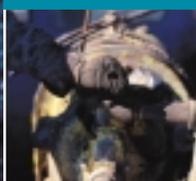
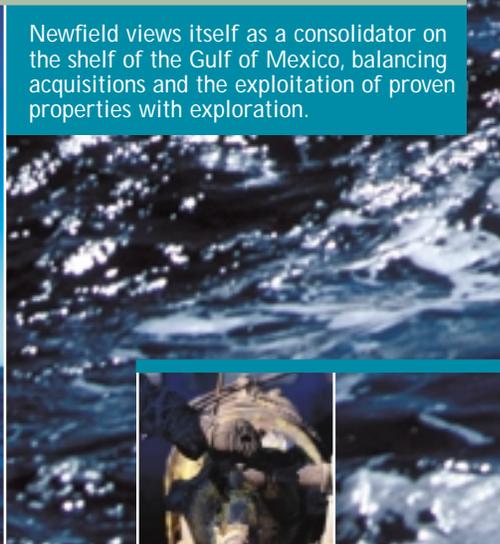
About 90% of the acquired reserves are natural gas. The fields are currently producing about 75 MMcfe/d gross, or 35 MMcfe/d net to Newfield. The Company expects that the acquisition will add about 10 Bcfe to the Company's volumes in 2000. Newfield has identified several opportunities and intends to initiate drilling on 2-4 of the locations in 2000. The Company plans to drill 10-12 wells on the new acreage over the next 24 months.

Newfield plans to continue the expansion of its coastal Texas acreage position and prospect inventory through acquisitions, joint ventures and alliances, property trades or swaps and farm-ins from other operators.

GULF OF MEXICO



Newfield views itself as a consolidator on the shelf of the Gulf of Mexico, balancing acquisitions and the exploitation of proven properties with exploration.



In every sense of the phrase, the Gulf of Mexico is our backyard. Founded in 1989 with no fields and no production, Newfield has grown to become one of the most efficient and successful operators on the shelf today. In 1999, the Gulf of Mexico delivered 90% of our production stated on a natural gas equivalent basis. Today, Newfield operates gross production of nearly 500 MMcfe/d and posts net daily volumes of more than 250 MMcfe/d.

Newfield's success in the Gulf of Mexico is attributable to knowledge of the basin. Company geoscientists combine today's latest technologies with years of experience in the Gulf of Mexico. Newfield has 21 geoscientists and reservoir engineers working the Gulf of Mexico with an average of nearly 20 years experience. Their ideas drive all that we do.

Newfield's size in the Gulf of Mexico also creates value-adding opportunities. First, our flat organizational structure allows us to quickly evaluate and respond to opportunities. This helps keep us ahead of the competition. Secondly, we have *scale* in our operations. With over 130 platforms and facilities in the Gulf of Mexico, Newfield has an infrastructure base that provides a competitive advantage. Our growth strategy in the Gulf of Mexico combines exploration/exploitation drilling on existing properties with carefully selected acquisitions. Each of these elements contributed to the Company's success in 1999.

Although the industry's production from the Gulf of Mexico shelf continues to decline, Newfield's volumes from this area increased nearly 20% in 1999. Newfield's volumes are expected to grow at least 10% in 2000, prior to production from any 2000 discoveries or additional acquisitions.

Newfield is in a unique position to grow its operations on the Gulf of Mexico shelf. Many competitors in the region are in the process of exiting the shelf for what they see as greener pastures in deeper waters or overseas. Our role as a consolidator of properties has worked well for us and should continue to create value for our stockholders well into the new millennium.

All but two of Newfield's 168 blocks in the Gulf of Mexico were once leased by other companies. The deal flow today is good and our technical people continue to evaluate property acquisitions. Newfield's strong financial position should allow the Company to continue growing its Gulf of Mexico position through consolidation.

