NEWFIELD EXPLORATION CO /DE/
Form 10-K
February 24, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2014

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 (State of incorporation)	72-1133047 (I.R.S. Employer Identification No.)
4 Waterway Square Place, Suite 100, The Woodlands, Texas (Address of principal executive offices)	77380 (Zip Code)

Registrant's telephone number, including area code:
(281) 210-5100
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No þ

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $5.9 billion as of June 30, 2014 (based on the last sale price of such stock as quoted on the New York Stock Exchange).

As of February 20, 2015, there were 137,387,180 shares of the registrant’s common stock, par value $0.01 per share, outstanding.

Documents incorporated by reference: Portions of the Proxy Statement of Newfield Exploration Company for the Annual Meeting of Stockholders to be held May 15, 2015, which is incorporated by reference to the extent specified in Part III of this Form 10-K.

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If you are not familiar with any of the oil and gas terms used in this report, we have provided explanations of many of them under the caption "Commonly Used Oil and Gas Terms" at the end of Items 1 and 2 of this report. Unless the context otherwise requires, all references in this report to "Newfield," "we," "us," "our" or the "Company" are to Newfield Exploration Company and its subsidiaries. Unless otherwise noted, all information in this report relating to oil and gas reserves and the estimated future net cash flows attributable to those reserves are based on estimates we prepared and are net to our interest.

Forward-Looking Information

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). All statements, other than statements of historical facts included in this report, are forward-looking, including information relating to anticipated future events or results, such as planned capital expenditures, the availability and sources of capital resources to fund capital expenditures and other plans and objectives for future operations. Forward-looking statements are typically identified by use of terms such as "may," "believe," "expect," "anticipate," "intend," "estimate," "proj "target," "goal," "plan," "should," "will," "predict," "potential" and similar expressions that convey the uncertainty of future e or outcomes. Although we believe that the expectations reflected in such forward-looking statements are reasonable, this information is based upon assumptions and anticipated results that are subject to numerous uncertainties and risks. Actual results may vary significantly from those anticipated due to many factors, including:

- oil, natural gas and natural gas liquids (NGL) prices;
- the availability and volatility of the securities, capital or credit markets and the cost of capital to fund our operations and business strategies;
- accuracy and fluctuations in our reserves estimates due to sustained low commodity prices;
- ability to develop existing reserves or acquire new reserves;
- the timing and our success in discovering, producing and estimating reserves;
- sustained decline in commodity prices could result in writedowns of assets;
- operating hazards inherent in the exploration for and production of oil and natural gas;
- general economic, financial, industry or business trends or conditions;
- the impact of, and changes in, legislation, law and governmental regulations, including those related to hydraulic fracturing, climate change and over-the-counter derivatives;
- land, legal, regulatory, and ownership complexities inherent in the U.S. oil and gas industry;
- the impact of regulatory approvals;
- the availability and volatility of the securities, capital or credit markets and the cost of capital to fund our operations and business strategies;
- the ability and willingness of current or potential lenders, derivative contract counterparties, customers and working interest owners to fulfill their obligations to us or to enter into transactions with us in the future on terms that are acceptable to us;
- the prices and quantities of commodities reflected in our commodity derivative arrangements as compared to the actual prices or quantities of commodities we produce or use;
- the volatility and liquidity in the commodity futures and commodity and financial derivatives markets;
- drilling risks and results;
- the prices and availability of goods and services;
- the cost and availability of drilling rigs and other support services;
- global events that may impact our domestic and international operating contracts, markets and prices;

•labor conditions;
•weather conditions;
•environmental liabilities that are not covered by an effective indemnity or insurance;
•competitive conditions;
•terrorism or civil or political unrest in a region or country;
•our ability to monetize non-strategic assets, pay debt and the impact of changes in our investment ratings;
•electronic, cyber or physical security breaches;
•changes in tax rates;
•inflation rates;
•financial counterparty risk;
•the effect of worldwide energy conservation measures;
•the price and availability of, and demand for, competing energy sources;
•the availability (or lack thereof) of acquisition, disposition or combination opportunities; and
•the other factors affecting our business described below under the caption "Risk Factors."

