

# **NEWFIELD EXPLORATION COMPANY**

## **THIRD AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Effective as of February 9, 2005

The Board of Directors (the “Board”) of Newfield Exploration Company (the “Company”) established an Audit Committee (the “Committee”) on May 10, 1990. On October, 18, 1993 the Board adopted certain resolutions regarding, among other things, the composition of the Committee and its functions, duties, responsibilities and powers. The resolutions were superceded by a Charter of the Committee effective as of its date of adoption by the Board on May 4, 2000 (the “Existing Charter”). The Existing Charter was amended and restated effective as of July 28, 2003, was again amended and restated effective as of February 11, 2004 and is again amended and restated as set forth herein as of the effective date set forth above.

### **Purpose**

The primary purpose of the Committee is to assist the Board in monitoring:

- the integrity of the Company’s financial statements and financial reporting processes and systems of internal controls;
- the qualifications and independence of the Company’s independent accountants;
- the performance of the Company’s internal audit function and independent accountants; and
- the Company’s compliance with legal and regulatory requirements.

### **Composition**

The Committee shall consist of at least three members, all of whom must be members of the Board. The members of the Committee shall meet the independence and qualification requirements of:

- the New York Stock Exchange;
- Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”); and
- the rules and regulations of the Securities and Exchange Commission (the “SEC”) (including without limitation Rule 10A-3 promulgated under the Exchange Act).

Subject to Section 3 of Article IV of the Company’s bylaws, the Board shall appoint the members of the Committee after considering the recommendation of the Nominating & Corporate Governance Committee. One of the members, who shall be selected by the Committee, shall serve as the chairperson of the Committee. The Committee shall consider the recommendation of the Nominating & Corporate Governance Committee in making such selection. The Board may remove or replace any member of the Committee at any time.

### **Authority and Responsibilities**

The Committee shall have the sole authority to appoint, retain and terminate the Company’s independent accountants. The Committee shall be directly responsible for the compensation, oversight and evaluation of the work of the independent accountants (including resolution of disagreements between management and the

independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent accountants shall report directly to the Committee.

The Committee shall pre-approve all auditing services and permitted non-audit services to be performed for the Company by its independent accountants, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. Such pre-approval may be accomplished by engagement arrangements entered into pursuant to pre-approval policies and procedures previously established by the Committee, but only if the policies are detailed as to the particular services that are pre-approved, the Committee is informed of each such service provided and the policies do not delegate the Committee's responsibilities to management. The Committee shall have sole authority to approve all audit engagement fees and terms and non-audit engagements with the Company's independent accountants. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that the decisions of such subcommittee to grant preapprovals shall be presented to the full Committee at its next scheduled meeting.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors without the approval of the Board. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent accountants for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

Without limiting the generality of the preceding statement, the Committee, shall:

***Financial Statement and Disclosure Matters***

1. Review and discuss with management and the independent accountants the Company's annual audited financial statements prior to the filing of its Form 10-K, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K, and recommend to the Board whether the audited financial statements should be included in the Form 10-K.

2. Review and discuss with management and the independent accountants the Company's quarterly financial statements prior to the filing of its Form 10-Q, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-Q and the results of the independent accountants' review of the quarterly financial statements.

3. Discuss with management and the independent accountants any analyses prepared by management or the independent accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative treatments of the financial statements within generally accepted accounting principles ("GAAP").

4. Discuss with management and the independent accountants major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.

5. Review and discuss regular reports from the independent accountants on:

- all critical accounting policies and practices to be used;
- all alternative treatments of financial information within GAAP that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants;
- any accounting adjustments that were noted or proposed by the independent accountants but were "passed" as immaterial or otherwise; and

- other material written communications between the independent accountants and management, such as any management letter, internal control letter or schedule of unadjusted differences.

6. Discuss with management the type and presentation of information to be included in the Company's earnings press releases prior to public release, including the use of "pro forma" or "adjusted" non-GAAP information, and review any financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and need not precede each earnings release or each instance in which the Company provides guidance.

7. Discuss with management and the independent accountants the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

8. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

9. Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards Nos. 61, 89 and 90 relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work and management's response, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

10. Review disclosures made to the Committee by the Company's chief executive officer and chief financial officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

#### ***Oversight of the Company's Relationship with the Independent Accountants***

11. Review and evaluate the lead partner of the independent accountants' team.

12. Obtain and review a report from the independent accountants at least annually regarding (a) the independent accountants' internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent accountants and the Company. Evaluate the qualifications, performance and independence of the independent accountants, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the accountants' independence, and taking into account the opinions of management and the internal auditing department (or outside auditor performing the function of an internal auditing department). The Committee shall present its conclusions with respect to the independent accountants to the Board.

13. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring (or reviewing) audit partner responsible for reviewing the audit and other audit partners performing services for the Company and its subsidiaries as required by law. Consider whether, in order to assure continuing independence, it is appropriate to adopt a policy of rotating the independent accounting firm on a regular basis.

14. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent accountants.

15. Discuss with the independent accountants significant matters with respect to which the Company's audit team consulted with the national office of the independent accountants.

16. Meet with the independent accountants prior to the audit to discuss the planning and staffing of the audit.

***Oversight of the Company's Internal Audit Function***

17. Review the appointment and replacement of any senior internal auditing personnel or, at the discretion of the Board, select and contract with an outside auditor (other than the Company's independent accountants) to perform the function of an internal auditing department. The senior internal auditing executive (or any outside auditor performing the function of an internal auditing department) shall report directly to the Committee, and the Committee shall direct the scope and duties of the internal audit function.

18. Review the regular reports to management prepared by the internal auditing department (or any outside auditor performing the function of an internal auditing department) and management's responses.

19. Discuss with the independent accountants and management the responsibilities, budget and staffing of the internal auditing department (or any outside auditor performing the function of an internal auditing department), and any recommended changes in the planned scope of the internal audit.

***Compliance Oversight Responsibilities***

20. Obtain from the independent accountants assurance that Section 10A(b) of the Exchange Act has not been implicated.

21. Obtain reports from management and the Company's senior internal auditing executive (or any outside auditor performing the function of an internal auditing department) that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.

22. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

23. Discuss with management and the independent accountants any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

24. Discuss with the Company's internal or outside legal counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

***Other Matters***

25. Prepare the report required by SEC rules to be included in the Company's annual proxy statement.

26. Review the adequacy of this Charter each year and recommend any proposed changes to the Board for approval.

27. Review and evaluate its own performance each year and submit itself to the review and evaluation of the Board.

28. Perform any other activities consistent with this Charter, the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws (each as may be amended), the rules of the New York Stock Exchange applicable to domestic listed companies, and governing law as the Committee or the Board deems necessary or appropriate.

## **Limitation of Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent accountants.

## **Procedural Matters; Fees**

**Conflicts with Bylaws.** This Charter shall in no way alter, amend or repeal any provision of the Company's bylaws. To the extent that this Charter conflicts with any provision of the Company's bylaws, the bylaws shall govern.

**Meetings.** The Committee shall meet at the call of its chairperson, two or more members of the Committee or the Chairman of the Board but no less frequently than quarterly. Meetings may, at the discretion of the Committee, include members of the Company's management, independent consultants and such other persons as the Committee or its chairperson may determine. The Committee shall meet periodically with management, the internal auditing department (or any outside auditor performing the function of an internal auditing department) and the independent accountants in separate executive sessions. The Committee may request any officer or employee of the Company or the Company's outside counsel or the internal auditing department (or any outside auditor performing the function of an internal auditing department) to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee may meet in person, by telephone conference call or in any other manner in which the Board or the Committee is permitted to meet under law or the Company's bylaws. The Committee may also act by unanimous written consent in lieu of a meeting.

**Transaction of Business.** A majority of the members of the Committee constitute a quorum for the transaction of business. A majority of the members of the Committee present at any meeting at which a quorum is present are competent to act. Except as expressly provided in this Charter or in the Company's bylaws or corporate governance guidelines, the Committee may determine additional rules and procedures to govern it or any of its subcommittees, including designation at any meeting of a chairperson pro tempore in the absence of the chairperson and of a secretary (who need not be a member of the Committee) for that meeting.

**Minutes; Reports to the Board.** The Committee shall keep minutes of all meetings and of all actions taken by the Committee, file such minutes with the Secretary of the Company and provide a copy of such minutes to the Board. The Committee, either directly or through its chairperson, shall provide the Board with regular reports on its activities and any recommendations by the Committee to the Board.

**Fees; Reimbursement of Expenses.** Each member of the Committee shall be paid the fees set by the Board for his or her services as a member or chairperson of the Committee. Subject to the Company's corporate governance guidelines and other policies, members of the Committee shall be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as members of the Committee.