

NEWFIELD EXPLORATION CO /DE/
Form 8-K
May 20, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

DATE OF REPORT: MAY 20, 2003
(DATE OF EARLIEST EVENT REPORTED)

NEWFIELD EXPLORATION COMPANY
(Exact Name of Registrant as Specified in Its Charter)

| | | |
|---|--------------------------|---|
| DELAWARE | 1-12534 | 72-1133047 |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

363 N. SAM HOUSTON PARKWAY E., SUITE 2020
HOUSTON, TEXAS 77060
(Address of Registrant's Principal Executive Offices)

(281) 847-6000
(Registrant's Telephone Number, Including Area Code)

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(b) Pro forma financial information.

The unaudited pro forma combined condensed income statement
for the year ended December 31, 2002 giving effect to the acquisition

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by Newfield Exploration Company of EEX Corporation and the issuance by Newfield Exploration Company of the Notes described therein begin on page F-1 of this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NEWFIELD EXPLORATION COMPANY

Date: May 20, 2003

By: /s/ TERRY W. RATHERT

Terry W. Rathert
Vice President and Chief
Financial Officer

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NEWFIELD EXPLORATION COMPANY

UNAUDITED PRO FORMA COMBINED CONDENSED INCOME STATEMENT

On November 26, 2002, Newfield Exploration Company ("Newfield") acquired EEX Corporation ("EEX") pursuant to a stock-for-stock merger (the "Merger") in which Newfield Operating Company, a wholly owned subsidiary of Newfield, merged with and into EEX, with EEX surviving as a wholly owned subsidiary of Newfield. A total of approximately 7.1 million shares of Newfield common stock were issued in connection with the Merger. Newfield financed the EEX debt that became due at the closing of the Merger and a portion of the transaction costs associated with the Merger with the issuance in August 2002 of \$250 million aggregate principal amount of its 8 3/8% Senior Subordinated Notes due 2012 (the "Notes").

The following unaudited pro forma combined condensed income statement combines the historical consolidated income statements of Newfield and EEX and

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gives effect to the issuance of the Notes and to the Merger using the purchase method of accounting.

The unaudited pro forma combined condensed income statement is based on the following assumptions and adjustments:

- o the income statement data assume that the issuance of the Notes and the Merger were effected on January 1, 2002; and
- o the historical financial statements of EEX have been adjusted to conform to the accounting policies of Newfield.

The historical income statement information for the year ended December 31, 2002 is derived from the unaudited financial statements of EEX and the audited consolidated financial statements of Newfield. The unaudited pro forma combined condensed income statement should be read together with the historical financial statements and related notes of Newfield.

The unaudited pro forma combined condensed income statement is presented for illustrative purposes only. The financial results may have been different if the companies had always been combined or if the transactions had occurred as of the date indicated above, and the unaudited pro forma combined condensed income statement does not purport to predict Newfield's future results. Further, the unaudited pro forma combined condensed income statement does not reflect the effect of restructuring charges that have been or will be incurred to fully integrate and operate the combined organization more efficiently or synergies that have resulted, or are anticipated to result, from the Merger.

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NEWFIELD EXPLORATION COMPANY

UNAUDITED PRO FORMA COMBINED CONDENSED INCOME STATEMENT (IN THOUSANDS, EXCEPT PER SHARE DATA)

| | YEAR ENDED DECEMBER 31, 2002 | |
|--|------------------------------|-----------------------|
| | HISTORICAL NEWFIELD (A) | HISTORICAL EEX (B) |
| Revenues | \$ 661,750 | \$ 137,499 |
| Operating expenses: | | |
| Lease operating | 105,860 | 23,235 |
| Exploration | -- | 23,060 |
| Production and other taxes | 17,286 | 10,193 |
| Transportation | 5,708 | -- |
| Depreciation, depletion and amortization | 303,274 | 41,894 |
| General and administrative | 56,117 | 15,836 |
| Gain on sales of property, plant and equipment, net | -- | (858) |
| Total operating expenses | 488,245 | 113,360 |

