

NEWFIELD EXPLORATION CO /DE/
Form 11-K
June 28, 2007

Table of Contents

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 11-K

(Mark One)

**R ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

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

For the transition period from ____ to _____

COMMISSION FILE NO. 33-79826

**NEWFIELD EXPLORATION COMPANY
401(k) PLAN**

(Full title of the Plan and the address of the Plan, if different from that of the issuer named below)

**NEWFIELD EXPLORATION COMPANY
363 NORTH SAM HOUSTON PARKWAY EAST
SUITE 2020
HOUSTON, TEXAS 77060
(281) 847-6000**

(Name of issuer of the securities held pursuant to the Plan)

and the address of its principal executive office)

Item 4. Financial statements and schedules are prepared in accordance with the financial reporting requirements of ERISA.

Newfield Exploration Company 401(k) Plan
Financial Statements and Supplemental Schedule
Signature
Consent of McConnell & Jones LLP
Consent of Crowe Chizek and Company LLC

INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE
December 31, 2006 and 2005

<u>REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS</u>	1
FINANCIAL STATEMENTS	
<u>STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS</u>	3
<u>STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS</u>	4
<u>NOTES TO FINANCIAL STATEMENTS</u>	5
SUPPLEMENTAL SCHEDULE	
<u>SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)</u>	9

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Participants and Plan Administrator
Newfield Exploration Company 401(k) Plan
Houston, Texas

We have audited the accompanying statement of net assets available for benefits of the Newfield Exploration Company 401(k) Plan (the "Plan") as of December 31, 2006 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2006 basic financial statements taken as a whole.

/s/ McConnell & Jones LLP
Houston, Texas
June 15, 2007

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Participants and Plan Administrator
Newfield Exploration Company 401(k) Plan
Houston, Texas

We have audited the accompanying statement of net assets available for benefits of the Newfield Exploration Company 401(k) Plan (the "Plan") as of December 31, 2005. The statement of net assets available for benefits is the responsibility of the Plan's management. Our responsibility is to express an opinion on the statement of net assets available for benefits based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of net assets available for benefits referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Chizek and Company LLC
Oak Brook, Illinois
May 30, 2006

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2006 and 2005

	2006	2005
Assets		
Investments, at fair value (Note 3)	\$ 46,203,460	\$ 36,366,689
Cash	84,528	140,037
	46,287,988	36,506,726
Receivables		
Interest income	—	272
Pending trades	—	74,121
	—	74,393
Total assets	46,287,988	36,581,119
Liabilities		
Accrued expenses	—	189
Net assets available for benefits, at fair value	46,287,988	36,580,930
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts	82,020	—
Net assets available for benefits	\$ 46,370,008	\$ 36,580,930

See accompanying notes to financial statements.

3.

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 Year ended December 31, 2006

Additions to net assets attributed to:

Investment income	
Net appreciation in fair value of investments (Note 3)	\$ 2,854,750
Interest and dividends	1,108,621
	3,963,371
Contributions	
Company	3,389,969
Participant	4,707,912
Rollovers	441,314
	8,539,195
Total additions	12,502,566

Deductions from net assets attributed to:

Benefit payments	2,709,063
Administrative charges	4,425
Total deductions	2,713,488

Increase in net assets available for benefits	9,789,078
--	------------------

Net assets available for benefits

Beginning of year	36,580,930
End of year	\$ 46,370,008

See accompanying notes to financial statements.

