## Summary Financial and Reserve Data

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</thead>
<tbody>
<tr>
<td>(in millions, except earnings per share data)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Oil and gas revenues</td>
<td>$1,352.7</td>
<td>$1,017.0</td>
<td>$626.8</td>
<td>$714.1</td>
<td>$479.9</td>
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<tr>
<td>Income from operations</td>
<td>551.0</td>
<td>382.8</td>
<td>167.5</td>
<td>184.9</td>
<td>201.1</td>
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<tr>
<td>Net income</td>
<td>312.1</td>
<td>199.5</td>
<td>73.8</td>
<td>119.0</td>
<td>132.3</td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$5.35</td>
<td>$3.67</td>
<td>$1.64</td>
<td>$2.69</td>
<td>$3.13</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$5.26</td>
<td>$3.57</td>
<td>$1.61</td>
<td>$2.56</td>
<td>$2.93</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding (basic)</td>
<td>58.3</td>
<td>54.3</td>
<td>45.1</td>
<td>44.3</td>
<td>42.3</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding (diluted)</td>
<td>59.3</td>
<td>56.7</td>
<td>49.6</td>
<td>48.9</td>
<td>47.2</td>
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<tr>
<td>Capital expenditures</td>
<td>$1,701.2</td>
<td>$678.5</td>
<td>$888.5</td>
<td>$846.5</td>
<td>$365.3</td>
</tr>
<tr>
<td>Net cash provided by continuing operating activities</td>
<td>997.5</td>
<td>659.2</td>
<td>383.3</td>
<td>495.6</td>
<td>289.4</td>
</tr>
<tr>
<td>Net cash used in continuing investing activities</td>
<td>(1,598.8)</td>
<td>(614.7)</td>
<td>(501.8)</td>
<td>(754.5)</td>
<td>(339.3)</td>
</tr>
<tr>
<td>Net cash provided by (used in) continuing financing activities</td>
<td>643.8</td>
<td>(85.4)</td>
<td>137.0</td>
<td>273.1</td>
<td>15.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>$4,327.5</td>
<td>$2,733.1</td>
<td>$2,315.8</td>
<td>$1,663.4</td>
<td>$1,023.3</td>
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<tr>
<td>Long-term debt</td>
<td>992.4</td>
<td>643.5</td>
<td>709.6</td>
<td>428.6</td>
<td>133.7</td>
</tr>
<tr>
<td>Convertible preferred securities</td>
<td>–</td>
<td>–</td>
<td>143.8</td>
<td>143.8</td>
<td>143.8</td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td>2,016.9</td>
<td>1,368.6</td>
<td>1,009.3</td>
<td>710.1</td>
<td>519.5</td>
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<tr>
<td>Oil and condensate reserves (MMBbls)</td>
<td>90.5</td>
<td>37.8</td>
<td>34.0</td>
<td>31.0</td>
<td>22.6</td>
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<tr>
<td>Gas reserves (Bcf)</td>
<td>1,241</td>
<td>1,090</td>
<td>977</td>
<td>718</td>
<td>520</td>
</tr>
<tr>
<td>Total proved reserves (Bcfe)</td>
<td>1,784</td>
<td>1,317</td>
<td>1,181</td>
<td>904</td>
<td>655</td>
</tr>
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## Corporate Profile

**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 domestic areas of operation include the Gulf of Mexico, the onshore Gulf Coast, the Rocky Mountains and the Anadarko and Arkoma Basins. Our international areas of operation include offshore Malaysia, the U.K. North Sea, China's Bohai Bay and offshore Brazil.

We were founded in 1989 and went public in 1993. Our sole focus area until the mid-1990s was the shallow waters of the Gulf of Mexico. By year end 2004, about 70% of our proved reserves were located in the onshore Gulf Coast, the Anadarko and Arkoma Basins of the Mid-Continent and our newest focus area, the Rocky Mountains. We established this area with our August 2004 acquisition of a producing oil field in northeast Utah.

We are proud of our profitable track record of growing both production and reserves. At December 31, 2004, we had proved reserves of 1.8 Tcfe, of which 70% were natural gas and 75% were proved developed.

We are headquartered in Houston, Texas.
We are on the right road at Newfield Exploration Company.

Our business principles are a proven road map for success.

Over the past five years, we have diversified our asset base while significantly growing earnings per share and reserves.

We understand value creation. For our stockholders, this has been a profitable ride. We are well positioned with a more balanced asset base and are confident in our ability to grow over the next few years.