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| | | |
|--|-----------|----------|
| Income from continuing operations | 173,505 | 24,139 |
| | ----- | ----- |
| Other income (expenses): | | |
| Interest and other income (expense) | (18,721) | 1,030 |
| Interest expense | (34,555) | (24,714) |
| | | |
| Dividends on convertible preferred securities of Newfield Financial Trust I | (9,344) | -- |
| | ----- | ----- |
| Total other income (expenses) | (62,620) | (23,684) |
| | ----- | ----- |
| Income before income taxes, discontinued operations and extraordinary items | 110,885 | 455 |
| | ----- | ----- |
| Income tax provision | 37,038 | 431 |
| | ----- | ----- |
| Income before discontinued operations, extraordinary items and preferred stock dividends | \$ 73,847 | \$ 24 |
| | ===== | ===== |
| Per share data: | | |
| Basic earnings per share (K) | \$ 1.64 | \$ -- |
| | ===== | ===== |
| Diluted earnings per share (K) | \$ 1.61 | \$ -- |
| | ===== | ===== |
| | | |
| Weighted average number of shares outstanding for basic earnings per share | 45,096 | 41,901 |
| | ===== | ===== |
| Weighted average number of shares outstanding for diluted earnings per share | 49,589 | 41,901 |
| | ===== | ===== |

See accompanying Notes to Unaudited Pro forma
Combined Condensed Income Statement.

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NEWFIELD EXPLORATION COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED INCOME STATEMENT

- (A) The Newfield historical amounts are derived from the audited consolidated statement of income of Newfield and include EEX's consolidated results for the period from November 27, 2002 (the day following the Merger) through December 31, 2002.
- (B) The EEX historical amounts are derived from the unaudited consolidated statement of operations of EEX for the period from January 1, 2002 through November 26, 2002 (the date of the Merger).
- (C) To record the reversal of historical EEX exploration expense recorded in

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accordance with the successful efforts method of accounting for oil and gas activities. No such expense is recorded under the full cost method of accounting for oil and gas activities utilized by Newfield.

- (D) To record the reversal of historical EEX depreciation, depletion and amortization expense recorded in accordance with the successful efforts method of accounting for oil and gas activities.
- (E) To record pro forma depreciation, depletion and amortization expense in accordance with the full cost method of accounting for oil and gas activities based on the purchase price allocation to depreciable and depletable assets.
- (F) To record the reversal of the historical EEX gain on the sales of oil and gas properties recorded in accordance with the successful efforts method of accounting for oil and gas activities. The remaining \$0.3 million gain on sales of property, plant and equipment for the year ended December 31, 2002 relates to the sale of non oil and gas assets.
- (G) To adjust EEX historical interest expense to reflect the reversal of amortization of historical debt issuance costs.
- (H) To record the capitalization of interest based on the allocation of the purchase price to unproved oil and gas properties.
- (I) To eliminate historical EEX interest expense of approximately \$10.7 million for the year ended December 31, 2002 related to EEX's credit facility and to reflect the interest expense which results from the issuance of the Notes with a stated interest rate of 8 3/8%. The Notes were issued at a discount of 0.832%. Interest expense also includes amortization of debt issuance costs and the Note discount which is being amortized over the term of the Notes.

| | YEAR ENDED DECEMBER 31, 2002 |
|---|------------------------------------|
| (IN THOUSANDS) | |
| Interest expense - \$250 million senior subordinated notes | \$ 20,938 |
| Amortization of note discount - senior subordinated notes | 150 |
| Amortization of debt issuance costs - senior subordinated notes | 613 |
| | \$ 21,701 |

- (J) To record income tax expense on the pro forma adjustments based on the applicable statutory tax rate of 35%.
- (K) Calculated by dividing income before discontinued operations, extraordinary items and preferred stock dividends by the weighted average number of shares outstanding.
- (L) To reverse historical EEX common stock and reflect the net effect of Newfield common stock issued in the Merger as if the shares were issued on January 1, 2002.
- (M) To adjust the weighted average number of shares outstanding for the

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calculation of diluted earnings per share to exclude the dilutive effect of the shares underlying Newfield's 6 1/2% quarterly income convertible trust preferred securities because to include such shares would have been antidilutive.

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