NEWFIELD EXPLORATION CO /DE/
Form 10-Q
May 03, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2016
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 Number: 1-12534

NEWFIELD EXPLORATION COMPANY
(Exact name of registrant as specified in its charter)

Delaware	72-1133047
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

4 Waterway Square Place
Suite 100
The Woodlands, Texas 77380
(Address and Zip Code of principal executive offices)

(281) 210-5100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

As of April 29, 2016, there were 198,485,340 shares of the registrant’s common stock, par value $0.01 per share, outstanding.

TABLE OF CONTENTS

		Page
PART I		
Item 1.	Unaudited Financial Statements:	
	Consolidated Balance Sheet as of March 31, 2016 and December 31, 2015	1
	Consolidated Statement of Operations for the three months ended March 31, 2016 and 2015	2
	Consolidated Statement of Comprehensive Income for the three months ended March 31, 2016 and 2015	3
	Consolidated Statement of Cash Flows for the three months ended March 31, 2016 and 2015	4
	Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2016	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	33
PART II		
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 6.	Exhibits	35

NEWFIELD EXPLORATION COMPANY
CONSOLIDATED BALANCE SHEET
(In millions, except share data)
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$537	$ 5
Accounts receivable, net	245	262
Inventories	31	34
Derivative assets	234	284
Other current assets	41	40
Total current assets	1,088	625
Oil and gas properties, net — full cost method ($900 and $780 were excluded from amortization at March 31, 2016 and December 31, 2015, respectively)	3,403	3,819
Other property and equipment, net	170	172
Derivative assets	65	105
Long-term investments	21	20
Other assets	30	27
Total assets	$4,777	$ 4,768
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$49	$ 41
Accrued liabilities	398	533
Advances from joint owners	51	58
Asset retirement obligations	3	2
Derivative liabilities	24	13
Total current liabilities	525	647
Other liabilities	59	48
Derivative liabilities	7	9
Long-term debt	2,429	2,467
Asset retirement obligations	193	192
Deferred taxes	26	26
Total long-term liabilities	2,714	2,742
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock ($0.01 par value, 5,000,000 shares authorized; no shares issued)	—	—
Common stock ($0.01 par value, 300,000,000 shares authorized at March 31, 2016 and December 31, 2015; 198,823,081 and 164,102,786 shares issued at March 31, 2016 and December 31, 2015, respectively)	2	2
Additional paid-in capital	3,221	2,436
Treasury stock (at cost, 685,517 and 612,469 shares at March 31, 2016 and December 31, 2015, respectively)	(24)	(22)
Accumulated other comprehensive gain (loss)	(2)	(2)
Retained earnings (deficit)	(1,659)	(1,035)
Total stockholders' equity	1,538	1,379

Total liabilities and stockholders' equity	$4,777	$ 4,768

The accompanying notes to consolidated financial statements are an integral part of this statement.

1

NEWFIELD EXPLORATION COMPANY
CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Oil, gas and NGL revenues	$284	$349
Operating expenses:		
Lease operating	61	75
Transportation and processing	63	49
Production and other taxes	10	13
Depreciation, depletion and amortization	177	237
General and administrative	44	63
Ceiling test and other impairments	506	792
Other	1	4
Total operating expenses	862	1,233
Income (loss) from operations	(578)	(884)
Other income (expense):		
Interest expense	(41)	(44)
Capitalized interest	9	7
Commodity derivative income (expense)	(17)	153
Other, net	1	8
Total other income (expense)	(48)	124
Income (loss) before income taxes	(626)	(760)
Income tax provision (benefit):		
Current	(2)	3
Deferred	—	(283)
Total income tax provision (benefit)	(2)	(280)
Net income (loss)	$(624)	$(480)
Earnings (loss) per share:		
Basic	$(3.52)	$(3.30)
Diluted	$(3.52)	$(3.30)
Weighted-average number of shares outstanding for basic earnings (loss) per share	177	145
Weighted-average number of shares outstanding for diluted earnings (loss) per share	177	145

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income (loss)	$(624)	$(480)
Other comprehensive income (loss):		
Unrealized gain (loss) on investments, net of tax	—	—
Other comprehensive income (loss), net of tax	—	—
Comprehensive income (loss)	$(624)	$(480)

