WPX ENERGY, INC.
Form 10-K/A
April 20, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

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 No. 1-35322

WPX Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**45-1836028** **(I.R.S. Employer** **Identification No.)**
One Williams Center, Tulsa, Oklahoma **(Address of principal executive offices)**	**74172-0172** **(Zip Code)**

(800) 945-5426

(Registrant s telephone number, including area code)

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	**The New York Stock Exchange, Inc.**

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 ¨ No x

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

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 ¨ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. x

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.

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

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

As of June 30, 2011, the registrant s common stock was not publicly traded. The number of shares of the registrant s common stock outstanding at April 16, 2012, was 198,714,249.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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Unless the context requires otherwise, references in this report to WPX, we, us, our and the Company refer to WPX Energy, Inc. and its subsidiaries.

EXPLANATORY NOTE

This Amendment No. 1 amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was originally filed with the Securities and Exchange Commission, or SEC, on February 28, 2012. We are filing this Amendment to include the information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K because we will not file a definitive proxy statement containing this information with the SEC within 120 days after the end of our fiscal year ended December 31, 2011. We are also filing this Amendment for the purpose of making a clerical correction to the date of the report of Ernst & Young LLP, our independent registered public accounting firm, contained in Item 8 of our original Form 10-K. Note 19 of the Notes to Consolidated Financial Statements has been added to include certain information subsequent to the date of the report of Ernst & Young LLP. Except as expressly noted in this Amendment, this Amendment does not reflect events occurring after the original filing of our Form 10-K or modify or update in any way any of the other disclosures, including the audited financial statements, contained in our Form 10-K. Accordingly, this Amendment should be read in conjunction with our Form 10-K and other SEC filings.

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PART II

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of WPX Energy, Inc.

We have audited the accompanying consolidated balance sheet of WPX Energy, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audit also included the financial statement schedule listed in the Index at Item 15.(a). These financial statements are the responsibility of the Company 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of WPX Energy, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Tulsa, Oklahoma

February 28, 2012

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WPX Energy, Inc.

Consolidated Statement of Operations

	Years Ended December 31,		
	2011	2010	2009
	(Millions, except per share amounts)		
Revenues:			
Product revenues, including sales to Williams:			
Natural gas sales	$ 1,795	$ 1,812	$ 1,929
Natural gas liquid sales	408	285	139
Oil and condensate sales	315	128	97
Total product revenues, including sales to Williams	2,518	2,225	2,165
Gas management, including sales to Williams	1,428	1,742	1,456
Hedge ineffectiveness and mark to market gains and losses	29	27	18
Other	13	40	42
Total revenues	3,988	4,034	3,681
Costs and expenses:			
Lease and facility operating, including expenses with Williams	295	286	263
Gathering, processing and transportation, including expenses with Williams	499	326	273
Taxes other than income	140	125	93
Gas management, including charges for unutilized pipeline capacity	1,473	1,771	1,495
Exploration	134	73	54
Depreciation, depletion and amortization	949	875	887
Impairment of producing properties and costs of acquired unproved reserves	547	678	15
Goodwill impairment		1,003	
General and administrative, including expenses with Williams	285	253	251
Other net	1	(19)	33
Total costs and expenses	4,323	5,371	3,364
Operating income (loss)	(335)	(1,337)	317
Interest expense, including expenses with Williams	(117)	(124)	(100)
Interest capitalized	9	16	18
Investment income and other	26	21	8
Income (loss) from continuing operations before income taxes	(417)	(1,424)	243
Provision (benefit) for income taxes	(145)	(149)	96
Income (loss) from continuing operations	(272)	(1,275)	147
Loss from discontinued operations	(20)	(8)	(7)
Net income (loss)	(292)	(1,283)	140
Less: Net income attributable to noncontrolling interests	10	8	6
Net income (loss) attributable to WPX Energy	$ (302)	$ (1,291)	$ 134
Amounts attributable to WPX Energy, Inc.:			
Basic and diluted earnings (loss) per common share (see Note 6):			
Income (loss) from continuing operations	$ (1.43)	$ (6.51)	$ 0.71
Loss from discontinued operations	(0.10)	(0.04)	(0.03)

Net income (loss)	$ (1.53)	$ (6.55)	$ 0.68
Weighted-average shares (millions)	197.1	197.1	197.1

See accompanying notes.

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WPX Energy, Inc.

Consolidated Balance Sheet

	December 31, 2011	December 31, 2010
	(Millions)	
Assets		
Current assets:		
Cash and cash equivalents	$ 526	$ 37
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $13 and $16 as of December 31, 2011 and 2010, respectively	447	362
Williams	62	60
Derivative assets	506	400
Inventories	74	77
Other	59	22
Total current assets	1,674	958
Investments	125	105
Properties and equipment, net (successful efforts method of accounting)	8,476	8,449
Derivative assets	10	173
Other noncurrent assets	147	161
Total assets	$ 10,432	$ 9,846
Liabilities and Equity		
Current liabilities:		
Accounts payable:		
Trade	643	451
Williams	59	64
Accrued and other current liabilities	186	158
Deferred income taxes	116	87
Notes payable to Williams		2,261
Derivative liabilities	152	146
Total current liabilities	1,156	3,167
Deferred income taxes	1,556	1,645
Long-term debt	1,503	
Derivative liabilities	7	143
Asset retirement obligations	296	282
Other noncurrent liabilities	155	125
Contingent liabilities and commitments *(Note 12)*		
Equity:		
Stockholders equity:		
Preferred stock (100 million shares authorized at $0.01 par value; no shares issued)		
Common stock (2 billion shares authorized at $0.01 par value; 197 million shares issued at December 31, 2011)	2	
Additional paid-in-capital	5,457	
Williams net investment		4,244
Accumulated other comprehensive income	219	168
Total stockholders equity	5,678	4,412
Noncontrolling interests in consolidated subsidiaries	81	72

Total equity	5,759	4,484
Total liabilities and equity	$ 10,432	$ 9,846

See accompanying notes.

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WPX Energy, Inc.

Consolidated Statement of Changes in Equity

	WPX Energy, Inc., Stockholders						
	Common Stock	Capital in Excess of Par Value	Williams Net Investment	Accumulated Other Comprehensive Income (Loss)*	Total Stockholders Equity	Noncontrolling Interest**	Total
	(Dollars in millions)						
Balance at December 31, 2008	$	$	$ 5,136	$ 298	$ 5,434	$ 59	$ 5,493
Comprehensive income:							
Net income			134		134	6	140
Other comprehensive income:							
Change in fair value of cash flow hedges (net of $97 of income tax)				169	169		169
Net reclassifications into earnings of net cash flow hedge gains(net of $226 income tax provision)				(395)	(395)		(395)
Total other comprehensive income							(226)
Total comprehensive income							(86)
Net transfers with Williams			(16)		(16)		(16)
Dividends to noncontrolling interests						(1)	(1)
Balance at December 31, 2009			5,254	72	5,326	64	5,390
Comprehensive income:							
Net income			(1,291)		(1,291)	8	(1,283)
Other comprehensive income:							
Change in fair value of net cash flow hedges (net of $184 of income tax)				321	321		321
Net reclassifications into earnings of cash flow hedge gain (net of $129 income tax provision)				(225)	(225)		(225)
Total other comprehensive loss							96
Total comprehensive loss							(1,187)
Cash proceeds in excess of historical book value related to assets sold to a Williams affiliate			244		244		244
Net transfers with Williams			37		37		37
Dividends to noncontrolling interests							
Balance at December 31, 2010			4,244	168	4,412	72	4,484
Comprehensive income:							
Net loss			(302)		(302)	10	(292)
Other comprehensive income:							
Change in fair value of net cash flow hedges (net of $151 of income tax)				262	262		262
Net reclassifications into earnings of cash flow hedge gains (net of $120 income tax provision)				(211)	(211)		(211)
Total other comprehensive income							51

Total comprehensive loss							(241)
Contribution of Notes Payable to Williams (Note 4)			2,420		2,420		2,420
Allocation of alternative minimum tax credit (see Note 11)			98		98		98
Net transfers with Williams			(25)		(25)		(25)
Distribution to Williams a portion of note proceeds			(981)		(981)		(981)
Recapitalization upon contribution by Williams	2	5,452	(5,454)				
Dividends to noncontrolling interests						(1)	(1)
Stock based compensation, net of tax benefit		5			5		5
Balance at December 31, 2011	$ 2	$ 5,457	$	$ 219	$ 5,678	$ 81	$ 5,759

* Accumulated other comprehensive income (loss) is comprised primarily of unrealized gains relating to natural gas hedges totaling $221 million (net of $128 million for income taxes), $169 million (net of $97 million for income taxes) and $74 million (net of $42 million for income taxes) as of December 31, 2011, 2010 and 2009, respectively.

** Represents the 31 percent interest in Apco Oil and Gas International Inc. owned by others.

See accompanying notes.

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WPX Energy, Inc.

Consolidated Statement of Cash Flows

	Years Ended December 31, 2011	2010	2009
		(Millions)	
Operating Activities			
Net income (loss)	$ (292)	$ (1,283)	$ 140
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	951	882	894
Deferred income tax provision (benefit)	(176)	(166)	108
Provision for impairment of goodwill and properties and equipment (including certain exploration expenses)	694	1,734	38
Provision for loss on cost-based investment			11
Amortization of stock-based awards	5		
(Gain) loss on sales of other assets	(1)	(22)	1
Cash provided (used) by operating assets and liabilities:			
Accounts receivable and payable Williams	(10)	21	(72)
Accounts receivable trade	(90)	7	103
Other current assets	(11)	19	(17)
Inventories	3	(16)	24
Margin deposits and customer margin deposit payable	(18)	(1)	4
Accounts payable trade	131	(54)	(17)
Accrued and other current liabilities	10	(62)	(109)
Changes in current and noncurrent derivative assets and liabilities	8	(45)	38
Other, including changes in other noncurrent assets and liabilities	2	42	35
Net cash provided by operating activities	1,206	1,056	1,181
Investing Activities			
Capital expenditures*	(1,572)	(1,856)	(1,434)
Purchase of business		(949)	
Proceeds from sales of assets	15	493	
Purchases of investments	(12)	(7)	(1)
Other	13	(18)	
Net cash used in investing activities	(1,556)	(2,337)	(1,435)
Financing Activities			
Proceeds from long term debt	1,502		
Payments for debt issuance costs	(30)		
Net increase in notes payable to Williams	159	1,045	270
Net changes in Williams net investment, including a $981 distribution in 2011	(777)	241	(16)
Other	(15)	(2)	2
Net cash provided by financing activities	839	1,284	256
Net increase in cash and cash equivalents	489	3	2
Cash and cash equivalents at beginning of period	37	34	32
Cash and cash equivalents at end of period	$ 526	$ 37	$ 34
	$ (1,641)	$ (1,891)	$ (1,291)

* Increase to properties and equipment			
Changes in related accounts payable	69	35	(143)
Capital expenditures	$ (1,572)	$ (1,856)	$ (1,434)

See accompanying notes.

WPX Energy, Inc.

Notes to Consolidated Financial Statements

Note 1. Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies

Description of Business

Operations of our company are located in the United States and South America and are organized into Domestic and International reportable segments.

Domestic includes natural gas development, production and gas management activities located in the Rocky Mountain (primarily Colorado, New Mexico and Wyoming), Mid-Continent (Texas) and Appalachian regions of the United States. We specialize in natural gas production from tight-sands and shale formations and coal bed methane reserves in the Piceance, San Juan, Powder River, Green River, Fort Worth and Appalachian Basins. During 2010, we acquired a company with a significant acreage position in the Williston Basin (Bakken Shale) in North Dakota, which is primarily comprised of crude oil. Associated with our commodity production are sales and marketing activities that include the management of various commodity contracts such as transportation, storage, and related derivatives coupled with the sale of our commodity volumes.

International primarily consists of our ownership in Apco Oil and Gas International Inc. (Apco , NASDAQ listed: APAGF), an oil and gas exploration and production company with concessions primarily in Argentina.

The consolidated businesses represented herein as WPX Energy, Inc., also referred to herein as WPX or the Company , previously comprised substantially all of the exploration and production reportable segment of The Williams Companies, Inc. In these notes, WPX Energy, Inc. is at times referred to in the first person as WPX , we , us or our . The Williams Companies, Inc. and its affiliates, including Williams Partners L.P. (WPZ) are at times referred to collectively as Williams.

On February 16, 2011, Williams announced that its Board of Directors had approved pursuing a plan to separate Williams businesses into two stand-alone, publicly traded companies. As a result, WPX Energy, Inc. was formed to effect the separation. In July 2011, Williams contributed to the Company its investment in certain subsidiaries related to its domestic exploration and production business, including its wholly-owned subsidiaries WPX Energy Holdings, LLC (formerly Williams Production Holdings, LLC) and WPX Energy Production, LLC (formerly Williams Production Company, LLC), as well as all ongoing operations of WPX Energy Marketing, LLC (formerly Williams Gas Marketing, Inc.). Additionally, Williams contributed and transferred to the Company its investment in certain subsidiaries related to its international exploration and production business, including its 69 percent ownership interest in Apco in October 2011. We refer to the collective contributions described herein as the Contribution .

On November 30, 2011, the Board of Directors of Williams approved the spin-off of the Company. The spin-off was completed by way of a pro rata distribution on December 31, 2011 of WPX common stock to Williams stockholders of record as of the close of business on December 14, 2011, the spin-off record date. Each Williams stockholder received one share of WPX common stock for every three shares of Williams common stock held by such stockholder on the record date. See Note 4 for further discussion of agreements entered at the time of the spin-off, including a separation and distribution agreement, a transition services agreement, an employee matters agreement and a tax sharing agreement, among others.

Basis of Presentation

These financial statements are prepared on a consolidated basis. Prior to the Contribution, the financial statements were derived from the financial statements and accounting records of Williams using the historical results of operations and historical basis of the assets and liabilities of the Contribution to WPX.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Management believes the assumptions underlying the financial statements are reasonable. However, the financial statements included herein may not necessarily reflect the Company s results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had the Company been a stand-alone company during the periods presented. Because a direct ownership relationship did not exist prior to the Contribution among the various entities that comprise the Company, Williams net investment in the Company, excluding notes payable to Williams, has been shown as Williams net investment within stockholder s equity in the consolidated financial statements. In connection with the Contribution, we have reflected the amounts previously presented as owner s net investment in excess of the par value of our common stock as additional paid-in capital. Transactions with Williams other operating businesses, which generally settle monthly, are shown as accounts receivable Williams or accounts payable Williams (see Note 4). Other transactions between the Company and Williams which are not part of the notes payable to Williams have been identified in the Consolidated Statement of Equity as net transfers with Williams (see Note 4).

Discontinued operations

During the first quarter 2011, we initiated a formal process to pursue the divestiture of our holdings in the Arkoma Basin. As these assets are currently held for sale, are expected to be eliminated from our ongoing operations, and we do not expect to have any significant continuing involvement, we have reported the results of operations and financial position of the Arkoma operations as discontinued operations.

Additionally, the accompanying consolidated financial statements and notes include the results of operations of Williams former power business most of which was disposed in 2007 as discontinued operations. See Note 12 for a discussion of contingencies related to this discontinued power business.

Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to continuing operations.

Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of our wholly and majority-owned subsidiaries and investments. Companies in which we own 20 percent to 50 percent of the voting common stock, or otherwise exercise significant influence over operating and financial policies of the company, are accounted for under the equity method. All material intercompany transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates and assumptions which impact these financials include:

- Impairment assessments of long-lived assets and goodwill;
- Valuations of derivatives;

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Hedge accounting correlations and probability;

Estimation of oil and natural gas reserves;

Assessments of litigation-related contingencies.

These estimates are discussed further throughout these notes.

Cash and cash equivalents

Our cash and cash equivalents balance includes amounts primarily invested in funds with high-quality, short-term securities and instruments that are issued or guaranteed by the U.S. government. These have maturity dates of three months or less when acquired.

Restricted cash

Restricted cash of our Domestic segment primarily consists of approximately $19 million in both 2011 and 2010 related to escrow accounts established as part of the settlement agreement with certain California utilities and is included in other noncurrent assets. Included in the separation and distribution agreement with Williams are indemnifications requiring us to pay to Williams any net asset (or receive any net liability) that result upon ultimate resolution of these matters. See Note 12. Additionally, our International segment holds approximately $8 million of restricted cash in 2011 associated with various letters of credit that is also classified in other noncurrent assets.

Accounts receivable

Accounts receivable are carried on a gross basis, with no discounting, less the allowance for doubtful accounts. We estimate the allowance for doubtful accounts based on existing economic conditions, the financial conditions of the customers and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. A portion of our receivables are from joint interest owners of properties we operate. Thus, we may have the ability to withhold future revenue disbursements to recover any non-payment of joint interest billings.

Inventories

All inventories are stated at the lower of cost or market. Our inventories consist of tubular goods and production equipment for future transfer to wells of $40 million in 2011 and $46 million in 2010. Additionally, we have natural gas in storage of $34 million in 2011 and $31 million in 2010 primarily related to our gas management activities. Inventory is recorded and relieved using the weighted average cost method except for production equipment which is on the specific identification method. We recognized lower of cost or market writedowns on natural gas in storage of $10 million in 2011, $2 million in 2010 and $7 million in 2009.

Properties and equipment

Oil and gas exploration and production activities are accounted for under the successful efforts method. Costs incurred in connection with the drilling and equipping of exploratory wells are capitalized as incurred. If proved reserves are not found, such costs are charged to exploration expense. Other exploration costs, including geological and geophysical costs and lease rentals are charged to expense as incurred. All costs related to development wells, including related production equipment and lease acquisition costs, are capitalized when incurred whether productive or nonproductive.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Unproved properties include lease acquisition costs and costs of acquired unproved reserves. Individually significant lease acquisition costs are assessed annually, or as conditions warrant, for impairment considering our future drilling plans, the remaining lease term and recent drilling results. Lease acquisition costs that are not individually significant are aggregated by prospect or geographically, and the portion of such costs estimated to be nonproductive prior to lease expiration is amortized over the average holding period. The estimate of what could be nonproductive is based on our historical experience or other information, including current drilling plans and existing geological data. Impairment and amortization of lease acquisition costs are included in exploration expense in the Consolidated Statement of Operations. A majority of the costs of acquired unproved reserves are associated with areas to which we or other producers have identified significant proved developed producing reserves. Generally, economic recovery of unproved reserves in such areas is not yet supported by actual production or conclusive formation tests, but may be confirmed by our continuing development program. Ultimate recovery of unproved reserves in areas with established production generally has greater probability than in areas with limited or no prior drilling activity. If the unproved properties are determined to be productive, the appropriate related costs are transferred to proved oil and gas properties. We refer to unproved lease acquisition costs and costs of acquired unproved reserves as unproved properties.

Other capitalized costs

Costs related to the construction or acquisition of field gathering, processing and certain other facilities are recorded at cost. Ordinary maintenance and repair costs are expensed as incurred.

Depreciation, depletion and amortization

Capitalized exploratory and developmental drilling costs, including lease and well equipment and intangible development costs are depreciated and amortized using the units-of-production method based on estimated proved developed oil and gas reserves on a field basis or concession basis for our international properties. International concession reserve estimates are limited to production quantities estimated through the life of the concession. Depletion of producing leasehold costs is based on the units-of-production method using estimated total proved oil and gas reserves on a field basis. In arriving at rates under the units-of-production methodology, the quantities of proved oil and gas reserves are established based on estimates made by our geologists and engineers.

Costs related to gathering, processing and certain other facilities are depreciated on the straight-line method over the estimated useful lives.

Gains or losses from the ordinary sale or retirement of properties and equipment are recorded in other net included in operating income (loss).

Impairment of long-lived assets

We evaluate our long-lived assets for impairment when events or changes in circumstances indicate, in our management s judgment, that the carrying value of such assets may not be recoverable. When an indicator of impairment has occurred, we compare our management s estimate of undiscounted future cash flows attributable to the assets to the carrying value of the assets to determine whether an impairment has occurred. If an impairment of the carrying value has occurred, we determine the amount of the impairment recognized in the financial statements by estimating the fair value of the assets and recording a loss for the amount that the carrying value exceeds the estimated fair value.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Proved properties, including developed and undeveloped, are assessed for impairment using estimated future undiscounted cash flows on a field basis. If the undiscounted cash flows are less than the book value of the assets, then a subsequent analysis is performed using discounted cash flows.

Costs of acquired unproved reserves are assessed for impairment using estimated fair value determined through the use of future discounted cash flows on a field basis and considering market participants future drilling plans.

Judgments and assumptions are inherent in our management s estimate of undiscounted future cash flows and an asset s fair value. Additionally, judgment is used to determine the probability of sale with respect to assets considered for disposal. These judgments and assumptions include such matters as the estimation of oil and gas reserve quantities, risks associated with the different categories of oil and gas reserves, the timing of development and production, expected future commodity prices, capital expenditures, production costs and appropriate discount rates.

Contingent liabilities

Owing to the nature of our business, we are routinely subject to various lawsuits, claims and other proceedings. We recognize a liability in our consolidated financial statements when we determine that it is probable that a loss has been incurred and the amount can be reasonably estimated. If we determine that a loss is probable but lack information on which to reasonably estimate a loss, if any, or if we determine that a loss is only reasonably possible, we do not recognize a liability. We disclose the nature of loss contingencies that are potentially material but for which no liability has been recognized.

Asset retirement obligations

We record an asset and a liability upon incurrence equal to the present value of each expected future asset retirement obligation (ARO). These estimates include, as a component of future expected costs, an estimate of the price that a third party would demand, and could expect to receive, for bearing the uncertainties inherent in the obligations, sometimes referred to as a market risk premium. The ARO asset is depreciated in a manner consistent with the depreciation of the underlying physical asset. We measure changes in the liability due to passage of time by applying an interest method of allocation. This amount is recognized as an increase in the carrying amount of the liability and as a corresponding accretion expense in lease and facility operating expense included in costs and expenses.

Goodwill

As a result of significant declines in forward natural gas prices during 2010, we performed an interim impairment assessment of our goodwill related to our domestic production reporting unit. As a result of that assessment, we recorded an impairment of goodwill of approximately $1 billion and no longer have any goodwill recorded on the consolidated balance sheet related to our domestic operations (see Note 16).

Judgments and assumptions are inherent in our management s estimate of future cash flows used to determine the estimate of the reporting unit s fair value.

Cash flows from revolving credit facilities

Proceeds and payments related to any borrowings under our credit facilities are reflected in the financing activities of the Consolidated Statement of Cash Flows on a gross basis.

Derivative instruments and hedging activities

We utilize derivatives to manage our commodity price risk. These instruments consist primarily of futures contracts, swap agreements, option contracts, and forward contracts involving short- and long-term purchases and sales of a physical energy commodity.

We report the fair value of derivatives, except for those for which the normal purchases and normal sales exception has been elected, on the Consolidated Balance Sheet in derivative assets and derivative liabilities as

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

either current or noncurrent. We determine the current and noncurrent classification based on the timing of expected future cash flows of individual trades. We report these amounts on a gross basis. Additionally, we report cash collateral receivables and payables with our counterparties on a gross basis.

The accounting for the changes in fair value of a commodity derivative can be summarized as follows:

Derivative Treatment	Accounting Method
Normal purchases and normal sales exception	Accrual accounting
Designated in a qualifying hedging relationship	Hedge accounting
All other derivatives	Mark-to-market accounting

We may elect the normal purchases and normal sales exception for certain short- and long-term purchases and sales of a physical energy commodity. Under accrual accounting, any change in the fair value of these derivatives is not reflected on the balance sheet after the initial election of the exception.

