NEWFIELD EXPLORATION CO /DE/
Form 11-K
June 29, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

o 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. 1-12534

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 100
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)

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Note: Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for reporting and disclosure under ERISA have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Participants and Plan Administrator of the
Newfield Exploration Company 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of the Newfield Exploration Company 401(k) Plan (the “Plan”) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 audits provide 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, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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) as of December 31, 2008 is presented for purposes 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. This 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 basic financial statements taken as a whole.

/s/ McConnell & Jones LLP
Houston, Texas
June 26, 2009

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2008 and 2007

	2008	2007
Assets		
Investments, at fair value (Note 3)	$ 44,594,499	$ 57,111,098
Dividend receivable	8,665	—
Total assets	44,603,164	57,111,098
Net assets available for benefits, at fair value	44,603,164	57,111,098
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts	436,947	—
Net assets available for benefits	$ 45,040,111	$ 57,111,098

See accompanying notes to financial statements.

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended December 31, 2008

Additions to net assets attributed to:	
Investment income	
Interest and dividends	$ 1,103,543
Contributions	
Company	5,025,062
Participant	6,545,034
Rollovers	1,912,627
	13,482,723
Total additions	14,586,266
Deductions from net assets attributed to:	
Net depreciation in fair value of investments (Note 3)	21,165,809
Benefit payments	5,483,069
Administrative charges	8,375
Total deductions	26,657,253
Decrease in net assets available for benefits	(12,070,987)
Net assets available for benefits:	
Beginning of year	57,111,098
End of year	$ 45,040,111

See accompanying notes to financial statements.

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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"), as amended.

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. Effective July 26, 2007 all current and new participants are 100% vested in Company matching contributions immediately. Prior to July 26, 2007 participants vested 20% for each year of service and were 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.

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS – (Continued)
December 31, 2008 and 2007

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 accounting principles generally accepted in the United States of America ("US GAAP").

Estimates: The preparation of financial statements in conformity with US GAAP 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:

	2008	2007
Investments at fair value based on quoted market prices:		
Newfield Exploration Company Common Stock		

(187,170 and 99,455 shares in 2008 and 2007, respectively)*	$ 3,696,608	$ 5,241,279
American Beacon Large Cap Value Institutional Fund	3,279,836	5,179,823
Harbor Bond Fund	2,578,763	2,542,545
Harbor Capital Appreciation Fund	2,285,708	3,485,937
Ranier Small / Mid-Cap Equity Institutional Fund	2,244,734	4,350,292
Schwab Institutional Select S&P 500 Fund*	3,859,071	5,965,773
T. Rowe Price Retirement 2010	2,650,085	—
T. Rowe Price Retirement 2030	3,129,096	—
T. Rowe Price Personal Strategy Balance Fund	—	3,877,430
T. Rowe Price Personal Strategy Growth Fund	—	3,498,377
Vanguard Total International Stock Index Fund	2,797,779	5,937,824
Investments at contract value:		
Schwab Stable Value Fund*	9,437,290	7,074,858

* Party-in-interest transaction (see Note 6)

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS – (Continued)
December 31, 2008 and 2007

NOTE 3 – INVESTMENTS – (Continued)

During 2008, the Plan’s investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows:

Mutual funds	$ (16,933,774)
Stable value fund	350,381
Company common stock	(3,954,721)
Common stock	(627,695)
	$ (21,165,809)

NOTE 4 – FAIR VALUE MEASUREMENTS

On January 1, 2008, the Plan adopted SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure requirements about fair value measurements. Under SFAS No. 157, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition under SFAS No. 157 focuses on an exit price, which is the price that would be received by the Plan to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability.

SFAS No.157 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under SFAS No.157 are described below:

Level 1: unadjusted quoted prices for identical assets in active markets that the Plan has the ability to access.

Level 2: quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, interest rates, credit risk, etc. that are determined for an asset, either directly or indirectly, based on independent market data.

Level 3: significant unobservable inputs for the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value, except for the stable value fund which is measured at contract value:

Common stock: Valued at the closing price reported on the New York Stock Exchange.

Mutual funds: Valued at the net asset value, based on quoted market prices in active markets, of shares held by the Plan at year end.

Stable value fund: Valued at contract value and represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses.

Loans to participants: Valued at historical cost, which approximates fair value.

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS – (Continued)
December 31, 2008 and 2007

NOTE 4 – FAIR VALUE MEASUREMENTS – (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Common stock	$ 3,696,608	$ —	$ —	$ 3,696,608
Money market funds	34,224	—	—	34,224
Mutual funds	29,174,859	—	—	29,174,859
Stable value fund	—	9,000,343	—	9,000,343
Self directed brokerage accounts	1,746,226	19,792	—	1,766,018
Loans to participants	—	—	922,447	922,447
Total investments at fair value	$ 34,651,917	$ 9,020,135	$ 922,447	$ 44,594,499

The following table provides a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

Rollforward of Level 3 Measurements	Loans to Participants
Balance at January 1, 2008	$ 658,830
Net issuances and repayments	263,617
Balance at December 31, 2008	$ 922,447

NOTE 5 – 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.

Certain events limit the ability of the Plan to transact at contract value with the issuer. 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.

