

NEWFIELD



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Securities and Exchange Commission
100 F Street, NE.
Washington, D.C. 20549-1090
Attn: Nancy M. Morris, Secretary

Re: File Number S7-15-08

Ladies and Gentlemen:

Newfield Exploration Company (“Newfield”) is pleased to provide its response to some of the questions posed by the Securities and Exchange Commission (“SEC” or “Commission”) in its call for comments on modernization of the oil and gas reporting requirements.

Newfield’s response addresses only those topics which it believes are most critical in nature to financial statement users:

- *pricing mechanism;*
- *two sets of proved reserve books;*
- *proved undeveloped reserves disclosures;*
- *probable and possible reserves;*
- *definition of Reserves;*
- *geographic specificity; and*
- *reserves determination process and certification*

Pricing Mechanism for the Determination of Reserve Quantities. The Commission has proposed the use of a pricing mechanism that utilizes average prices that are inconsistent with the way physical sales occur in the United States. As such, there is no correlation to price realizations reported in the financial statements. The Commission’s proposal is to utilize the 12-month average price based upon month-end prices, however, natural gas is primarily sold at prices tied to first of month indices and these prices historically correlate with prices quoted in the futures market and the way financial derivative products are

generally priced and ultimately settled. Additionally, location differentials for natural gas – which can have a material impact on the realized price at the sales point – are not established in a manner that is consistent with the Commission’s proposed pricing mechanism for natural gas.

Likewise, crude oil is sold based upon average daily prices – with volumes deemed to be delivered ratably for the applicable month – and this too correlates with prices quoted in the futures market and the way these financial derivative products are generally priced and ultimately settled.

Newfield suggests that the Commission modify the proposed rule to utilize average pricing mechanisms based upon the first of month indices for natural gas and daily averages for oil, which when averaged over the recent 12-month period will generally reflect the manner in which gas and oil is sold and reported in the financial statements. Newfield believes the proposal to utilize 12-month average prices to calculate reserves (as compared to period-end prices) is an improvement that will reduce volatility of reported reserves and facilitate the comparability of the disclosures among companies in the industry.

Two Sets of Books for Reserves Reporting. The Commission has proposed the use of two different pricing mechanisms, one for reserve disclosures and the other for financial accounting purposes. The result will be two different proved reserves quantities. The use of different reserve quantities for the preparation of, and supplemental disclosure in, the financial statements of registrants will be confusing to investors and is inconsistent with an effective accounting and reporting model. Maintaining two different pricing mechanisms will also be costly for registrants and will further strain registrant resources to meet the 60-day filing deadline for the Annual Report on Form 10-K, without providing a corresponding benefit to investors. Newfield suggests that the SEC work with the FASB to arrive at a common pricing mechanism for use in all disclosures - determining quantities of proved reserves for supplemental disclosure and for financial accounting purposes - and defer implementation of the new disclosure requirements until such time as this matter is resolved.

Proved Undeveloped Reserves Disclosures. Newfield applauds the Commission’s recognition of proved reserves in the category called “continuous accumulations”. Newfield expects that most of the reserves that potentially would be recognized under this definition will be classified as proved undeveloped reserves (“PUDs”). Newfield supports the Commission’s requirement of segregating reserves between “continuous accumulations” and “conventional accumulations”, but only for the year of adoption. A transition disclosure will assist users of the financial statements, as registrants could have significant quantities of newly recognized proved reserves, relative to their historically reported proved reserves. However, subsequent to adoption, proved reserves are proved reserves, and no further segregation of “continuous accumulations” and “conventional accumulations” should be required.

Much of the detail required by proposed Item 1203 is already provided in the supplementary oil and gas disclosures. However, the proposed Item does not provide the ‘vintage’ information Newfield believes the investment community desires. The disclosure as drafted does not demonstrate the pace of development of PUDs. Therefore, Newfield suggests that the Commission modify the requested disclosure requirements regarding the aging or vintaging of PUDs to the format set forth below.