For many of our existing commodity derivatives, we have also designated a hedging relationship. For a derivative to qualify for designation in a hedging relationship, it must meet specific criteria and we must maintain appropriate documentation. We establish hedging relationships pursuant to our risk management policies. We evaluate the hedging relationships at the inception of the hedge and on an ongoing basis to determine whether the hedging relationship is, and is expected to remain, highly effective in achieving offsetting changes in fair value or cash flows attributable to the underlying risk being hedged. We also regularly assess whether the hedged forecasted transaction is probable of occurring. If a derivative ceases to be or is no longer expected to be highly effective, or if we believe the likelihood of occurrence of the hedged forecasted transaction is no longer probable, hedge accounting is discontinued prospectively, and future changes in the fair value of the derivative are recognized currently in revenues or costs and operating expenses dependent upon the underlying hedge transaction.

For commodity derivatives designated as a cash flow hedge, the effective portion of the change in fair value of the derivative is reported in accumulated other comprehensive income (loss) (AOCI) and reclassified into earnings in the period in which the hedged item affects earnings. Any ineffective portion of the derivative s change in fair value is recognized currently in revenues. Gains or losses deferred in AOCI associated with terminated derivatives, derivatives that cease to be highly effective hedges, derivatives for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, any gain or loss deferred in AOCI is recognized in revenues at that time. The change in likelihood is a judgmental decision that includes qualitative assessments made by management.

Certain gains and losses on derivative instruments included in the Consolidated Statement of Operations are netted together to a single net gain or loss, while other gains and losses are reported on a gross basis. Gains and losses recorded on a net basis include:

Unrealized gains and losses on all derivatives that are not designated as hedges and for which we have not elected the normal purchases and normal sales exception;

The ineffective portion of unrealized gains and losses on derivatives that are designated as cash flow hedges;

Realized gains and losses on all derivatives that settle financially;

Realized gains and losses on derivatives held for trading purposes; and

Realized gains and losses on derivatives entered into as a pre-contemplated buy/sell arrangement.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Realized gains and losses on derivatives that require physical delivery, as well as natural gas derivatives which are not held for trading purposes nor were entered into as a pre-contemplated buy/sell arrangement, are recorded on a gross basis. In reaching our conclusions on this presentation, we considered whether we act as principal in the transaction; whether we have the risks and rewards of ownership, including credit risk; and whether we have latitude in establishing prices.

Product revenues

Revenues for sales of natural gas, natural gas liquids, and oil and condensate are recognized when the product is sold and delivered. Revenues from the production of natural gas in properties for which we have an interest with other producers are recognized based on the actual volumes sold during the period. Any differences between volumes sold and entitlement volumes, based on our net working interest, that are determined to be nonrecoverable through remaining production are recognized as accounts receivable or accounts payable, as appropriate. Our cumulative net natural gas imbalance position based on market prices as of December 31, 2011 and 2010 was insignificant. Additionally, natural gas revenues include hedge gains realized on production sold of $327 million in 2011, $333 million in 2010 and $615 million in 2009.

Gas management revenues and expenses

Revenues for sales related to gas management activities are recognized when the product is sold and physically delivered. Our gas management activities to date include purchases and subsequent sales to WPZ for fuel and shrink gas (see Note 4). Additionally, gas management activities include the managing of various natural gas related contracts such as transportation, storage and related hedges. The Company also sells natural gas purchased from working interest owners in operated wells and other area third party producers. The revenues and expenses related to these marketing activities are reported on a gross basis as part of gas management revenues and costs and expenses.

Charges for unutilized transportation capacity included in gas management expenses were $37 million in 2011, $48 million in 2010 and $21 million in 2009.

Capitalization of interest

We capitalize interest during construction on projects with construction periods of at least three months or a total estimated project cost in excess of $1 million. The interest rate used until June 30, 2011 was the rate charged to us by Williams through June 30, 2011, at which time our intercompany note with Williams was forgiven (see Note 4). We did not capitalize interest for the period from July 1, 2011 to mid November 2011. During November 2011, we began using the weighted average rate of our long-term notes payable which were issued in November 2011 (see Note 10).

Income taxes

Through the effective date of the spin-off, the Company s domestic operations were included in the consolidated and combined federal and state income tax returns for Williams, except for certain separate state filings. The income tax provision has been calculated on a separate return basis for the Company and its consolidated subsidiaries, except for certain adjustments, such as alternative minimum tax calculated at the consolidated level by Williams, for which the ultimate expected benefit to the Company could not be determined until the date of deconsolidation. This allocation methodology results in the recognition of deferred assets and liabilities for the differences between the financial statement carrying amounts and their respective tax basis, except to the extent of deferred taxes on income considered to be permanently reinvested in foreign jurisdictions. Deferred tax assets and liabilities are measured using enacted tax rates for the years in which those temporary differences are expected to be recovered or settled.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Effective with the spin-off, certain state and federal tax attributes (primarily alternative minimum tax credits) have been allocated between Williams and the Company. Although the final allocation of these tax attributes cannot be determined until the consolidated tax returns for tax year 2011 are complete, which is expected in the third quarter of 2012, an estimate of the tax attributes allocated to the Company has been recorded in the 2011 financial statements as part of the Contribution.

Employee stock-based compensation

Until spin-off, certain employees providing direct service to us participated in Williams common-stock-based awards plans. The plans provided for Williams common-stock-based awards to both employees and Williams non-management directors. The plans permitted the granting of various types of awards including, but not limited to, stock options and restricted stock units. Awards were granted for no consideration other than prior and future services or based on certain financial performance targets.

Until spin-off, Williams charged us for compensation expense related to stock-based compensation awards granted to our direct employees. Stock based compensation was also a component of allocated amounts charged to us by Williams for general and administrative personnel providing services on our behalf.

In preparation for the spin-off, Williams Compensation Committee determined that all outstanding Williams equity-based compensation awards, whether vested or unvested, other than outstanding options issued prior to January 1, 2006 (Pre-2006 Options) would convert into awards with respect to shares of common stock of the company that continues to employ the holder following the spin-off. The Pre-2006 Options were converted into options covering both Williams and WPX common stock. The number of shares underlying each award and, with respect to options, the per share exercise price of each such award has been adjusted to maintain, on a post-spin-off basis, the pre-spin-off intrinsic value of such awards.

Stock options are valued at the date of award, which does not precede the approval date, and compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period. The purchase price per share for stock options may not be less than the market price of the underlying stock on the date of grant. Stock options generally become exercisable over a three-year period from the date of grant and can be subject to accelerated vesting if certain future stock prices or specific financial performance targets are achieved. Stock options generally expire ten years after the grant.

Restricted stock units are generally valued at market value on the grant date and generally vest over three years. Restricted stock unit compensation cost, net of estimated forfeitures, is generally recognized over the vesting period on a straight-line basis.

Foreign exchange

Translation gains and losses that arise from exchange rate fluctuations applicable to transactions denominated in a currency other than the United States dollar are included in the results of operations as incurred.

Earnings (loss) per common share

Basic earnings (loss) per common share is based on the sum of the weighted-average number of common shares outstanding and vested restricted stock units. Diluted earnings (loss) per common share includes any dilutive effect of stock options and nonvested restricted stock units, unless otherwise noted. The impact of our stock issuance has been given effect to all periods presented. (see Note 6).

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Accounting Standards Issued But Not Yet Adopted

In June 2011, the FASB issued Accounting Standards Update No. 2011-5, Comprehensive Income (Topic 220) Presentation of Comprehensive Income (ASU 2011-5). ASU 2011-5 requires presentation of net income and other comprehensive income either in a single continuous statement or in two separate, but consecutive, statements. ASU 2011-5 requires separate presentation in both net income and other comprehensive income of reclassification adjustments for items that are reclassified from other comprehensive income to net income. The new guidance does not change the items reported in other comprehensive income, nor affect how earnings per share is calculated and presented. We currently report net income in the Consolidated Statement of Operations and reports other comprehensive income in the Consolidated Statement of Equity. In December 2011, The FASB issued Accounting Standards Update No. 2011-12, Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12). ASU 2011-12 defers the effective date for only the presentation requirements related to reclassifications in ASU 2011-5. During this deferral period, ASU 2011-12 states that we should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Both ASU s are effective beginning the first quarter of 2012, with retrospective application to prior periods. We will apply the new guidance for both ASUs beginning in 2012.

Note 2. Restatement of Prior Periods

We have determined that we did not appropriately provide for deferred federal income taxes on the outside basis differences of a foreign equity investee for the years ended December 31, 2010 and 2009. As a result, our provision (benefit) for income taxes was understated and our net income from continuing operations was overstated by $1 million and $2 million for the years ended December 31, 2010 and 2009, respectively, our deferred income tax liability was understated by $16 million at December 31, 2010 and our net equity was overstated by $16 million, $15 million and $13 million at December 31, 2010, 2009 and 2008, respectively. This restatement also adjusted downward our earnings per share attributable to WPX Energy, Inc. by $.01 in each of the years ended December 31, 2010 and 2009. Based on guidance set forth in Staff Accounting Bulletin No. 99, *Materiality* and in Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,* (SAB 108), we have determined that these amounts are immaterial to each of the periods affected and, therefore, we are not required to amend our previously filed financial statements. We have adjusted our previously reported results for the years ended December 31, 2010 and 2009 for these amounts.

Note 3. Discontinued Operations

Summarized Results of Discontinued Operations

	2011	2010 (Millions)	2009
Revenues	$ 13	$ 16	$ 17
Loss from discontinued operations before impairments, gain on sale and income taxes	$ (3)	$ (13)	$ (11)
Impairments	(29)		
Benefit for income taxes	12	5	4
Loss from discontinued operations	$ (20)	$ (8)	$ (7)

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Impairments in 2011 reflect write-downs to estimates of fair value less costs to sell the assets of our Arkoma Basin operations that were classified as held for sale as of December 31, 2011. This nonrecurring fair value measurement, which falls within Level 3 of the fair value hierarchy, utilized a probability-weighted discounted cash flow analysis that was based on internal cash flow models.

The assets of our discontinued operations are significantly less than one percent of our total assets as of December 31, 2011 and 2010 and are reported in other assets and other noncurrent assets, respectively on our Consolidated Balance Sheet. Liabilities of our discontinued operations are insignificant for these periods.

Note 4. Transactions with Williams

During the fourth quarter of 2011, the Contribution and recapitalization of the Company was completed, whereby common stock held by Williams converted into approximately 197 million shares of WPX common stock. We also entered into agreements with Williams in connection with our separation from Williams. These agreements include:

- A Separation and Distribution agreement for, among other things, the separation from Williams and the distribution of WPX common stock, the distribution of a portion of the net proceeds from the debt financing as well as agreements between us and Williams, including those relating to indemnification;

- A tax sharing agreement, providing for, among other things, the allocation between Williams and WPX of federal, state, local and foreign tax liabilities for periods prior to the distribution and in some instances for periods after the distribution;

- An employee matters agreement discussed below; and

- A transition services agreement discussed below.

Personnel and related services

As previously discussed, our domestic operations were contributed to WPX Energy, Inc. on July 1, 2011. On June 30, 2011, certain entities that were contributed to us on July 1, 2011 withdrew from the Williams benefit plans and terminated their personnel services agreements with Williams payroll companies. Simultaneously, two new administrative service entities owned and controlled by Williams executed new personnel services agreements with the payroll companies and joined the Williams plans as participants. The effect of these transactions is that none of the companies contributed to WPX Energy in June 2011 had any employees. Through December 30, 2011, these service entities employed all personnel that provided services to the Company and remained owned and controlled by Williams.

In connection with the spin-off, we entered into an Employee Matters Agreement with Williams that set forth our agreements with Williams as to certain employment, compensation and benefits matters. The Employee Matters Agreement provides for the allocation and treatment of assets and liabilities arising out of employee compensation and benefit programs in which our employees participated prior to January 1, 2012. In connection with the spin-off, we provided benefit plans and arrangements in which our employees will participate going forward. Generally, other than with respect to equity compensation (discussed below), from and after January 1, 2012, we will sponsor and maintain employee compensation and benefit programs relating to all employees who transferred to us from Williams in connection with the spinoff through the contribution of two newly established service entities that employees of Williams were moved to prior to the spinoff. The Employee Matters Agreement provides that Williams will remain solely responsible for all liabilities under The Williams Companies Pension Plan, The Williams Companies Retirement Restoration Plan and The Williams Companies Investment Plus Plan. No assets and/or liabilities under any of those plans will be transferred to us or our benefit plans and our employees ceased active participation in those plans as of January 1, 2012. At December 31, 2011,

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

certain paid time off accruals approximating $13 million were transferred from Williams to us and are reflected in accrued liabilities. Additionally, while we have been charged for these costs, Williams remains responsible for any bonus amounts to be paid to our employees for the 2011 year which are currently estimated to be $19 million.

All outstanding Williams equity awards (other than stock options granted prior to January 1, 2006) held by our employees as of the spin-off were converted into WPX equity awards, issued pursuant to a plan that we established. See Note 14. In addition, outstanding Williams stock options that were granted prior to January 1, 2006 and held by our employees and Williams other employees as of the date of the spin-off were converted into options to acquire both WPX common stock and Williams common stock, in the same proportion as the number of shares of WPX common stock that each holder of Williams common stock received in the spin-off. The conversion maintained the same intrinsic value as the applicable Williams equity award as of the date of the conversion.

Until the spin-off, Williams charged us for the payroll and benefit costs associated with operations employees (referred to as direct employees) and carried the obligations for many employee-related benefits in its financial statements, including the liabilities related to employee retirement and medical plans. Our share of those costs was charged to us through affiliate billings and reflected in lease and facility operating and general and administrative within costs and expenses in the accompanying Consolidated Statement of Operations.

In addition, Williams charged us for certain employees of Williams who provide general and administrative services on our behalf (referred to as indirect employees). These charges were either directly identifiable or allocated to our operations. Direct charges included goods and services provided by Williams at our request. Allocated general corporate costs were based on our relative usage of the service or on a three-factor formula, which considers revenues; properties and equipment; and payroll. Our share of direct general and administrative expenses and our share of allocated general corporate expenses was reflected in general and administrative expense in the accompanying Consolidated Statement of Operations. In management s estimation, the allocation methodologies used are reasonable and result in a reasonable allocation to us of our costs of doing business incurred by Williams.

We have entered into a transition services agreement with Williams under which Williams will provide to us, upon our request and on an interim basis, various corporate support services subsequent to the spin-off. These services consist generally of the services that have been provided to us on an intercompany basis prior to the spin-off. These services relate to;

- treasury services;
- finance and accounting;
- tax;
- internal audit;
- investor relations;
- payroll and human resource administration;

information technology;

legal and government affairs;

insurance and claims administration;

records management;

real estate and facilities management;

sourcing and procurement; and

mail, print and other office services.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Pursuant to the transition services agreement, Williams will provide certain services for up to one year after the spin-off. Williams will provide the services and we will pay Williams costs, including Williams direct and indirect administrative and overhead charges allocated in accordance with Williams regular and consistent accounting practices. The transition services agreement may be terminated by either us or Williams upon 60 days notice after the spin-off. In addition, Williams may immediately terminate any of the services it provides under the transition services agreement if it determines that the provision of such services involves certain conflicts of interest between Williams and us or would cause Williams to violate applicable law.

Other arrangements with Williams or its affiliates

We also have operating activities with WPZ and another Williams subsidiary. Our revenues include revenues from the following types of transactions:

- Sales of natural gas liquids (NGLs) related to our production to WPZ at market prices at the time of sale and included within our oil and gas sales revenues; and
- Sales to WPZ and another Williams subsidiary of natural gas procured by WPX Energy Marketing for those companies fuel and shrink replacement at market prices at the time of sale and included in our gas management revenues.

Our costs and operating expenses include the following services provided by WPZ:

- Gathering, treating and processing services under several contracts for our production primarily in the San Juan and Piceance Basins; and
- Pipeline transportation for both our oil and gas sales and gas management activities which includes commitments totaling $401 million (see Note 12 for capacity commitments with affiliates).

In addition, through an agency agreement, we manage the jurisdictional merchant gas sales for Transcontinental Gas Pipe Line Company LLC (Transco), an indirect, wholly owned subsidiary of WPZ. We are authorized to make gas sales on Transco s behalf in order to manage its gas purchase obligations. We receive all margins associated with jurisdictional merchant gas sales business and, as Transco s agent, assume all market and credit risk associated with such sales. Gas sales and purchases related to our management of these jurisdictional merchant gas sales are included in gas management revenues and expenses, respectively, in the Consolidated Statement of Operations and the margins we realized related to these activities totaled less than $1 million in each of the years ended December 31, 2011, 2010 and 2009. We have signed an agreement with Williams under which these contracts will be assigned to them in the near term.

During fourth-quarter 2010, the Company sold certain gathering and processing assets in Colorado s Piceance Basin (the Piceance Sale) with a net book value of $458 million to WPZ, an entity under the common control of Williams, in exchange for $702 million in cash and 1.8 million WPZ limited partner units. As the Company and WPZ were under common control at that time, no gain was recognized on this transaction in the Consolidated Statement of Operations. Accordingly, the $244 million difference between the cash consideration received and the historical net book value of the assets has been reflected in the Consolidated Statement of Equity for the year ended December 31, 2010. Since the WPZ units received in this transaction by the Company were intended to be (and were, as described below) distributed through a dividend to Williams, these units (as well as the tax effects associated with these units of $42 million) have been presented net within equity and are included in net transfers with Williams in 2010. Further, as a result of the limitations on the Company s ability to sell these units and the subsequent dividend to Williams, no gains on the value of the common units during the holding period have been recognized in the Consolidated Statement of Operations. In conjunction with the Piceance Sale, we entered into long-term contracts with WPZ for gathering and processing of our natural gas production in the area. Due to the continuation of significant direct cash flows related to these assets, historical operating results of these assets have been presented in the Consolidated Statement of Operations as continuing operations for periods prior to the sale. In

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

March 2011, the 1.8 million WPZ units and related tax basis were distributed via dividend to Williams.

We have managed a transportation capacity contract for WPZ. To the extent the transportation is not fully utilized or does not recover full-rate demand expense, WPZ reimburses us for these transportation costs. These reimbursements to us totaled approximately $11 million, $10 million and $9 million for the years ended December 31, 2011, 2010 and 2009, respectively, and are included in gas management revenues. We have signed an agreement with WPZ under which these contracts will be assigned to them in the near term.

WPZ periodically entered into derivative contracts with us to hedge their forecasted NGL sales and natural gas purchases. We entered into offsetting derivative contracts with third parties at equivalent pricing and volumes. These contracts are included in derivative assets and liabilities on the Consolidated Balance Sheet at December 31, 2010. No contracts existed at December 31, 2011.

Prior to December 1, 2011 we participated in Williams centralized approach to cash management and the financing of its businesses. Daily cash activity from our domestic operations was transferred to or from Williams on a regular basis and was recorded as increases or decreases in the balance due under unsecured promissory notes we had in place with Williams through June 30, 2011, at which time the notes were cancelled by Williams. The amount due to Williams at the time of cancellation was $2.4 billion and is reflected as an increase in owner s net investment. Through fourth-quarter 2011, an additional $162 million was cancelled and reflected as an increase in owner s net investment. The notes reflected interest based on Williams weighted average cost of debt and such interest was added monthly to the note principle. The interest rate for the notes payable to Williams was 8.08%, 8.08% and 8.01% at June 30, 2011, December 31, 2010 and 2009, respectively.

Under Williams cash-management system, certain cash accounts reflected negative balances to the extent checks written had not been presented for payment. These negative amounts represented obligations and were reclassified to accounts payable-affiliate. Accounts payable-affiliate includes approximately $38 million of these negative balances at December 31, 2010. On December 1, 2011, we initiated our own cash management system as we began self-funding our operations. To the extent that certain cash accounts reflect negative balances, that obligation is reflected within our external accounts payable.

On August 25, 2011, we entered into a 10.5 year lease for our present headquarters office with Williams Headquarters Building Company, a direct subsidiary of Williams. We estimate the annual rent payable by us under the lease to be approximately $4 million per year.

Below is a summary of the transactions with Williams or its affiliates discussed above:

	2011	2010 (Millions)	2009
Product revenues sales of NGLs to WPZ	$ 258	$ 277	$ 116
Gas management revenues sales of natural gas for fuel and shrink to WPZ and another Williams subsidiary	586	509	431
Lease and facility operating expenses from Williams-direct employee salary and benefit costs	21	23	23
Gathering, processing and transportation expense from services with WPZ:			
Gathering and processing	298	163	72
Transportation	44	25	28
General and administrative from Williams:			
Direct employee salary and benefit costs	111	102	100
Charges for general and administrative services	62	58	60
Allocated general corporate costs	62	64	63
Other	16	12	13
Interest expense on notes payable to Williams	96	119	92

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

In addition, the current amount due to or from affiliates consists of normal course receivables and payables resulting from the sale of products to and cost of gathering services provided by WPZ. Below is a summary of these payables and receivables and other assets and liabilities with Williams and its affiliates:

	December 31, 2011	2010
	(Millions)	
Current:		
Accounts receivable:		
Due from WPZ and another Williams subsidiary	$ 62	$ 60
Other noncurrent assets Due from Williams	$ 11	$
Accounts payable:		
Due to WPZ	$ 35	$ 12
Due to Williams for cash overdraft		38
Due to Williams for accrued payroll and benefits	10	14
Due to Williams for administrative expenses	14	
	$ 59	$ 64
Noncurrent liability to Williams	$ 48	$

Note 5. Investment Income and Other

Investment income

	Years Ended December 31, 2011	2010	2009
		(Millions)	
Equity earnings	$ 24	$ 20	$ 18
Impairment of cost-based investment			(11)
Other	2	1	1
Total investment income and other	$ 26	$ 21	$ 8

Impairment of cost-based investment in 2009 reflects an $11 million full impairment of our 4 percent interest in a Venezuelan corporation that owns and operates oil and gas activities in Venezuela.

Investments

December 31,

	2011	2010
	(Millions)	
Petrolera Entre Lomas S.A. 40.8%	$ 90	$ 82
Other	35	23
	$ 125	$ 105

Petrolera Entre Lomas S.A. operates several development concessions in South America. Other is comprised of investments in miscellaneous gas gathering interests in the United States.

Dividends and distributions received from companies accounted for by the equity method were $17 million in 2011, $19 million in 2010 and $9 million in 2009.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Note 6. Earnings (Loss) Per Common Share from Continuing Operations

	Years Ended December 31, 2011	2010	2009
	(Millions, except per-share amounts)		
Income (loss) from continuing operations attributable to WPX Energy, Inc. available to common stockholders for basic and diluted earnings (loss) per common share	$ (282)	$ (1,283)	$ 141
Basic weighted-average shares	197.1	197.1	197.1
Diluted weighted-average shares	197.1	197.1	197.1
Earnings (loss) per common share from continuing operations:			
Basic	$ (1.43)	$ (6.51)	$ 0.71
Diluted	$ (1.43)	$ (6.51)	$ 0.71

On December 31, 2011, 197.1 million shares of our common stock were distributed to Williams shareholders in conjunction with our spin-off. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, we have assumed this amount of common stock to be outstanding as of the beginning of each period presented in the calculation of basic weighted average shares.

For 2011 approximately 2.9 million weighted-average nonvested restricted stock units and 1.2 million weighted-average stock options have been excluded from the computation of diluted earnings per common share as their inclusion would be antidilutive to our loss from continuing operations attributable to WPX Energy, Inc. For 2010 and 2009 these amounts are not given retrospective effect to the calculation.

Note 7. Asset Sales, Impairments, Exploration Expenses and Other Accruals

The following table presents a summary of significant gains or losses reflected in impairment of producing properties and costs of acquired unproved reserves, goodwill impairment and other net within costs and expenses. These significant adjustments are associated with our domestic operations.