We hope you will continue to join us on this journey.
DEAR FELLOW STOCKHOLDERS:

We had a great year in 2004, financially and operationally. Earnings and cash flow were both at record levels, attributable to a 10% increase in production and strong commodity prices. Our proved reserves at year-end 2004 were 1.8 Tcfe, a 35% increase over 2003.

Acquisitions continued to be an important mode of growth and diversification for us in 2004. We invested about $850 million in acquisitions during the year. Transactions included packages of Gulf of Mexico and Mid-Continent properties. The largest transaction was our $575 million acquisition of Inland Resources. Inland’s sole field was Monument Butte, located in Utah’s Uinta Basin. We estimate this field has more than two billion barrels of oil in place. Based on our work to date, we expect total recovery of 10-12% of the total oil in place, with more than 166 MMBOE remaining to be recovered. This field offers us a decade of low-risk drilling opportunities and is the type of asset that we will exploit very effectively.

We expect to expand our business in the Rockies, just as we have done in shallow water and high potential exploration leads in deepwater.

Our past has prepared us for the road ahead. We have proven that we can be successful in new focus areas. We have moved from a company focused entirely on the Gulf of Mexico shelf to one with a diversified asset base.

The Inland acquisition was funded through successful common stock and bond offerings that raised about $600 million. Our reception on the deal roadshow was very positive with investors appreciating our diversification

2004 HIGHLIGHTS

- We added a new focus area in the Rocky Mountains through our acquisition of Inland Resources. We acquired 54 million barrels of oil equivalent (MMBOE), or 326 Bcfe, of long-lived proved oil reserves. We believe the field has the potential to produce an additional 166 MMBOE, or 1 Tcfe, and we will drill 175-200 wells annually to develop this resource.

- We established operations in Malaysia in early 2004 and now have an office in Kuala Lumpur. Our Malaysian portfolio includes current production of about 10,200 BOPD (gross), attractive exploration and development opportunities in shallow water and high potential exploration leads in deepwater.

- The Mid-Continent was our fastest growing division. Our “gas mining” initiative led to a 35% increase in division production and a 27% increase in proved reserves. We drilled more than 150 Mid-Continent wells and expect to drill a comparable number of wells each year over the next several years.

- We entered into agreements with new partners to drill at least two wells in our Treasure Project, an ultra deep frontier exploration play on the Gulf of Mexico shelf. Our Blackbeard West Prospect began drilling in February 2005 and is expected to be one of the deepest wells ever drilled in North America with a target depth of more than 30,000 feet. Substantially all of our 23% interest in the well will be carried by our partners.

- We remain active in the onshore Gulf Coast. We drilled 72 wells in 2004 (59 were successful) and plan to drill a comparable number of wells in 2005. We now own interests in 277,000 gross lease acres.

- We replaced nearly 300% of 2004 production with the addition of new reserves. We added 725 Bcfe of proved reserves in 2004, including 458 Bcfe through acquisitions and 267 Bcfe (110% of production) through the drillbit. Year-end proved reserves increased 35% to 1.8 Tcfe. Asset diversification continued, with about 70% of our reserves now located onshore in the U.S.

- Our 2004 production increased 10% over 2003 and we met our production target despite Gulf of Mexico curtailments related to Hurricane Ivan. We expect our production to grow 8-12% in 2005 and our target is 262-272 Bcfe.

- We captured several drilling opportunities in the North Sea. We drilled our first operated well in late 2004 and our first successful well in early 2005 on our Grove Prospect. We expect first production from Grove in late 2006.

- We were recognized by Forbes as one of its Best Managed Companies in America.

O ur transformation from a shallow water Gulf of Mexico producer to a more diverse and balanced company has changed Newfield for the better. This didn’t happen overnight. In fact, the metamorphosis began in 1996 when we first ventured outside of the Gulf of Mexico. Although our maps now show more operating areas, our way of doing business and our unique corporate culture remain largely unchanged.

No two individuals have been more instrumental in our success, or better typify our culture, than our Founder and retired Chairman, Joe B. Foster, and our founding investor and board member, Charles W. Duncan, Jr. Although Joe and Charles are not standing for re-election at our next annual meeting, their presence will always be felt at Newfield. Without Joe and Charles, there would be no Newfield. Joe had the vision for Newfield and the good fortune to meet Charles who helped make that vision a reality. Charles provided some of the initial seed capital for Newfield and has been rewarded for it through our success. He took a chance, betting that Joe and his founding employees could build a successful business… and with his help, we did. He has served on our board since 1990 and he will be missed. Please take a moment to read the narrative on page 12 that details Joe’s and Charles’ impact on Newfield.