The average yield earned by the Stable Value Fund for the year ended December 31, 2008 was 5.25% and the average yield earned to reflect the actual interest rate credited to participants for the year ended December 31, 2008 was 3.72%.

As of December 31, 2008, the contract value of the Stable Value Fund was $9,437,290 as compared to its fair value of $9,000,343. An adjustment of $436,947 has been made to the Statement of Net Assets Available for Benefits to reflect contract value. As of December 31, 2007, the contract value of the Stable Value Fund was $7,074,858 that approximated fair value and therefore no adjustment was recorded.

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS – (Continued)
December 31, 2008 and 2007

NOTE 6 – 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, 2008 and 2007 and for the year ended December 31, 2008. Charles Schwab Trust Company and Schwab Retirement Plan Services, Inc. (collectively referred to as "Schwab") were trustee and recordkeeper, respectively, of the Plan from January 1, 2008 through December 31, 2008. Plan investments in funds offered by Schwab qualify as party-in-interest investments. Total assets invested in these funds were $15,096,603 at December 31, 2008 and $14,562,575 at December 31, 2007. During 2008, the Plan paid a total of $8,375 in administrative fees to Schwab that qualify as a party-in-interest transaction.

Other party-in-interest investments held by the Plan include Company common stock totaling $3,696,608 (187,170 shares) and $5,241,279 (99,455 shares) at December 31, 2008 and 2007, respectively, and participant loans totaling $922,447 and $658,830 at December 31, 2008 and 2007, respectively.

As detailed above, the Plan has significant holdings of Company common stock. As a result, the values of the Plan's investments may be materially impacted by the changes in fair value related to this security.

NOTE 7 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan agreement 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 8 – 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 9 – 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, 2008 and 2007, forfeitures of $49,598 and $12,128 respectively, were available. In 2008, the Company's matching contributions were offset by $39,996 from forfeited non-vested accounts.

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENT

In April 2009, the FASB issued FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"). Under FSP FAS 157-4, if the reporting entity has determined that the volume and level of market activity has significantly decreased and transactions are not orderly, further analysis is required and adjustments to the quoted prices or transactions might be needed. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently evaluating the impact FSP FAS 157-4 will have on the Plan's financial statements.

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS – (Continued)
December 31, 2008 and 2007

NOTE 11 – 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 as of December 31:

	2008	2007
Net assets available for benefits per the financial statements	$ 45,040,111	$ 57,111,098
Adjustment from contract value to fair value for fully benefit-responsive contracts	(436,947)	—
Net assets available for benefits per Form 5500	$ 44,603,164	$ 57,111,098

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, 2008:

Decrease in net assets available for benefits per the financial statements	$ 12,070,987
Adjustment to reflect fair value adjustment for 2008 related to benefit-responsive contracts	436,947
Decrease in net assets available for benefits per Form 5500	$ 12,507,934

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2008

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
	Mutual Funds			
	American Beacon	American Beacon Lg Cap Val Instl	#	$ 3,279,836
	Columbia	Columbia Small Cap Val II	#	675,759
	First American Investment Funds	First American Mid Cap Value Class A	#	1,100,410
	Harbor	Harbor Bond Fund	#	2,578,763
	Harbor	Harbor Capital Appreciation	#	2,285,708
*	Charles Schwab	Schwab Instl Select S&P 500	#	3,859,071
	Rainier	Rainier Small / Mid Cap Equity Instl	#	2,244,734
	Nicholas-Applegate	Nicholas-Applegate US Mini Cap Growth	#	197,340
	T Rowe Price	T Rowe Price Retirement 2010	#	2,650,085
	T Rowe Price	T Rowe Price Retirement 2020	#	773,595
	T Rowe Price	T Rowe Price Retirement 2030	#	3,129,096
	T Rowe Price	T Rowe Price Retirement 2040	#	176,393
	T Rowe Price	T Rowe Price Retirement 2050	#	63,617
	T Rowe Price	T Rowe Price Retirement Income	#	1,184,133
	UMB Scout	UMB Scout Worldwide Fund	#	786,858

	Vanguard	Vanguard Total Intl Stock Index	#	2,797,779
	Vanguard	Vanguard Small Cap Growth Fund	#	1,391,682
				29,174,859
	Common Stock			
*	Newfield Exploration Company	Common Stock (187,170 shares)	#	3,696,608

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NEWFIELD EXPLORATION COMPANY 401(k) PLAN
SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) – (Continued)
December 31, 2008

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
	Common / Collective Fund			
*	Charles Schwab	Schwab Stable Value Fund	#	9,437,290
	Money Market Fund			
*	Stock Liquidity 5	Schwab Money Market Fund	#	34,224
	Self-Directed Account			
*	Charles Schwab	Personal Choice Account- Self-Directed Brokerage Accounts	#	1,766,018
	Participant Loans			
*	Participant Loans	$922,447 principal amount Interest rates ranging from 4.25% to 9.25% maturing through 2018	-0-	922,447
				$ 45,031,446

* - Denotes party-in-interest
# - Investments are participant-directed, therefore, cost information is not required.

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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 26, 2009	By: /s/ MONA LEIGH BERNHARDT Mona Leigh Bernhardt Plan Administrator

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INDEX TO EXHIBITS

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm — McConnell & Jones LLP