	Years Ended December 31, 2011	2010	2009
	(Millions)		
Goodwill impairment	$	$ 1,003	$
Impairment of producing properties and costs of acquired unproved reserves *	547	678	15
Penalties from early release of drilling rigs included in other (income) expense net			32
(Gain) loss on sales of other assets	(1)	(22)	1

* Excludes unproved leasehold property impairment, amortization and expiration included in exploration expenses.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

As part of our assessment for impairments primarily resulting from declining forward natural gas prices during the fourth quarter 2011, we recorded a $276 million impairment of proved producing oil and gas properties in the Powder River basin and a $180 million impairment in Barnett Shale (see Note 16). Additionally, we recorded a $91 million impairment of our capitalized cost of acquired unproved reserves in the Powder River.

As a result of significant declines in forward natural gas prices during 2010, we performed an impairment assessment of our capitalized costs related to goodwill and domestic producing properties. As a result of these assessments, we recorded an impairment of goodwill, as noted above, and impairments of our capitalized costs of certain natural gas producing properties in the Barnett Shale of $503 million and capitalized costs of certain acquired unproved reserves in the Piceance Highlands acquired in 2008 of $175 million (see Note 16).

We recorded a $15 million impairment in 2009 related to costs of acquired unproved reserves resulting from a 2008 acquisition in the Fort Worth basin (see Note 16).

Our impairment analyses included an assessment of undiscounted (except for the costs of acquired unproved reserves) and discounted future cash flows, which considered information obtained from drilling, other activities and natural gas reserve quantities.

In July 2010, we sold a portion of gathering and processing facilities in the Piceance basin to a third party for cash proceeds of $30 million resulting in a gain of $12 million. The remaining portion of the facilities was part of the Piceance Sale (see Note 4). Also in 2010, we exchanged undeveloped leasehold acreage in different areas with a third party resulting in a $7 million gain.

The following presents a summary of exploration expenses:

	Years Ended December 31,		
	2011	2010	2009
		(Millions)	
Geologic and geophysical costs	$ 18	$ 22	$ 33
Dry hole costs	13	17	11
Unproved leasehold property impairment, amortization and expiration	103	34	10
Total exploration expense	$ 134	$ 73	$ 54

Dry hole costs in 2011 include an $11 million dry hole expense in connection with a Marcellus Shale well in Columbia County, Pennsylvania, while 2010 and 2009 reflect dry hole expense associated primarily with wells in the Paradox basin.

Unproved leasehold impairment, amortization and expiration in 2011 includes a $50 million write-off of leasehold costs associated with certain portions of our Columbia County acreage in Pennsylvania.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Note 8. Properties and Equipment

Properties and equipment is carried at cost and consists of the following:

	Estimated Useful Life (a) (Years)	December 31, 2011	December 31, 2010
		(Millions)	
Proved properties	(b)	$ 9,985	$ 9,822
Unproved properties	(c)	1,555	1,893
Gathering, processing and other facilities	15-25	181	119
Construction in progress	(c)	692	603
Other	3-25	99	127
Total properties and equipment, at cost		12,512	12,564
Accumulated depreciation, depletion and amortization		(4,036)	(4,115)
Properties and equipment net		$ 8,476	$ 8,449

(a) Estimated useful lives are presented as of December 31, 2011.
(b) Proved properties are depreciated, depleted and amortized using the units-of-production method (see Note 1).
(c) Unproved properties and construction in progress are not yet subject to depreciation and depletion.

Unproved properties consist primarily of non-producing leasehold in the Williston Basin (Bakken Shale) and the Appalachian Basin (Marcellus Shale) and acquired unproved reserves in the Powder River and Piceance Basins.

On December 21, 2010, we closed the acquisition of 100 percent of the equity of Dakota-3 E&P Company LLC for $949 million, including closing adjustments. This company held approximately 85,800 net acres on the Fort Berthold Indian Reservation in the Williston Basin of North Dakota. Approximately 85% of the acreage was undeveloped. Approximately $400 million of the purchase price was recorded as proved properties, $542 million as unproved properties within properties and equipment and $5 million of prepaid drilling costs (no significant working capital was acquired). Revenues and earnings for the acquired company were nominal and thus insignificant to us for the years ended December 31, 2010 and 2009.

As discussed in Note 4 in 2010, the Company sold certain gathering and processing assets in Colorado s Piceance Basin with a net book value of $458 million to WPZ.

In May 2010, we entered into a purchase agreement consisting primarily of non-producing leasehold acreage in the Appalachian Basin and a 5 percent overriding royalty interest associated with the acreage position for $599 million.

Construction in progress includes $113 million in 2011 and $142 million in 2010 related to wells located in Powder River. In order to produce gas from the coal seams, an extended period of dewatering is required prior to natural gas production.

In 2009, we adopted Accounting Standards Update No. 2010-03, which aligned oil and gas reserve estimation and disclosure requirements to those in the Securities and Exchange Commission s final rule related thereto. Accordingly, our fourth quarter 2009 depreciation, depletion and amortization expense was approximately $17 million more than had it been computed under the prior requirements.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Asset Retirement Obligations

Our asset retirement obligations relate to producing wells, gas gathering well connections and related facilities. At the end of the useful life of each respective asset, we are legally obligated to plug producing wells and remove any related surface equipment and to cap gathering well connections at the wellhead and remove any related facility surface equipment.

A rollforward of our asset retirement obligation for the years ended 2011 and 2010 is presented below.

	2011	2010
	(Millions)	
Balance, January 1	$ 285	$ 242
Liabilities incurred during the period	23	43
Liabilities settled during the period	(2)	(2)
Liabilities associated with assets sold		(22)
Estimate revisions	(24)	3
Accretion expense *	20	21
Balance, December 31	$ 302	$ 285
Amount reflected as current	$ 6	$ 3

* Accretion expense is included in lease and facility operating expense on the Consolidated Statement of Operations.
Estimate revisions in 2011 are primarily associated with changes in anticipated well lives and plug and abandonment costs.

Note 9. Accrued and other current liabilities

Accrued and other current liabilities

	December 31,	
	2011	2010
	(Millions)	
Taxes other than income taxes	$ 79	$ 76
Customer margin deposits	7	25
Accrued interest	13	1
Compensation and benefit related accruals	13	
Other, including other loss contingencies	74	56
	$ 186	$ 158

Prior to the spin-off, employee compensation and benefit accruals were obligations of Williams with the expense related to compensation allocated to us through affiliate charges.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Note 10. Debt and Banking Arrangements

In connection with our separation from Williams, we issued $1.5 billion face value Senior Notes as follows:

	December 31, 2011	December 31, 2010
	(Millions)	
5.250% Senior Notes due 2017	$ 400	$
6.000% Senior Notes due 2022	1,100	
Other	3	
	$ 1,503	$

Senior Notes

The Notes were issued under an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee. The net proceeds from the offering of the Notes were approximately $1.481 billion after deducting the initial purchasers discounts and our offering expenses. We retained $500 million of the net proceeds from the issuance of the Notes and distributed the remainder of the net proceeds from the issuance of the Notes, approximately $981 million, to Williams in connection with the Contribution.

Optional Redemption. We have the option, prior to maturity, in the case of the 2017 notes, and prior to October 15, 2021 (which is the date that is three months prior to the maturity date of the 2022 notes), in the case of the 2022 notes, to redeem all or a portion of the Notes of the applicable series at any time at a redemption price equal to the greater of (i) 100% of their principal amount and (ii) the discounted present value of 100% of their principal amount and remaining scheduled interest payments, in either case plus accrued and unpaid interest to the redemption date. We also have the option at any time on or after October 15, 2021, to redeem the 2022 notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest thereon to the redemption date.

Change of Control. If we experience a change of control (as defined in the indenture governing the Notes) accompanied by a rating decline with respect to a series of Notes, we must offer to repurchase the Notes of such series at 101% of their principal amount, plus accrued and unpaid interest.

Covenants. The terms of the indenture restrict our ability and the ability of our subsidiaries to incur additional indebtedness secured by liens and to effect a consolidation, merger or sale of substantially all our assets. The indenture also requires us to file with the trustee and the SEC certain documents and reports within certain time limits set forth in the indenture. However, these limitations and requirements will be subject to a number of important qualifications and exceptions. The indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity.

Events of Default. Each of the following is an Event of Default under the indenture with respect to the Notes of any series:

(1) a default in the payment of interest on the Notes when due that continues for 30 days;

(2) a default in the payment of the principal of or any premium, if any, on the Notes when due at their stated maturity, upon redemption, or otherwise;

(3) failure by us to duly observe or perform any other of the covenants or agreements (other than those described in clause (1) or (2) above) in the indenture, which failure continues for a period of 60 days, or, in the case of the reporting covenant under the indenture, which failure continues for a period of 90 days, after

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

the date on which written notice of such failure has been given to us by the trustee; provided, however, that if such failure is not capable of cure within such 60-day or 90-day period, as the case may be, such 60-day or 90-day period, as the case may be, will be automatically extended by an additional 60 days so long as (i) such failure is subject to cure and (ii) we are using commercially reasonable efforts to cure such failure; and

(4) certain events of bankruptcy, insolvency or reorganization described in the indenture.

Registration Rights Agreement. As part of the new issuance, we entered into a registration rights agreement whereby we agree to offer to exchange the notes for a new issue of substantially identical notes registered under the Securities Act of 1933, as amended, within 180 days from closing and to use commercially reasonable efforts to cause the registration statement to be declared effective within 270 days after closing and to consummate the exchange offer within 30 business days after such effective date. We are required to provide a shelf registration statement to cover resales of the notes under certain circumstances. If we fail to fulfill these obligations, additional interest will accrue on the affected securities until we have successfully registered the securities.

Credit Facility Agreement

During 2011 we entered into a new $1.5 billion five-year senior unsecured revolving credit facility agreement (the Credit Facility Agreement). Under the terms of the Credit Facility Agreement and subject to certain requirements, we may request an increase in the commitments of up to an additional $300 million by either commitments from new lenders or increased commitments from existing lenders. Borrowings may be used for working capital, acquisitions, capital expenditures and other general corporate purposes. At December 31, 2011 there was no outstanding balance under the Credit Facility Agreement.

The Credit Facility Agreement became effective on November 1, 2011. Also, on November 1, 2011 we terminated our existing unsecured credit agreement which had served to reduce margin requirements and transaction fees related to hedging activities. All outstanding hedges under the terminated agreement were transferred to new agreements with various financial institutions that also participate in the new credit facility. We nor the participating financial institutions are required to provide collateral support related to hedging activities under the new agreements.

Interest on borrowings under the Credit Facility Agreement will be payable at rates per annum equal to, at the option of WPX Energy: (1) a fluctuating base rate equal to the Alternate Base Rate plus the Applicable Rate, or (2) a periodic fixed rate equal to LIBOR plus the Applicable Rate. The Alternate Base Rate will be the highest of (i) the federal funds rate plus 0.5 percent, (ii) the Prime Rate, and (iii) one-month LIBOR plus 1.0 percent. The Applicable Rate changes depending on which interest rate WPX selects and WPX s credit rating. Additionally, WPX Energy will be required to pay a commitment fee based on the unused portion of the commitments under the Credit Facility Agreement.

Under the Credit Facility Agreement, prior to the occurrence of the Investment Grade Date (as defined below), we will be required to maintain a ratio of net present value of projected future cash flows from proved reserves to Consolidated Indebtedness (each as defined in the Credit Facility Agreement) of at least 1.50 to 1.00. Net present value is determined as of the end of each fiscal year and reflects the present value, discounted at 9 percent, of projected future cash flows of domestic proved oil and gas reserves (such cash flows adjusted to reflect the impact of hedges, our lenders commodity price forecasts, and, if necessary, including only a portion of our reserves that are not proved developed producing reserves). Additionally, the ratio of debt to capitalization (defined as net worth plus debt) will not be permitted to be greater than 60%. Beginning December 31, 2011, each of the above ratios will be tested at the end of each fiscal quarter. We were in compliance with our debt covenant ratios as of December 31, 2011. Investment Grade Date means the first date on which our long-

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

term senior unsecured debt ratings are BBB- or better by S&P or Baa3 or better by Moody s (without negative outlook or negative watch), provided that the other of the two ratings is at least BB+ by S&P or Ba1 by Moody s.

The Credit Facility Agreement contains customary representations and warranties and affirmative, negative and financial covenants which were made only for the purposes of the Credit Facility Agreement and as of the specific date (or dates) set forth therein, and may be subject to certain limitations as agreed upon by the contracting parties. The covenants limit, among other things, the ability of our subsidiaries to incur indebtedness, make investments, loans or advances and enter into certain hedging agreements; our ability to merge or consolidate with any person or sell all or substantially all of our assets to any person, enter into certain affiliate transactions, make certain distributions during the continuation of an event of default and allow material changes in the nature of our business. In addition, the representations, warranties and covenants contained in the Credit Facility Agreement may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

The Credit Facility Agreement includes customary events of default, including events of default relating to non-payment of principal, interest or fees, inaccuracy of representations and warranties in any material respect when made or when deemed made, violation of covenants, cross payment-defaults, cross acceleration, bankruptcy and insolvency events, certain unsatisfied judgments and a change of control. If an event of default with respect to us occurs under the Credit Facility Agreement, the lenders will be able to terminate the commitments and accelerate the maturity of any loans outstanding under the Credit Facility Agreement at the time, in addition to the exercise of other rights and remedies available.

Letters of Credit

In addition to the Notes and Credit Facility Agreement, WPX has executed three bilateral, uncommitted letter of credit (LC) agreements. These LC agreements provide WPX the ability to meet various contractual requirements and incorporate terms similar to those found in the Credit Facility Agreement. At December 31, 2011 a total of $292 million in letters of credit have been issued.

Other

Apco executed a loan agreement with a financial institution for a $10 million bank line of credit. Borrowings under this facility are unsecured and bear interest at six-month LIBOR plus three percent per annum plus a one percent arrangement fee per borrowing and a commitment fee for the unused portion of the loan amount. The funds can be borrowed during a one-year period ending in March 2012, and principal amounts will be repaid in semi-annual installments from each borrowing date after a two and a half year grace period. This debt agreement contains covenants that restrict or limit, among other things, our ability to create liens supporting indebtedness, purchase or sell assets outside the ordinary course of business, and incur additional debt. As of December 31, 2011, we have borrowed $2 million under this banking agreement. Aggregate minimum maturities of this long-term debt are $1 million each for 2013 and 2014.

Note 11. Income Taxes

Through the effective date of the spin-off, the Company s domestic operations were included in the consolidated and combined federal and state income tax returns for Williams, except for certain separate state filings. The income tax provision has been calculated on a separate return basis for the Company and its consolidated subsidiaries, except for certain adjustments, such as alternative minimum tax calculated at the consolidated level by Williams, for which the ultimate expected impact to the Company could not be determined until the date of deconsolidation.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Effective with the spin-off, Williams and the Company entered into a tax sharing agreement which governs the respective rights, responsibilities and obligations of each company, for tax periods prior to the spin-off, with respect to the payment of taxes, filing of tax returns, reimbursements of taxes, control of audits and other tax proceedings, liability for taxes that may be triggered as a result of the spin-off and other matters regarding taxes.

The provision (benefit) for income taxes from continuing operations includes:

	Years Ended December 31, 2011	2010 (Millions)	2009
Provision (benefit):			
Current:			
Federal	$ 5	$ 7	$ (17)
State	4	1	(1)
Foreign	10	11	9
	19	19	(9)
Deferred:			
Federal	(161)	(158)	99
State	(3)	(10)	6
	(164)	(168)	105
Total provision (benefit)	$ (145)	$ (149)	$ 96

Reconciliations from the provision (benefit) for income taxes from continuing operations at the federal statutory rate to the realized provision (benefit) for income taxes are as follows:

	Years Ended December 31, 2011	2010 (Millions)	2009
Provision (benefit) at statutory rate	$ (146)	$ (498)	$ 85
Increases (decreases) in taxes resulting from:			
State income taxes (net of federal benefit)	(8)	(6)	3
Effective state income tax rate change (net of federal benefit)	9		
Foreign operations net		4	6
Goodwill impairment		351	
Other net			2
Provision (benefit) for income taxes	$ (145)	$ (149)	$ 96

Income (loss) from continuing operations before income taxes includes $40 million, $36 million and $21 million of foreign income in 2011, 2010 and 2009, respectively.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Significant components of deferred tax liabilities and deferred tax assets are as follows:

	December 31, 2011	December 31, 2010
	(Millions)	
Deferred tax liabilities:		
Properties and equipment	$ 1,779	$ 1,739
Derivatives, net	137	110
Total deferred tax liabilities	1,916	1,849
Deferred tax assets:		
Accrued liabilities and other	146	117
Alternative minimum tax credits (a)	98	
Loss carry-overs	16	22
Total deferred tax assets	260	139
Less: valuation allowance	16	22
Total net deferred tax assets	244	117
Net deferred tax liabilities	$ 1,672	$ 1,732

(a) In connection with the spin-off from Williams effective December 31, 2011, alternative minimum tax credits were able to be estimated and allocated between Williams and the Company. This resulted in the allocation to the Company of $98 million with a corresponding increase to additional paid-in capital. Any subsequent adjustments of the alternative minimum tax credit allocation with Williams will be recorded in the provision for the period in which the change occurs.

As of December 31, 2011, the Company has approximately $290 million of state net operating loss carryovers of which approximately 75 percent expire after 2020.

The valuation allowance at December 31, 2011 and 2010 serves to reduce the recognized tax assets associated with state losses, net of federal benefit, to an amount that will more likely than not be realized by the Company. There have been no significant effects on the income tax provision associated with changes in the valuation allowance for the years ended December 31, 2011 and 2010.

Undistributed earnings of certain consolidated foreign subsidiaries excluding amounts related to foreign equity investments at December 31, 2011, totaled approximately $66 million. No provision for deferred U.S. income taxes has been made for these subsidiaries because we intend to permanently reinvest such earnings in foreign operations.

The payments and receipts for domestic income taxes were made to or received from Williams in accordance with Williams intercompany tax allocation procedure. Cash payments for domestic income taxes (net of receipts) were $10 million, $5 million and ($13) million in 2011, 2010 and 2009, respectively. Additionally, payments made directly to international taxing authorities were $10 million, $8 million and $4 million in 2011, 2010 and 2009, respectively.

The Company s policy is to recognize related interest and penalties as a component of income tax expense. The amounts accrued for interest and penalties are insignificant.

Pursuant to our tax sharing agreement with Williams, we will remain responsible for the tax from audit adjustments related to our business for periods prior to the spin-off. During the first quarter of 2011, Williams

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

finalized settlements with the IRS for 1997 through 2008. The statute of limitations for most states expires one year after expiration of the IRS statute. Income tax returns for our foreign operations, primarily in Argentina, are open to audit for the 2004 to 2011 tax years.

As of December 31, 2011, the amount of unrecognized tax benefits is insignificant. During the next 12 months, we do not expect ultimate resolution of any uncertain tax position associated with a domestic or international matter will result in a significant increase or decrease of our unrecognized tax benefit.

Note 12. Contingent Liabilities and Commitments

Royalty litigation

In September 2006, royalty interest owners in Garfield County, Colorado, filed a class action suit in District Court, Garfield County, Colorado, alleging we improperly calculated oil and gas royalty payments, failed to account for proceeds received from the sale of natural gas and extracted products, improperly charged certain expenses and failed to refund amounts withheld in excess of ad valorem tax obligations. Plaintiffs sought to certify a class of royalty interest owners, recover underpayment of royalties and obtain corrected payments resulting from calculation errors. We entered into a final partial settlement agreement. The partial settlement agreement defined the class for certification resolved claims relating to past calculation of royalty and overriding royalty payments, established certain rules to govern future royalty and overriding royalty payments, resolved claims related to past withholding for ad valorem tax payments, established a procedure for refunds of any such excess withholding in the future, and reserved two claims for court resolution. We have prevailed at the trial court and all levels of appeal on the first reserved claim regarding whether we are allowed to deduct mainline pipeline transportation costs pursuant to certain lease agreements. The remaining claim is whether we are required to have proportionately increased the value of natural gas by transporting that gas on mainline transmission lines and, if required, whether we did so and are entitled to deduct a proportionate share of transportation costs in calculating royalty payments. We anticipate litigating the second reserved claim in 2012. We believe our royalty calculations have been properly determined in accordance with the appropriate contractual arrangements and Colorado law. At this time, the plaintiffs have not provided us a sufficient framework to calculate an estimated range of exposure related to their claims.

In October 2011, a potential class of royalty interest owners in New Mexico and Colorado filed a complaint against us in the County of Rio Arriba, New Mexico. The complaint alleges failure to pay royalty on hydrocarbons including drip condensate, fraud and misstatement of value of gas and affiliated sales, breach of duty to market hydrocarbons, violation of the New Mexico Oil and Gas Proceeds Payment Act, bad faith breach of contract and unjust enrichment. Plaintiffs seek monetary damages and a declaratory judgment enjoining activities relating to production and payments and future reporting. This matter has been removed to the United States District Court for New Mexico. At this time, we believe that our royalty calculations have been properly determined in accordance with the appropriate contractual arrangements and applicable laws. We do not have sufficient information to calculate an estimated range of exposure related to these claims.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Other producers have been in litigation with a federal regulatory agency and discussions with a state agency in New Mexico regarding certain deductions, comprised primarily of processing, treating and transportation costs, used in the calculation of royalties. Although we are not a party to those matters, we have monitored them to evaluate whether their resolution might have the potential for unfavorable impact on our results of operations. Certain outstanding issues in those matters could be material to us. We received notice from the U.S. Department of Interior Office of Natural Resources Revenue (ONRR) in the fourth quarter of 2010, intending to clarify the guidelines for calculating federal royalties on conventional gas production applicable to our federal leases in New Mexico. The ONRR s guidance provides its view as to how much of a producer s bundled fees for transportation and processing can be deducted from the royalty payment. We believe using these guidelines would not result in a material difference in determining our historical federal royalty payments for our leases in New Mexico. No similar specific guidance has been issued by ONRR for leases in other states though such guidelines are expected in the future. However, the timing of any such guidance is uncertain. The issuance of similar guidelines in Colorado and other states could affect our previous royalty payments, and the effect could be material to our results of operations. Interpretive guidelines on the applicability of certain deductions in the calculation of federal royalties are extremely complex and may vary based upon the ONRR s assessment of the configuration of processing, treating and transportation operations supporting each federal lease. Correspondence in 2009 with the ONRR s predecessor did not take issue with our calculation regarding the Piceance Basin assumptions, which we believe have been consistent with the requirements. From January 2004 through December 2011, our deductions used in the calculation of the royalty payments in states other than New Mexico associated with conventional gas production total approximately $72 million.

The New Mexico State Land Office Commissioner has filed suit against us in Santa Fe County alleging that we have underpaid royalties due per the oil and gas leases with the State of New Mexico. In August 2011, the parties agreed to stay this matter pending the New Mexico Supreme Court s resolution of a similar matter involving a different producer. At this time, we do not have a sufficient basis to calculate an estimated range of exposure related to this claim.

Environmental matters

The EPA and various state regulatory agencies routinely promulgate and propose new rules, and issue updated guidance to existing rules. These new rules and rulemakings include, but are not limited to, rules for reciprocating internal combustion engine maximum achievable control technology, new air quality standards for ground level ozone, one hour nitrogen dioxide emission limits, and hydraulic fracturing and water standards. We are unable to estimate the costs of asset additions or modifications necessary to comply with these new regulations due to uncertainty created by the various legal challenges to these regulations and the need for further specific regulatory guidance.

Matters related to Williams former power business

In connection with the Separation and Distribution Agreement, Williams is obligated to indemnify and hold us harmless from any losses arising out of liabilities assumed by us, and we are obligated to pay Williams any net proceeds realized from, the pending or threatened litigation described below relating to the 2000-2001 California energy crisis and the reporting of certain natural gas-related information to trade publications.