During 1999, Newfield invested about \$157 million in the Gulf of Mexico. The largest component of this expenditure, over \$80 million, was for acquisitions. Newfield has budgeted \$82 million in capital spending for the Gulf of Mexico in 2000 on properties the Company now owns or controls.

Gulf of Mexico acquisitions accounted for about \$81 million, or nearly 40% of the Company's total spending in 1999. These acquisitions added about 40 MMcfe/d to the Company's production volumes and increased our proved reserve base. But, more importantly, these purchased properties brought a number of exploration/exploitation drilling opportunities into the Company's portfolio.

In terms of acreage, the largest acquisition during 1999 was a 34-block package of properties. In this deal, Newfield acquired interests in 23 producing fields and more than 150,000 gross acres. Field studies are underway and to date Newfield has identified about 15-20 prospects and leads on the acreage.



A number of these ideas should make it onto the drilling calendar in 2000-01.

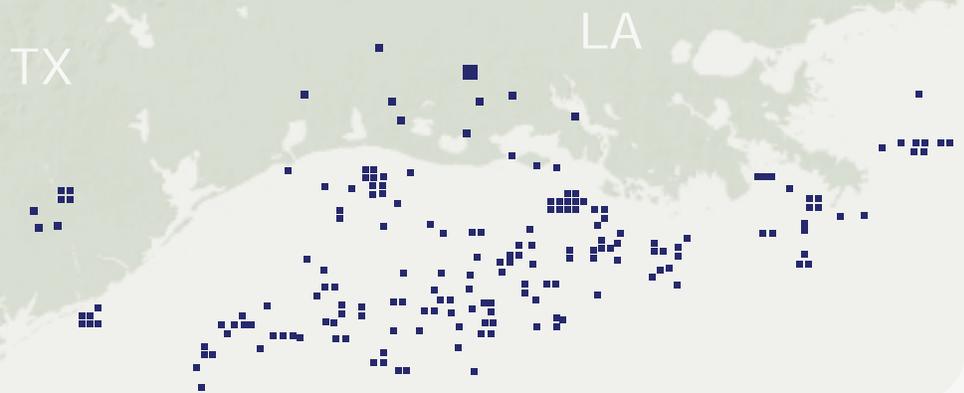
We also purchased a three-block package that included the Vermilion 215 oil field. At the time of the purchase, about 1,100 barrels of oil per day (BOPD) were being curtailed due to pipeline restraints. Following unsuccessful remediation attempts, Newfield will install a new line and production of 2,500 BOPD is expected to resume in the second quarter of 2000. Newfield has also identified three drilling ideas in the field that should be drilled in 2000. Newfield operates the field with a 90% working interest.

Newfield drilled or participated in 15 exploration/exploitation wells in the Gulf of Mexico during 1999, with a 67% success rate. A description of major activities by field follows.

Eugene Island 352. Newfield's experience in the Gulf of Mexico led to exploratory success at Eugene Island 352. After evaluating a regional 3-D seismic data set in 1997, Newfield identified a deep amplitude anomaly in an interval that had been productive in one of the Company's fields more than 25 miles away. With this idea, Newfield took a farm-in from the

owner of the block and drilled the Eugene Island 352 No. 5 well, discovering 89 feet of gas pay. Development of the field is underway. A salvaged jacket is being refurbished and a production deck is under construction. First production of 15 MMcf/d of gas and 1,500 BCPD (net) is expected in the third quarter of 2000.

U.S. OPERATIONS



Newfield is the 10th largest operator of daily gross production on the Gulf of Mexico shelf and has expanded its operations to the coastal regions of Texas and Louisiana.

Main Pass 264. Another exploratory highlight was the Main Pass 264 No. 1 wildcat well, which found nearly 200 feet of net pay in nine sands. The discovery was confirmed with a field delineation well drilled in late 1999, encountering

GULF OF MEXICO



160 feet of net pay. The field is under fast track development with first production of about 60 MMcf/d (gross) expected in the second quarter of 2000. A jacket is being fabricated and an existing production deck is being modified and refurbished to meet the field's specifications. Newfield holds a 25% working interest in this Vastar-operated development.