The following table presents the Company’s PUDs vintage, geographic location and percentage of total proved reserves as of December 31, 2009:

(Quantities, in MMBOE or BCFE)

Year Added	Country A	Country B	Country C	Country D	Total	Percentage of Total Proved Reserves
2009	x	x	x	x	x	x
2008	x	x	x	-	x	x
2007	x	x	x	x	x	x
2006	x	x	x	x	x	x
2005	x	-	x	-	x	x
Prior Years	x	-	x	-	x	x
Total Proved Undeveloped Reserves	x	x	x	x	x	x
Total Proved Reserves	x	x	x	x	x	
Percentage of Total Proved Reserves	x	x	x	x	x	

The following table compares the December 31, 2009 PUDs to the December 31, 2008 PUDs by year added. It illustrates the Company’s effectiveness in converting PUDs to developed reserves.

(Quantities, in MMBOE or BCFE)

Year Added	2009	2008	% Reduction
2009	x	-	n/a
2008	x	x	x
2007	x	x	x
2006	x	x	x
2005	x	x	x
Prior Years	x	x	x
Total Proved Undeveloped Reserves	x	x	

Newfield does not believe a ‘bright line test’, measured in a specified number of years’ horizon for development of PUDs (for the same to be classified as PUDs), is appropriate. Any such bright line test would be arbitrary and contrary to a principles-based disclosure system. All companies have an incentive to develop PUDs and realize cash flow from their development. However, many companies can realize greater net present value for their stakeholders by drilling locations other than PUD locations, particularly when goods and services are in tight supply and PUD locations/leases are held by production. The recognition of continuous accumulations as proved reserves – and the nature of them –

conflicts with the notion of a fixed timeframe for development. By way of example, consider the scale and timeframe for ultimate development of prolific proved resources such as the Barnett, Woodford, Fayetteville, Haynesville and Marcellus shales. Newfield recommends the staff eliminate the five-year time frame included in the proposed definition and replace it with a requirement to discuss the development plans associated with material quantities of PUD reserves.

Probable and Possible Reserves Disclosure. Newfield supports the Commission's position that information about probable and possible reserves be voluntary.

Definition of Reserves. The inclusion of the qualification "legal right to produce" as drafted into the definition of Reserves could be construed to exclude reserves associated with an economic interest in certain production sharing contracts ("PSCs") or production sharing agreements ("PSAs"). Newfield suggests that the Commission re-examine the drafting of this definition so it does not exclude quantities of proved reserves previously reported under such PSCs/PSAs.

Geographic Specificity. The Commission has proposed additional detailed disclosures associated with geographic areas stating that "for many large U.S. oil and gas producers, the majority of reserves are now overseas, with material amounts in individual countries and even individual fields or basins". The proposed rules would also apply this geographic specificity to numerous other disclosures including production, prices, operating costs, drilling activity and producing wells and acreage. Newfield believes that if Item 102 of Regulation S-K is applicable, registrants already provide a sufficient level of disclosure regarding the geographic locations of reserves and the related additional disclosures. Therefore, we note the following concerns:

- In the case of foreign operations, Newfield does not believe investors would benefit from specific disclosures below a country summary because the basic risk assessment factors in such cases are country specific risks.
- Newfield does not believe investors would benefit from more specific disclosure about individual fields or basins unless a detailed discussion of the geologic and engineering data used to determine the quantity of proved reserves is also provided, and Newfield questions whether such a technical discussion would be meaningful to investors.
- Newfield notes that the proposed detailed disclosure may cause issues with host governments in foreign concessions.
- Detailed disclosure at a field level, or potentially a 'basin' or 'play type' level, can compromise a registrant's competitive advantage.

Newfield believes that mandating additional detailed disclosures for all registrants pursuant to the proposed Subpart 1200 is not necessary and suggests that no changes be made to the regulations in regard to geographic specificity.

Reserves Determination Process and Certification. One of the most significant, if not the most significant, estimates of a registrant in the oil and gas industry is its assessment of proved reserves. The preparation of the financial statements, including the estimate of proved reserves, is the responsibility of management. The preparation of reserves estimates is a process and, at Newfield and many other large registrants, is not dependent upon any one individual employee. The effectiveness of the documented internal controls surrounding a company's reserve estimation process is tested pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, certified as such by management in the Annual Report on Form 10-K and further tested and opined upon by the company's independent auditors. Newfield believes that the proposed disclosures regarding the individuals involved in the preparation and determinations of proved reserves quantities and their respective qualifications provide no further benefit or assurance to investors.

Newfield appreciates the Commission's efforts to revise the current disclosure rules. Thank you for considering the suggestions above. Please do not hesitate to contact me if you have any questions or concerns.

Respectfully submitted,



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