California energy crisis

Our former power business was engaged in power marketing in various geographic areas, including California. Prices charged for power by us and other traders and generators in California and other western states in 2000 and 2001 were challenged in various proceedings, including those before the FERC. We have entered into settlements with the State of California (State Settlement), major California utilities (Utilities Settlement), and others that substantially resolved each of these issues with these parties.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Although the State Settlement and Utilities Settlement resolved a significant portion of the refund issues among the settling parties, we continue to have potential refund exposure to nonsettling parties, including various California end users that did not participate in the Utilities Settlement. We are currently in settlement negotiations with certain California utilities aimed at eliminating or substantially reducing this exposure. If successful, and subject to a final true-up mechanism, the settlement agreement would also resolve our collection of accrued interest from counterparties as well as our payment of accrued interest on refund amounts. Thus, as currently contemplated by the parties, the settlement agreement would resolve most, if not all, of our legal issues arising from the 2000-2001 California Energy Crisis. With respect to these matters, amounts accrued are not material to our financial position.

Certain other issues also remain open at the FERC and for other nonsettling parties.

Reporting of natural gas-related information to trade publications

Civil suits based on allegations of manipulating published gas price indices have been brought against us and others, seeking unspecified amounts of damages. We are currently a defendant in class action litigation and other litigation originally filed in state court in Colorado, Kansas, Missouri and Wisconsin brought on behalf of direct and indirect purchasers of natural gas in those states. These cases were transferred to the federal court in Nevada. In 2008, the court granted summary judgment in the Colorado case in favor of us and most of the other defendants based on plaintiffs lack of standing. On January 8, 2009, the court denied the plaintiffs request for reconsideration of the Colorado dismissal and entered judgment in our favor. When a final order is entered against the one remaining defendant, the Colorado plaintiffs may appeal the order.

In the other cases, on July 18, 2011, the Nevada district court granted our joint motions for summary judgment to preclude the plaintiffs state law claims because the federal Natural Gas Act gives the FERC exclusive jurisdiction to resolve those issues. The court also denied the plaintiffs class certification motion as moot. The plaintiffs have appealed to the United States Court of Appeals for the Ninth Circuit. Because of the uncertainty around pending unresolved issues, including an insufficient description of the purported classes and other related matters, we cannot reasonably estimate a range of potential exposures at this time. However, it is reasonably possible that the ultimate resolution of these items could result in future charges that may be material to our results of operations.

Other Indemnifications

Pursuant to various purchase and sale agreements relating to divested businesses and assets, we have indemnified certain purchasers against liabilities that they may incur with respect to the businesses and assets acquired from us. The indemnities provided to the purchasers are customary in sale transactions and are contingent upon the purchasers incurring liabilities that are not otherwise recoverable from third parties. The indemnities generally relate to breach of warranties, tax, historic litigation, personal injury, environmental matters, right of way and other representations that we have provided.

At December 31, 2011, we have not received a claim against any of these indemnities and thus have no basis from which to estimate any reasonably possible loss. Further, we do not expect any of the indemnities provided pursuant to the sales agreements to have a material impact on our future financial position. However, if a claim for indemnity is brought against us in the future, it may have a material adverse effect on our results of operations in the period in which the claim is made.

In connection with the separation from Williams, we have agreed to indemnify and hold Williams harmless from any losses resulting from the operation of our business or arising out of liabilities assumed by us. Similarly, Williams has agreed to indemnify and hold us harmless from any losses resulting from the operation of its business or arising out of liabilities assumed by it.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Summary

As of December 31, 2011 and December 31, 2010, the Company had accrued approximately $23 million and $21 million, respectively, for loss contingencies associated with royalty litigation, reporting of natural gas information to trade publications and other contingencies. In certain circumstances, we may be eligible for insurance recoveries, or reimbursement from others. Any such recoveries or reimbursements will be recognized only when realizable.

Management, including internal counsel, currently believes that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers or other indemnification arrangements, is not expected to have a materially adverse effect upon our future liquidity or financial position; however, it could be material to our results of operations in any given year.

Commitments

As part of managing our commodity price risk, we utilize contracted pipeline capacity (including capacity on former affiliates systems, resulting in a total of $401 million for all years) to move our natural gas production and third party gas purchases to other locations in an attempt to obtain more favorable pricing differentials. Our commitments under these contracts as of December 31, 2011 are as follows:

	(Millions)
2012	$ 215
2013	211
2014	177
2015	167
2016	149
Thereafter	489
Total	$ 1,408

We also have certain commitments to an equity investee and others, primarily for natural gas gathering and treating services and well completion services, which total $780 million over approximately seven years.

We hold a long-term obligation to deliver on a firm basis 200,000 MMBtu per day of natural gas to a buyer at the White River Hub (Greasewood-Meeker, Colorado), which is the major market hub exiting the Piceance Basin. This obligation expires in 2014.

In connection with a gathering agreement entered into by WPZ with a third party in December 2010, we concurrently agreed to buy up to 200,000 MMBtu per day of natural gas at Transco Station 515 (Marcellus Basin) at market prices from the same third party. Purchases under the 12-year contract are anticipated to begin in the first quarter of 2012. We expect to sell this natural gas in the open market and may utilize available transportation capacity to facilitate the sales.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Future minimum annual rentals under noncancelable operating leases as of December 31, 2011, are payable as follows:

	(Millions)
2012	$ 67
2013	76
2014	67
2015	32
2016	9
Thereafter	36
Total	$ 287

Total rent expense, excluding month-to-month rentals, was $16 million, $13 million and $22 million in 2011, 2010 and 2009, respectively. Rent charges incurred for drilling rig rentals are capitalized under the successful efforts method of accounting.

Note 13. Employee Benefit Plans

Prior to spin-off

Through the spin-off date, certain benefit costs associated with direct employees who support our operations are determined based on a specific employee basis and were charged to us by Williams as described below. These pension and post retirement benefit costs included amounts associated with vested participants who are no longer employees. As described in Note 4 Williams also charged us for the allocated cost of certain indirect employees of Williams who provided general and administrative services on our behalf. Williams included an allocation of the benefit costs associated with these Williams employees based upon a Williams determined benefit rate, not necessarily specific to the employees providing general and administrative services on our behalf. As a result, the information described below is limited to amounts associated with the direct employees that supported our operations.

For the periods presented, we were not the plan sponsor for these plans. Accordingly, our Consolidated Balance Sheet does not reflect any assets or liabilities related to these plans.

Pension plans

Williams is the sponsor of noncontributory defined benefit pension plans that provides pension benefits for its eligible employees. Pension expense charged to us by Williams for 2011, 2010 and 2009 totaled $8 million, $7 million and $7 million, respectively.

Other postretirement benefits

Williams is the sponsor of subsidized retiree medical and life insurance benefit plans (other postretirement benefits) that provides benefits to certain eligible participants, generally including employees hired on or before December 31, 1991, and other miscellaneous defined participant groups. Other postretirement benefit expense charged to us by Williams for 2011, 2010, and 2009 totaled less than $1 million for each period.

Defined contribution plan

Williams also is the sponsor of a defined contribution plan that provides benefits to certain eligible participants and has charged us compensation expense of $4 million, $5 million and $5 million in 2011, 2010 and 2009, respectively, for Williams matching contributions to this plan.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Subsequent to spin-off

On January 1, 2012, several new plans became effective for us including a defined contribution plan. WPX matches dollar-for-dollar up to the first 6 percent of eligible pay per period. Employees also receive a non-matching annual employer contribution of equal to 8 percent of eligible pay if they are age 40 or older and 6 percent of eligible pay if they are under age 40.

Note 14. Stock-Based Compensation

Certain of our direct employees participated in The Williams Companies, Inc. 2007 Incentive Plan, which provides for Williams common-stock-based awards to both employees and Williams nonmanagement directors. The plan permits the granting of various types of awards including, but not limited to, stock options and restricted stock units. Awards may be granted for no consideration other than prior and future services or based on certain financial performance targets. Additionally, certain of our eligible direct employees participated in Williams Employee Stock Purchase Plan (ESPP). The ESPP enables eligible participants to purchase through payroll deductions a limited amount of Williams common stock at a discounted price.

Through the date of spin-off we were charged by Williams for stock-based compensation expense related to our direct employees. Williams also charges us for the allocated costs of certain indirect employees of Williams (including stock-based compensation) who provide general and administrative services on our behalf. However, information included in this note is limited to stock-based compensation associated with the direct employees (see Note 4 for total costs charged to us by Williams).

Williams Compensation Committee determined that all outstanding Williams stock-based compensation awards, whether vested or unvested, other than outstanding options issued prior to January 1, 2006 (the Pre-2006 Options), be converted into awards with respect to shares of common stock of the company that continues to employ the holder following the spin-off. The Pre-2006 Options (whether held by our employees or other Williams employees) converted into options for both Williams and WPX common stock following the spin-off, in the same ratio as is used in the distribution of WPX common stock to holders of Williams common stock. The number of shares underlying each such award (including the Pre-2006 Options) and, with respect to options (including the Pre-2006 Options), the per share exercise price of each award was adjusted to maintain, on a post-spin-off basis, the pre-spin-off intrinsic value of each award.

Total stock-based compensation expense included in general and administrative expense for the years ended December 31, 2011, 2010 and 2009 was $18 million, $14 million, and $13 million, respectively. Measured but unrecognized stock-based compensation expense at December 31, 2011 was $24 million. This amount is comprised of $2 million related to stock options and $22 million related to restricted stock units. These amounts are expected to be recognized over a weighted-average period of 1.8 years.

WPX Energy, Inc. 2011 Incentive Plan

Subsequent to the spin-off, we have an equity incentive plan and an employee stock purchase plan. The 2011 Incentive Plan authorizes the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based awards. The number of shares of common stock authorized for issuance pursuant to all awards granted under the 2011 Incentive Plan is 11,000,000 shares. The 2011 Incentive Plan will be administered by either the full Board of Directors or a committee as designated by the Board of Directors. Our employees, officers and non-employee directors are eligible to receive awards under the 2011 Incentive Plan.

The employee stock purchase plan allows domestic employees the option to purchase WPX common stock at a 15 percent discount through after-tax payroll deductions. The purchase price of the stock is the lower of

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Notes to Consolidated Financial Statements (continued)

either the first or last day of the biannual offering periods, followed with the 15 percent discount. The maximum number of shares that shall be made available under the purchase plan is 1,000,000, subject to adjustment for stock splits and similar events.

Employee stock-based awards

Stock options are valued at the date of award, which does not precede the approval date, and compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period. The purchase price per share for stock options may not be less than the market price of the underlying stock on the date of grant.

Stock options generally become exercisable over a three-year period from the date of grant and generally expire ten years after the grant.

Restricted stock units are generally valued at fair value on the grant date and generally vest over three years. Restricted stock unit compensation cost, net of estimated forfeitures, is generally recognized over the vesting period on a straight-line basis.

Stock Options

The following summary reflects stock option activity and related information for the year ended December 31, 2011.

Stock Options	Options (Millions)	WPX Plan Weighted-Average Exercise Price	Aggregate Intrinsic Value (Millions)	Direct employees participation in Williams Plan Options (Millions)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (Millions)
Outstanding at December 31, 2010		$	$	1.6	$ 18.23	$ 13
Granted		$		.2	$ 29.73	
Exercised		$		(.4)	$ 13.52	
Expired		$		(.1)	$ 34.66	
Conversion of direct employee options	2.0	$ 12.81		(1.3)	$ 21.08	
Conversion of other options(1)	2.2	$ 10.16			$	
Outstanding at December 31, 2011	4.2	$ 11.41	$ 29		$	
Exercisable at December 31, 2011	3.0	$ 10.92	$ 22			

(1) Includes approximately 962 thousand shares held by Williams employees at a weighted average price of $7.07 per share.

The total intrinsic value of options exercised during the years ended December 31, 2011, 2010, and 2009 was $7 million, $2 million, and $0.2 million, respectively.

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The following summary provides additional information about stock options that are outstanding and exercisable at December 31, 2011.

	WPX Plan					
	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	**Options (Millions)**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (Years)**	**Options (Millions)**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (Years)**
$ 1.26 to $6.02	1.4	$ 5.19	4.6	1.2	$ 5.00	4.1
$ 6.49 to $11.75	1.1	$ 11.21	5.7	0.7	$ 10.93	4.4
$12.00 to $15.67	0.7	$ 14.41	4.8	0.7	$ 14.41	4.8
$16.46 to $20.97	1.0	$ 18.17	7.8	0.4	$ 20.23	6.2
Total	4.2	$ 11.41	5.7	3.0	$ 10.92	4.6

The estimated fair value at date of conversion for WPX awards and the date of grant of options for Williams common stock granted in each respective year, using the Black-Scholes option pricing model, is as follows:

	WPX Plan	Williams Plan		
	2011	**2011**	**2010**	**2009**
Weighted-average or grant date fair value of options granted	$	$ 7.71	$ 7.02	$ 5.60
Weighted-average conversion date fair value options granted	$ 8.48			
Weighted-average assumptions:				
Dividend yield	%	3.6%	2.6%	1.6%
Volatility	45%	34.6%	39.0%	60.8%
Risk-free interest rate	0.377%	2.84%	3.0%	2.3%
Expected life (years)	2.8	6.5	6.5	6.5

For the WPX Plan the weighted average fair value is a component of the intrinsic value calculation at spin-off and is not necessarily indicative of the fair value of future WPX grants. The expected volatility yield is based on the historical volatility of comparable peer group stocks. The risk free rate interest rate is based on the U.S. Treasury Constant Maturity rates as of the modification date. The expected life of the options is based over the remaining option term.

For the Williams Plan, the expected dividend yield is based on the average annual dividend yield as of the grant date. Expected volatility is based on the historical volatility of Williams stock and the implied volatility of Williams stock based on traded options. In calculating historical volatility, returns during calendar year 2002 were excluded as the extreme volatility during that time is not reasonably expected to be repeated in the future. The risk-free interest rate is based on the U.S. Treasury Constant Maturity rates as of the grant date. The expected life of the option is based on historical exercise behavior and expected future experience.

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Nonvested Restricted Stock Units

The following summary reflects nonvested restricted stock unit activity and related information for the year ended December 31, 2011.

Restricted Stock Units	WPX Plan Shares (Millions)	WPX Plan Weighted-Average Fair Value*	Direct employees participation in Williams Plan Shares (Millions)	Direct employees participation in Williams Plan Weighted-Average Fair Value*
Nonvested at December 31, 2010		$	1.8	$ 16.93
Granted		$	.5	$ 27.74
Forfeited		$	(.1)	$ 18.20
Cancelled		$	(.1)	$ 35.47
Vested		$	(.3)	$ 32.75
Conversion of direct employee restricted units	3.3	$ 9.74	(1.8)	$ 17.59
Conversion of indirect employee restricted units	1.3	$ 9.54		
Nonvested at December 31, 2011	4.6	$ 9.69		$

* Performance-based shares are primarily valued using a valuation pricing model. However, certain of these shares were valued using the end-of-period market price until certification that the performance objectives were completed or a value of zero once it was determined that it was unlikely that performance objectives would be met. All other shares are valued at the grant-date market price, less dividends projected to be paid over the vesting period.

Other restricted stock unit information

	Williams Plan 2011	2010	2009
Weighted-average grant date fair value of Williams restricted stock units granted during the year, per share	$ 27.74	$ 20.00	$ 9.71
Total fair value of restricted stock units vested during the year ($ s in millions)	$ 10	$ 9	$ 8

Performance-based shares granted represent 13 percent of nonvested restricted stock units outstanding at December 31, 2011. These grants may be earned at the end of a three-year period based on actual performance against a performance target. Expense associated with these performance-based grants is recognized in periods after performance targets are established. Based on the extent to which certain financial targets are achieved, vested shares may range from zero percent to 200 percent of the original grant amount.

Note 15. Stockholders Equity

Common Stock

Each share of our common stock entitles its holder to one vote in the election of each director. No share of our common stock affords any cumulative voting rights. Holders of our common stock will be entitled to dividends in such amounts and at such times as our Board of Directors in its discretion may declare out of funds legally available for the payment of dividends. No dividends were declared or paid as of December 31, 2011. No shares of common stock are subject to redemption or have preemptive rights to purchase additional shares of our common stock or other securities.

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Preferred Stock

Our amended and restated certificate of incorporation authorizes our Board of Directors to establish one or more series of preferred stock. Unless required by law or by any stock exchange on which our common stock is listed, the authorized shares of preferred stock will be available for issuance without further action. Rights and privileges associated with shares of preferred stock are subject to authorization by our Board of Directors and may differ from those of any and all other series at any time outstanding.

Note 16. Fair Value Measurements

Fair value is the amount received from the sale of an asset or the amount paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. Fair value is a market-based measurement considered from the perspective of a market participant. We use market data or assumptions that we believe market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation. These inputs can be readily observable, market corroborated, or unobservable. We apply both market and income approaches for recurring fair value measurements using the best available information while utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs used to measure fair value, giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). We classify fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices for identical assets or liabilities in active markets that we have the ability to access. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Our Level 1 measurements primarily consist of financial instruments that are exchange traded.

Level 2 Inputs are other than quoted prices in active markets included in Level 1, that are either directly or indirectly observable. These inputs are either directly observable in the marketplace or indirectly observable through corroboration with market data for substantially the full contractual term of the asset or liability being measured. Our Level 2 measurements primarily consist of over-the-counter (OTC) instruments such as forwards, swaps, and options. These options, which hedge future sales of production, are structured as costless collars and are financially settled. They are valued using an industry standard Black-Scholes option pricing model.

Level 3 Inputs that are not observable for which there is little, if any, market activity for the asset or liability being measured. These inputs reflect management s best estimate of the assumptions market participants would use in determining fair value. Our Level 3 measurements consist of instruments valued using industry standard pricing models and other valuation methods that utilize unobservable pricing inputs that are significant to the overall fair value.

In valuing certain contracts, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

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Notes to Consolidated Financial Statements (continued)

The following table presents, by level within the fair value hierarchy, our assets and liabilities that are measured at fair value on a recurring basis.

	December 31, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(Millions)				(Millions)		
Energy derivative assets	$ 55	$ 454	$ 7	$ 516	$ 97	$ 474	$ 2	$ 573
Energy derivative liabilities	$ 41	$ 112	$ 6	$ 159	$ 78	$ 210	$ 1	$ 289

Energy derivatives include commodity based exchange-traded contracts and OTC contracts. Exchange-traded contracts include futures, swaps, and options. OTC contracts include forwards, swaps and options.

Many contracts have bid and ask prices that can be observed in the market. Our policy is to use a mid-market pricing (the mid-point price between bid and ask prices) convention to value individual positions and then adjust on a portfolio level to a point within the bid and ask range that represents our best estimate of fair value. For offsetting positions by location, the mid-market price is used to measure both the long and short positions.

The determination of fair value for our assets and liabilities also incorporates the time value of money and various credit risk factors which can include the credit standing of the counterparties involved, master netting arrangements, the impact of credit enhancements (such as cash collateral posted and letters of credit) and our nonperformance risk on our liabilities. The determination of the fair value of our liabilities does not consider noncash collateral credit enhancements.

Exchange-traded contracts include New York Mercantile Exchange and Intercontinental Exchange contracts and are valued based on quoted prices in these active markets and are classified within Level 1.

Forward, swap, and option contracts included in Level 2 are valued using an income approach including present value techniques and option pricing models. Option contracts, which hedge future sales of our production, are structured as costless collars and are financially settled. They are valued using an industry standard Black-Scholes option pricing model. Significant inputs into our Level 2 valuations include commodity prices, implied volatility by location, and interest rates, as well as considering executed transactions or broker quotes corroborated by other market data. These broker quotes are based on observable market prices at which transactions could currently be executed. In certain instances where these inputs are not observable for all periods, relationships of observable market data and historical observations are used as a means to estimate fair value. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2.

Our energy derivatives portfolio is largely comprised of exchange-traded products or like products and the tenure of our derivatives portfolio is relatively short with more than 99 percent of the net fair value of our derivatives portfolio expiring in the next 15 months. Due to the nature of the products and tenure, we are consistently able to obtain market pricing. All pricing is reviewed on a daily basis and is formally validated with broker quotes and documented on a monthly basis.

Certain instruments trade with lower availability of pricing information. These instruments are valued with a present value technique using inputs that may not be readily observable or corroborated by other market data. These instruments are classified within Level 3 when these inputs have a significant impact on the measurement of fair value. The instruments included in Level 3 at December 31, 2011, consist primarily of natural gas index transactions that are used to manage our physical requirements.

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Notes to Consolidated Financial Statements (continued)

Reclassifications of fair value between Level 1, Level 2, and Level 3 of the fair value hierarchy, if applicable, are made at the end of each quarter. No significant transfers between Level 1 and Level 2 occurred during the years ended December 31, 2011 or 2010. During the period ended March 31, 2011, certain NGL swaps that originated during the first quarter of 2011 were transferred from Level 3 to Level 2. Prior to March 31, 2011, these swaps were considered Level 3 due to a lack of observable third-party market quotes. Due to an increase in exchange-traded transactions and greater visibility from OTC trading, we transferred these instruments to Level 2. In 2009, certain options which hedge future sales of production were transferred from Level 3 to Level 2. These options were originally included in Level 3 because a significant input to the model, implied volatility by location, was considered unobservable. Due to increased transparency, this input was considered observable, and we transferred these options to Level 2.

The following table presents a reconciliation of changes in the fair value of our net energy derivatives and other assets classified as Level 3 in the fair value hierarchy.

Level 3 Fair Value Measurements Using Significant Unobservable Inputs

	Years ended December 31,		
	2011	2010	2009
	Net Energy Derivatives	Net Energy Derivatives (Millions)	Net Energy Derivatives
Beginning balance	$ 1	$ 1	$ 506
Realized and unrealized gains (losses):			
Included in income (loss) from continuing operations	15	1	476
Included in other comprehensive income (loss)			(329)
Purchases, issuances, and settlements	(12)	(1)	(479)
Transfers out of Level 3	(3)		(173)
Ending balance	$ 1	$ 1	$ 1
Unrealized gains included in income (loss) from continuing operations relating to instruments still held at December 31	$ 1	$	$

Realized and unrealized gains (losses) included in income (loss) from continuing operations for the above periods are reported in revenues in our Consolidated Statement of Operations.

For the year ending December 31, 2011, the entire $12 million reduction to level 3 fair value measurements are settlements.

The following table presents impairments associated with certain assets that have been measured at fair value on a nonrecurring basis within Level 3 of the fair value hierarchy.

	Total losses for the years ended December 31,		
	2011	2010 (Millions)	2009
Impairments:			
Goodwill (see Note 7)	$	$ 1,003(b)	$

Producing properties and costs of acquired unproved reserves (see Note 7)	547(a)	678(c)	15(d)
Cost-based investment (see Note 5)			11(e)
	$ 547	$ 1,681	$ 26

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Notes to Consolidated Financial Statements (continued)

(a) Due to significant declines in forward natural gas prices, we assessed the carrying value of our natural gas-producing properties and costs of acquired unproved reserves for impairments. Our assessment utilized estimates of future cash flows including potential disposition proceeds. Significant judgments and assumptions in these assessments include estimates of natural gas reserve quantities, estimates of future natural gas prices using a forward NYMEX curve adjusted for locational basis differentials, drilling plans, expected capital costs, and an applicable discount rate commensurate with risk of the underlying cash flow estimates. The annual assessment identified certain properties with a carrying value in excess of their calculated fair values. As a result, we recorded the following impairment charges. Fair value measured for these properties at December 31, 2011, was estimated to be approximately $798 million.

$276 million of impairment charge related to natural gas-producing properties in Powder River. Significant assumptions in valuing these properties included proved reserves quantities of more than 352 billion cubic feet of gas equivalent, forward weighted average prices averaging approximately $3.81 per Mcfe for natural gas (adjusted for locational differences), natural gas liquids and oil, and an after-tax discount rate of 11 percent.