Vermilion 407. A discovery was made in the second half of 1999 at the Vermilion 407 Field, located 160 miles offshore Louisiana. The well encountered 85 feet of net hydrocarbon pay in two zones. An existing production deck is being refurbished and a jacket is under construction, with first production expected in the third quarter of 2000. Newfield operates the development with a 65% working interest.

Eugene Island 198/199/202. Development and exploratory work programs are ongoing at the Eugene Island 198/199/202 complex. Newfield drilled and completed four successful wells and set two production platforms in late 1999-early 2000 on Eugene Island 202. A salvaged jacket and production deck were used to expedite the development program. The Company purchased additional interests in Block 202 during 1999 and now holds a 100% working interest. Production from the new platforms is expected in the third quarter of 2000 at a combined net rate of 25 MMcf/d of gas and 500 BCPD.

In early 1999, two new fault block discoveries were made with the Eugene Island 198 A-13 and A-15 wells. The wells added about 20 Bcf of proved reserves and are expected to increase net production from the field by 20 MMcf/d of gas. The Eugene Island 199 No. 10 wildcat, drilled in late 1999-early 2000, was a dry hole. The Company continues to evalu-

ate other prospects and leads in the complex and additional drilling may occur in 2000.

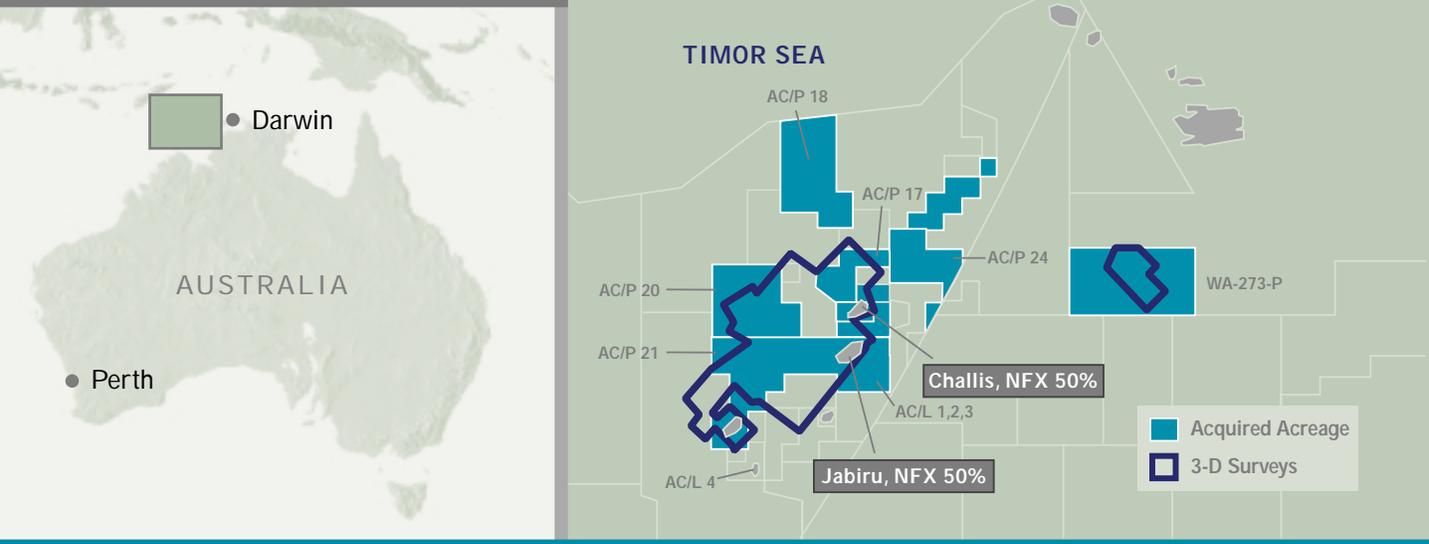
South Marsh Island 140/141/144. One of Newfield's largest producing complexes in the Gulf of Mexico is South Marsh Island 140/141/144. This development exemplifies how the Company uses farm-in opportunities to leverage the value of its existing infrastructure in the Gulf of Mexico.