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Our past has prepared us for the road ahead. We have proven that we can be successful in new focus areas. We have moved from a company focused entirely on the Gulf of Mexico shelf to one with a diversified asset base.

In doing so, we have lengthened our reserve life index to more than seven years and now have a more stable base of production. We have assembled a broad and diverse portfolio of drilling opportunities. But, most importantly, we have proved the merits of our diversification strategy. I’m proud of our accomplishments in 2004 and they were recognized by Forbes Magazine with our inclusion in its listing of the Best Managed Companies in America.

We had a great year in 2004, financially and operationally. Earnings and cash flow were both at record levels, attributable to a 10% increase in production and strong commodity prices. Our proved reserves at year-end 2004 were 1.8 Tcfe, a 35% increase over 2003.

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The Inland acquisition was funded through successful common stock and bond offerings that raised about $600 million. Our reception on the deal roadshow was very positive with investors appreciating our diversification
efforts and impressed with our track record of adding value. The size of the bond offering was increased to $325 million and the “green shoe” was exercised on the common stock offering. Our stock has traded up sharply since the offerings closed.

Acquisitions are balanced with drilling. With the drillbit, we added 267 Bcfe of reserves, replacing 110% of 2004 production. We kicked off 2005 with several significant exploration successes in two recently added focus areas – the deepwater Gulf of Mexico and the U.K. North Sea.

In the deepwater Gulf, we drilled successful wells on three prospects – Wrigley, Anduin, and La Femme. Wrigley will be developed in 2005 with first production by mid-2006. Appraisal work will be conducted at Anduin and La Femme in 2005 and, depending upon the results, these prospects could yield first production by late 2006.

In the Southern Gas Basin of the North Sea, our Grove Prospect was successful and will lead to our first operated production from the region in late 2006. Exploration, when risks are managed appropriately, offers our investors impact reserve exposure and we will continue to provide our people with the tools and acreage required to be successful. Exploration in the deepwater Gulf of Mexico and in our international focus areas will be an important component of our future growth.

In early February, we spud our Blackbeard West Prospect, the first well in our ultra-deep frontier exploration play we call the “Treasure Project.” Blackbeard West has a planned total depth of more than 30,000 feet and will be the deepest well ever drilled on the Gulf of Mexico shelf. Substantially all of our 23% interest in the well will be carried by our partners. The well will be operated by ExxonMobil. Other partners are BP Exploration and Production, Petrobras, Dominion and BHP Billiton.

Our international program is growing in importance and we had good things to report in 2004 and early 2005. In Malaysia, our joint venture is preparing to kick off a mid-year drilling program on our shallow water contract area. We have a complete portfolio in Malaysia: current production, field development, lower risk prospects in shallow water and high potential exploration in deepwater. We are encouraged by our experience in Malaysia to date and expect to grow our operations there.

We have announced a capital program of $950 million for 2005, excluding acquisitions. This represents a $200 million increase over 2004 capital spending before acquisitions. We anticipate production growth of 8–12% over 2004. In addition, we also expect to grow reserves and increase our inventory of prospects and ideas for the future.

Growth and profitability must be combined. To help ensure preservation of our operating margins, we have hedged a substantial portion of our expected 2005 production in instruments that provide downside price protection and allow us to participate in upward price movements. Hedging helps ensure that we will have the cash flow to carry out our drilling program under almost any imaginable commodity price scenario.

All of us at Newfield are looking forward to traveling the road ahead. Through our portfolio, we believe we offer investors more exposure and balance than any comparably sized E&P company. We are confident that we have the right people in place today to execute our strategies and we will continue to share our progress with you throughout the year ahead. As always, thanks for your continued support of Newfield Exploration Company.

David A. Trice
Chairman, President and CEO

RESERVES - 1.8 TCFE
12/31/04

2005 ESTIMATED PRODUCTION

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The Gulf of Mexico

Although we have added operations in new onshore regions, the Gulf of Mexico remains our most profitable business unit. The Gulf of Mexico shelf supplies about 8 Bcfe/d, or about 15% of North American gas demand. Though a mature basin, higher commodity prices, advanced seismic processing technologies and proven oil and gas finders allow us to continue to make the Gulf of Mexico shelf an attractive place for us to invest. Our track record in deep shelf exploration has been industry-leading and we now have an active portfolio of drilling projects in deepwater.

The Gulf represents 28% of our reserves and about 45% of our expected 2005 production. We own an interest in about 1.9 million gross lease acres, including 413 lease blocks in shallow water and 76 lease blocks in deepwater. We own an interest in more than 220 production platforms on the shelf and operate gross daily production of approximately 500 MMcfe.