$180 million of impairment charge related to natural gas-producing properties in the Barnett Shale. Significant assumptions in valuing these properties included proved reserves quantities of more than 235 billion cubic feet of gas equivalent, forward weighted average prices averaging approximately $4.24 per Mcfe for natural gas (adjusted for locational differences and contractual arrangements), natural gas liquids and oil, and an after-tax discount rate of 11 percent. Additionally, the weighted average price is net of deductions for gathering and processing.

$91 million of the impairment charge related to acquired unproved reserves in Powder River. Significant assumptions in valuing these unproved reserves included evaluation of probable and possible reserves quantities, expectation for market participant drilling plans, forward natural gas (adjusted for locational differences) and natural gas liquids prices, and an after-tax discount rate of 13 percent and 15 percent for probable and possible reserves, respectively.

(b) Due to a significant decline in forward natural gas prices across all future production periods during 2010, we determined that we had a trigger event and thus performed an interim impairment assessment of the approximate $1 billion of goodwill related to our domestic natural gas production operations (the reporting unit). Forward natural gas prices through 2025 as of September 30, 2010, used in our analysis declined more than 22 percent on average compared to the forward prices as of December 31, 2009. We estimated the fair value of the reporting unit on a stand-alone basis by valuing proved and unproved reserves, as well as estimating the fair values of other assets and liabilities which are identified to the reporting unit. We used an income approach (discounted cash flow) for valuing reserves. The significant inputs into the valuation of proved and unproved reserves included reserve quantities, forward natural gas prices, anticipated drilling and operating costs, anticipated production curves, income taxes, and appropriate discount rates. To estimate the fair value of the reporting unit and the implied fair value of goodwill under a hypothetical acquisition of the reporting unit, we assumed a tax structure where a buyer would obtain a step-up in the tax basis of the net assets acquired. Significant assumptions in valuing proved reserves included reserves quantities of more than 4.4 trillion cubic feet of gas equivalent; forward prices averaging approximately $4.65 per thousand cubic feet of gas equivalent (Mcfe) for natural gas (adjusted for locational differences), natural gas liquids and oil; and an after-tax discount rate of 11 percent. Unproved reserves (probable and possible) were valued using similar assumptions adjusted further for the uncertainty associated with these reserves by using after- tax discount rates of 13 percent and 15 percent, respectively, commensurate with our estimate of the risk of those reserves. In our assessment as of September 30, 2010, the carrying value of the reporting unit, including goodwill, exceeded its estimated fair value. We then determined that the

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implied fair value of the goodwill was zero. As a result of our analysis, we recognized a full $1 billion impairment charge related to this goodwill.

(c) As of September 30, 2010, we had a trigger event as a result of recent significant declines in forward natural gas prices and therefore, we assessed the carrying value of our natural gas-producing properties and costs of acquired unproved reserves for impairments. Our assessment utilized estimates of future cash flows. Significant judgments and assumptions in these assessments are similar to those used in the goodwill evaluation and include estimates of natural gas reserve quantities, estimates of future natural gas prices using a forward NYMEX curve adjusted for locational basis differentials, drilling plans, expected capital costs, and an applicable discount rate commensurate with risk of the underlying cash flow estimates. The assessment performed at September 30, 2010, identified certain properties with a carrying value in excess of their calculated fair values. As a result, we recorded a $678 million impairment charge in the third-quarter 2010 as further described below. Fair value measured for these properties at September 30, 2010, was estimated to be approximately $320 million.

$503 million of impairment charge related to natural gas-producing properties in the Barnett Shale. Significant assumptions in valuing these properties included proved reserves quantities of more than 227 billion cubic feet of gas equivalent, forward weighted average prices averaging approximately $4.67 per Mcfe for natural gas (adjusted for locational differences), natural gas liquids and oil, and an after-tax discount rate of 11 percent. Additionally, the weighted average price is net of deductions for gathering and processing.

$175 million of the impairment charge related to acquired unproved reserves in the Piceance Highlands acquired in 2008. Significant assumptions in valuing these unproved reserves included evaluation of probable and possible reserves quantities, drilling plans, forward natural gas (adjusted for locational differences) and natural gas liquids prices, and an after-tax discount rate of 13 percent.

(d) Fair value of costs acquired reserves in the Barnett Shale measured at December 31, 2009, was $22 million. Significant assumptions in valuing these unproved reserves included evaluation of probable and possible reserves quantities, drilling plans, forward natural gas prices (adjusted for locational differences) and an after-tax discount rate of 11 percent.

(e) Fair value measured at March 31, 2009 was zero. This value was based on an other-than-temporary decline in the value of our investment considering the deteriorating financial condition of a Venezuelan corporation in which we own a 4 percent interest.

Note 17. Financial Instruments, Derivatives, Guarantees and Concentration of Credit Risk

We use the following methods and assumptions for financial instruments that require fair value disclosure.

Cash and cash equivalents and restricted cash: The carrying amounts reported in the Consolidated Balance Sheet approximate fair value due to the nature of the instrument and/or the short-term maturity of these instruments.

Other: Includes margin deposits and customer margin deposits payable for which the amounts reported in the Consolidated Balance Sheet approximate fair value given the short-term status of the instruments.

Long-term debt: The fair value of our debt is determined on market rates and the prices of similar securities with similar terms and credit ratings.

Energy derivatives: Energy derivatives include futures, forwards, swaps and options. These are carried at fair value in the Consolidated Balance Sheet. See Note 16 for a discussion of valuation of energy derivatives.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Carrying amounts and fair values of our financial instruments were as follows:

	December 31,			
	2011		2010	
Asset (Liability)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	(Millions)			
Cash and cash equivalents	$ 526	$ 526	$ 37	$ 37
Restricted cash (current and noncurrent)	29	29	24	24
Other	(7)	(7)	(25)	(25)
Long-term debt (1)	1,502	1,523		
Net energy derivatives:				
Energy commodity cash flow hedges	347	347	266	266
Other energy derivatives	10	10	18	18

(1) Excludes capital leases.

For the year ended December 31, 2010 our note payable to Williams had a carrying amount of $2,261, which approximated fair value.

Energy Commodity Derivatives

Risk Management Activities

We are exposed to market risk from changes in energy commodity prices within our operations. We utilize derivatives to manage exposure to the variability in expected future cash flows from forecasted sales of natural gas and oil attributable to commodity price risk. Certain of these derivatives utilized for risk management purposes have been designated as cash flow hedges, while other derivatives have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging our future cash flows on an economic basis.

We produce, buy and sell natural gas and oil at different locations throughout the United States. To reduce exposure to a decrease in revenues from fluctuations in natural gas market prices, we enter into natural gas and oil futures contracts, swap agreements, and financial option contracts to mitigate the price risk on forecasted sales of natural gas and oil. We have also entered into basis swap agreements to reduce the locational price risk associated with our producing basins. Those agreements and contracts designated as cash flow hedges are expected to be highly effective in offsetting cash flows attributable to the hedged risk during the term of the hedge. However, ineffectiveness may be recognized primarily as a result of locational differences between the hedging derivative and the hedged item. Our financial option contracts are either purchased options or a combination of options that comprise a net purchased option or a zero-cost collar. Our designation of the hedging relationship and method of assessing effectiveness for these option contracts are generally such that the hedging relationship is considered perfectly effective and no ineffectiveness is recognized in earnings.

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The following table sets forth the derivative volumes designated as hedges of production volumes as of December 31, 2011:

Commodity	Period	Contract Type	Location	Notional Volume (BBtu)	Weighted Average Price ($/MMBtu)
Natural Gas	2012	Location Swaps	Rockies	49,410	$ 4.76
Natural Gas	2012	Location Swaps	San Juan	40,260	$ 4.94
Natural Gas	2012	Location Swaps	MidCon	32,025	$ 4.76
Natural Gas	2012	Location Swaps	SoCal	11,895	$ 5.14
Natural Gas	2012	Location Swaps	Northeast	52,460	$ 5.58
Natural Gas	2013	Location Swaps	Northeast	1,800	$ 6.48

Commodity	Period	Contract Type	Location	Notional Volume (MBbl)	Weighted Average Price ($/Bbl)
Crude Oil	2012	Business Day Avg Swaps	Midcon	2,624	$ 97.32

We also enter into forward contracts to buy and sell natural gas to maximize the economic value of transportation agreements and storage capacity agreements. To reduce exposure to a decrease in margins from fluctuations in natural gas market prices, we may enter into futures contracts, swap agreements, and financial option contracts to mitigate the price risk associated with these contracts. Derivatives for transportation and storage contracts have not been designated as hedging instruments, despite economically hedging the expected cash flows generated by those agreements.

We also enter into energy commodity derivatives for other than risk management purposes, including managing certain remaining legacy natural gas contracts and positions from our former power business and providing services to third parties and affiliated entities. These legacy natural gas contracts include substantially offsetting positions and have had an insignificant net impact on earnings.

The following table depicts the notional amounts of the net long (short) positions which we did not designate as hedges of our production in our commodity derivatives portfolio as of December 31, 2011. Natural gas is presented in millions of British Thermal Units (MMBtu) and crude oil is presented in barrels. The volumes for options represent zero-cost collars and present one side of the short position. These 2012 options were executed to reduce exposure to a decrease in revenues from fluctuations in crude oil market prices. The floor and ceiling prices associated with these collars are $85 per barrel and $106.30 per barrel, respectively, and realize by December 2012. Despite being economic hedges, we did not designate these contracts in a hedge relationship for accounting purposes. All of the Central hub risk realizes by March 31, 2013 and 91% of the basis risk realizes by 2013. The net index position includes contracts for the future sale of physical natural gas related to our production. Offsetting these sales are contracts for the future production of physical natural gas related to WPZ s natural gas shrink requirements. These contracts result in minimal commodity price risk exposure and have a value of less than $1 million at December 31, 2011.

Derivative Notional Volumes	Unit of Measure	Central Hub Risk (a)	Basis Risk (b)	Index Risk (c)	Option Risk (e)
Not Designated as Hedging Instruments					
Risk Management	MMBtu	(14,396,621)	(15,570,621)	(35,487,182)	
Other	MMBtu	(7,500)	(7,102,500)		
Risk Management (d)	Barrels	(730,000)			(732,000)

(a) includes physical and financial derivative transactions that settle against the Henry Hub price;
(b) includes physical and financial derivative transactions priced off the difference in value between the Central Hub and another specific delivery point;

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Notes to Consolidated Financial Statements (continued)

(c) includes physical derivative transactions at an unknown future price, including purchases of 81,679,958 MMBtu primarily on behalf of WPZ and sales of 117,167,110 MMBtu.
(d) includes financial derivatives entered into to hedge our crude oil exposure that were not designated in a hedging relationship at December 31, 2011.
(e) includes all fixed price options or combination of options that set a floor and/or ceiling for the transaction price of a commodity.

Fair values and gains (losses)

The following table presents the fair value of energy commodity derivatives. Our derivatives are presented as separate line items in our Consolidated Balance Sheet as current and noncurrent derivative assets and liabilities. Derivatives are classified as current or noncurrent based on the contractual timing of expected future net cash flows of individual contracts. The expected future net cash flows for derivatives classified as current are expected to occur within the next 12 months. The fair value amounts are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under the terms of our master netting arrangements. Further, the amounts below do not include cash held on deposit in margin accounts that we have received or remitted to collateralize certain derivative positions.

	December 31,			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	(Millions)			
Designated as hedging instruments	$ 360	$ 13	$ 288	$ 22
Not designated as hedging instruments:				
Legacy natural gas contracts from former power business	93	92	186	187
All other	63	54	99	80
Total derivatives not designated as hedging instruments	156	146	285	267
Total derivatives	$ 516	$ 159	$ 573	$ 289

The following table presents pre-tax gains and losses for our energy commodity derivatives designated as cash flow hedges, as recognized in accumulated other comprehensive income (AOCI) or revenues.

	Years Ended December 31,		
	2011	2010	Classification
	(Millions)		
Net gain recognized in other comprehensive income (loss) (effective portion)	$ 413	$ 505	AOCI
Net gain reclassified from *accumulated other comprehensive income (loss)* into income (effective portion) (1)	$ 331	$ 354	Revenues
Gain recognized in income (ineffective portion)	$	$ 9	Revenues

(1) Gains reclassified from accumulated other comprehensive income (loss) primarily represent realized gains associated with our production reflected in oil and gas sales.

There were no gains or losses recognized in income as a result of excluding amounts from the assessment of hedge effectiveness.

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Notes to Consolidated Financial Statements (continued)

The following table presents pre-tax gains and losses for our energy commodity derivatives not designated as hedging instruments.

	Years Ended December 31, 2011	2010
	(Millions)	
Gas management revenues	$ 30	$ 47
Gas management expenses		28
Net gain	$ 30	$ 19

The cash flow impact of our derivative activities is presented in the Consolidated Statement of Cash Flows as changes in current and noncurrent derivative assets and liabilities.

Credit-risk-related features

Certain of our derivative contracts contain credit-risk-related provisions that would require us, in certain circumstances, to post additional collateral in support of our net derivative liability positions. These credit-risk-related provisions require us to post collateral in the form of cash or letters of credit when our net liability positions exceed an established credit threshold. The credit thresholds are typically based on our senior unsecured debt ratings from Standard and Poor s and/or Moody s Investors Service. Under these contracts, a credit ratings decline would lower our credit thresholds, thus requiring us to post additional collateral. We also have contracts that contain adequate assurance provisions giving the counterparty the right to request collateral in an amount that corresponds to the outstanding net liability. Additionally, we have an unsecured agreements with certain banks related to economic hedging activities. We are not required to provide collateral support for net derivative liability positions under these agreements.

As of December 31, 2011, we had collateral totaling $18 million posted to derivative counterparties to support the aggregate fair value of our net $37 million derivative liability position (reflecting master netting arrangements in place with certain counterparties), which includes a reduction of less than $1 million to our liability balance for our own nonperformance risk. At December 31, 2010, we had collateral totaling $8 million posted to derivative counterparties, all of which was in the form of letters of credit, to support the aggregate fair value of our net derivative liability position (reflecting master netting arrangements in place with certain counterparties) of $36 million, which included a reduction of less than $1 million to our liability balance for our own nonperformance risk. The additional collateral that we would have been required to post, assuming our credit thresholds were eliminated and a call for adequate assurance under the credit risk provisions in our derivative contracts was triggered, was $19 million and $29 million at December 31, 2011 and December 31, 2010, respectively.

Cash flow hedges

Changes in the fair value of our cash flow hedges, to the extent effective, are deferred in AOCI and reclassified into earnings in the same period or periods in which the hedged forecasted purchases or sales affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. As of December 31, 2011, we have hedged portions of future cash flows associated with anticipated energy commodity purchases and sales for up to two years. Based on recorded values at December 31, 2011, $219 million of net gains (net of income tax provision of $127 million) will be reclassified into earnings within the next year. These recorded values are based on market prices of the commodities as of December 31, 2011. Due to the volatile nature of commodity prices and changes in the creditworthiness of

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

counterparties, actual gains or losses realized within the next year will likely differ from these values. These gains or losses are expected to substantially offset net losses or gains that will be realized in earnings from previous unfavorable or favorable market movements associated with underlying hedged transactions.

Concentration of Credit Risk

Cash equivalents

Our cash equivalents are primarily invested in funds with high-quality, short-term securities and instruments that are issued or guaranteed by the U.S. government.

Accounts receivable

The following table summarizes concentration of receivables (other than as relates to Williams), net of allowances, by product or service as of December 31:

	2011	2010
	(Millions)	
Receivables by product or service:		
Sale of natural gas and related products and services	$ 286	$ 272
Joint interest owners	150	83
Other	11	7
Total	$ 447	$ 362

Natural gas customers include pipelines, distribution companies, producers, gas marketers and industrial users primarily located in the eastern and northwestern United States, Rocky Mountains and Gulf Coast. As a general policy, collateral is not required for receivables, but customers financial condition and credit worthiness are evaluated regularly.

Derivative assets and liabilities

We have a risk of loss from counterparties not performing pursuant to the terms of their contractual obligations. Counterparty performance can be influenced by changes in the economy and regulatory issues, among other factors. Risk of loss is impacted by several factors, including credit considerations and the regulatory environment in which a counterparty transacts. We attempt to minimize credit-risk exposure to derivative counterparties and brokers through formal credit policies, consideration of credit ratings from public ratings agencies, monitoring procedures, master netting agreements and collateral support under certain circumstances. Collateral support could include letters of credit, payment under margin agreements, and guarantees of payment by credit worthy parties.

We also enter into master netting agreements to mitigate counterparty performance and credit risk. During 2011, 2010 and 2009, we did not incur any significant losses due to counterparty bankruptcy filings.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

The gross credit exposure from our derivative contracts as of December 31, 2011, is summarized as follows.

Counterparty Type	Investment Grade*	Total
	(Millions)	
Gas and electric utilities and integrated oil and gas companies	$ 2	$ 2
Energy marketers and traders		50
Financial institutions	410	464
	$ 412	516
Credit reserves		
Gross credit exposure from derivatives		$ 516

We assess our credit exposure on a net basis to reflect master netting agreements in place with certain counterparties. We offset our credit exposure to each counterparty with amounts we owe the counterparty under derivative contracts. The net credit exposure from our derivatives as of December 31, 2011, excluding collateral support discussed below, is summarized as follows.

Counterparty Type	Investment Grade*	Total
	(Millions)	
Gas and electric utilities	$ 2	$ 2
Energy marketers and traders		4
Financial institutions	374	388
	$ 376	394
Credit reserves		
Net credit exposure from derivatives		$ 394

* We determine investment grade primarily using publicly available credit ratings. We include counterparties with a minimum Standard & Poor s rating of BBB- or Moody s Investors Service rating of Baa3 in investment grade.

Our seven largest net counterparty positions represent approximately 97 percent of our net credit exposure from derivatives and are all with investment grade counterparties. Included within this group are counterparty positions hedging our production of energy commodities, representing 88 percent of our net credit exposure from derivatives. Under our new marginless hedging agreements with key banks, we nor the participating financial institutions are required to provide collateral support related to hedging activities.

At December 31, 2011, we hold collateral support, which may include cash or letters of credit, of $2 million related to our other derivative positions.

WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

Revenues

During 2011 and 2010, BP Energy Company, a domestic segment customer, accounted for 11% and 13% of our consolidated revenues, respectively. During 2009, there were no customers for which our sales exceeded 10 percent of our consolidated revenues. Management believes that the loss of any individual purchaser would not have a long-term material adverse impact on the financial position or results of operations of the Company.

Note 18. Segment Disclosures

Our reporting segments are Domestic and International. (See Note 1.)

Our segment presentation is reflective of the parent-level focus by our chief operating decision-maker, considering the resource allocation and governance provisions. Domestic and International maintain separate capital and cash management structures. These factors, coupled with differences in the business environment associated with operating in different countries, serve to differentiate the management of this entity as a whole.

Performance Measurement

We evaluate performance based upon segment revenues and segment operating income (loss). The accounting policies of the segments are the same as those described in Note 1. There are no intersegment sales between Domestic and International. Costs historically allocated from Williams were not allocated by us to our International segment.

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

The following tables reflect the reconciliation of segment revenues and segment operating income (loss) to revenues and operating income (loss) as reported in the Consolidated Statement of Operations. Long-lived assets are comprised of gross property, plant and equipment and long-term investments.

For the year ended December 31, 2011	Domestic	International	Total
		(Millions)	
Total revenues	$ 3,878	$ 110	$ 3,988
Costs and expenses:			
Lease and facility operating	$ 268	$ 27	$ 295
Gathering, processing and transportation	499		499
Taxes other than income	119	21	140
Gas management, including charges for unutilized pipeline capacity	1,473		1,473
Exploration	131	3	134
Depreciation, depletion and amortization	927	22	949
Impairment of producing properties and costs of acquired unproved reserves	547		547
General and administrative	273	12	285
Other net	(2)	3	1
Total costs and expenses	$ 4,235	$ 88	$ 4,323
Operating income (loss)	$ (357)	$ 22	$ (335)
Interest expense, including affiliate	(117)		(117)
Interest capitalized	9		9
Investment income and other	6	20	26
Income (loss) from continuing operation before income taxes	$ (459)	$ 42	$ (417)
Other financial information:			
Net capital expenditures	$ 1,531	$ 41	$ 1,572
Total assets	$ 10,144	$ 288	$ 10,432
Long-lived assets	$ 12,284	$ 354	$ 12,638

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2010	Domestic	International	Total
		(Millions)	
Total revenues	$ 3,945	$ 89	$ 4,034
Costs and expenses:			
Lease and facility operating	$ 267	$ 19	$ 286
Gathering, processing and transportation	326		326
Taxes other than income	109	16	125
Gas management, including charges for unutilized pipeline capacity	1,771		1,771
Exploration	67	6	73
Depreciation, depletion and amortization	858	17	875
Impairment of producing properties and costs of acquired unproved reserves	678		678
Goodwill impairment	1,003		1,003
General and administrative	244	9	253
Other net	(19)		(19)
Total costs and expenses	$ 5,304	$ 67	$ 5,371
Operating income (loss)	$ (1,359)	$ 22	$ (1,337)
Interest expense, including affiliate	(124)		(124)
Interest capitalized	16		16
Investment income and other	4	17	21
Income (loss) from continuing operation before income taxes	$ (1,463)	$ 39	$ (1,424)
Other financial information:			
Net capital expenditures	$ 1,821	$ 35	$ 1,856
Total assets	$ 9,590	$ 256	$ 9,846
Long lived assets	$ 12,363	$ 306	$ 12,669

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WPX Energy, Inc.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2009	Domestic	International	Total
		(Millions)	
Total revenues	$ 3,603	$ 78	$ 3,681
Costs and expenses:			
Lease and facility operating	$ 247	$ 16	$ 263
Gathering, processing and transportation	273		273
Taxes other than income	80	13	93
Gas management, including charges for unutilized pipeline capacity	1,495		1,495
Exploration	53	1	54
Depreciation, depletion and amortization	870	17	887
Impairment of producing properties and costs of acquired unproved reserves	15		15
General and administrative	242	9	251
Other net	32	1	33
Total costs and expenses	$ 3,307	$ 57	$ 3,364
Operating income	$ 296	$ 21	$ 317
Interest expense, including affiliate	(100)		(100)
Interest capitalized	18		18
Investment income and other	5	3	8
Income from continuing operation before income taxes	$ 219	$ 24	$ 243
Other financial information:			
Net capital expenditures	$ 1,409	$ 25	$ 1,434
Total assets	$ 10,323	$ 230	$ 10,553
Long lived assets	$ 11,014	$ 270	$ 11,284

Note 19. Information Subsequent to Date of Independent Registered Public Accounting Firm Report

On April 2, 2012, we announced that we had entered into an agreement to sell certain assets for $306 million in the Barnett Shale located in north central Texas, as well as our interests in the Arkoma Basin in southeastern Oklahoma. These assets include interests in undeveloped acreage, producing wells, and pipelines. The properties represent less than five percent of our year-end 2011 proved domestic reserves and approximately five percent of total production. The transaction is subject to certain closing adjustments that will impact the total proceeds to be received.

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WPX Energy, Inc.

QUARTERLY FINANCIAL DATA

(Unaudited)

Summarized quarterly financial data are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(Millions, except per-share amounts)		
2011				
Revenues	$ 984	$ 990	$ 1,022	$ 992
Operating costs and expenses	862	841	928	859
Income (loss) from continuing operations	7	28	19	(326)
Net income (loss)	(1)	28	16	(335)
Amounts attributable to WPX Energy:				
Net income (loss)	(3)	25	14	(338)
Basic and diluted earnings (loss) per common share:				
Income (loss) from continuing operations	0.02	0.13	0.09	(1.67)
2010				
Revenues	$ 1,164	$ 904	$ 1,006	$ 960
Operating costs and expenses	960	775	882	839
Income (loss) from continuing operations	83	32	(1,410)	20
Net income (loss)	83	31	(1,411)	14
Amounts attributable to WPX Energy:				
Net income (loss)	81	29	(1,413)	12
Basic and diluted earnings (loss) per common share:				
Income (loss) from continuing operations	0.41	0.15	(7.17)	0.09

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to rounding.