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Newfield Exploration Company 401(k) Plan (the "Plan") contains general information for financial reporting purposes. A summary plan description is provided to participants explaining general Plan provisions. The Plan agreement, however, governs the operation of the Plan, and its terms prevail in the event of a conflict with any summary of the Plan. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan is a defined contribution plan adopted effective as of January 1, 1989. Generally, all employees of Newfield Exploration Company (the "Company") and certain of its affiliates, other than certain employees covered by collective bargaining agreements, leased employees and nonresident aliens, are eligible to participate in the Plan. The Plan is subject to the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions: Participants may contribute up to 30% of their eligible compensation (as defined in the Plan agreement) on a per pay period basis. The Company will make a matching contribution, also on a per pay period basis, in an amount equal to \$1.00 for each \$1.00 contributed by a participant as described in the preceding sentence, up to a maximum of 8% of the participant's compensation for the applicable pay period contribution. The Plan allows certain eligible participants to make catch-up contributions in accordance with Internal Revenue Service regulations. The Company does not match catch-up contributions. The foregoing participant and Company matching contributions are subject to certain limitations.

Participants may also contribute certain amounts representing distributions from other qualified plans and individual retirement accounts. Participants may direct the amounts contributed to their accounts into any of the investment options available under the Plan including the Company's common stock.

Participant Accounts: Each participant has an account that is credited (or debited) with the participant's contributions, allocations of the Company's matching contributions and Plan earnings (or losses) and is, at times, charged with an allocation of Plan administrative expenses based on the participant's earnings or account balances (as defined in the Plan agreement). Earnings (or losses) are allocated to participant accounts based on the earnings (or losses) of investment funds chosen by each participant. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting: Participants are immediately vested in their own contributions plus actual earnings thereon. Vesting in amounts attributable to Company matching contributions is based on years of service. A participant becomes 20% vested for each year of service and is fully vested after five years of service. An active participant is entitled to 100% of his or her account balances upon death, disability or reaching age 65.

Benefit Payments: Upon termination of service, a participant is entitled to receive the vested portion of his or her accounts. A participant may elect to receive such vested portion in the form of a lump sum payment or installment payments. A participant may also elect to receive distributions in the form of Company common stock, to the extent the participant is invested therein. Distributions are subject to the applicable provisions of the Plan agreement.

Participant Loans: A participant may borrow up to the lesser of \$50,000 or 50% of his or her vested account balances. The loan will bear interest at a rate commensurate with market rates for similar loans.

Expenses: The Company pays certain administrative expenses.

Forfeitures: Forfeitures are used first to reinstate participant accounts, as applicable, then to pay Plan expenses that otherwise would be payable by the Company in accordance with the Plan agreement, if any, and finally to offset the Company's matching contributions.

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Plan's financial statements are prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures, and actual results may differ from these estimates.

Risks and Uncertainties: The Plan provides for various investment options. The underlying investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits and the individual participant account balances.

Payment of Benefits: Benefits are recorded when paid.

Investment Valuation and Income Recognition: The Plan's investments are stated at fair value. Quoted market prices are used to value investments in mutual funds and in the Company's common stock. Shares or units of common collective funds are valued at the net asset value of shares or units held by the Plan. Money market funds and participant loans are reported at cost, which approximates fair value.

In December 2005, the Financial Accounting Standards Board ("FASB") issued FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP"). The FSP requires investment contracts held by a defined-contribution plan to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE 3 - INVESTMENTS

Investments representing 5% or more of the Plan's net assets at December 31 are as follows:

	2006	2005
Investments at fair value based on quoted market prices:		

Newfield Exploration Company Common Stock

	\$	\$
(115,692 and 182,860 shares in 2006 and 2005, respectively)	5,316,047	5,162,017
American Beacon Lg Cap Value Instl Fund	4,557,321	—
Harbor Capital Appreciation Fund	3,035,218	—
Ranier Small / Mid-Cap Equity Instl Fund	3,111,624	—
Schwab Inst Select S&P 500 Fund	5,360,747	—
T. Rowe Price Personal Strategy Balance Fund	2,656,094	—
Vanguard Total Intl Stock Index Fund	4,398,663	—
Diversified Stock Index Fund	—	4,823,625
Diversified Equity Growth Fund	—	2,958,045
Diversified Mid-Cap Growth Fund	—	2,711,431
Diversified Value & Income Fund	—	3,387,639
Diversified International Equity Fund	—	3,016,973
Diversified Intermediate Horizon Fund	—	1,881,477
Investments at contract value:		
Schwab Stable Value Fund	6,381,787	—
Diversified Stable Pooled Fund	—	3,551,922