We remain one of the most active drillers in the Gulf. During 2004, we drilled 22 traditional shelf wells (less than 14,000 feet), three deep shelf wells (generally deeper than 15,000 feet in over-pressured environments) and three deepwater wells.

Our more recent exploration activities have focused on deeper drilling objectives beneath producing horizons on the shelf and in deepwater. Our 2004 West Cameron 77 deep shelf discovery, located just 15 miles offshore Louisiana, will be on-line in the second half of 2005. This is one of the 12 successful wells (out of 20 attempts) we have drilled in the deep shelf play. Our finding costs in this play, including dry holes, have averaged about $1.70 per Mcfe. We will continue to drill several deep shelf wells for the next few years as part of our balanced drilling portfolio.

Below the deep shelf trend is an ultra-deep exploration concept we call “Treasure Project.” Our two project
areas are referred to as Treasure Island and Treasure Bay. We own more than 70 lease blocks associated with this idea.

In 2004, we reached an agreement to drill our first Treasure Island well. The Blackbeard West #1 well, operated by ExxonMobil, began drilling in early February 2005 and is expected to take up to 12 months to drill. The proposed depth is more than 30,000 feet – making it the deepest well ever drilled on the shelf by more than one mile. We have a 23% interest in this test, substantially all of which is carried by our partners.

In a separate exploration area to the west, we are active with Treasure Bay partners BHP Billiton and Petrobras. In 2004, Petrobras made a firm commitment to drill one exploratory well, with an option to drill a second. We are working on prospect selection and the well could begin drilling in late 2006 or 2007.

In early 2005, we announced three discoveries in the deepwater Gulf of Mexico. Our Wrigley Prospect, located in 3,700 feet of water at Mississippi Canyon 506, found 90 feet (gross) of high-quality, dry gas pay. The #1 well was sidetracked about 250 feet updip and found 44 feet (gross) of gas pay. We will sub-sea tieback the well to infrastructure in the area and expect initial production by mid-2006. We own a 50% interest in the Wrigley development.

The second of these successes was our Anduin Prospect, located at Mississippi Canyon 755 in about 2,400 feet of water. The well found about 48 feet (gross) of oil pay and was sidetracked to determine reservoir extent. The sidetrack well found 65 feet (gross) of quality oil pay. We are currently evaluating appraisal alternatives and expect to develop a plan by mid-year 2005. We have two additional prospects on or near this block that may be tested as part of the appraisal plan. We own a 50% non-operated interest in Anduin.

In late 2004, we drilled a successful well at our La Femme Prospect, located at Mississippi Canyon 427 in about 5,800 feet of water. The well found about 90 feet (gross) of hydrocarbon pay. However, a second well is required to determine field size and commerciality. This well is planned for mid-2005. We operate La Femme with a 50% working interest. A major oil company with production operations in the area has elected to back-in for a 25% interest and will participate in the drilling of the appraisal well.

In addition to our recent discoveries, we have other deepwater development projects underway that will add future production. Under a 2003 joint venture with Shell Exploration and Production, we have a 25% working interest in the Glider Field, on-line at more than 13,000 BOPD (gross). Glider is located at Green Canyon 247/248 in about 3,400 feet of water. We also are developing a mid-2003 discovery called Rigel, located at Mississippi Canyon 296 in 5,200 feet of water. First production is expected in the third quarter of 2005. We have a 25% non-operated working interest in Rigel. Glider and Rigel are both sub-sea tie-backs to existing infrastructure.
• RAPID GROWTH. SINCE ENTERING REGION IN LATE 1990s, BASIN HAS GROWN TO REPRESENT ABOUT 25% OF TOTAL RESERVES AND PRODUCTION.

• 277,000 GROSS LEASE ACRES IN TEXAS AND LOUISIANA.

• RECENT DRILLING SUCCESS AND 80,000 GROSS LEASE ACRES IN VAL VERDE BASIN PROVIDE GROWTH OPPORTUNITIES.
**Onshore Gulf**

Today, our onshore Gulf Coast division comprises about 25% of our total reserves and production. We entered the onshore coastal regions of Louisiana and Texas in the mid-1990s. Our operations expanded rapidly through a combination of acquisitions and exploration efforts.

In late 2002, we acquired EEX Corporation for its underexploited onshore assets. Over the last two years, we have drilled 74 successful wells out of 86 attempts on these properties. The quality of this acreage has allowed us to replenish drilling inventories with new ideas. In addition, this acreage gave us an initial foothold in West Texas’ Val Verde Basin and East Texas, while significantly increasing our presence in South Texas’ Vicksburg and Wilcox trends. We own interests in about 277,000 gross acres along the Gulf Coast. On March 9, 2005, our production in the region was approximately 180 MMcfe/d.