Net loss for fourth-quarter 2011 includes the following pre-tax items:

- $547 million of impairments of producing properties and costs of acquired unproved reserves (see Note 7) and $13 million of impairments related to the Arkoma discontinued operations (see Note 3).

Net income for third-quarter 2011 includes the following pre-tax items:

- $50 million write-off of leasehold costs associated with approximately 65 percent of our Columbia County, Pennsylvania acreage;

- $11 million of dry hole costs associated with an exploratory Marcellus Shale well in Columbia County;

Net loss for third-quarter 2010 includes the following pre-tax items:

- $1,003 million impairment of goodwill (see Note 7);

$678 million of impairments of certain producing properties and acquired unproved reserves (see Note 7);

$15 million of exploratory dry hole costs.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures

(Unaudited)

We have significant oil and gas producing activities primarily in the Rocky Mountain, Northeast and Mid-continent areas of the United States. Additionally, we have international oil and gas producing activities, primarily in Argentina. The following information excludes our gas management activities.

With the exception of Capitalized Costs in 2011 and the Results of Operations for all years presented, the following information includes our Arkoma Basin operations which have been reported as discontinued operations in our consolidated financial statements. These operations represent less than one percent of our total domestic and international proved reserves for all periods presented.

Capitalized Costs

	As of December 31, 2010			
	Domestic	International	Consolidated Total	Entity s share of international equity method investee
Proved Properties	$ 9,854	$ 213	$ 10,067	$ 220
Unproved properties	2,094	3	2,097	
	11,948	216	12,164	220
Accumulated depreciation, depletion and amortization and valuation provisions	(3,867)	(109)	(3,976)	(129)
Net capitalized costs	$ 8,081	$ 107	$ 8,188	$ 91

	As of December 31, 2011			
	Domestic	International	Consolidated Total	Entity s share of international equity method investee
Proved Properties	$ 10,116	$ 259	$ 10,375	$ 254
Unproved properties	1,686	3	1,689	
	11,802	262	12,064	254
Accumulated depreciation, depletion and amortization and valuation provisions	(3,696)	(133)	(3,829)	(154)
Net capitalized costs	$ 8,106	$ 129	$ 8,235	$ 100

Excluded from capitalized costs are equipment and facilities in support of oil and gas production of $349 million and $312 million, net, for 2011 and 2010, respectively.

Proved properties include capitalized costs for oil and gas leaseholds holding proved reserves, development wells including uncompleted development well costs and successful exploratory wells.

Unproved properties consist primarily of unproved leasehold costs and costs for acquired unproven reserves.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

Cost Incurred

	Domestic	International	Entity s share of international equity method investee
		(Millions)	
For the Year Ended December 31, 2009			
Acquisition	$ 305	$ 3	$
Exploration	51	3	3
Development	878	19	21
	$ 1,234	$ 25	$ 24
For the Year Ended December 31, 2010			
Acquisition	$ 1,731	$	$
Exploration	22	13	3
Development	988	27	25
	$ 2,741	$ 40	$ 28
For the Year Ended December 31, 2011			
Acquisition	$ 45	$	$
Exploration	31	20	8
Development	1,461	24	26
	$ 1,537	$ 44	$ 34

Costs incurred include capitalized and expensed items.

Acquisition costs are as follows: The 2011 costs are primarily for additional leasehold in the Appalachian basin. The 2010 costs are primarily for additional leasehold in the Williston and Appalachian basins and include approximately $422 million of proved property values. The 2009 costs are primarily for additional leasehold and reserve acquisitions in the Piceance basin, and include $85 million of proved property values.

Exploration costs include the costs incurred for geological and geophysical activity, drilling and equipping exploratory wells, including costs incurred during the year for wells determined to be dry holes, exploratory lease acquisitions and retaining undeveloped leaseholds.

Development costs include costs incurred to gain access to and prepare well locations for drilling and to drill and equip wells in our development basins.

We have classified our step-out drilling and site preparation costs in the Powder River basin as development. While the immediate offsets are frequently in the dewatering stage, the development classification better reflects the low risk profile of the costs incurred.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

Results of Operations

	Domestic	International (Millions)	Total
For the Year Ended December 31, 2009			
Revenues:			
Natural gas sales	$ 1,916	$ 13	$ 1,929
Natural gas liquid sales	136	3	139
Oil and condensate sales	38	59	97
Other revenues	39	3	42
Total revenues	2,129	78	2,207
Costs:			
Lease and facility operating	247	16	263
Gathering, processing and transportation, including expenses with Williams	273		273
Taxes other than income	80	13	93
Exploration	53	1	54
Depreciation, depletion and amortization	869	17	886
Impairment of costs of acquired unproved reserves	15		15
General and administrative	221	9	230
Other (income) expense	33	1	34
Total costs	1,791	57	1,848
Results of operations	338	21	359
(Provision) benefit for income taxes	(123)	(8)	(131)
Exploration and production net income (loss)	$ 215	$ 13	$ 228

	Domestic	International (Millions)	Total
For the Year Ended December 31, 2010			
Revenues:			
Natural gas sales	$ 1,797	$ 15	$ 1,812
Natural gas liquid sales	282	3	285
Oil and condensate sales	57	71	128
Other revenues	40		40
Total revenues	2,176	89	2,265
Costs:			
Lease and facility operating	267	19	286
Gathering, processing and transportation, including expenses with Williams	326		326

Taxes other than income	109	16	125
Exploration	67	6	73
Depreciation, depletion and amortization	858	17	875
Impairment of certain natural gas properties in the Ft. Worth Basin	503		503
Impairment of costs of acquired unproved reserves	175		175
Goodwill impairment	1,003		1,003
General and administrative	225	9	234
Other (income) expense	(19)		(19)
Total costs	3,514	67	3,581
Results of operations	(1,338)	22	(1,316)
(Provision) benefit for income taxes	123	(8)	115
Exploration and production net income (loss)	$ (1,215)	$ 14	$ (1,201)

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

	Domestic	International (Millions)	Total
For the Year Ended December 31, 2011			
Revenues:			
Natural gas sales	$ 1,779	$ 16	$ 1,795
Natural gas liquid sales	404	4	408
Oil and condensate sales	229	86	315
Other revenues	9	4	13
Total revenues	2,421	110	2,531
Costs:			
Lease and facility operating	268	27	295
Gathering, processing and transportation, including expenses with Williams	499		499
Taxes other than income	119	21	140
Exploration	131	3	134
Depreciation, depletion and amortization	927	22	949
Impairment of certain natural gas properties in the Ft. Worth Basin	180		180
Impairment of certain natural gas properties in the Powder River Basin	276		276
Impairment of costs of acquired unproved reserves	91		91
General and administrative	256	12	268
Other (income) expense	(2)	3	1
Total costs	2,745	88	2,833
Results of operations	(324)	22	(302)
(Provision) benefit for income taxes	119	(8)	111
Exploration and production net income (loss)	$ (205)	$ 14	$ (191)

Amount for all years exclude the equity earnings from the international equity method investee. Equity earnings from this investee were $24 million, $16 million and $14 million in 2011, 2010 and 2009, respectively.

Natural gas revenues consist of natural gas production sold and includes the impact of hedges.

Other revenues consist of activities that are an indirect part of the producing activities. Other expenses in 2009 also include $32 million of expense related to penalties from the early release of drilling rigs.

Exploration expenses include the costs of geological and geophysical activity, drilling and equipping exploratory wells determined to be dry holes and the cost of retaining undeveloped leaseholds including lease amortization and impairments.

Depreciation, depletion and amortization includes depreciation of support equipment. Additionally, 2009 includes $17 million additional depreciation, depletion and amortization as a result of our recalculation of fourth quarter depreciation, depletion and amortization utilizing our year-end reserves. The lower reserves in fourth quarter 2009 were primarily a result of the application of new rules issued by the SEC.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

Proved Reserves

Our proved reserves were previously reported on a combined products basis, however, with the increase in the significance of our oil and natural gas liquids reserves estimates we have separated our disclosure into natural gas, oil and natural gas liquids. As a result, previously reported periods have been recast to reflect the current presentation. The International reserves are primarily attributable to a consolidated subsidiary (Apco) in which there is a 31 percent noncontrolling interest. The Entity s share of international equity method investee represents Apco s 40.8% interest in reserves of Petrolera Entre Lomas S.A.

	Natural Gas (Bcf)			
	Domestic	**International**	**Entity s share of international equity method investee**	**Combined**
Proved reserves at December 31, 2008	**4,321.3**	**74.4**	**23.9**	**4,419.6**
Revisions	(984.5)	7.3	0.7	(976.5)
Purchases	156.4			156.4
Extensions and discoveries	998.4	11.8	15.3	1,025.5
Production	(421.9)	(9.0)	(3.8)	(434.7)
Proved reserves at December 31, 2009	**4,069.7**	**84.5**	**36.1**	**4,190.3**
Revisions	(274.7)	(13.1)	2.2	(285.6)
Purchases	37.3			37.3
Extensions and discoveries	478.7	11.9	13.7	504.3
Production	(396.8)	(9.0)	(3.8)	(409.6)
Proved reserves at December 31, 2010	**3,914.2**	**74.3**	**48.2**	**4,036.7**
Revisions	(279.4)	0.2	(4.0)	(283.2)
Purchases	8.0			8.0
Divestitures	(12.8)			(12.8)
Extensions and discoveries	769.7	9.6	11.5	790.8
Production	(416.8)	(9.1)	(4.7)	(430.6)
Proved reserves at December 31, 2011	**3,982.9**	**75.0**	**51.0**	**4,108.9**
Proved developed reserves at December 31, 2009	2,298.4	55.0	23.0	2,376.4
Proved developed reserves at December 31, 2010	2,368.5	43.4	27.9	2,439.8
Proved developed reserves at December 31, 2011	2,497.3	48.4	28.5	2,574.2

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

	NGLs (MMBbls)			
	Domestic	International	Entity s share of international equity method investee	Combined
Proved reserves at December 31, 2008		**0.7**	**0.8**	**1.5**
Revisions	50.3	0.1		50.4
Purchases	0.1			0.1
Extensions and discoveries	18.4	0.3	0.3	19.0
Production	(4.7)	(0.1)	(0.1)	(4.9)
Proved reserves at December 31, 2009	**64.1**	**1.0**	**1.0**	**66.1**
Revisions	30.7			30.7
Purchases	0.2			0.2
Extensions and discoveries	8.9	0.1	0.2	9.2
Production	(8.1)	(0.1)	(0.1)	(8.3)
Proved reserves at December 31, 2010	**95.8**	**1.0**	**1.1**	**97.9**
Revisions	23.0	(0.1)	(0.1)	22.8
Purchases	0.3			0.3
Extensions and discoveries	25.0			25.0
Production	(10.1)	(0.1)	(0.1)	(10.3)
Proved reserves at December 31, 2011	**134.0**	**0.8**	**0.9**	**135.7**
Proved developed reserves at December 31, 2009	**31.6**	**0.8**	**0.7**	**33.1**
Proved developed reserves at December 31, 2010	**48.7**	**0.7**	**0.7**	**50.1**
Proved developed reserves at December 31, 2011	**72.1**	**0.6**	**0.6**	**73.3**

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

	Oil (MMBbls)			
	Domestic	International	Entity s share of international equity method investee	Combined
Proved reserves at December 31, 2008	**2.9**	**8.9**	**9.9**	**21.7**
Revisions	0.8	0.7	0.8	2.3
Purchases	0.5			0.5
Extensions and discoveries	1.3	2.9	3.9	8.1
Production	(0.8)	(1.4)	(1.6)	(3.8)
Proved reserves at December 31, 2009	**4.7**	**11.1**	**13.0**	**28.8**
Revisions	(0.9)	0.1	0.3	(0.5)
Purchases	20.5			20.5
Extensions and discoveries	0.9	2.0	1.7	4.6
Production	(0.9)	(1.3)	(1.6)	(3.8)
Proved reserves at December 31, 2010	**24.3**	**11.9**	**13.4**	**49.6**
Revisions	1.2	(0.7)	(0.9)	(0.4)
Extensions and discoveries	24.3	1.5	1.3	27.1
Production	(2.7)	(1.4)	(1.6)	(5.7)
Proved reserves at December 31, 2011	**47.1**	**11.3**	**12.2**	**70.6**
Proved developed reserves at December 31, 2009	**1.9**	**7.0**	**7.8**	**16.7**
Proved developed reserves at December 31, 2010	**4.0**	**7.1**	**8.1**	**19.2**
Proved developed reserves at December 31, 2011	**13.6**	**6.8**	**7.6**	**28.0**

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

	All products (Bcfe) (1)			
	Domestic	International	Entity s share of international equity method investee	Combined
Proved reserves at December 31, 2008	**4,338.6**	**132.2**	**88.1**	**4,558.9**
Revisions	(678.2)	11.9	5.5	(660.8)
Purchases	159.8			159.8
Extensions and discoveries	1,116.6	31.0	40.5	1,188.1
Production	(455.0)	(18.2)	(14.0)	(487.2)
Proved reserves at December 31, 2009	**4,481.8**	**156.9**	**120.1**	**4,758.8**
Revisions	(95.8)	(12.5)	4.0	(104.3)
Purchases	161.8			161.8
Extensions and discoveries	537.5	24.5	25.1	587.1
Production	(450.3)	(17.5)	(14.0)	(481.8)
Proved reserves at December 31, 2010	**4,635.0**	**151.4**	**135.2**	**4,921.6**
Revisions	(134.3)	(4.6)	(10.0)	(148.9)
Purchases	9.9			9.9
Divestitures	(12.8)			(12.8)
Extensions and discoveries	1,065.5	18.6	19.3	1,103.4
Production	(493.2)	(18.2)	(14.9)	(526.3)
Proved reserves at December 31, 2011	**5,070.1**	**147.2**	**129.6**	**5,346.9**
Proved developed reserves at December 31, 2009	**2,499.3**	**101.8**	**74.0**	**2,675.1**
Proved developed reserves at December 31, 2010	**2,684.4**	**90.1**	**80.7**	**2,855.2**
Proved developed reserves at December 31, 2011	**3,011.5**	**93.0**	**77.7**	**3,182.2**

(1) Oil and natural gas liquids were converted to Bcfe using the ratio of one barrel of oil, condensate or NGLs to six thousand cubic feet of natural gas.

The SEC defines proved oil and gas reserves (Rule 4-10(a) of Regulation S-X) as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Proved reserves consist of two categories, proved developed reserves and proved undeveloped reserves. Proved developed reserves are currently producing wells and wells awaiting minor sales connection expenditure, recompletion, additional perforations or borehole stimulation treatments. Proved undeveloped reserves are those reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Proved reserves on undrilled acreage are generally limited to those that can be developed within five years according to planned drilling activity. Proved reserves on undrilled acreage also can include locations that are more than one offset away from current producing wells where there is a reasonable certainty of production when drilled or where it can be demonstrated with reasonable certainty that there is continuity of production from the existing productive formation.

Purchases in 2009 and 2010 include proved developed reserves of 24 Bcfe and 42 Bcfe, respectively.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

Revisions in 2011 and 2010 primarily relate to the reclassification of reserves from proved to probable reserves attributable to locations not expected to be developed within five years. A significant portion of the revisions for 2009 are a result of the impact of the new SEC rules. Proved reserves are lower because of the lower 12-month average, first-of-the-month price as compared to the 2008 year-end price, and the revision of proved undeveloped reserve estimates based on new guidance.

Natural gas reserves are computed at 14.73 pounds per square inch absolute and 60 degrees Fahrenheit.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following is based on the estimated quantities of proved reserves. Prices are based on the 12-month average price computed as an unweighted arithmetic average of the price as of the first day of each month, unless prices are defined by contractual arrangements. For the years ended December 31, 2011 and 2010 and 2009, the average domestic natural gas equivalent price, including deductions for gathering, processing and transportation, used in the estimates was $3.89, $3.48 and $2.62 per Mcfe, respectively. The increase in the equivalent price reflects the impact of oil and NGLs growth in our reserves. Future cash inflows for the years ended December 31, 2010 and 2009 reflect deductions for the estimates for gathering, processing and transportation. For the year ended December 31, 2011, the estimates for gathering, processing and transportation are included in production costs. Future income tax expenses have been computed considering applicable taxable cash flows and appropriate statutory tax rates. The discount rate of 10 percent is as prescribed by authoritative guidance. Continuation of year-end economic conditions also is assumed. The calculation is based on estimates of proved reserves, which are revised over time as new data becomes available. Probable or possible reserves, which may become proved in the future, are not considered. The calculation also requires assumptions as to the timing of future production of proved reserves, and the timing and amount of future development and production costs.

Numerous uncertainties are inherent in estimating volumes and the value of proved reserves and in projecting future production rates and timing of development expenditures. Such reserve estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production may be substantially different from the reserve estimates.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

Standardized Measure of Discounted Future Net Cash Flows

As of December 31, 2010	Domestic	International(1)	Entity s share of international equity method investee(2)
		(Millions)	
Future cash inflows	$ 16,151	$ 779	$ 787
Less:			
Future production costs	4,927	273	278
Future development costs	2,960	89	92
Future income tax provisions	2,722	98	114
Future net cash flows	5,542	319	303
Less 10 percent annual discount for estimated timing of cash flows	(2,728)	(121)	(117)
Standardized measure of discounted future net cash inflows	$ 2,814	$ 198	$ 186

As of December 31, 2011	Domestic	International(1)	Entity s share of international equity method investee(2)
Future cash inflows	$ 25,498	$ 897	$ 891
Less:			
Future production costs	11,738	340	336
Future development costs	3,484	126	117
Future income tax provisions	3,196	100	117
Future net cash flows	7,080	331	321
Less 10 percent annual discount for estimated timing of cash flows	(3,489)	(132)	(124)
Standardized measure of discounted future net cash inflows	$ 3,591	$ 199	$ 197

(1) Amounts attributable to a consolidated subsidiary (Apco) in which there is a 31 percent noncontrolling interest.

(2) Represents Apco s 40.8% interest in Petrolera Entre Lomas S.A.

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

Sources of Change in Standardized Measure of Discounted Future Net Cash Flows

For the Year Ended December 31, 2009	Domestic	International(1)	Entity s share of international equity method investee(2)
		(Millions)	
Standardized measure of discounted future net cash flows beginning of period	$ 3,173	$ 175	$ 131
Changes during the year:			
Sales of oil and gas produced, net of operating costs	(1,006)	(49)	(45)
Net change in prices and production costs	(3,310)	(35)	(49)
Extensions, discoveries and improved recovery, less estimated future costs	1,131		
Development costs incurred during year	389	17	21
Changes in estimated future development costs	701	(1)	(3)
Purchase of reserves in place, less estimated future costs	171		
Revisions of previous quantity estimates	(923)	79	88
Accretion of discount	450	21	17
Net change in income taxes	932	(4)	(2)
Other	5	(28)	(29)
Net changes	(1,460)		(2)
Standardized measure of discounted future net cash flows end of period	$ 1,713	$ 175	$ 129

For the Year Ended December 31, 2010	Domestic	International(1)	Entity s share of international equity method investee(2)
		(Millions)	
Standardized measure of discounted future net cash flows beginning of period	$ 1,713	$ 175	$ 129
Changes during the year:			
Sales of oil and gas produced, net of operating costs	(1,446)	(59)	(55)
Net change in prices and production costs	1,921	34	43
Extensions, discoveries and improved recovery, less estimated future costs	724		
Development costs incurred during year	633	26	25
Changes in estimated future development costs	(292)	(12)	(15)
Purchase of reserves in place, less estimated future costs	439	2	
Revisions of previous quantity estimates	(332)	26	63
Accretion of discount	220	22	17

Net change in income taxes	(758)	(13)	(20)
Other	(8)	(3)	(1)
Net changes	1,101	23	57
Standardized measure of discounted future net cash flows end of period	$ 2,814	$ 198	$ 186

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WPX Energy, Inc.

Supplemental Oil and Gas Disclosures (continued)

(Unaudited)

For the Year Ended December 31, 2011	Domestic	International(1)	Entity s share of international equity method investee(2)
		(Millions)	
Standardized measure of discounted future net cash flows beginning of period	$ 2,814	$ 198	$ 186
Changes during the year:			
Sales of oil and gas produced, net of operating costs	(1,194)	(64)	(61)
Net change in prices and production costs	495	26	29
Extensions, discoveries and improved recovery, less estimated future costs	1,661		
Development costs incurred during year	593	23	25
Changes in estimated future development costs	(750)	(32)	(30)
Purchase of reserves in place, less estimated future costs	15		
Sale of reserves in place, loss estimated future costs	(20)		
Revisions of previous quantity estimates	(209)	22	18
Accretion of discount	395	25	26
Net change in income taxes	(226)	6	4
Other	17	(5)	
Net changes	777	1	11
Standardized measure of discounted future net cash flows end of period	$ 3,591	$ 199	$ 197

(1) Amounts attributable to a consolidated subsidiary (Apco) in which there is a 31 percent noncontrolling interest.
(2) Represents Apco s 40.8% interest in Petrolera Entre Lomas S.A.

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PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

Executive Officers

This section presents biographical information and other information about each of our executive officers (other than Mr. Hill, whose biographical information appears below under Board of Directors).

	Biographical Information
James J. Bender **Age 55** **Senior Vice President and General Counsel**	Mr. Bender was named General Counsel in April 2011. Mr. Bender served previously as Senior Vice President and General Counsel of The Williams Companies, Inc., or Williams, since December 2002, and General Counsel of Williams Partners GP LLC, the general partner of Williams Partners, since September 2005. Mr. Bender served as the General Counsel of the general partner of Williams Pipeline Partners L.P., from 2007 until its merger with Williams Partners in August 2010. From June 2000 to June 2002, Mr. Bender was Senior Vice President and General Counsel of NRG Energy, Inc. Mr. Bender was Vice President, General Counsel, and Secretary of NRG Energy from June 1997 to June 2000. NRG Energy, Inc. filed a voluntary bankruptcy petition during 2003 and its plan of reorganization was approved in December 2003.
Neal A. Buck **Age 56** **Senior Vice President of Business Development and Land**	Mr. Buck was named Senior Vice President of Business Development and Land in August 2011. Mr. Buck served previously as Vice President - Commercial Operations & Gas Management with Williams Exploration & Production since August 2001. In that capacity, he is responsible for acquisitions and divestitures, planning, gathering and processing contracts, reserves and production reporting and other services. Mr. Buck joined Williams in 1996, and served as Director of Planning and Analysis from March 1998 to August 2001. Prior to joining Williams, Mr. Buck was with Occidental Petroleum Corporation.
Michael R. Fiser **Age 47** **Senior Vice President of Marketing**	Mr. Fiser was named Senior Vice President of Marketing in August 2011. Mr. Fiser previously served as Vice President and Director of Williams Gas Marketing, Inc. since May 2008. His responsibilities include the sales, marketing, transportation management, operations, storage management, trading and hedging of Williams natural gas portfolio. He served as Director for Williams Energy Marketing and Trading and Williams Power from September 1998 to 2008 and was responsible for commercial trading strategies, hedging and logistics. Prior to joining Williams, Mr. Fiser worked at Koch Industries, Inc. in various marketing and trading roles from June 1987 to September 1998.