Should one or more of the risks described above occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements in this report, as well as all other written and oral forward-looking statements attributable to us or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report. See Items 1 and 2, "Business and Properties," Item 1A, "Risk Factors," Item 3, "Legal Proceedings," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" for additional information about factors that may affect our businesses and operating results. These factors are not necessarily all of the important factors that could affect us. Use caution and common sense when considering these forward-looking statements. Unless securities laws require us to do so, we do not undertake any obligation to publicly correct or update any forward-looking statements whether as a result of changes in internal estimates or expectations, new information, subsequent events or circumstances or otherwise.

PART I
Items 1 and 2. Business and Properties

General

Newfield Exploration Company is an independent energy company engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids. We are a Delaware corporation, incorporated in 1988, that has been publicly traded on the New York Stock Exchange (NYSE) since 1993. We have a unique history of growth, evolving from an offshore, Gulf of Mexico natural gas producer to an onshore, domestic producer focused on liquids-rich resource plays and included in the S&P 500.

Our principal areas of operation are oil and liquids-rich resource plays in the Mid-Continent, Rocky Mountains and onshore Gulf Coast regions of the United States. In addition, we have offshore oil developments in China.

Executive Summary

- Domestic production increased 19% over 2013 to 47.9[(1)] MMBOE. Domestic liquids production grew 38% year-over-year. Consolidated fourth quarter production was 138[(2)] MBOEPD (60% liquids);

- Thirteen year reserve life index (based on 2014 production);

- Approximately 96% of Newfield's 645 MMBOE of proved reserves (47% oil, 12% NGLs and 41% natural gas) are located onshore U.S. Domestic liquids reserves increased 17% year-over-year and represent 57% of domestic proved reserves;

- Proved reserves grew 14% year-over-year (adjusted for 2014 asset sales of 49 MMBOE). Total company and domestic PV-10[(3)] increased 9% and 16%, respectively, over the prior year-end to $8.8 billion and $7.7 billion, respectively. Approximately 52% of reserves are proved developed;

- The Anadarko Basin is now the Company's largest producing region, averaging 54,000 BOEPD in the fourth quarter of 2014. The Anadarko Basin comprises 28% of total proved reserves. Acreage in the basin increased to nearly 300,000 net acres;

- Demonstrated continued operational efficiencies, drilling "best in class" wells in each of our four primary focus areas. Average domestic lease operating expenses, on a per barrel basis, decreased 7% over 2013;

- Sold $1.5 billion in non-strategic assets and used proceeds to redeem our $600 million 7 % Senior Subordinated Notes due 2018; and

- Commenced production from the Pearl oil development, located offshore China.

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(1) Includes 8.5 Bcf of natural gas produced and consumed in operations.

(2) Includes 2.1 Bcf (3.8 MBOEPD) of natural gas produced and consumed in operations.

(3) PV-10 (as defined) is considered a non-GAAP financial measure by the SEC. See non-GAAP reconciliation in "Reserves – Reserves Sensitivities" below.

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2015 Outlook

Until the last six months, crude oil prices have been reasonably stable, with NYMEX WTI averaging approximately $95 per barrel over the past four years. During this time period, relatively easy access to low-cost capital and advances in horizontal drilling and fracture stimulations led to significant growth in U.S. oil supply. Production in the U.S. in October 2014 surpassed 9 million barrels a day, a level not seen since the mid-1980s. As a result of increased U.S. production as well as other global supply and demand factors, crude oil prices declined by nearly 50% during the fourth quarter of 2014 and continuing into the first quarter of 2015. As of February 20, 2015, NYMEX WTI was approximately $50 per barrel and the three-year forward curve for NYMEX WTI was $61.37 per barrel. In light of the foregoing, projected capital spending and drilling programs by exploration and production companies are expected to dramatically decline.

Given the uncertainty regarding the timing and magnitude of an eventual recovery of crude oil prices, we have reduced planned capital spending in 2015 by approximately 40% compared to 2014 levels, to $1.2 billion (excluding approximately $120 million of expected capitalized interest and direct internal costs). At this investment level, capital expenditures and cash flows for 2015 are expected to be relatively balanced.