In 2004, we drilled 59 successful wells out of 72 attempts along the Gulf Coast. More than 80% of those wells were development wells. We drilled seven successful exploration wells that will provide development drilling opportunities in 2005. Today, we are active in most of Texas’ major plays, including the Val Verde Basin, East Texas and the Wilcox, Lobo, Frio and Vicksburg Trends.

Lower risk drilling targets at moderate depths and large acreage positions characterize our program in the Val Verde Basin. This trend covers parts of Edwards, Terrell and Val Verde Counties, where we have been active since early 2003. Through acquisitions and leasing, we have now massed 80,000 gross lease acres. We own an interest in 70 gross wells producing about 30 MMcfe/d (gross). An additional 10 MMcfe/d (gross) is awaiting pipeline completions.

During 2004, we drilled 10 successful wells out of a 14-well program in the Val Verde Basin. We made three significant discoveries, including the Poultier Field in Terrell County. Since discovery in early 2004, we’ve drilled two successful field development wells and are planning to drill three additional development wells in 2005. The field is currently producing 11.5 MMcfe/d (gross) and that should increase through additional drilling.

Since early 2003, we’ve been active in the Vicksburg Trend, located primarily in Brooks and Hidalgo Counties. We drilled 14 successful wells in the trend in 2004 and are planning a comparable program in 2005. Of particular note, we drilled three successful development wells in and around our Monte Christo Field. Each of these wells tested 10-18 MMcfe/d (gross) and will provide near-term production growth and future drilling locations. At La Rucia Ranch, acquired in 2000, we drilled seven successful wells in 2004 out of as many attempts. Recent drilling was based on a 2003 field study. Gross field production has increased from 2.5 MMcfe/d at the time of acquisition to a current rate of 30 MMcfe/d in early March.

**The Mid-Continent**

We entered the Mid-Continent in early 2001 through an acquisition. This was our first domestic transaction outside of the Gulf Coast region. As we said at the time, we were confident that our business principles could be successfully applied to other areas. All we had to do was prove it.

The proof came in 2004 with the Mid-Continent division posting our highest percentage of production growth. Due to the pace and success of our drilling program, 2004 production increased 35% over 2003. We drilled 157 wells in the area during 2004 (excluding 105 shallow coal bed methane wells). Over the last two years, we have added nearly 250,000 gross acres and today own interests in 514,000 gross acres, primarily in the Anadarko and Arkoma Basins. We own interests in about 2,400 producing wells and operate about 80% of our production. This division represents 24% of our total reserves and is expected to contribute more than 15% of our 2005 production. We are active in several resource plays throughout Oklahoma and the Texas Panhandle, as well as two shallow coal bed methane plays.

Our growth in the Mid-Continent is largely a result of our “gas mining” initiative. Through aggressive leasing efforts, we have captured drilling opportunities with a high probability of success. Although expected reserve recovery per well averages about 1 Bcfe, the scale of these projects makes them meaningful. We have hundreds of low-risk drilling prospects in our inventory and plan to drill more than 200 wells per year for the next several years. Because we control the acreage, we have the ability to accelerate, or slow, these programs based on market conditions.
Our most active gas mining play in 2004 was the WACCAWH – an acronym that stands for the four primary reservoir targets found productive in this Western Arkoma Basin trend. Through our leasing efforts, we have assembled more than 100,000 net acres in Pittsburg, Hughes, Atoka and Coal Counties, Oklahoma. Approximately half of this acreage was leased during 2004. Our drilling efforts today are helping to assess the potential of the acreage. As of March 9, 2005, we had drilled 57 wells in the WACCAWH play. Operated gross production is growing and averaged 17 MMcfe/d in 2004 (up 88% over the 2003 average). The producing horizons range from 6,000 - 11,000 feet and wells can be drilled and completed for less than $1.6 million (gross).

We are planning to increase our drilling activities in the Mountain Front Wash Plays in the Texas Panhandle and the western Oklahoma portion of the Anadarko Basin. The Granite Wash is the most active play in the area today, with the industry as a whole drilling more than 200 wells per year. Our initial entry into this area came through our EEX acquisition in late 2002. Since that time, we have leased or acquired an additional 30,000 net acres. We plan to drill 35-45 wells in the area during 2005.