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
 NOTES TO FINANCIAL STATEMENTS - *(Continued)*
 December 31, 2006 and 2005

NOTE 3 - INVESTMENTS - *(Continued)*

During 2006, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

Mutual funds	\$ 2,995,272
Common/collective fund	205,024
Company common stock	(345,546)
	\$ 2,854,750

NOTE 4 - FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACT

The Plan has interests in a Stable Value Fund that has investments in traditional guaranteed investment contracts (GICs) and synthetic guaranteed investment contracts (Synthetic GICs) as well as short and intermediate-term fixed income investments. As described in Note 2 above, because the GICs and Synthetic GICs are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to these contracts. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than zero percent. Such interest rates are reviewed on a quarterly basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan Administrator does not believe that the occurrence of an event that would limit the Plan's ability to transact at contract value with participants is probable.

As of December 31, 2005, the Plan had an interest in the Diversified Stable Pooled Fund that is subject to the FSP. However, the management of the underlying investment fund is of the opinion that contract value approximates fair value as of December 31, 2005.

The average yield earned by the Stable Value Fund for the year ended December 31, 2006 was 4.73% and the average yield earned to reflect the actual interest rate credited to participants for the year ended December 31, 2006 was 4.32%.

NOTE 5 - PARTY-IN-INTEREST TRANSACTIONS

Parties-in-interest are defined under Department of Labor regulations as any fiduciary of the Plan, any party rendering service to the Plan, the Company and certain others. The Plan has entered into exempt transactions with parties-in-interest as of December 31, 2006 and 2005 and for the year ended December 31, 2006. Charles Schwab Trust Company and Schwab Retirement Plan Services, Inc. (collectively referred to as "Schwab") were trustee and recordkeeper, respectively, of the Plan from July 1, 2006 through December 31, 2006. Diversified Investment Advisors ("DIA") and Investors Bank and Trust Company ("IBTC") were the recordkeeper and trustee, respectively, of the Plan from January 1, 2006 through June 30, 2006. IBTC is affiliated with DIA. Plan investments in funds offered by Schwab and DIA qualify as party-in-interest investments. Total assets invested in these funds were \$11,744,148 at December 31, 2006 and \$30,016,445 at December 31, 2005. During 2006, the Plan paid a total of \$4,425 in administrative fees to DIA and Schwab that qualify as a party-in-interest transaction.

Other party-in-interest investments held by the Plan include Company common stock totaling \$5,316,047 (115,692 shares) and \$5,162,017 (182,860 shares) at December 31, 2006 and 2005, respectively, and participant loans totaling \$510,790 and \$506,122 at December 31, 2006 and 2005, respectively.

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
 NOTES TO FINANCIAL STATEMENTS - *(Continued)*
 December 31, 2006 and 2005

NOTE 6 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated, participants will become 100% vested in their accounts and the Plan's assets will be distributed in accordance with the terms of the Plan agreement.

NOTE 7 - TAX STATUS

The Internal Revenue Service has determined by a letter dated January 21, 2005 that the Plan, which is a prototype plan, is designed in accordance with applicable sections of the Internal Revenue Code ("IRC") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Thus, no provision for federal income taxes is included in the Plan's financial statements.

NOTE 8 - FORFEITURES

Forfeitures result from Company matching contributions that remain in the Plan following the termination of employment of participants who had less than 100% vested interests in the Company matching contribution portions of their accounts. At December 31, 2006 and 2005, forfeitures of \$566 and \$51,884, respectively, were available first to reinstate participant accounts, as applicable, then to pay Plan expenses that otherwise would be payable by the Company in accordance with the Plan agreement, if any, and finally to offset the Company's matching contributions. In 2006, the Company's matching contributions were offset by \$258,670 from forfeited non-vested accounts.