Our primary goals during the next 12 months include:

- preserving liquidity and financial strength;
- limiting new borrowings and balancing capital investments with cash flows;
- high-grading investments based on rates of return;
- implementing a plan to reduce gross general and administrative expenses by 10% to 15%; and
- implementing a plan to reduce domestic per unit lease operating costs by approximately 5% to 15%.

Our 2015 domestic production, at the mid-point, is expected to be about 48.5 MMBOE, up 8% when adjusted for asset sales during 2014. Including oil production from our recent Pearl development, offshore China, our total company production is expected to increase 18% year-over-year.
Our estimated 2015 capital expenditure budget and estimated production for our strategic plays are shown below:

We are planning to reduce our activity levels in lower-return “held-by-production” areas across our portfolio, allowing for increased investment in the higher-return Anadarko Basin of Oklahoma. Approximately 70% of our planned capital investments in 2015 will be allocated to the Anadarko Basin, which is characterized by resilient economics at lower prices and a deep inventory of drilling opportunities in the SCOOP, STACK and Springer plays. We expect the ongoing reduction of service costs to further enhance returns in these plays. As such, we have elected to significantly slow down our investments in the Uinta Basin, Williston Basin and Eagle Ford plays.

We currently expect to fund 2015 investments through cash flows from operations (inclusive of realized derivative contract gains and losses) and borrowings under our credit facility, as needed. At year-end 2014, more than 85% of our expected 2015 domestic crude oil production was subject to derivative instruments intended to manage the variability associated with future changes in commodity prices. For a complete discussion of our derivative activities, a list of open contracts as of December 31, 2014 and the estimated fair value of those contracts as of that date, see Note 5, “Derivative Financial Instruments,” to our consolidated financial statements in Item 8 of this report.

Our Business Strategy

Despite a reduced capital budget in 2015 that is reflective of the current price environment, our primary, long-term goal continues to be delivering stockholder value through consistent growth of cash flow, production and reserves. Over the past several years, we have refined our asset base and focused our investments on oil and liquids-rich resource plays in the United States. Today, we operate in several U.S. basins with our primary growth area located in the Anadarko Basin. The Anadarko Basin has an extensive inventory of attractive opportunities capable of sustainable growth. Key components of our business strategy include:

Focusing on organic opportunities through disciplined capital investments. While we consider various growth opportunities, including strategic acquisitions, our primary focus is organic growth. Our capital program is designed to allocate investments based on projects that maximize our production and reserve growth at attractive returns.

Continuously improving operations and returns. Controlling the costs to find, develop and produce oil, natural gas and NGLs is critical to creating long-term stockholder value. Our focus areas are characterized by large, contiguous acreage positions and multiple, stacked geologic horizons. As the operator of a majority of our leaseholds, we believe we can consistently increase production and reserves while improving operational efficiencies. For example, in 2014, we reduced our drilling days to total depth by as much as 11% in SCOOP and 24% in STACK, our largest capital investment areas.

Preserving a strong and flexible capital structure. Maintaining a strong capital structure that protects our balance sheet and liquidity is central to our business strategy. For 2015, our goal will be to continue to preserve financial flexibility through strong credit metrics and ample liquidity as we seek to manage the inherent commodity price and operational risks in our industry. As we have done historically, we may adjust our capital program throughout the year, divest non-strategic assets and use derivatives to protect a portion of our future production from commodity price volatility to ensure adequate funds to execute our drilling programs. For example, in 2014, we sold our Granite Wash and other non-strategic assets for approximately $600 million and used the proceeds to redeem our $600 million 7 % Senior Subordinated Notes due 2018.

Maintaining a diverse asset base with ongoing portfolio management. Beginning in 2009, we transitioned from a conventional, natural gas-focused company to an unconventional company focused on oil and liquids-rich resource plays in the United States. By maintaining an asset portfolio focused on several key U.S. basins, we increase our flexibility to respond to, and limit our exposure to, the volatility and unique risks our industry faces, such as geologic risks, geographic risks and regional price risks. In line with this element of our strategy and the current weakness in commodity prices, approximately 70% of our 2015 capital investments will be focused on the high-return SCOOP and STACK plays of the Anadarko Basin in Oklahoma.