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	$(624)	$(480)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	177	237
Deferred tax provision (benefit)	—	(283)
Stock-based compensation	8	15
Unrealized (gain) loss on derivative contracts	99	(32)
Ceiling test and other impairments	506	792
Other, net	4	6
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	15	38
(Increase) decrease in inventories	(4)	2
(Increase) decrease in other current assets	(1)	4
(Increase) decrease in other assets	(4)	1
Increase (decrease) in accounts payable and accrued liabilities	(102)	(105)
Increase (decrease) in advances from joint owners	(6)	14
Increase (decrease) in other liabilities	4	(4)
Net cash provided by (used in) operating activities	72	205
Cash flows from investing activities:		
Additions to oil and gas properties	(273)	(511)
Acquisitions of oil and gas properties	(1)	—
Proceeds from sales of oil and gas properties	3	29
Additions to other property and equipment	(4)	(4)
Net cash provided by (used in) investing activities	(275)	(486)
Cash flows from financing activities:		
Proceeds from borrowings under credit arrangements	536	701
Repayments of borrowings under credit arrangements	(575)	(1,147)
Proceeds from issuance of senior notes	—	691
Debt issue costs	—	(8)
Proceeds from issuances of common stock, net	776	815
Purchases of treasury stock, net	(2)	(1)
Other	—	(1)
Net cash provided by (used in) financing activities	735	1,050
Increase (decrease) in cash and cash equivalents	532	769
Cash and cash equivalents, beginning of period	5	14
Cash and cash equivalents, end of period	$537	$783

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In millions)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Gain (Loss)	Total Stockholders' Equity
Balance, December 31, 2015	164.1	$ 2	(0.6)	$ (22)	$ 2,436	$ (1,035)	$ (2)	$ 1,379
Issuances of common stock	34.7	—			776			776
Stock-based compensation					9			9
Treasury stock, net			(0.1)	(2)	—			(2)
Net income (loss)						(624)		(624)
Balance, March 31, 2016	198.8	$ 2	(0.7)	$ (24)	$ 3,221	$ (1,659)	$ (2)	$ 1,538

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEWFIELD EXPLORATION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization and Principles of Consolidation

We are an independent energy company engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids (NGLs). Our operations are focused primarily on large scale, onshore liquids-rich resource plays in the United States. Our principal areas of operation are the Anadarko and Arkoma basins of Oklahoma, the Williston Basin of North Dakota, the Uinta Basin of Utah and the Maverick and Gulf Coast basins of Texas. In addition, we have oil developments offshore China.

Our consolidated financial statements include the accounts of Newfield Exploration Company, a Delaware corporation, and its subsidiaries. We proportionately consolidate our interests in oil and natural gas exploration and production ventures and partnerships in accordance with industry practice. All significant intercompany balances and transactions have been eliminated. Unless otherwise specified or the context otherwise requires, all references in these notes to “Newfield,” “we,” “us,” “our” or the “Company” are to Newfield Exploration Company and its subsidiaries.

These unaudited consolidated financial statements reflect, in the opinion of our management, all adjustments, consisting only of normal and recurring adjustments, necessary to fairly state our financial position as of, and results of operations, for the periods presented. These financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all disclosures required for financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Interim period results are not necessarily indicative of results of operations or cash flows for a full year.

These consolidated financial statements and notes should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Risks and Uncertainties

As an independent oil and natural gas producer, our revenue, profitability and future rate of growth are substantially dependent on prevailing prices for oil, natural gas and NGLs. Historically, the energy markets have been very volatile, and there can be no assurance that commodity prices will not be subject to wide fluctuations in the future. A substantial or extended decline in commodity prices could have a material adverse effect on our financial position, results of operations, cash flows, access to capital and on the quantities of oil, natural gas and NGL reserves that we can economically produce. Beginning in the fourth quarter of 2014, crude oil prices declined significantly primarily due to global supply and demand imbalances. Crude oil prices continued to decline in 2015 and have remained depressed in the first quarter of 2016. Other risks and uncertainties that could affect us in the current price environment include, but are not limited to, counterparty credit risk for our receivables, responsibility for decommissioning liabilities for offshore interests we no longer own, access to credit markets, regulatory risks and ability to meet financial ratios and covenants in our financing agreements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; the reported amounts of revenues and expenses during the reporting period; and the quantities and values of proved oil, natural gas and NGL reserves used in calculating depletion and assessing impairment of our oil and gas properties. Actual results could differ significantly from these estimates. Our most significant estimates are associated with the quantities of proved oil, natural gas and NGL reserves, the timing and amount of transfers of our unevaluated properties into our amortizable full cost pool, the recoverability of our deferred tax assets and the fair value of our derivative contracts.