NOTE 9 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500:

	December 31, 2006
Net assets available for benefits per the financial statements	\$ 46,370,008
Adjustment from contract value to fair value for fully benefit-responsive contracts	(82,020)
Net assets available for benefits per Form 5500	\$ 46,287,988

The following is a reconciliation of the changes in net assets available for benefits per the financial statements to Form 5500 for the year ended December 31, 2006:

\$ 9,789,078

Increase in net assets available for benefits per the financial statements	
Adjustment from contract value to fair value for fully benefit-responsive contracts	(82,020)
Increase in net assets available for benefits per Form 5500	\$ 9,707,058

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
 SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
 December 31, 2006

Plan Sponsor: Newfield Exploration Company
 Employer Identification Number: 72-1133047
 Plan Number: 001

(a)	(b) Identity of Issue, Borrower Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral Par, or Maturity Value	(d) Cost	(e) Current Value
<u>Mutual Funds</u>				
	American Beacon	American Beacon Lg Cap Val Instl	#	\$ 4,557,321
	First American Investment Funds	First American Mid Cap Value Class A	#	1,949,558
	Harbor	Harbor Bond Fund	#	1,690,691
	Harbor	Harbor Capital Appreciation	#	3,035,218
	MainStay	MainStay Small Cap Opportunity I	#	1,168,532
*	Charles Schwab	Schwab Instl Select S&P 500	#	5,360,747
	Rainier	Rainier Small / Mid Cap Equity Instl	#	3,111,624
	Nicholas-Applegate	Nicholas-Applegate US Mini Cap Growth	#	242,126
	T Rowe Price	T Rowe Price Personal Strategy Bal	#	2,656,094
	T Rowe Price	T Rowe Price Personal Strategy Grw	#	2,194,235
	T Rowe Price	T Rowe Price Personal Strategy Inc	#	1,034,091

Edgar Filing: NEWFIELD EXPLORATION CO /DE/ - Form 11-K

	UMB Scout	UMB Scout Worldwide Fund	#	311,790
	Vanguard	Vanguard Total Intl Stock Index	#	4,398,663
	Vanguard	Vanguard Small Cap Growth Fund	#	1,373,428
				33,084,118
<u>Common Stock</u>				
*	Newfield Exploration Company	Common Stock (115,692 shares)	#	5,316,047

* - Denotes party in interest

- Investments are participant-directed, therefore, cost information is not required.

9.

Table of Contents

NEWFIELD EXPLORATION COMPANY 401(k) PLAN
 SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) - (Continued)
 December 31, 2006

Plan Sponsor: Newfield Exploration Company
 Employer Identification Number: 72-1133047
 Plan Number: 001

(a)	(b) Identity of Issue, Borrower Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral Par, or Maturity Value	(d) Cost	(e) Current Value
<u>Common / Collective Fund</u>				
*	Charles Schwab	Schwab Stable Value Fund	#	6,299,767
<u>Money Market Fund</u>				
*	Stock Liquidity 5	Schwab Money Market Fund	#	1,614
<u>Self-Directed Account</u>				
	Charles Schwab	Personal Choice Account- Self-Directed Brokerage Accounts	#	991,124
<u>Participant Loans</u>				
*	Participant Loans	\$510,790 principal amount Interest rates ranging from 5% to 9.25% maturing through 2016	#	510,790 \$ 46,203,460

* - Denotes party in interest

- Investments are participant-directed, therefore, cost information is not required.

Table of Contents

SIGNATURE

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

**NEWFIELD EXPLORATION COMPANY
401(K) PLAN**

Date: June 27, 2007

By: /s/ MONA LEIGH BERNHARDT
Mona Leigh Bernhardt
Plan Administrator

Table of Contents

INDEX TO EXHIBITS

Exhibit No.	Description
23.1	<u>Consent of Independent Registered Public Accounting Firm - McConnell & Jones LLP</u>
23.2	<u>Consent of Independent Registered Pubic Accounting Firm - Crowe Chizek and Company LLC</u>