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	Biographical Information
Bryan K. Guderian **Age 52** **Senior Vice President of Operations**	Mr. Guderian was named Senior Vice President of Operations in August 2011. Mr. Guderian previously served as Vice President of the Exploration & Production unit of Williams since 1998. Mr. Guderian has responsibility for the operational and commercial oversight and management of assigned exploration and production assets in the Marcellus Shale, the San Juan Basin and other basins. Mr. Guderian also has responsibility for overseeing Williams international operations and has served as a director of Apco Oil & Gas International Inc., or Apco, since 2002 and a director of Petrolera Entre Lomas S.A. since 2003. Mr. Guderian joined Williams in 1991 as a gas marketing representative.
Marcia M. MacLeod **Age 59** **Senior Vice President of Human Resources and Administration**	Ms. MacLeod was named Senior Vice President of Human Resources and Administration in August 2011. Ms. MacLeod previously served as Vice President and Chief Information Officer of Williams since July 2008. Since joining Williams in 2000, Ms. MacLeod served as Vice President of Compensation, Benefits and Human Resources Information Services from October 2000 to May 2004 as well as Vice President of Enterprise Business Services from May 2004 to July 2008. Prior to joining Williams, Ms. MacLeod served as Managing Director of Global Compensation and Benefits for Electronic Data Systems. She has held management roles at JC Penney Company and HEB Grocery Company, and has practiced tax and employee benefits law with a firm in Dallas. Ms. MacLeod is also a member of Mott Production LLC, a privately held company holding various oil and gas interests.
Steven G. Natali **Age 57** **Senior Vice President of Exploration**	Mr. Natali was named Senior Vice President of Exploration in August 2011. Mr. Natali previously served as Williams Vice President of Exploration and Geophysics since 2001. Mr. Natali served as Chief Geophysicist and Vice President of Exploration of Barrett Resources from 1995 until Williams purchase of that company in 2001. Prior to his employment with Barrett Resources, Mr. Natali worked for 12 years as an exploration geophysicist for Amoco Production Company, participating in many of the emerging plays of the Rocky Mountain basins, Oklahoma Spiro Sandstone play and North Slope of Alaska.
Rodney J. Sailor **Age 53** **Senior Vice President, Chief Financial Officer and Treasurer**	Mr. Sailor was named Treasurer and Deputy Chief Financial Officer in April 2011, and Chief Financial Officer in December 2011. Mr. Sailor previously served as Vice President and Treasurer of Williams since July 2005. He served as Assistant Treasurer of Williams from 2001 to 2005 and was responsible for capital restructuring and capital markets transactions, management of Williams liquidity position and oversight of Williams balance sheet restructuring program. From 1985 to 2001, Mr. Sailor served in various capacities for Williams. Mr. Sailor was a director of Williams Partners GP LLC, the general partner of Williams Partners, from October 2007 to February 2010. Mr. Sailor has served as a director of Apco since September 2006.

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	Biographical Information
J. Kevin Vann **Age 40** **Chief Accounting Officer and Controller**	Mr. Vann was named Chief Accounting Officer and Controller in August 2011. Mr. Vann previously served as Controller for Williams Exploration & Production business unit since June 2007. He was Controller for Williams Power Company from 2006 to 2007 and Director of Enterprise Risk Management for Williams from 2002 to 2006. In his Controller positions, he was responsible for the development and implementation of internal controls to ensure effective financial and business systems, accurate financial statements and the timely provision of appropriate information and analysis to assist in the strategic management of the company. As Director of Enterprise Risk Management, he was responsible for the aggregation and measurement of commodity and credit risk.

Board of Directors

This section presents biographical and other information about our directors. For each director, this section presents the specific experience, qualification and skills that helped lead our Board of Directors, or Board, to conclude that the individual should serve as a director.

Our Corporate Governance Guidelines set forth criteria for independent director nominees, including the following:

- An understanding of business and financial affairs and the complexities of a business organization. Although a career in business is not essential, the nominee should have a proven record of competence and accomplishments through leadership in industry, education, the professions or government, and should be willing to maintain a committed relationship with the Company as a director.

- A genuine interest in representing all of the shareholders and the interest of the Company overall.

- A willingness and ability to spend the necessary time to function effectively as a director.

- An open-minded approach to matters and the resolve to independently analyze matters presented for consideration.

- A reputation for honesty and integrity beyond question.

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	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
William G. Lowrie **Age 68** **Director since 2011**	Mr. Lowrie was elected as Chairman of our Board of Directors in December 2011. Mr. Lowrie served as a director of Williams from 2003 until December 2011, and served as a member of Williams Audit Committee and its Nominating and Governance Committee. In 1999, Mr. Lowrie retired as Deputy Chief Executive Officer and director of BP Amoco PLC (a global energy company), where he spent his entire 33-year career. At Amoco, Mr. Lowrie held various positions of increasing responsibility, developing expertise in drilling, reservoir engineering, financial analysis of projects, and other skills related to the oil and natural gas exploration, production, and processing businesses. At various times in his Amoco tenure, Mr. Lowrie managed natural gas and natural gas liquids pipeline operations, hedging and other hydrocarbon price risk mitigation functions, international contract negotiations, petroleum product refining and marketing operations, environmental health and safety program design, and the development and execution of a process for managing capital investment projects. Mr. Lowrie also worked closely with all financial functions, internal and external auditors, and industry organizations such as the American Petroleum Institute. From 1995 to 1999, Mr. Lowrie served on the board of Bank One Corporation (now JP Morgan Chase), including on that board s audit committee. He has attended the Executive Program at the University of Virginia. Mr. Lowrie is a director of The Ohio State University Foundation and a trustee of the South Carolina chapter of The Nature Conservancy.	We believe that Mr. Lowrie is well qualified to serve as a member of our Board. Mr. Lowrie has many years of experience in our industry, including operating, financial and executive experience, and we believe these experiences will be critical to his ability to identify, understand and address challenges and opportunities that we will face. Mr. Lowrie also has extensive risk-management experience from his time at BP Amoco and from his service on Williams Audit Committee. Further, we believe Mr. Lowrie s experience as a director of Williams is advantageous to us as a new public company.

	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
Kimberly S. Bowers **Age 47** **Director since 2011**	Ms. Bowers has served since October 2008 as Executive Vice President and General Counsel for Valero Energy Corporation (a large independent refiner of transportation fuels and related products) with responsibility over Valero s legal, ad valorem tax, health, safety and environmental, energy and gases, reliability, and project execution departments. She joined Valero in 1997 as Corporate Counsel. From April 2006 to October 2008, she served as Senior Vice President & General Counsel. She has served as lead attorney for most of Valero s major acquisitions during her tenure with Valero.	We believe that Ms. Bowers is well qualified to serve as a member of our Board. Her executive experience and familiarity with legal and regulatory issues, including expertise on complex health, safety and environmental matters, will be critical to her ability to identify, understand and address challenges and opportunities that we face. Her experience as lead attorney for complex transactions well positions her to advise on any transactions that we may consider. As a result of her executive experience, Ms. Bowers also has an understanding of compensation and corporate governance issues that we face.
John A. Carrig **Age 60** **Director since 2011**	Mr. Carrig is the former President and Chief Operating Officer of ConocoPhillips (a large integrated oil company with operations in more than 30 countries). He joined Phillips Petroleum in London in 1978 as a tax attorney. In 1981, he transferred to Bartlesville, Oklahoma, and was associated with the corporate tax staff until 1993 when he joined the treasury group as finance manager. He was then named Assistant Treasurer of Finance, and in 1995 he accepted the position of Treasurer. He was Vice President and Treasurer from 1996 to 2000 when he was named Senior Vice President and Treasurer. He was elected Senior Vice President and Chief Financial Officer for Phillips in 2001, a position he held until the ConocoPhillips merger occurred in 2002, at which time he became Executive Vice President, Finance, and Chief Financial Officer of ConocoPhillips. In 2008, he was appointed President and Chief Operating Officer of ConocoPhillips and became responsible for global operations, including exploration and production, refining and transportation, project development and procurement, and health, safety and environmental matters. Mr. Carrig served as President of ConocoPhillips until his retirement in March 2011.	We believe Mr. Carrig is well qualified to serve as a member of our Board. Mr. Carrig has many years of experience in our industry, including operating, financial and executive experience, and we believe these experiences will be critical to his ability to identify, understand and address challenges and opportunities that we face. Mr. Carrig also has expertise leading a public company with multi-national operations, which is advantageous to us as a new public company with multi-national operations.

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	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
William R. Granberry **Age 69** **Director since 2011**	Mr. Granberry served as a director of Williams from 2005 until December 2011, and served as a member of Williams Compensation Committee and its Finance Committee. Mr. Granberry has been a member of Compass Operating Company LLC (a small, private oil and gas exploration, development, and producing company) since October 2004. From 1999 to 2004, as an independent consultant, he managed investments and consulted with oil and gas companies. From 1996 to 1999, Mr. Granberry was President and Chief Operating Officer of Tom Brown, Inc. (a public oil and gas company with exploration, development, acquisition, and production activities throughout the central United States). He has worked in the oil and gas industry in various capacities for 45 years, including as a manager of engineering at Amoco (a global energy company) and in executive positions for smaller independent energy companies. Mr. Granberry has served on committees and boards of industry organizations, including the Society of Petroleum Engineers, the American Petroleum Institute, and the Independent Producers Association of America. A start up Internet company, Just4Biz.com, where he served on the board of directors and as interim chief executive officer for periods in 2000 and 2001, filed for bankruptcy in May 2001. Since January 2008, he has been a director of Legacy Reserves GP, LLC (an independent acquirer and developer of oil and natural gas properties) and a trustee of Manor Park, Inc.	We believe Mr. Granberry is well qualified to serve as a member of our Board. Mr. Granberry has many years of experience in our industry, including executive, investment and operating experience, and we believe these experiences will be critical to his ability to identify, understand and address challenges and opportunities that we face. Mr. Granberry also has extensive public policy experience from serving on committees and boards of industry organizations. Further, we believe Mr. Granberry s experience as a director of Williams is advantageous to us as a new public company.

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	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
Don J. Gunther **Age 73** **Director since 2011**	In 1999, Mr. Gunther retired as Vice Chairman and Director of the Bechtel Group, Inc. (an engineering, construction and project management company) where he spent his entire 39-year career. As Vice Chairman, Mr. Gunther had responsibility for all of the global industry units and for all corporate functions including project management, engineering, procurement, construction, information services, information technology and contracts. Mr. Gunther held various positions of increasing responsibility during his time at the Bechtel Group, including field engineer, leader of worldwide construction for refinery and chemical projects, senior vice president, and president of Bechtel, Petroleum, Chemical & Industrial Company, president of Bechtel s Europe, Africa, Middle East, and Southwest Asia region and president of Bechtel s Americas organization. Since 2007, Mr. Gunther has served as Chairman of Ingage (a private high tech company and enterprise networking organization). Mr. Gunther is also currently the chairman of the board of directors of Immokalee Foundation (a non-profit organization helping immigrant underprivileged children) and the Gulf Shore Playhouse, and is a board member and part owner of Imperial Homes (a home building company based in Naples, Florida).	We believe Mr. Gunther is well qualified to serve as a member of our Board. Mr. Gunther has significant engineering, operating and executive experience, and we believe this experience will be critical to his ability to identify, understand and address challenges and opportunities that we face. Mr. Gunther also has expertise leading a company with multi-national operations, which is advantageous to us as a new public company with multi-national operations.

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	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
Robert K. Herdman **Age 63** **Director since 2011**	Since 2004, Mr. Herdman has been a Managing Director of Kalorama Partners LLC (a Washington, D.C. consulting firm specializing in providing advice regarding corporate governance, risk assessment, crisis management and related matters). Prior to joining Kalorama, Mr. Herdman was the Chief Accountant of the SEC from October 2001 to November 2002. Prior to joining the SEC, he was Ernst & Young s Vice Chairman of Professional Practice for its Assurance and Advisory Business Services (AABS) practice in the Americas and the Global Director of AABS Professional Practice for Ernst & Young International. Mr. Herdman was also the senior Ernst & Young partner responsible for the firm s relationship with the SEC, Financial Accounting Standards Board and American Institute of Certified Public Accountants (AICPA). Mr. Herdman served on the AICPA s SEC Practice Section Executive Committee from 1995 to 2001 and as a member of the AICPA s Board of Directors from 2000 to 2001. Mr. Herdman is currently on the board of directors of Cummins Inc. and is chair of its audit committee. He is also currently on the board of directors and chairs the audit committee of HSBC Finance Corporation (formerly Household International, Inc.), HSBC North America Holdings, Inc. and HSBC US, Inc. These HSBC entities belong to a single controlled group of corporations and their boards of directors and audit committees conduct their meetings simultaneously.	We believe Mr. Herdman is well qualified to serve as a member of our Board. Mr. Herdman has significant experience in finance and accounting, including expertise as the chair of the audit committees for public companies, and we believe these experiences will be important to his ability to understand and address challenges and opportunities that we face. Mr. Herdman s SEC and public accounting experience provided Mr. Herdman with insight into the business operations and financial performance of a significant number of public companies, which is advantageous to us as a new public company.

	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
Ralph A. Hill **Age 52** **Director since 2011**	Mr. Hill was named Chief Executive Officer in April 2011. Prior to becoming our Chief Executive Officer, Mr. Hill was Senior Vice President Exploration and Production and acted as President of the Exploration and Production business at Williams since 1998. He was Vice President and General Manager of Exploration and Production business at Williams from 1993 to 1998, as well as Senior Vice President and General Manager of Petroleum Services at Williams from 1998 to 2003. Mr. Hill has served as the Chairman of the Board and Chief Executive Officer of Apco since 2002. Mr. Hill has served as a director of Petrolera Entre Lomas S.A. since 2003. He joined Williams in June 1981 as a member of a management training program and has worked in numerous capacities within the Williams organization.	We believe Mr. Hill is well qualified to serve as a member of our Board. Mr. Hill has many years of experience in our industry, including executive, operating and international business experience, and we believe these experiences will be critical to his ability to identify, understand and address challenges and opportunities that we face. As our Chief Executive Officer with intimate knowledge of our business and operations, Mr. Hill brings a valuable perspective to the Board. Further, we believe that Mr. Hill s experience of over 30 years with Williams is advantageous to us as a new public company.
Henry E. Lentz **Age 67** **Directors since 2011**	In May 2011, Mr. Lentz retired from Lazard Frères & Co (an investment banking firm), where he had served as a Managing Director since June 2009. He was a Managing Director of Barclays Capital (an investment banking firm and successor to Lehman Brothers Inc., an investment banking firm) from September 2008 to June 2009. From January 2004 to September 2008 he was employed as an Advisory Director by Lehman Brothers. He joined Lehman Brothers in 1971 and became a Managing Director in 1976. He left the firm in 1988 to become Vice Chairman of Wasserstein Perella Group, Inc. (an investment banking firm). In 1993, he returned to Lehman Brothers as a Managing Director and served as head of the firm s worldwide energy practice. In 1996, he joined Lehman Brothers Merchant Banking Group as a Principal and in January 2003 became a consultant to the Merchant Banking Group. Mr. Lentz is currently the non-executive Chairman of Rowan Companies, Inc. and on the board of directors of Peabody Energy Corporation, Macquarie Infrastructure Company LLC and CARBO Ceramics, Inc.	We believe Mr. Lentz is well qualified to serve as a member of our Board. Mr. Lentz has significant experience in investment banking and financial matters, and we believe these experiences will be critical to his ability to identify, understand and address challenges and opportunities that we face. Mr. Lentz also has corporate governance experience as a result of serving on other public company boards of directors, which is advantageous to us as a new public company.

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	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
George A. Lorch **Age 70** **Director since 2011**	Mr. Lorch served as a director of Williams from 2001 until December 2011, and served as a member of Williams Compensation Committee and its Nominating and Governance Committee. Mr. Lorch was Chairman Emeritus of Armstrong Holdings, Inc., the holding company for Armstrong World Industries, Inc. (a manufacturer and marketer of floors, ceilings, and cabinets). He was the Chief Executive Officer and President of Armstrong World Industries, Inc. from 1993 to 1994 and Chairman of the Board and Chief Executive Officer from 1994 to 2000. From May 2000 to August 2000, he was Chairman of the Board and Chief Executive Officer of Armstrong Holdings, Inc. Mr. Lorch has 37 years of sales and marketing experience at Armstrong, including 17 years of experience as a head of operations, with responsibility for profit and loss statements, balance sheets, and stockholder relations. During his 21 years as a director in varied industries, Mr. Lorch has participated in CEO searches, succession planning, strategy development, takeover defense and offense, and director recruitment, and he has served on dozens of board committees. Mr. Lorch has also completed an executive management course at the Kellogg School of Management at Northwestern University. Mr. Lorch is the lead director of the Board of Pfizer, Inc. (a research-based pharmaceutical company) and a director of Autoliv, Inc. (a developer, manufacturer, and supplier of automotive safety systems); HSBC Finance Corporation and HSBC North America Holdings Inc., non-public, wholly-owned subsidiaries of HSBC LLC (a banking and financial services provider); and Masonite (a privately held door manufacturer). Mr. Lorch also serves as an advisor to the Carlyle Group (a private equity firm).	We believe that Mr. Lorch is well qualified to serve as a member of our Board. Mr. Lorch s executive experience provides valuable financial and management experience, including expertise leading a large organization with multi-national operations, and we believe these experiences are critical to his ability to identify, understand and address challenges and opportunities that we face. Mr. Lorch also has knowledge and understanding of the strategy, recruitment, compensation and corporate governance issues that we face from his extensive experience as a director. Further, we believe Mr. Lorch s experience as a director of Williams is advantageous to us as a new public company.

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	Biographical Information	Experience, Qualifications and Skills for Serving on Our Board
David F. Work **Age 66** **Director since 2011**	In 2000, Mr. Work retired as Regional President from BP Amoco Corporation (a global energy company) where he served in various capacities since 1987. As Regional Vice President, Mr. Work was the senior BP Amoco representative in the Gulf Coast, Southwest and Rocky Mountain states, and his responsibilities included coordinating the vice presidents of BP Amoco s seven exploration and production business units, as well as the leaders of the gas, power, oil and chemical businesses located in the area. Prior to serving as Regional President, Mr. Work served as a Group Vice President in BP Amoco s Exploration and Production stream and was a member of its Executive Committee. Prior to the merger between BP and Amoco, Mr. Work had positions of increasing responsibility at Amoco Corporation, including Senior Vice President of Shared Services and Group Vice President of worldwide exploration for the exploration and production sector. Since 2004, Mr. Work has served on the board of directors of CGGVeritas Services Holdings Inc. (formerly Veritas DGC Inc), and since 2009, he has served on the board of directors of Cody Resources Management LLC. Mr. Work also volunteers as a member of the board of Valley Advocates for Responsible Development and the land Trust Alliance Advisory Council, is a member of the board of trustees of the Wyoming chapter of The Nature Conservancy and the Teton Science School. Mr. Work is actively involved in several professional organizations, including the American Geologic Institute and the American Association of Petroleum Geologists.	We believe Mr. Work is well qualified to serve as a member of our Board. Mr. Work has many years of experience in our industry, including operating and executive experience, and we believe these experiences are critical to his ability to identify, understand and address challenges and opportunities that we face. Mr. Work s extensive experience in identifying exploration and production opportunities are advantageous to us as a new public company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and certain persons who own more than ten percent of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and these greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

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To our knowledge, based solely on a review of the copies of these reports and other information furnished to us, all Section 16(a) filing requirements applicable to our directors, executive officers and greater than ten percent beneficial owners were complied with during and for the year ended December 31, 2011.

Board Structure

Our directors are divided into three classes serving staggered three-year terms. Class I directors have an initial term that expires in 2013; Class II directors have an initial term that expires in 2014; and Class III directors have an initial term that expires in 2015. At each annual meeting of stockholders, directors will be elected to succeed the class of directors whose terms have expired. The classification of our Board could have the effect of increasing the length of time necessary to change the composition of a majority of our Board. In general, at least two annual meetings of stockholders will be necessary for stockholders to effect a change in a majority of the members of our Board.

Mr. Lowrie serves as the non-executive Chairman of our Board and presides at meetings of the Board as well as at meetings of the independent directors of the Board.

Audit Committee Financial Expert

Our Board has established an Audit Committee for the purpose of overseeing our accounting and financial reporting processes and audits of our financial statements, among other things. The members of the Audit Committee are Messrs. Herdman, Carrig and Lowrie. The Board has determined that Mr. Herdman has accounting or related financial management expertise and is qualified as an audit committee financial expert, and that each member of the Audit Committee is financially literate. You should understand that these designations are disclosure requirements of the SEC and the New York Stock Exchange, or NYSE, relating to the members experience and understanding of accounting and auditing matters. These designations do not affect the obligations or liability of Board or Audit Committee members generally. As described in Item 13 below, the Board has also determined that each member of the Audit Committee is independent under the SEC s and NYSE s standards applicable to Audit Committee members.

Communications with Directors

Any stockholder or other interested party may communicate with our directors, individually or as a group, by contacting our Corporate Secretary or the Chairman of the Board. The contact information is maintained on the Investor Relations page of our website at www.wpxenergy.com.

The current contact information is as follows:

WPX Energy, Inc.

One Williams Center

Tulsa, Oklahoma 74172

Attn: Chairman of the Board

WPX Energy, Inc.

One Williams Center

Tulsa, Oklahoma 74172

Attn: Corporate Secretary

Email: stephen.brilz@wpxenergy.com

Communications will be forwarded to the relevant director(s) except for solicitations or other matters not related to the Company.

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Code of Ethics

Our Board has adopted a Code of Ethics for Senior Officers that applies to our Chief Executive Officer, Chief Financial Officer and Controller, or persons performing similar functions. Our Code of Ethics for Senior Officers is publicly available on our website at wpxenergy.com. Any waiver of our Code of Ethics for Senior Officers with respect to the Chief Executive Officer, Chief Financial Officer or Controller, or persons performing similar functions, may be authorized only by our Audit Committee. In the event that we make any changes to, or provide any waivers from, the provisions of our Code of Ethics for Senior Officers, we intend to disclose such events on our website or in a report on Form 8-K with four business days of such event.

ITEM 11. ***Executive Compensation***

We were spun off from Williams to form a new publicly traded entity on December 31, 2011 (the Separation Date). Prior to the spin-off, all of our named executive officers (NEO) were officers of Williams. The compensation of these officers was determined pursuant to compensation philosophy, plans, and programs put in place by Williams Compensation Committee. Our CEO, Mr. Ralph Hill, was also a NEO for Williams. Mr. James Bender, our SVP & General Counsel, was an executive officer at Williams. The Williams Compensation Committee individually approved compensation actions for both of these individuals. All other Williams officers, including WPX s remaining executive officers, had their compensation actions individually determined by the CEO and approved as group by Williams Compensation Committee.

In April, 2011, following the public announcement of the intention to create a publicly-traded exploration and production company, the Williams Compensation Committee began a process to develop the necessary compensation programs for the new company. Williams Compensation Committee engaged the services of Frederic W. Cook & Co. as its compensation consultant. Preceding the spin-off, on December 30, 2011, our Board of Directors adopted policies and plans for purposes of determining executive compensation as had been previously established by Williams Compensation Committee. In addition, our Compensation Committee engaged the services of Frederic W. Cook & Co. as its independent compensation consultant. Our Compensation Discussion and Analysis (CD&A) describes the principles and decisions underlying the executive compensation program for 2011, and necessarily includes a discussion of the compensation policies and processes of Williams Compensation Committee which our Board of Directors has since largely adopted.

Our executive team successfully led WPX Energy through the spin-off from Williams while producing strong operational and financial results. The named executive officers performance was evaluated based on the successful execution of the spin-off and on the results produced compared to annual performance goals set by Williams Compensation Committee at the beginning of 2011.

Compensation Discussion and Analysis

As our compensation programs were developed, the Williams Board of Directors and/or Compensation Committee provided input, analyzed and approved our compensation and benefit plans and policies until our Compensation Committee was formed. The compensation of our officers was determined under the Williams plans and programs through the Separation Date.

For 2012 compensation, Williams Compensation Committee approved our pay philosophy, our comparator group of companies and the 2012 compensation of our Chief Executive Officer. Our Board of Directors, on December 30, 2011, approved the 2012 compensation for other officers and perquisites and, at subsequent meetings, our Compensation Committee approved our 2012 Annual Incentive Program (AIP) and 2012 WPX Energy long-term incentive grants.