In 1998, Newfield acquired a processing facility and one suspended well on South Marsh Island 141. A platform was set in late 1998 over the suspended well and the Company drilled two successful field development wells. Production from the three wells commenced in early 1999. A third platform was set in 1999 on South Marsh Island 144. Two successful wells were completed from the C platform, including an extended reach well to develop a walk-away discovery drilled by another operator. Today, gross production from the three-block complex is 35 MMcf/d of gas and 300 BCPD.

West Cameron 522. New production was added at the Company's West Cameron 522 Field. This field was acquired in a package of properties in 1998. Two successful wells were drilled from the platform in 1999. The A-11 prospect was an extended reach well to develop a nearby discovery deemed non commercial by another operator two years earlier. The A-12 well followed, discovering additional pay in a separate fault block. Net production from West Cameron 522 increased from under 2 MMcf/d in early 1999 to a current rate of more than 12 MMcf/d of gas.

Newfield plans to drill 10-15 exploration/exploitation prospects in the Gulf of Mexico during 2000.

INTERNATIONAL



The Leadership Group at Newfield is committed to profitable growth. Our targeted annual growth rate for production and proved reserves is 15-20%.

In the past, this growth has come almost entirely from operations in the Gulf of Mexico. While significant growth opportunities remain for Newfield in the Gulf of Mexico and U.S. onshore Gulf Coast, international acquisitions and exploration projects bring impact reserve potential to the Company for relatively low investment costs.

Several years ago, Newfield began looking for a few areas in the international arena where the Company could capitalize on its strengths in people, experience and marine operating environments. Today, Newfield has operations offshore Australia and acreage in China's Bohai Bay and continues to evaluate ventures in other regions that meet the Company's selective criteria.

Newfield has budgeted \$32 million for capital spending in Australia and China during 2000 compared to an investment of \$9 million in 1999. The Company plans to drill at least two infill development wells in Australia and 4-5 international wildcats during 2000.

AUSTRALIA

In July 1999, Newfield acquired the Timor Sea assets of Gulf Australia Resources Limited. This acquisition gave Newfield its first international production. The Company captured an opportunity to combine infrastructure and production with significant exploitation and exploration upside. During the second half of 1999, Newfield recorded net production of 867,000 barrels of oil, an average of 5,131 BOPD since the acquisition closed on July 15, 1999. Australian pro-

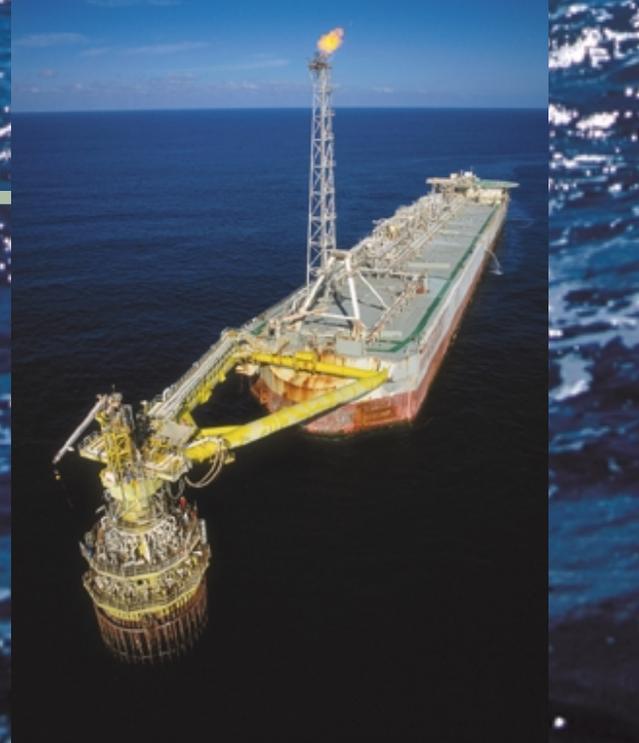
duction is expected to be a significant component of Newfield's oil volumes in 2000.