Our Mid-Continent program is an important part of our portfolio. It provides lower risk sustainable growth while helping to lengthen our overall reserve life. It also helps to balance risks associated with the impact programs we have underway in areas like deepwater, the deep shelf and international.

- RAPID GROWTH THROUGH BALANCE OF DRILLING AND ACQUISITIONS.
- PLAN TO DRILL MORE THAN 200 WELLS PER YEAR OVER THE NEXT SEVERAL YEARS.
- FOCUS AREA CONTAINS SEVERAL “RESOURCE PLAYS,” REPRESENTING DEEP INVENTORY OF LOWER RISK DRILLING IDEAS.
Rocky Mountains

In August 2004, we established operations in the Rocky Mountains with our $575 million acquisition of Inland Resources. Inland’s sole property was the 110,000-acre Monument Butte Field, located in the Uinta Basin of northeast Utah. We estimate that this giant oil field has two billion barrels of oil in place. A mere 30 million barrels, or 1.5%, have been produced to date. Ultimately, we believe field recoveries will be 10-12% of the original oil in place. We operate the field with an average working interest of 80%. This long-lived asset balances our short-lived Gulf Coast reserves and provides a stable base for production growth over the next decade.

Through this transaction, we acquired 326 Bcfe of proved reserves. These reserves are 82% oil and 61% proved undeveloped. Since closing, we have drilled 61 wells in the field and gross oil production has increased 14% to 9,200 BOPD. Proved reserves have grown 16%. We are currently operating three rigs in the field and expect to drill 175 wells in 2005. Gross oil production for 2005 is forecast to increase 35% over 2004.

The Energy Information Administration estimates that the Uinta Basin has more than 30 Tcfe of remaining reserves. Much of this remaining potential lies in non-conventional resource plays and in deeper geologic sections. Area operators have been exploring the basin’s deep gas potential in the Blackhawk and Mesa Verde formations near our Monument Butte Field. We plan to test the deep gas potential on our acreage with 2-4 exploratory wells in 2005. We are working with partners to select drill sites and complete geologic evaluations.

Our acquisition of a long-lived oil asset in today’s “gas hungry” environment was somewhat contrarian. At the time of this acquisition, we felt that better values were available in crude oil assets and our underlying mass resource provides for multi-year drilling inventory of lower risk field development wells.
commodity price assumptions could be supported through long-term hedges. We have hedged approximately two-thirds of our expected production from the field through the year 2010 at very attractive prices. The majority of these hedges are in three-way collars (average: $28 X $34 X $51 per barrel) that provide downside price protection as well as some optionality in periods of upward oil price movements.

The Monument Butte Field is a legacy asset, providing us with thousands of drilling locations and the potential to use size and scale to lower operating costs and improve profit margins. We are studying each component of the operation and are finding innovative ways to lower drilling and completion costs, improve waterflood efficiencies and oil recovery and maintain field operations.

We have targeted select international offshore regions where we believe our experience in the Gulf of Mexico is relevant to future success. In 2004, we invested $102 million in these international activities. We have production offshore Malaysia and in the U.K. North Sea. In 2005-06, we will be developing our Grove Field in the North Sea, the Abu Cluster offshore Malaysia, as well as two commercial undeveloped oil fields in China’s Bohai Bay. We also are actively looking at opportunities offshore Brazil.

**Malaysia** – In May 2004, we established operations offshore Malaysia. We signed two production sharing contracts (PSCs) in partnership with Petronas Carigali Sdn. Bhd., the exploration and production subsidiary of Malaysia’s state-owned Petroleum Nasional Berhad (Petronas). The PSCs pertain to shallow water PM 318 and deepwater Block 2C. Our Malaysian portfolio includes current production, field development, lower risk prospects in shallow water and high potential exploration in deepwater.

PM 318, located offshore Peninsular Malaysia in about 200 feet of water, covers 413,000 acres. Carigali, the operator, commenced gross production of about 10,200 BOPD from the Penara and North Lukut Fields in mid-2004. Our interest is 50%. Several undeveloped fields remain on PM 318. We expect to soon receive approval from Petronas of a development plan for the Abu Cluster – a series of discoveries located about 15 miles east of our infrastructure at Penara and North Lukut. Development wells are planned at Abu Cluster in mid-2005 and first production of about 12,000 BOPD (gross) is expected in late 2006. We recently reprocessed existing 3-D seismic and acquired new 3-D data on PM 318 to guide our exploration drilling efforts in 2005 and 2006. We expect to drill up to six wells in 2005.