Executing select, strategic acquisitions and divestitures. We target complementary acquisitions in existing core areas and focus on acquisition opportunities where our operating and technical knowledge is transferable and drilling results can be forecasted with confidence. In addition, from 2012 through 2014, we divested over $2.1 billion in non-strategic assets, supplementing our cash flow and allowing our teams to focus on our core resource plays.

Attracting and retaining quality employees who are aligned with stockholders' interests. We believe in hiring top-tier talent and are committed to our employees' career development. We believe that employees should be rewarded for their performance and that their interests should be aligned with those of our stockholders. As a result, we reward and encourage our employees through performance-based annual compensation and long-term equity-based incentives.

Description of Properties

We have strategically focused on onshore resource plays in the United States. Our domestic plays represent approximately 96% of our proved reserves at year-end 2014. The remaining 4% of our proved reserves are attributable to our offshore developments in China.

Mid-Continent. Approximately 46% of our proved reserves are located in our Mid-Continent region. Our assets are comprised of more than 400,000 net acres in the Anadarko and Arkoma basins where we have over a decade of experience developing the Woodford Shale.

Anadarko Basin. We have about 300,000 net acres in the Anadarko Basin. As of December 31, 2014, we had drilled approximately 138 wells in the Anadarko Basin, with wells yielding high volumes of oil and natural gas liquids. Our average net production in the fourth quarter of 2014 was approximately 54,000 BOEPD (27% oil and 34% NGLs), an increase of 118% compared to the fourth quarter of 2013.

Arkoma Basin. We have significant dry gas production from the Arkoma Basin. The area represents approximately 18% of our total consolidated proved reserves. Our investment levels in this area have been significantly curtailed due to low natural gas prices over the past several years. As of December 31, 2014, we had approximately 146,000 net acres in the Arkoma Basin and our net production for the fourth quarter of 2014 was approximately 18,000 BOEPD (99% dry gas). Substantially all of our acreage in this region is held by production.

Rocky Mountains. Approximately 43% of our proved reserves at year end 2014 are located in the Rocky Mountains region. We are assessing and developing our Rocky Mountains region, which is comprised of more than 250,000 net acres in the Williston Basin of North Dakota and Montana as well as the Uinta Basin of Utah. Our assets are primarily oil and are characterized by long-lived production.

Williston Basin. We have approximately 92,000 net acres in the Williston Basin, of which approximately 40,000 acres are being developed in the Bakken and Three Forks plays of North Dakota. Our activities are currently focused on development and we are drilling multi-well pads with lateral lengths as long as 10,000 feet. Fourth quarter 2014 net production averaged approximately 20,000 BOEPD (74% oil and 10% NGLs), representing an increase of 47% compared to the fourth quarter of 2013.

Uinta Basin. We have approximately 225,000 net acres in the Uinta Basin, and our operations can be divided into two areas: the Greater Monument Butte Unit (GMBU) waterflood and an area to the north and adjacent to the GMBU that we refer to as the Central Basin.

Our net production from the Uinta Basin during the fourth quarter of 2014 averaged approximately 25,000 BOEPD (78% oil and 3% NGLs). As of December 31, 2014, we have drilled a combination of 83 vertical and horizontal wells in the Central Basin to hold our acreage. Overall production in the Uinta Basin grew 11% in the fourth quarter of 2014 compared to the fourth quarter of 2013.

Onshore Gulf Coast. About 7% of our proved reserves are located in the onshore Gulf Coast region. We have approximately 25,000 net acres currently in development, most of which are located primarily in Dimmit and Atascosa counties in Texas. Our acreage in the Eagle Ford play produced approximately 11,000 BOEPD (52% oil and 24% NGLs) during the fourth quarter of 2014.