Reclassifications

Certain reclassifications have been made to prior years' reported amounts in order to conform to the current year presentation. These reclassifications did not impact our net income (loss), stockholders' equity or cash flows.

Table of Contents

Restricted Cash

We have restricted cash of $17 million included in "Other assets" on our consolidated balance sheet at March 31, 2016 that represents amounts held in escrow accounts to satisfy future plug and abandonment obligations for our China operations. These amounts are restricted as to their current use and will be released as we plug and abandon wells and facilities in our China field. Consistent with our other plug and abandonment activities, changes in restricted cash are included in cash flows from operating activities in our consolidated statement of cash flows.

New Accounting Requirements

In March 2016, the Financial Accounting Standards Board (FASB) issued guidance regarding the simplification of share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements.

In February 2016, the FASB issued guidance regarding the accounting for leases. The guidance requires recognition of most lease assets and liabilities by lessees for those leases classified as operating leases. The guidance requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The guidance is effective for interim and annual periods beginning after December 15, 2018. We are currently evaluating the impact of this guidance on our financial statements.

In January 2016, the FASB issued guidance regarding several broad topics related to the recognition and measurement of financial assets and liabilities. The guidance is effective for interim and annual periods beginning after December 15, 2017. We are currently evaluating the impact of this guidance on our financial statements.

In August 2014, the FASB issued guidance regarding disclosures of uncertainties about an entity's ability to continue as a going concern. The guidance applies prospectively to all entities, requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern and disclose certain information when substantial doubt is raised. We will adopt this guidance for the annual period ending December 31, 2016.

In May 2014, the FASB issued guidance regarding the accounting for revenue from contracts with customers. The guidance may be applied retrospectively or using a modified retrospective approach to adjust retained earnings (deficit). In July 2015, the FASB approved a deferral of the effective date by one year. As a result, the guidance is effective for interim and annual periods beginning on or after December 15, 2017. We are currently evaluating the impact of this guidance on our financial statements.

2. Accounts Receivable

Accounts receivable consisted of the following:

	March 31, 2016	December 31, 2015
	(In millions)	
Revenue	$97	$ 94

Joint interest	119	125
Other	45	59
Reserve for doubtful accounts	(16)	(16)
Total accounts receivable, net	$245	$ 262

3. Inventories

Inventories primarily consist of tubular goods and well equipment held for use in our oil and natural gas operations and oil produced but not sold in our China operations. At March 31, 2016 and December 31, 2015, the crude oil inventory from our China operations consisted of approximately 180,000 and 335,000 barrels of crude oil, respectively.

Table of Contents
NEWFIELD EXPLORATION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

4. Derivative Financial Instruments

Commodity Derivative Instruments

We utilize derivative strategies that consist of either a single derivative instrument or a combination of instruments to manage the variability in cash flows associated with the forecasted sale of our future domestic oil and natural gas production. While the use of derivative instruments may limit or partially reduce the downside risk of adverse commodity price movements, their use also may limit future income from favorable commodity price movements.

In addition to the derivative strategies outlined in our Annual Report on Form 10-K for the year ended December 31, 2015, we also utilize swaptions from time to time. A swaption is an option to exercise a swap where the buyer (counterparty) of the swaption purchases the right from the seller (Newfield), but not the obligation, to enter into a fixed-price swap with the seller on a predetermined date (expiration date). The swap price is a fixed price determined at the time of the swaption contract. If the swaption is exercised, the contract will become a swap treated consistent with our other fixed-price swaps.

Our oil and gas derivative contracts are settled based upon reported prices on the NYMEX. The estimated fair value of these contracts is based upon various factors, including closing exchange prices on the NYMEX, over-the-counter quotations, estimated volatility, non-performance risk adjustments using credit default swaps and time to maturity. The calculation of the fair value of options requires the use of an option-pricing model. See Note 5, “Fair Value Measurements.”