Block 2C is located about 165 miles offshore Sarawak, where water depths range from 600 – 6,000 feet across this 1.1 million-acre concession (equivalent to more than 200 Gulf of Mexico lease blocks). We are interpreting recently acquired 3-D seismic data that covers about 50% of the block. Based on the geophysical interpretation now underway, we are planning to drill our first well in 2006. We operate Block 2C with a 60% interest.

Offshore Malaysia is an attractive oil and gas province. Exploration prospects, as well as undeveloped discoveries in shallow water, can be profitably developed under new PSC terms and higher commodity prices.

**North Sea** – We believe that the North Sea will continue to offer opportunities for independents. We opened an office in London in 2002. We have been active in licensing rounds, developing drilling prospects and seeking creative deals to leverage our exploration skills with existing infrastructure owners.

We had our first commercial success in the North Sea in early 2005 with our Grove Prospect, located on Block 49/10a in the Southern Gas Basin. Grove was drilled to 11,400 feet and found about 120 feet (net) of gas pay in the Leman and Barren Red Measures Sands. The well tested 25 MMcf/d and 334 barrels of condensate per day. The flow rate was limited by the capacity of the testing equipment. The well was drilled to appraise an undeveloped discovery drilled in 1971.
We plan to fabricate a production facility with first production expected in late 2006, subject to regulatory approval. We have a 100% interest in the Grove development. License area 49/10a is part of a six block area called Cleaver Bank High, covering about 100,000 acres. In addition to Grove, 3-5 additional prospects exist in this area and are being evaluated for future drilling.

In September 2004, we signed an agreement with BP to explore and develop the remaining hydrocarbon potential surrounding its West Sole Field, located on Block 48/6. We have identified several prospects and were drilling the Newark Prospect at the time this report was released for printing. We have options to drill additional wells within this 124,000 acre area in the future.

**Bohai Bay, China** – Our two fields in Bohai Bay, China are commercial. The oil-in-place study has been approved by the Chinese government and the operator plans to file a plan of development in the first half of 2005. The fields are located on Block 05/36 in less than 80 feet of water. Subject to government approvals, facility fabrication will begin by late 2005 with first oil production projected in late 2006. We own a 35% interest, subject to a 51% reversionary interest held by the Chinese government. As of December 31, 2004, we had not yet booked proved reserves associated with this development.

**Giving Back**

In 2001, we formed the Newfield Foundation – an endowment that allows us to give back to the communities in which we operate. At year-end 2004, we had contributed $5.3 million to the Foundation and are continuing to invest $150,000 per month in this effort. By developing a sizable endowment, we will be able to make contributions to worthy causes in the future without regard to the ups and downs of commodity prices. In 2004, the Foundation gave more than $220,000 to causes and charities working to address critical needs in our communities. The impact of our gifts was diverse. For example, we donated to community services in inner-cities, environmental efforts in the Rocky Mountains, cultural arts in Houston and to the treatment of cystic fibrosis in Oklahoma. Separately, we also made a corporate donation to aid victims of the tsunami disaster in Malaysia. Our success allows us to further our commitment to help others.
Foster, Duncan Personify Newfield’s Core

At a downtown Houston office in 1988, Joe B. Foster and Charles W. Duncan, Jr. met for the first time. Neither knew that this meeting would be the genesis of Newfield Exploration Company.

Foster was well known in energy circles after a distinguished 30-year career at Tenneco. When Tenneco sold its E&P business in 1988 (sum of the parts fetched >$6 billion), he was the President of Tenneco Oil Company and Executive Vice President of Tenneco Inc. He had managed one of the largest E&P divisions of a major energy and pipeline company and was ready for something new. When asked what he wanted to do, Foster said, “I’d like to start a brand new exploration company, from scratch, with no baggage. I’d focus it in the Gulf of Mexico, staff it with guys from Tenneco that have been very successful in the Gulf, claim the Tenneco track record, and grow it!” The pages of a yellow legal pad were filled with a handwritten business plan, including the Founding Business Principles that continue to guide Newfield today.

Duncan managed Duncan Interests, a private equity investor that had backed successful stories like Brookstone, Appletree Supermarkets and other LBOs. Although Duncan had limited experience in energy at the time, he did have a premise that LBOs were overheated and that upstream energy, in the doldrums since 1986, was due for a rebound. This investment idea matched Foster’s business plan and, on a handshake, they agreed to work together.

From January through April 1989, Duncan Interests and Foster advanced more than $1 million each to fund Newfield’s payroll and operating expenses. Foster provided daily oversight of the Company. Duncan advised on key business decisions, supplied capital and interviewed potential CFOs, including David Trice. As they say, the rest is history.