China. Approximately 23 MMBOE, or 4%, of our proved reserves are located in China. Our Pearl facility, located in the South China Sea, is currently producing oil from three wells. An additional four wells are planned that will require net capital investments in 2015 of approximately $40 million. The Pearl facility is expected to reach peak production by mid-2015. Previously, our China assets were included in discontinued operations as they were being marketed for sale. In December 2014, after not being able to obtain an acceptable offer for our China business due to the substantial decline in commodity prices, we decided to retain the assets. Accordingly, the China business was reclassified to continuing operations during the fourth quarter of 2014.

Other. Over the last several years, we slowed our activities in our conventional natural gas plays and have sold numerous non-strategic assets. As of December 31, 2014, our conventional onshore plays in Texas produced approximately 5,700 BOEPD, consisting of 200 BOPD of oil, 300 BOEPD of NGLs and 31 MMcf/d of natural gas. We expect our production in these conventional plays to continue to experience natural declines in 2015 due to limited investment.

Divestitures

Over the last three years, we have divested over $2.1 billion of non-strategic assets in order to re-align our strategic focus toward liquids-rich resource plays in the United States, reduce overall debt and enhance liquidity. In conjunction with our continued portfolio management strategy, we sold or closed the sale of certain assets in 2014 as described below.

Granite Wash. In September 2014, we closed on the sale of our Granite Wash assets, located primarily in Texas, for approximately $588 million (subject to customary purchase price adjustments). We used proceeds from the Granite Wash sale to repay outstanding debt. Please see discussion in Note 4, “Oil and Gas Assets,” to our consolidated financial statements in Item 8 of this report.

Malaysia. In February 2014, Newfield International Holdings, Inc., a wholly-owned subsidiary of the Company, closed the sale of our Malaysia business to SapuraKencana Petroleum Berhad, a Malaysian public company, for $898 million. We used proceeds from the sale of our Malaysia business to fund capital expenditures during 2014. Please see discussion in Note 3, “Discontinued Operations,” to our consolidated financial statements in Item 8 of this report.

Reserves

Estimates of Proved Reserves

All reserve information in this report is based on estimates prepared by our petroleum engineering staff and is the responsibility of management. The preparation of our oil and gas reserves estimates is completed in accordance with our prescribed internal control procedures, which include verification of data input into our reserves forecasting and economics evaluation software, as well as multi-discipline management reviews, as described below. The technical employee responsible for overseeing the preparation of the reserves estimates has a Bachelor of Science in Petroleum Engineering, with more than 30 years of experience (including over 20 years of experience in reserve estimation).

Our reserves estimates are made using available geological and reservoir data as well as production performance data. These estimates, made by our petroleum engineering staff, are reviewed annually with management and revised, either upward or downward, as warranted by additional data. The data reviewed includes, among other things, seismic data, well logs, production tests, reservoir pressures, and individual well and field performance data. The data incorporated into our interpretations includes structure and isopach maps, individual well and field performance and other engineering and geological work products such as material balance calculations and reservoir simulation to arrive at conclusions about individual well and field projections. Additionally, offset performance data, operating expenses, capital costs and product prices factor into estimating quantities of reserves. Revisions are necessary due to changes in, among other things, reservoir performance, prices, economic conditions and governmental regulations, as well as changes in the expected recovery rates associated with development drilling. Sustained decreases in prices, for example, may cause a reduction in some reserves due to reaching economic limits sooner.

Actual quantities of reserves recovered will most likely vary from the estimates set forth below. Reserves and cash flow estimates rely on interpretations of data and require assumptions that may be inaccurate. For a discussion of these interpretations and assumptions, see “Actual quantities of oil, gas and NGL reserves and future cash flows from those reserves will most likely vary from our estimates” under Item 1A, “Risk Factors,” of this report. See “Supplementary Financial Information — Supplementary Oil and Gas Disclosures” in Item 8 of this report for additional reserves disclosures.

At year-end 2014, we had proved reserves of 645 MMBOE, 5% higher than year-end 2013. The table below summarizes our proved reserves by area at December 31, 2014.