At March 31, 2016, we had outstanding derivative positions as set forth in the tables below.

Crude Oil

		NYMEX Contract Price Per Bbl			Collars		
Period and Type of Instrument	Volume in MBbls	Swaps (Weighted Average)	Purchased Calls (Weighted Average)[2]	Sold Puts (Weighted Average)[1]	Floors (Weighted Average)	Ceilings (Weighted Average)	Estimated Fair Value Asset (Liability)
							(In millions)
2016:							
Fixed-price swaps	920	$42.32	$ —	$ —	$ —	$ —	$ —
Fixed-price swaps with sold puts:	7,057						
Fixed-price swaps		89.98	—	—	—	—	339
Sold puts		—	—	74.42	—	—	(231)
Collars with sold puts:	4,673						
Collars		—	—	—	90.00	96.10	225
Sold puts		—	—	75.00	—	—	(156)
Swaptions[3]	—	42.67	—	—	—	—	(14)
Purchased calls	8,181	—	73.35	—	—	—	1
2017:							
Fixed-price swaps	4,380	45.38	—	—	—	—	2
Fixed-price swaps with sold puts:	4,468						

Fixed-price swaps		88.37	—	—	—	—	190	
Sold puts		—	—	73.28	—	—	(128	)
Collars with sold puts:	2,080							
Collars		—	—	—	90.00	95.59	93	
Sold puts		—	—	75.00	—	—	(64	)
Purchased calls	6,548	—	73.81	—	—	—	5	
Total							$ 262	

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(1) For the volumes with sold puts, if the market prices remain below our sold puts at contract settlement, we will receive the market price plus the following:

- the difference between our floors and our sold puts for collars with sold puts; or
- the difference between our swaps and our sold puts for fixed-price swaps with sold puts.

We have effectively locked in the spreads noted above (less the deferred call premium) for a portion of the volumes with sold puts through the use of purchased calls.

(2) We deferred the premiums related to the purchased calls until contract settlement. At March 31, 2016, the deferred premiums totaled $21 million.

(3) During the first quarter of 2016, we sold crude oil swaption contracts that, if exercised on their expiration date in June 2016, would protect 4,416 MBbls of July through December 2016 production with $42.67 per Bbl fixed price swaps.

Natural Gas

Period and Type of Instrument	Volume in MMMBtus	NYMEX Contract Price Per MMBtu				Estimated Fair Value Asset (Liability) (In millions)
		Swaps (Weighted Average)	Sold Puts (Weighted Average)	Collars Floors (Weighted Average)	Collars Ceilings (Weighted Average)	
2016:						
Swaptions[1]	—	$2.28	$ —	$ —	$ —	$ (8)
Collars	8,250	—	—	4.00	4.54	15
2017:						
Fixed-price swaps	27,375	2.73	—	—	—	(1)
Collars	29,200	—	—	2.64	2.93	—
Total						$ 6

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(1) During the first quarter of 2016, we sold natural gas swaption contracts that, if exercised on their expiration date in June 2016, would protect 36,800 MMMBtus of July through December 2016 production with $2.28 per MMBtu fixed price swaps.

Additional Disclosures about Derivative Financial Instruments

We had derivative financial instruments recorded in our consolidated balance sheet as assets (liabilities) at their respective estimated fair value, as set forth below.

	Derivative Assets				Derivative Liabilities			
	Gross Fair Value	Offset in Balance Sheet	Balance Sheet Location		Gross Fair Value	Offset in Balance Sheet	Balance Sheet Location	
			Current	Noncurrent			Current	Noncurrent
	(In millions)				(In millions)			
March 31, 2016								
Oil positions	$803	$(519)	$219	$ 65	$(541)	$ 519	$(15)	$ (7)
Natural gas positions	15	—	15	—	(9)	—	(9)	—
Total	$818	$(519)	$234	$ 65	$(550)	$ 519	$(24)	$ (7)
December 31, 2015								
Oil positions	$1,005	$(638)	$262	$ 105	$(660)	$ 638	$(13)	$ (9)
Natural gas positions	22	—	22	—	—	—	—	—
Total	$1,027	$(638)	$284	$ 105	$(660)	$ 638	$(13)	$ (9)