For more than 14 years, Duncan has served on the Board and provided oversight and leadership through a number of committees. Perhaps his most important role was serving as Newfield’s first audit committee chairman after becoming a public company in 1993. Duncan is a long-term investor in every sense. In early 2004, some 15 years after his initial investment in Newfield, he sold his first shares of Newfield common stock.

Foster served as Newfield’s Chairman, President and CEO through May 1999 when Trice was named President and COO. In February 2000, Foster retired as CEO but remained as the non-executive Chairman, a position he held until September 2004 when Trice was named Chairman.

Since 1989, Newfield has produced more than 1.5 Tcfe. At December 31, 2004, it had proved reserves of 1.8 Tcfe. Today’s asset base is more diverse than it was in the 1990s, but the Company’s culture and way of doing business are unchanged. Without Joe Foster and Charles Duncan, there would be no Newfield Exploration. Thank you.

Certain of the statements set forth in this annual report regarding estimated or anticipated production volumes, oil and gas reserves, capital spending, drilling activities and future commodity prices 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, labor conditions and other factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2004. In addition, the drilling of oil and gas wells and the production of hydrocarbons are subject to government regulations and operating risks.
Executive Officers

DAVID A. TRICE (56)
Chairman, President and Chief Executive Officer

DAVID F. SCHAIBLE (44)
Executive Vice President – Operations and Acquisitions

ELLIOTT P. PEW (50)
Executive Vice President – Exploration

TERRY W. RATHERT (52)
Senior Vice President, Chief Financial Officer & Corporate Secretary

LEE K. BOOTHBY (43)
Vice President – Mid-Continent

GEORGE T. DUNN (47)
Vice President – Gulf Coast

GARY D. PACKER (42)
Vice President – Rocky Mountains

WILLIAM D. SCHNEIDER (53)
Vice President – International

BRIAN L. RICKMERS (36)
Controller and Assistant Secretary

SUSAN G. RIGGS (47)
Treasurer

Directors

PHILIP J. BURGUIERES (***) (61)
Chief Executive Officer
EMC Holdings, LLC

Vice Chairman
Houston Texans

CHARLES W. DUNCAN, JR. (* (***) (78)
Chairman
Duncan Interests

CLAIRE S. FARLEY (**) (46)
Chief Executive Officer
Randall & Dewey Inc.

JOE B. FOSTER (70)
Founder
Newfield Exploration Company

DENNIS R. HENDRIX (* (***) (65)
Retired Chairman
PanEnergy Corp

JOHN RANDOLPH KEMP III (* (**) (60)
Retired President
Exploration Production, Americas, Conoco, Inc.

J. MICHAEL LACEY (*) (59)
Retired, Senior Vice President – Exploration and Production
Devon Energy Corporation

JOSEPH H. NETHERLAND (*) (***) (58)
Chairman, President and CEO
FMC Technologies, Inc.

HOWARD H. NEWMAN (***) (57)
Vice Chairman
Warburg Pincus LLC

THOMAS G. RICKS (***) (***) (51)
Chief Investment Officer
H&S Ventures L.L.C.

DAVID F. SCHAIBLE (44)
Executive Vice President – Operations and Acquisitions
Newfield Exploration Company

C.E. (CHUCK) SHULTZ (*) (65)
Chairman and Chief Executive Officer
Dauntless Energy Inc.

J. TERRY STRANGE (***) (***) (61)
Retired, Vice Chairman
KPMG, LLP

DAVID A. TRICE (56)
Chairman, President and Chief Executive Officer
Newfield Exploration Company

(*) MEMBER OF THE COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE
(**) MEMBER OF THE AUDIT COMMITTEE
(***) MEMBER OF THE NOMINATING AND CORPORATE GOVERNANCE 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 2003 and 2004, as reported by the NYSE, are set forth below:

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Transfer Agent

For more information regarding change of address or other matters concerning your stockholder’s 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 20,000.

Annual Meeting

The Annual Meeting of Stockholders of Newfield Exploration Company will be held at 11 a.m. on May 5, 2005 at the Company’s offices located at 363 North Sam Houston Parkway East, 4th Floor, Houston, Texas.

Corporate Address

363 North Sam Houston Parkway East
Suite 2020
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 additional information, please visit our website at www.newfld.com or contact Investor Relations at the corporate address.
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Fax: 918-582-2757

Newfield Rocky Mountains Inc.
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Fax: 303-893-0103

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Fax: + 44 (0) 20 7304 7094

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50088 Kuala Lumpur
Ph: + (603) 2382 4148
Fax: + (603) 2382 6003