	Proved Reserves (MMBOE)	Percentage of Proved Reserves	
Domestic:			
Mid-Continent	294	46	%
Rocky Mountains	280	43	%
Onshore Gulf Coast	48	7	%
Total Domestic	622	96	%
International:			
China	23	4	%

Total	645	100	%

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The following table shows by country and in the aggregate a summary of our proved oil and gas reserves as of December 31, 2014.

	Oil and Condensate (MMBbls)	Natural Gas (Bcf)	NGLs (MMBbls)	Total (MMBOE)
Proved Developed Reserves:				
Domestic	135	938	38	329
China	9	—	—	9
Total Proved Developed	144	938	38	338
Proved Undeveloped Reserves:				
Domestic	143	669	38	293
China	14	—	—	14
Total Proved Undeveloped	157	669	38	307
Total Proved Reserves	301	1,607	76	645

Total Proved Reserves

Our estimates of proved reserves and related PV-10 and standardized measure of future net cash flows as of December 31, 2014 are calculated based upon SEC pricing, which uses a twelve-month unweighted average first-day-of-the-month oil and natural gas benchmark prices, adjusted for marketing and other differentials. The prices of crude oil, domestic natural gas and NGLs have declined substantially since June 2014. Sustained lower prices will result in future SEC pricing being substantially lower, which, absent significant proved reserve additions and/or cost reductions, will reduce future estimated proved reserve volumes due to lower economic limits and economic return thresholds for undeveloped reserves, as well as impact our quarterly full cost impairment ceiling tests and volume-dependent depletion cost calculations.

Our year-end 2014 proved reserves of 645 MMBOE consisted of 291 MMBOE proved developed producing, 47 MMBOE proved developed non-producing and 307 MMBOE proved undeveloped reserves. Our proved liquids reserves at year-end 2014 were 377 million barrels, compared to 338 million barrels at year-end 2013, an increase of 12%. During 2014, oil and condensate reserves increased 31 million barrels and NGL reserves increased 8 million barrels. At year-end 2014, 80% of our proved liquids reserves were crude oil or condensate. At December 31, 2014, our proved natural gas reserves were 1,607 Bcf, which represented a decrease of 2% compared to 2013.

During 2014, we added 72 MMBOE through extensions, discoveries and other additions. Consistent with our continued focus on domestic liquids, our 2014 additions were 99% domestic and 74% were liquids, which was 42 million barrels of oil and 12 million barrels of NGLs. Through infill drilling revisions, we added 77 MMBOE. At December 31, 2014, the SEC pricing for natural gas was $4.35 per MMBtu, a 19% increase compared to the prior year-end, and pricing for oil was $94.98 per barrel, a 2% decrease compared to the prior year-end. As a result, we revised our total proved reserves upward by 3 MMBOE for pricing changes. During 2014, we purchased 9 MMBOE and divested 49 MMBOE. Divestitures included 38 MMBOE in the Granite Wash and 10 MMBOE in Malaysia. During 2014, we had a negative 29 MMBOE performance revision primarily associated with the Arkoma Woodford, the Greater Monument Butte Unit and the Uinta's Wasatch formation.

Proved Undeveloped Reserves

Our proved undeveloped reserves at December 31, 2014 were 307 MMBOE compared to 275 MMBOE at December 31, 2013. Liquids comprised 64% of our total proved undeveloped reserves as of December 31, 2014. During 2014, we invested approximately $0.8 billion of drilling, completion and facilities-related capital to convert 60 MMBOE of our December 31, 2013 proved undeveloped reserves into proved developed reserves. During 2014, we added 52 MMBOE of new proved undeveloped reserves through discoveries, extensions and other additions. In 2014, we had positive revisions of 34 MMBOE that were primarily related to successful infill drilling in our large onshore areas such as the Anadarko Basin offset by development plan updates. During 2014, we had a 6 MMBOE net increase due to sales and acquisitions. We continually assess the economic viability of our proved undeveloped reserves and direct capital resources to develop the areas that will provide the greatest stockholder value.