The Australian venture blends existing production with high-potential exploration and exploitation drilling opportunities. Newfield owns a 50% interest in two producing oil fields—Jabiru and Challis—and seven Exploration Permits covering nearly three million acres (gross). The Company has more than 5,000 square kilometers of 3-D seismic data over the permits. Water depths in this region are 300-400 feet.

Newfield's Australia and Gulf of Mexico work programs share similarities that made this venture attractive to Newfield. These include:

- **Exploitation Opportunities**—Much of the Company's past success has stemmed from finding new drilling opportunities on properties purchased from other companies. Newfield has identified exploitation opportunities in both fields.
- **Existing Infrastructure**—Newfield's purchase included a 50% interest in two floating production, storage and off-loading (FPSO) vessels. The Exploration Permits are in a proven hydrocarbon province with little or no infrastructure. Newfield may be able to utilize its infrastructure assets to improve returns on an exploration success in this area.
- **Marine Operations**—Although the geological challenges are different than the Gulf of Mexico, Newfield has extensive experience in marine operations in similar water depths.
- **Exploration Upside**—The seven permits offer exploration drilling opportunities that, if successful, could provide significant growth to the Company's reserve base.

INTERNATIONAL



However, the economics of the Australia acquisition do not hinge on exploratory success for a return on investment.

The Company's first exploratory prospect, the Brontosaurus No. 1, was a dry hole. The wildcat well was drilled on Exploration Permit ACP/20 in early 2000. Newfield had a 40% interest in this outside-operated prospect. The Wambenger No. 1 will test a second exploration prospect located on WA-273-P. Newfield operates this permit and plans to spud the wildcat in mid-2000. Newfield has a 70% interest in the prospect but may sell down its interest to about 50% prior to drilling.

The Jabiru and Challis Fields were discovered in the mid-1980s and together have cumulative oil production of more than 150 MMBbls. Infill wells are planned in both fields during 2000. The first well, Jabiru 14, is expected to spud late in the first quarter of 2000. This will be followed by the drilling of the Challis 15 well in the Challis Field, expected to spud in April 2000. If successful, these infill wells could significantly increase the Company's oil production volumes and allow us to add additional reserves. Information from the infill drilling program may be used to firm up other drilling locations in the fields.

The fiscal regime in Australia is very attractive. Offshore exploration expenses are deductible against production income for tax purposes. As a result, Newfield's production from the Jabiru and Challis Fields subsidizes exploration drilling.

Including the purchase price of the acquisition, Newfield invested \$23 million in Australia during 1999. The purchase price included a substantial amount of working capital and 479,000 barrels of oil in inventory.

CHINA

In 1997, Newfield acquired a 35% interest in a production sharing contract (PSC) in the Bohai Bay, offshore China. This is strictly an exploratory venture and the block has no existing production. In 1999, the PSC was extended for a two-year term.

Operated by Kerr McGee, the PSC now covers a 300,000-acre area known as Block 05/36. The partners drilled a dry hole on the block in 1997. Additional technical work was completed in 1998-99 and at least one wildcat well is planned in the first half of 2000.

The partners are encouraged by recent drilling successes on adjacent license areas to the north, east and west. Kerr McGee recently announced a 100 million barrel discovery about 12 miles west of Newfield's block. In 1999, Phillips announced a discovery about 50 miles east of Block 05/36, which is estimated to be 400 million barrels.

