

NOBLE ENERGY INC
Form 8-K
January 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): January 14, 2010

NOBLE ENERGY, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-07964
Commission
File Number

73-0785597
(I.R.S. Employer
Identification No.)

100 Glenborough Drive,
Suite 100
Houston, Texas
(Address of principal executive
offices)

77067
(Zip Code)

Registrant's telephone number, including area code: (281) 872-3100

(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

I. Commodity Price Risk Management

For the quarter and year to date ended December 31, 2009, we anticipate pre-tax losses on commodity derivative instruments of \$16 million and \$110 million, respectively, from our crude oil and natural gas derivative instruments as presented below.

	Three Months Ended December 31, 2009		
	Crude Oil	Natural Gas (in millions)	Total
Cash received on settlements, net	\$ 22	\$ 49	\$ 71
Settlement of deferred losses previously recorded in AOCL	12	-	12
Realized MTM gain, net	34	49	83
Unrealized MTM loss, net	(96)	(3)	(99)
(Loss) gain on commodity derivative instruments	\$ (62)	\$ 46	\$ (16)

	Year Ended December 31, 2009		
	Crude Oil	Natural Gas (in millions)	Total
Cash received on settlements, net	\$ 188	\$ 250	\$ 438
Settlement of deferred losses previously recorded in AOCL	58	-	58
Realized MTM gain, net	246	250	496
Unrealized MTM loss, net	(401)	(205)	(606)
(Loss) gain on commodity derivative instruments	\$ (155)	\$ 45	\$ (110)

Realized mark-to-market (MTM) gains associated with derivative instruments that hedge current production will be recognized in both net income and adjusted net income reported in our quarterly news release of earnings. Unrealized MTM losses will be recognized in net income, but will be excluded in determining adjusted net income to better match derivative gains and losses with the period when the underlying hedged production occurs.

Cash receipts related to realized MTM gains were partially offset by net deferred losses previously recorded in Accumulated Other Comprehensive Loss (AOCL) associated with instruments that settled during the periods presented above. Upon settlement, these deferred losses were reclassified from AOCL to net income as decreases to crude oil revenues, and impact reported realized commodity prices. Unrealized derivative losses and gains that occurred through December 31, 2007 under our previous cash flow hedge accounting method were deferred in AOCL as of that date. Crude oil and natural gas pre-tax net deferred losses of \$19 million and \$1 million, respectively, remain in AOCL as of December 31, 2009. These losses are expected to be recognized as decreases to revenue and will impact reported realized commodity prices during the remainder of 2010 as the associated derivative instruments settle. All other commodity derivative gains or losses subsequent to our voluntary discontinuation of cash flow hedge accounting are recognized as Gain or Loss on Commodity Derivative Instruments, and do not impact reported realized commodity prices.

From time to time, we may consider other items in determining adjusted net income. Adjusted net income should not be considered a substitute for net income as reported in accordance with generally accepted accounting principles (GAAP). Adjusted net income is provided for comparison to earnings forecasts prepared by analysts and other third parties. Our management believes, and certain investors may find, that adjusted net income is beneficial in evaluating our financial performance.

II. Derivative Instruments

(a) Presented below is a summary of our crude oil derivative instruments as of December 31, 2009, with notional volumes expressed in barrels (Bbls) per day and prices in dollars per Bbl.

Production Period	Variable to Fixed Price Swaps				Collars		
	Index	Bbls Per Day	Weighted Average Fixed Price	Index	Bbls Per Day	Weighted Average Floor Price	Weighted Average Ceiling Price
2010	NYMEX WTI (1) Dated	1,000	\$ 78.70	NYMEX WTI Dated	14,500	\$ 61.48	\$ 75.63
2010	Brent	1,000	80.05	Brent	7,000	64.00	73.96
2010 Average		2,000	79.38		21,500	62.30	75.09
2011	-	-	-	NYMEX WTI	6,000	79.00	87.42

(1) West Texas Intermediate

From January 1, 2010 to January 13, 2010, we entered into additional NYMEX WTI swaps covering 2,000 Bbls per day for April through December 2010 with a weighted average fixed price of \$85.69. We also entered into additional NYMEX WTI collars covering 2,000 Bbls per day for calendar year 2011 with weighted average floor and ceiling prices of \$84.00 and \$92.70, respectively.

(b) Presented below is a summary of our natural gas derivative instruments as of December 31, 2009, with notional volumes expressed in millions of British thermal units (MMBtu) per day and prices in dollars per MMBtu.

Production Period	Variable to Fixed Price Swaps				Collars		
	Index	MMBtu Per Day	Weighted Average Fixed Price	Index	MMBtu Per Day	Weighted Average Floor Price	Weighted Average Ceiling Price
2010	NYMEX HH (1)	20,000	\$ 6.10	NYMEX HH	210,000	\$ 5.90	\$ 6.73
2010	-	-	-	IFERC CIG (2)	15,000	6.25	8.10
2010 Average		20,000	6.10		225,000	5.93	6.82
2011	-	-	-	NYMEX HH	140,000	5.95	6.82

Production Period	Basis Swaps			
	Index	Index Less Differential	MMBtu Per Day	Weighted Average Differential
2010	IFERC CIG	NYMEX HH	100,000	\$ (1.60)
2011			110,000	(0.76)

IFERC	NYMEX
CIG	HH

- (1) Henry Hub
- (2) Colorado Interstate Gas – Northern System

From January 1, 2010 to January 13, 2010, we entered into additional NYMEX HH swaps covering 20,000 MMBtu per day for April through December 2010, and 20,000 MMBtu per day for calendar year 2011 with weighted average fixed prices of \$6.11 and \$6.42, respectively. We also entered into an additional basis swap covering 10,000 MMBtu per day for April through December 2010 with a NYMEX HH to IFERC CIG differential of \$(0.44).

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III. Forward-Looking Statements

This report on Form 8-K contains projections and other “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements are typically identified by use of terms such as “may,” “will,” “expect,” “anticipate,” “estimate” and similar words, although some forward-looking statements may be expressed differently. These forward-looking statements are made based upon our current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties. Important factors that could cause the actual results to differ materially from those projected include, without limitation:

- the timing and extent of changes in commodity prices for natural gas, crude oil and related products, foreign currency exchange rates, interest rates and financial market conditions;
 - the extent and effect of any hedging activities engaged in by us;
- our liquidity and ability to finance our exploration and development activities;
- changes in plans with respect to exploration or development projects or capital expenditures;
- the supply and demand for oil, natural gas and other products or services;
 - the presence or recoverability of estimated reserves;
 - our ability to replace reserves;
 - exploration and development risks;
 - drilling and operating risks;
 - environmental risks;
 - government regulation or other action; and
- the ability of management to execute its plans to meet its goals.

We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. You should consider carefully the statements under Item 1A. Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2008, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements. Our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are available on our website at www.nobleenergyinc.com.

SIGNATURE

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

NOBLE ENERGY, INC.

Date: January 14, 2010

By: /s/ Frederick B. Bruning
Frederick B. Bruning
Vice President and Chief Accounting Officer