Proved undeveloped reserve quantities are limited by the activity level of development drilling we have intent to undertake during the 2015-2019 five-year period. We have estimated capital expenditures of approximately $575 million to develop our proved undeveloped reserves in 2015 in our reserve report as of December 31, 2014, which is consistent with our 2015 capital budget. Of the 307 MMBOE of proved undeveloped reserves at December 31, 2014, 39 MMBOE is associated with the Greater Monument Butte waterflood and exceed five years from the date of first booking. The waterflood requires the timely and orderly drilling of production and water injection wells, conversion of producing wells to injection wells and the injection of certain amounts of water before all producing wells are drilled to optimize oil recovery and project economics. For additional information regarding the changes in our proved reserves, see our "Supplementary Financial Information — Supplementary Oil and Gas Disclosures" under Item 8 of this report.

During the years 2012, 2013 and 2014, we developed 9%, 12% and 22%, respectively, of our prior year-end proved undeveloped reserves. The development plans in our year-end reserve report reflect (i) the allocation of capital to projects in the first year of activity based upon the initial budget for such year and (ii) in subsequent years, the capital allocation in our five-year business plan, each of which generally is governed by our expectations for capital investment in such time period. Changes in commodity pricing between the time of preparation of the reserve report and actual investment, investment alternatives that may have been added to our portfolio of assets, changes in the availability and costs of oilfield services, and other economic factors may lead to changes in our development plans. As a result, the future rate at which we develop our proved undeveloped reserves may vary from historical development rates. Continued sustained low oil and natural gas prices through 2015 could also render some of our proved undeveloped reserves uneconomic at SEC pricing or compel us to reevaluate our project commitments to certain development projects.

Reserves Sensitivities

Our year-end 2014 reserve estimates were prepared using SEC pricing for crude oil of $94.98 per barrel and natural gas of $4.35 per MMBtu. The current forward curve for commodity prices is materially lower compared to year-end 2014 SEC pricing; therefore, the following sensitivity table is provided to illustrate the estimated impact on our proved reserve volumes and value. In addition to different price assumptions, the sensitivities below include assumed capital and expense reductions we expect to realize at lower commodity prices. The reduction in proved reserve volumes is attributable to reaching the economic limit sooner. The proved undeveloped change in volumes is a result of well locations no longer meeting our investment criteria as well as reaching the economic limit sooner.

These sensitivity cases are only to demonstrate the impact that a lower price and cost environment may have on reserves volumes and PV-10. There is no assurance that these prices or cost savings will actually be achieved.

	Actual at December 31, 2014	Sensitivity A	Sensitivity B
Crude oil price (per Bbl)	$ 94.98 (1)	$ 70.00 (2)	$ 60.00 (2)
Natural gas price (per MMBtu)	$ 4.35 (1)	$ 4.00 (2)	$ 3.50 (2)
Capital expenditure reduction	n/a	25 %	25 %
Operating expense reduction	n/a	15 %	15 %
Proved developed reserves (MMBOE)	338	335	328
Proved undeveloped reserves (MMBOE)	307	299	266
Total proved reserves (MMBOE)	645	634	594
Proved reserve PV-10 value (before tax, in millions)	$ 8,787	$ 6,210	$ 4,472
Present value of future income tax expense	2,575	1,399	713
Standardized measure of discounted future net cash flows	$ 6,212	$ 4,811	$ 3,759

(1) SEC pricing before adjustment for market differentials.

(2) Prices represent potential SEC pricing based on different pricing assumptions before adjustment for market differentials.

PV-10 is a non-GAAP financial measure and generally differs from the standardized measure of discounted future net cash flows (the most directly comparable measure calculated and presented under U.S. generally accepted accounting principles), because it does not include the effects of income taxes on future net revenues. Neither PV-10 nor the standardized measure represents an estimate of the fair market value of our crude oil and natural gas properties. We and others in the oil and natural gas industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies without regard to the specific income tax characteristics of such entities. The following table shows a reconciliation of PV-10 to the standardized measure:

	Continuing Operations		Discontinued Operations	
	Domestic	China	Malaysia	Total
	(In millions)			
December 31, 2014:				
Proved reserve PV-10 value (before tax)	$7,723	$1,064		