Certain of the statements set forth in this annual report regarding production volumes, production and reserve growth, drilling plans and other capital activities and commodity price expectations are forward looking and are 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. In addition, the drilling of oil and gas wells and the production of hydrocarbons are subject to governmental regulations and operating risks. Please see Additional Factors Affecting Our Business under Item 7 of the Form 10-K.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

David A. Trice (51)
President and Chief Executive Officer
and a Director

Robert W. Waldrup (55)
Vice President – Operations
and a Director

Terry W. Rathert (47)
Vice President,
Chief Financial Officer & Secretary

David F. Schaible (39)
Vice President – Acquisitions and
Development

Elliott Pew (45)
Vice President – Exploration

William D. Schneider (48)
Vice President – International
Exploration

C. William Austin (47)
Legal Counsel and Assistant Secretary

Ronald P. Lege (55)
Controller and Assistant Secretary

Susan G. Riggs (42)
Treasurer

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 1998 and 1999, as reported by the NYSE, are set forth below:

	High	Low
1998		
First Quarter	27 ¹¹ / ₁₆	19 ⁹ / ₁₆
Second Quarter	26 ³ / ₈	17 ¹³ / ₁₆
Third Quarter	24 ⁷ / ₈	15 ⁷ / ₁₆
Fourth Quarter	26 ⁷ / ₁₆	16 ⁵ / ₈
1999		
First Quarter	24 ³ / ₄	14 ⁷ / ₈
Second Quarter	28 ¹ / ₂	22 ¹ / ₈
Third Quarter	35	27 ⁷ / ₁₆
Fourth Quarter	32 ¹⁵ / ₁₆	21

TRANSFER AGENT

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

ChaseMellon
Shareholders Services L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 635-9270
www.chasemellon.com

On December 31, 1999, the closing sales price of the Company's stock was \$26.75 per share. Management believes after inquiry, that the number of beneficial owners of the Company's common stock is in excess of 3,000.

ANNUAL MEETING

The Annual Meeting of Stockholders of Newfield Exploration Company will be held at 11:00 a.m. on May 4, 2000, at the Hotel Sofitel, 425 N. Sam Houston Parkway E., Houston, Texas.

CORPORATE ADDRESS

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(281) 847-6000
www.newfld.com

OUTSIDE LEGAL COUNSEL

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

AUDITORS

PricewaterhouseCoopers LLP
Houston, Texas

FORM 10-K

Stockholders may obtain without charge a copy of Newfield's Form 10-K report as filed with the Securities and Exchange Commission. For copies or answers to questions about Newfield Exploration Company, please contact Investor Relations at the corporate address.

DIRECTORS



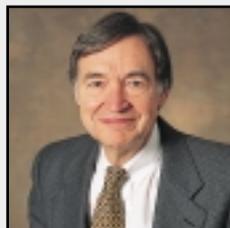
Joe B. Foster (65)
Chairman
Newfield Exploration Company



Thomas G. Ricks (*) () (46)**
President and Chief Executive Officer
The University of Texas Investment
Management Company



Philip J. Burguieres () (***) (56)**
Chief Executive Officer
EMC Holdings, LLC
Vice Chairman
The McNair Group



John C. Sawhill (*) () (63)**
President and Chief Executive Officer
The Nature Conservancy



Charles W. Duncan, Jr. (*) (*) (73)**
Private Investor
Duncan Interests



C. E. (Chuck) Shultz () (***) (60)**
Chairman and Chief Executive Officer
Dauntless Energy, Inc.



Dennis R. Hendrix (*) (*) (60)**
Retired Chairman
PanEnergy Corp
Director
Duke Energy Corporation



David A. Trice (51)
President and Chief Executive Officer
Newfield Exploration Company



Terry Huffington (*) () (45)**
President
Huffco Group, Inc.



Robert W. Waldrup (55)
Vice President - Operations
Newfield Exploration Company



Howard H. Newman (*) (*) (52)**
Managing Director
E.M. Warburg, Pincus & Co., LLC

(*) Member of the Compensation
Committee

(**) Member of the Audit Committee

(***) Member of the Management
Development Committee

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