The amount of gain (loss) recognized in "Commodity derivative income (expense)" in our consolidated statement of operations related to our derivative financial instruments follows:

	Three Months Ended March 31,	
	2016	2015
	(In millions)	
Derivatives not designated as hedging instruments:		
Realized gain (loss) on oil positions	$71	$96
Realized gain (loss) on natural gas positions	11	25
Total realized gain (loss)	82	121
Unrealized gain (loss) on oil positions	(83)	37
Unrealized gain (loss) on natural gas positions	(16)	(5)
Total unrealized gain (loss)	(99)	32
Total	$(17)	$153

The use of derivative transactions involves the risk that the counterparties, which generally are financial institutions, will be unable to meet the financial terms of such transactions. Our derivative contracts are with multiple counterparties to minimize our exposure to any individual counterparty, and we have netting arrangements with all of our counterparties that provide for offsetting payables against receivables from separate derivative instruments with that counterparty. At March 31, 2016, 10 of our 15 counterparties accounted for approximately 85% of our contracted volumes, with the largest counterparty accounting for approximately 12%.

At March 31, 2016, approximately 86% of our volumes subject to derivative instruments are with lenders under our credit facility. Our credit facility, senior notes and substantially all of our derivative instruments contain provisions that provide for cross defaults and acceleration of those debt and derivative instruments in certain situations.

5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The authoritative guidance requires disclosure of the framework for measuring fair value and requires that fair value measurements be classified and disclosed in one of the following categories:

Level 1:	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2:	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that we

Table of Contents
NEWFIELD EXPLORATION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

value using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange traded derivatives such as over-the-counter commodity fixed-price swaps and certain investments.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). Level 3 instruments primarily include derivative instruments, such as commodity options (i.e., price collars, sold puts, purchased calls or swaptions) and other financial investments.

- Our valuation models for derivative contracts are primarily industry-standard models (i.e., Black-Scholes) that consider various inputs including: (a) forward prices for commodities, (b) time value, (c) volatility factors, (d) counterparty credit risk and (e) current market and contractual prices for the underlying instruments.

- Our valuation model for the Stockholder Value Appreciation Program (SVAP) was a Monte Carlo simulation that was based on a probability model and considers various inputs including: (a) the measurement date stock price, (b) time value and (c) historical and implied volatility.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy.

The determination of the fair values of our derivative contracts incorporates various factors, which include not only the impact of our non-performance risk on our liabilities but also the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), if any. We utilize credit default swap values to assess the impact of non-performance risk when evaluating both our liabilities to, and receivables from, counterparties.

11

Table of Contents
NEWFIELD EXPLORATION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Recurring Fair Value Measurements

The following table summarizes the valuation of our assets and liabilities that are measured at fair value on a recurring basis.

	Fair Value Measurement Classification			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In millions)			
As of December 31, 2015:				
Money market fund investments	$2	$ —	$ —	$2
Deferred compensation plan assets	5	—	—	5
Equity securities available-for-sale	8	—	—	8
Oil and gas derivative swap contracts	—	675	—	675
Oil and gas derivative option contracts	—	—	(308)	(308)
Stock-based compensation liability awards	(12)	—	—	(12)
Total	$3	$ 675	$ (308)	$370
As of March 31, 2016:				
Money market fund investments	$529	$ —	$ —	$529
Deferred compensation plan assets	5	—	—	5
Equity securities available-for-sale	8	—	—	8
Oil and gas derivative swap contracts	—	530	—	530
Oil and gas derivative option and swaption contracts	—	—	(262)	(262)
Stock-based compensation liability awards	(14)	—	—	(14)
Total	$528	$ 530	$ (262)	$796

12

Level 3 Fair Value Measurements

The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy for the indicated periods.

	Derivatives	Stock-Based Compensation	Total
Balance at January 1, 2015	$(381)	$ (3)	$(384)
Realized or unrealized gains (losses) included in earnings	(21)	(5)	(26)
Purchases, issuances, sales and settlements:			
Settlements	70	—	70
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at March 31, 2015	$(332)	$ (8)	$(340)
Change in unrealized gains or losses included in earnings relating to Level 3 instruments still held at March 31, 2015	$		