Executive Summary

Compensation Highlights

The base salaries of our NEOs included in the Summary Compensation Table were set for 2011 by Williams Compensation Committee. These decisions were made based on the position that the executive held at Williams.

	WMB Job Title	WPX Job Title
Mr. Hill	President E&P and SVP Williams	President and Chief Executive Officer
Mr. Sailor	VP Treasurer	SVP, Chief Financial Officer and Treasurer
Mr. Bender	SVP and General Counsel	SVP and General Counsel
Mr. Guderian	VP E&P Tulsa Region	SVP of Operations
Mr. Buck	VP Commercial Ops and Gas Mgmt	SVP of Business Development and Land

On average, our NEOs received a 2.5 percent base salary increase effective March, 2011. Because of their new roles at WPX, adjustments were made to base salaries for our NEO s, except for Mr. Bender, based on a market study by the independent compensation consultant.

In February 2012, based on the Economic Value Added (EVA® [1])targets set by Williams Compensation Committee, the achievement resulted, on average, in an annual incentive award of approximately target to NEOs with respect to 2011 performance. The 2011 calculated awards were presented to our Compensation Committee which approved several increases to AIP awards for NEO s based on their leadership and work associated with the spin-off. In March 2012, our Compensation Committee approved our 2012 AIP goals.

Long-term incentive grants made in 2011 included in the Grants of Plan Based Awards table were approved by Williams Compensation Committee. Messrs. Hill and Bender received 35 percent of the grant value in performance-based restricted stock units (RSUs), 30 percent in stock options and 35 percent in time-based RSUs. Messrs. Sailor, Guderian, and Buck received 25 percent of the grant value in performance-based RSUs, 35 percent in stock options and 40 percent in time-based RSUs. Upon the spin-off, all unvested RSUs were converted from Williams RSUs to WPX Energy RSUs. RSUs with performance criteria continue to vest subject to performance measures. Vested and unvested stock options granted after December 31, 2005 were converted from Williams stock options to WPX Energy stock options. Vested stock options granted prior to December 31, 2005 were converted from Williams stock options into both adjusted Williams stock options and WPX Energy stock options based on the spin-off distribution ratio. The intent of this equity conversion process was to preserve the pre-spin-off value of equity awards. In 2012, our CEO received WPX Energy long-term incentive grants of 50 percent performance-based RSUs, 25 percent stock options and 25 percent in time-based RSUs. Our other NEOs received 35 percent of the grant value in performance-based RSUs, 25 percent in stock options and 40 percent in time-based RSUs.

Based on Williams share price performance both in absolute and relative terms to its peers, our NEOs received a 178.9 percent payout of their 2009 grant of performance-based RSUs that vested in 2012 at the end of their three-year performance period. Based on these results, our Compensation Committee ratified and approved the payout which was made in WPX Energy common shares.

Our NEOs were covered by change in control severance agreements as executives of Williams. These agreements are no longer in effect as of the spin-off. Prior to the spin-off, Williams Compensation Committee approved new change in control severance agreements for our NEOs that were effective January 1, 2012. Our Board of Directors approved these new agreements prior to the spin-off. These agreements do not provide for a gross up for any excise taxes that may be incurred by an executive if the benefits are paid.

[1] Economic Value Added® (EVA®) is a registered trademark of Stern, Stewart & Co.

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Overview of Compensation Programs and Governance Practices

The main objectives of our compensation program are to pay for performance, align our named executive officers interests with those of our shareholders, and attract and retain qualified executives. We provide the following elements of compensation for our named executive officers: base salary, annual cash incentives and long-term equity-based incentives. In addition to these elements of compensation, we have established related policies and practices that ensure that executives are aligned with the interests of our shareholders as well as fairly compensated for their role and our results. These policies and practices include:

- Using the median level of the market as a starting point when setting all elements of compensation with the possibility of above or below market incentive payouts for performance results that exceed or fall short of our goals;
- Implementing our pay-for-performance philosophy with a annual incentive program that provides for cash payments based on achievement of annual financial and operational goals;
- Long-term incentives are granted 50 percent performance-based RSUs, 25 percent in time-based RSUs and 25 percent stock options for our CEO and 35 percent in performance-based RSUs, 25 percent in stock options and 40 percent in time-based RSUs for the other NEOs;
- Performance-based RSUs vest based on our relative total shareholder return compared to our peers;
- Offering no significant perquisites or other personal benefits;
- Setting stock ownership guidelines for our executive officers; and
- Adopting a policy prohibiting all employees and members of the Board from hedging our securities in any type of transaction.

Our Compensation Committee has adopted governance practices to ensure the Committee s effectiveness in fulfilling its charter. These include:

- Maintaining a committee composed solely of independent directors;
- Retaining an independent compensation consultant that performs no other consulting or services for WPX Energy; and
- Conducting an annual review and approval of our compensation policies and programs to ensure that such programs are not reasonably likely to have a material adverse effect on the Company.

Objectives of Our Compensation Programs

The objectives of the compensation programs for WPX Energy, both as a wholly-owned subsidiary of Williams and now as an independent company, are to:

- Attract and retain the talent needed to drive shareholder value;

- Help enable the Company to meet or exceed financial and operational performance targets;

- Reward employees for successfully implementing the strategy to grow the business; and

- Create long-term shareholder value.

To meet these objectives, in 2011, Williams used relative and absolute Total Shareholder Return (TSR) to measure long-term performance, and EVA® to measure annual performance. The intent for using both TSR and EVA® was to incent and pay executives to ensure that the business decisions made are aligned with the long-term interests of shareholders.

After our spin-off, our Compensation Committee adopted these objectives in its evaluation of our 2012 programs. Our 2012 programs have been established to focus our named executive officers directly on the

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success of WPX Energy as an independent exploration and production company. Our long-term performance will be measured using our TSR relative to our peers. Our annual performance will be measured considering common industry metrics including Production Volume, Production Costs, Reserve Additions and Adjusted Earnings before Interest, Taxes, Depreciation, Amortization and Exploratory Expenses (Adjusted EBITDAX).

Our Pay Philosophy

Our pay philosophy was approved by Williams Compensation Committee prior to the Separation Date. Our philosophy is to pay for performance, be competitive in the marketplace and consider the value a job provides to the Company. This philosophy was used by Williams Compensation Committee to determine our NEOs 2011 pay. The compensation programs reward NEOs and employees not just for accomplishing goals, but also for how those goals are pursued. We strive to reward the right results and the right behaviors while fostering a culture of collaboration and teamwork. Our Compensation Committee adopted this pay philosophy and continues to apply it to compensation decisions.

The principles of our pay philosophy influence the design and administration of our executives pay programs. We use several different types of pay that are linked to both long-term and short-term performance in the executive compensation programs. Included are long-term incentives, annual cash incentives, base pay and benefits. The chart below illustrates the linkage between the types of pay used and the pay principles.

WPX Energy s Pay Principles	Base pay	Annual Cash Incentives	Long-Term Incentives	Benefits
Pay should reinforce business objectives and values	ü	ü	ü	
Pay opportunity should be competitive	ü	ü	ü	ü
Incentives should align executives interest with shareholders		ü	ü	
A significant portion of an executive officer s total pay should be variable based on performance		ü	ü	
A portion of pay should be provided to compensate for core activities required for performing in the role	ü			ü
Pay should foster a culture of collaboration with shared focus and commitment to our Company		ü	ü	
Incentive pay should balance short, intermediate, and long-term performance		ü	ü	

2011 Pay Decisions

As indicated above, significant consideration was given to the need to balance the pay philosophy and practices with affordability and sustainability. Grants of long-term incentives in the form of performance-based RSUs, stock options and time-based RSUs continued in 2011 to emphasize the commitment to pay for performance.

In 2011, our named executive officers pay as established by Williams Compensation Committee were as follows:

	2011 Target Pay by NEO				
	Base Salary	Annual Incentive		Long-Term Incentive	Total
Mr. Hill	$ 507,000	65%	$ 329,550	$ 1,614,318	$ 2,450,868
Mr. Sailor	271,000	50%	135,500	344,450	750,950
Mr. Bender	488,000	65%	317,200	1,234,492	2,039,692
Mr. Guderian	308,423	50%	154,212	354,640	817,275
Mr. Buck	292,740	45%	131,733	369,162	793,635

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It is important to note that the above table and Summary Compensation Table display a value for equity awards on the date of grant. This approach does not reflect what the NEO may actually realize from their long-term incentive grants.

Williams set performance targets for its 2011 AIP during the first quarter. The 2011 EVA® performance resulted in the 2011 AIP results paying our NEOs a bonus, on average, at approximately a target payout. Included in the AIP awards, Messrs. Hill, Sailor, Bender and Buck received consideration to recognize their leadership and work associated to ensure a successful spin-off from Williams. Williams Compensation Committee approved and funded the additional awards for Messrs Hill and Bender.

2012 Pay Decisions

Williams Compensation Committee determined, prior to the Separation Date, the pay of our CEO which was effective January 1, 2012. Our Board approved the pay of our NEOs prior to the Separation Date. The pay changes were effective January 1, 2012. Each NEO s target pay by component is as follows

	2012 Target Pay by NEO				
	Base Salary	Annual Incentive		Long-Term Incentive	Total
Mr. Hill	$ 750,000	100%	$ 750,000	$ 4,000,000	$ 5,500,000
Mr. Sailor	370,000	70%	259,000	1,350,000	1,979,000
Mr. Bender	488,000	65%	317,200	1,300,000	2,105,200
Mr. Guderian	355,000	65%	230,750	1,000,000	1,585,750
Mr. Buck	345,000	65%	224,250	900,000	1,469,250

Adjustments were made to each component of compensation for our NEOs, except Mr. Bender, to reflect their new roles in an independent exploration and production company. The adjustments were made after a review by the Compensation Committee s independent compensation consultant of the compensation of executives in our comparator group of companies in our industry within an established range of revenues, assets and market capitalization. For more detail on this process, see the sections titled Our Comparator Group, Our Pay Setting Process and How the Amount for Each Type of Pay is Determined below. WPX Energy 2012 long-term incentive grants were made on February 29, 2012.

The Compensation Committee will regularly review our pay programs to ensure our ability to attract and retain the talent needed to deliver the strong financial and operating performance necessary to create shareholder value while ensuring its program effectively links pay to the performance. As part of this initial process for 2012, our Compensation Committee decided to continue awarding a significant portion of long-term incentive awards in the form of performance-based restricted stock units (RSUs). For 2012, the mix of long-term incentives granted to our NEOs is as follows:

	Mr. Hill	Other NEOs
Performance-Based RSUs	50%	35%
Stock Options	25%	25%
Time-Based RSUs	25%	40%

For 2012 awards, the metric for the performance-based RSU awards utilizes relative TSR. Williams Compensation Committee established a comparator group which is listed in Our Comparator Group for compensation purposes that will be used to measure the Company s relative performance. The performance scale that will be used determine the number of performance-based RSUs is provided under How the Amount for Each Type of Pay is Determined Long-term Incentives.

In 2012, our NEOs received additional RSUs grants with three-year cliff vesting. In recognition of their efforts in executing our successful spin-off Messrs. Hill, Sailor, Bender and Buck received additional

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discretionary RSU grants. WPX Energy does not sponsor a defined benefit plan. All applicable employees, including our NEOs, received additional RSUs based on an analysis that identified the potential difference in retirement savings due to the transition from the Williams Pension Plan and the Williams Investment Plus Plan to WPX Energy s Saving Plan (a 401(k) plan). These grants will be disclosed in next year s Grants of Plans Based Awards Table since they were granted in 2012. The values of these grants are presented in the table below.

	One-Time RSU Grants Made in 2012	
	Spin-Off Award	Retirement Analysis Award
Mr. Hill	$ 152,500	$ 297,000
Mr. Sailor	100,000	130,000
Mr. Bender	80,000	58,000
Mr. Guderian	n/a	104,000
Mr. Buck	100,000	60,000

For 2012, performance metrics to measure results for payment of our annual incentives include Production Volume, Production Costs, Reserve Additions and Adjusted EBITDAX.

Mitigating Risk

Williams Compensation Committee established our compensation philosophy and design by applying the concepts used to determine compensation for Williams NEOs. For 2011, Williams Compensation Committee conducted a thorough review and analysis and determined that the risks arising from compensation policies and practices used for the companies are not reasonably likely to have a material adverse effect. In the future, our Compensation Committee will make this assessment.

Our Compensation Recommendation and Decision Process

Role of Williams Management for 2011 and 2012 Compensation

For 2011, Williams management made recommendations for the compensation of our executives. In order to make pay recommendations, Williams management provided Williams Compensation Committee with data from the annual proxy statements of companies in Williams comparator group along with pay information compiled from nationally recognized executive and industry related compensation surveys. The survey data is used to confirm that pay practices among companies in the comparator group are aligned with the market as a whole.

For 2012, Williams management followed the same process as above to make recommendations to William s Compensation Committee regarding the compensation of our executives with the exception that the data from annual proxy statements of companies came from our comparator group.

Role of Williams CEO

For 2011, before recommending base pay adjustments and long-term incentive awards to the Williams Compensation Committee, Williams CEO reviewed the competitive market information related to our executives while also considering internal equity and individual performance. For 2012, Williams CEO reviewed the competitive market information related to our CEO considering the spin-off of WPX Energy and what was competitive for the CEO of WPX Energy as the leader of an independent company.

Role of Williams Compensation Committee

Williams Compensation Committee reviewed the Williams CEO s recommendations, supporting market data and individual performance assessments for our CEO and other NEOs prior to the Separation Date. In

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addition, Williams Compensation Committee s independent compensation consultant, Frederic W. Cook & Co., Inc., reviews all of the data and advises on the reasonableness of the Williams CEO s pay recommendations.

Williams Compensation Committee and Board of Directors approved the pay recommendations for our CEO for 2011 as a named executive officer and business unit leader of Williams. Prior to the Separation Date, our Board of Directors approved the pay recommendations for our CEO and the other NEOs for 2012.

For the 2011 annual cash incentive program, the Williams Compensation Committee approved the EVA® attainment which was provided to us.

Role of WPX Energy Management for Compensation

In the future, our management will follow a similar process as Williams management and make recommendations for the compensation of our executives to our Compensation Committee. In order to make pay recommendations, WPX Energy management will provide our Compensation Committee with data from the annual proxy statements of companies in our comparator group along with pay information compiled from nationally recognized executive and industry related compensation surveys. The survey data will be used to confirm that pay practices among companies in the comparator group are aligned with the market as a whole.

Role of WPX Energy s CEO

For the 2011 annual cash incentive program, our CEO used the EVA® attainment ratified by the Williams Compensation Committee as the basis for his recommended payouts to our NEOs, other than himself. Our CEO s recommendation includes an assessment of each NEO s individual performance for 2011 based on achievement of business goals, their contribution to the spin-off, and demonstrated key leadership competencies (for more on leadership competencies, see the section entitled Base Pay in this Compensation Discussion and Analysis).

In the future, our CEO, before recommending base pay adjustments and long-term incentive awards to our Compensation Committee for our NEOs other than himself, will review the competitive market information while also considering internal equity and individual performance.

For the 2012 annual cash incentive program, our CEO s recommendation is to measure results based on the attainment of Production Volume, Production Costs, Reserve Additions and Adjusted EBITDAX with a potential adjustment for individual performance.

Role of the Other NEOs

The other NEOs of Williams and WPX Energy have no role in setting compensation for any of our NEOs.

Role of WPX Energy s Board of Directors and Compensation Committee

For the 2011 annual cash incentive program, our Compensation Committee received the NEO awards approved by the Williams Compensation Committee based on EVA® attainment. Payouts were approved by our Compensation Committee based on these results and recommended by our CEO for the NEOs other than himself. His recommendations included each NEO s contribution to the spin-off, if applicable.

For 2012, our Board of Directors approved the compensation of our NEOs prior to the Separation Date. In the future, for all of our NEOs, except the CEO, our Compensation Committee will review our CEO s recommendations, supporting market data and individual performance assessments. In addition, our Compensation Committee will consult with their independent compensation consultant to review all of the data and advises on the reasonableness of our CEO s pay recommendations.

The process for determining the CEO s compensation in future years will be determined by our Compensation Committee.

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The new process and competitive market information provided by its independent compensation consultant will be used to determine our CEO s long-term incentive amounts, annual cash incentive target, base pay and any performance adjustments to be made to our CEO s annual cash incentive payment.

Role of the Independent Compensation Consultant

For 2011 and 2012, Frederic W. Cook & Co., Inc. provided assistance in determining the compensation for our executive officers. Frederick W. Cook & Co., Inc. served as the independent compensation consultant, provided input and analysis as Williams Compensation Committee approved our compensation and benefit plans and policies until our Compensation Committee was formed.

In the future, our independent compensation consultant will present competitive market data that includes proxy data from the approved comparator group and published compensation data, using the same surveys and methodology used for the other NEOs (described in the Role of WPX Energy Management for Compensation section in this Compensation Discussion and Analysis). Our comparator group will be developed by the Committee s independent compensation consultant, with input from management, and approved by the Compensation Committee.

Our Comparator Group

How WPX Energy Uses its Comparator Group

We refer to publicly available data showing our comparator group s pay levels and forms or pay. This allows the Compensation Committee to ensure competitiveness and appropriateness of proposed compensation packages. When setting pay, the Compensation Committee uses market median information of our comparator group as a reference point. Actual pay may exceed market median if warranted by superior performance, and fall below market median for underperformance.

Composition of WPX Energy s Comparator Group

Williams established our initial comparator group prior to the Separation Date. Each year the Compensation Committee will review the comparator group to ensure that it is still appropriate. Our comparator group focuses on companies that work in the same industry segment and reflect where we compete for business and talent. The 2012 comparator group included 16 companies which are in the chart below.

Characteristics of WPX Energy s Comparator Group

Companies in our comparator group have a range of revenues, assets and market capitalization. Business consolidation and unique operating models today create some challenges in identifying comparator companies. Accordingly, we take a broader view of comparability to include organizations that are similar to us in some, but not all, respects. This results in compensation that is appropriately scaled and reflects comparable complexities in business operations.

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Composition of Our Comparator Group

Our comparator group approved prior to the Separation Date by the Williams Compensation Committee is provided below. This group, with the exception of Petrohawk Energy Corporation which was acquired in 2011, will be used in making our compensation decisions. It is also used to measure our relative TSR performance for our performance-based RSUs granted in 2012 as described in the section How the Amount for Each Type of Pay is Determined 2012 Performance-Based RSUs.

Cabot Oil & Gas Corp.	Pioneer Natural Resources Co.
Chesapeake Energy Corp.	QEP Resources Inc.
Cimarex Energy Corp.	Petrohawk Energy Corporation
Devon Energy Corp.	Range Resources Corp.
EOG Resources Inc.	Sandridge Energy Inc.
Forest Oil Corp.	SM Energy Co.
Newfield Exploration Co.	Southwestern Energy Co.
Noble Energy Inc.	Ultra Petroleum Corp.

Our Pay Setting Process

Setting pay for our NEOs will be an annual process that occurs during the first quarter of the year. The Compensation Committee completes a review to ensure that pay is competitive, equitable and encourages and rewards performance.

The compensation data of our comparator group as disclosed in proxy statements is the primary market data, if available, used when benchmarking the competitive pay of the NEOs. Aggregate market data obtained from recognized third-party executive compensation survey companies (e.g. Towers Watson, Mercer, AonHewitt) may be used to supplement and validate our comparator group market data for these executive officers.

Although the Compensation Committee reviews relevant data as it designs compensation packages, setting pay is not an exact science. Since market data alone does not reflect the strategic competitive value of various roles within the Company, internal pay equity is also considered when making pay decisions. Other considerations when making future pay decisions for the NEOs will include historical pay and tally sheets that include annual pay and benefit amounts, wealth accumulated and the total aggregate value of the NEOs equity awards and holdings.

For 2012, Williams Compensation Committee reviewed the compensation data for us prior to the Separation Date. In the future, our Compensation Committee will undertake this entire process for our NEOs.

When setting pay, we determine a target pay mix (distribution of pay among long-term incentives, annual incentives and base pay) for the NEOs. Consistent with our pay-for-performance philosophy, the actual amounts paid are determined based on our Company s performance and individual performance. The following table provides the 2011 target pay mix by NEO.

	2011 Target Pay Mix by NEO			
	Base Salary	Annual Incentive	Long-Term Incentive	Total
Mr. Hill	21%	13%	66%	100%
Mr. Sailor	36%	18%	46%	100%
Mr. Bender	24%	16%	60%	100%
Mr. Guderian	38%	19%	43%	100%
Mr. Buck	37%	17%	46%	100%

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The majority of 2012 target pay is variable with the largest component of the mix delivered through long-term incentive, aligning the NEOs pay with shareholder interests. The following table provides the 2012 target pay mix by NEO.

	2012 Target Pay Mix by NEO			
	Base Salary	Annual Incentive	Long-Term Incentive	Total
Mr. Hill	14%	14%	72%	100%
Mr. Sailor	19%	13%	68%	100%
Mr. Bender	23%	15%	62%	100%
Mr. Guderian	22%	15%	63%	100%
Mr. Buck	24%	15%	61%	100%

How the Amount for Each Type of Pay is Determined

Long-term incentives, annual cash incentives, base pay and benefits accomplish different objectives.

Long-Term Incentives

WPX Energy awards long-term incentives to reward performance and align NEOs with long-term shareholder interests by providing NEOs with an ownership stake in the Company, encouraging sustained long-term performance and providing an important retention element to their compensation program. Long-term incentives are provided in the form of equity and may include performance based RSUs, stock options and time-based RSUs.

To determine the value for long-term incentives granted to an NEO, we consider the following factors:

- the proportion of long-term incentives relative to base pay;
- the NEO s impact on our performance and ability to create value;
- long-term business objectives;
- awards made to NEOs in similar positions within our comparator group of companies;
- the market demand for the NEO s particular skills and experience;
- the amount granted to other NEOs in comparable positions at WPX Energy;
- the NEO s demonstrated performance over the past few years; and
- the NEO s leadership performance.

The allocation of the 2012 long-term incentive program for our NEOs averages about 65 percent of total compensation. The CEO s 2012 long-term incentive allocation is greater than the other NEOs at 72 percent, which creates a strong shareholder alignment. The CEO s long-term incentives are granted 50 percent in performance-based RSUs, 25 percent in time-based RSUs and 25 percent in stock options. The other NEOs long-term incentives are granted 35 percent in performance-based RSUs, 25 percent in stock options and 40 percent in time-based RSUs.

The primary objectives for each type of equity awarded are shown below. The size of the circles in the chart indicates how closely each equity type aligns with each objective.

Equity type and Performance Drivers	Shareholder alignment	Stock ownership	Drives operating and financial performance	Retention Incentive
Performance-Based RSUs				
Relative TSR	l	l	l	
Stock Options				
Stock Price Appreciation	l			
Time-Based RSUs				
Stock Price Appreciation		l		l

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2011 Performance-Based RSUs

Shown in the chart below are the absolute and relative TSR targets used by Williams for the performance-based restricted stock unit awards for the 2011 to 2013 performance period and the continuum that will determine the resulting potential payout level:

Williams Relative TSR

100th %ile	60%	100%	125%	150%	175%	200%
75th%ile	30%	75%	100%	125%	150%	175%
50th%ile	0%	50%	75%	100%	125%	150%
25th%ile	0%	25%	50%	75%	100%	125%
<25th%ile	0%	0%	0%	30%	60%	100%
	<7.5%	7.5%	10.0%	12.5%	15.0%	18.0%
		Threshold		Target		Stretch

Williams Annualized Absolute TSR

2012 Performance-Based RSUs

Performance-based RSU awards further strengthen the relationship between pay and performance and over time will more closely link the long-term pay of the NEOs to the experience of our long-term shareholders.

We believe it is important to measure TSR on a relative basis. Additionally, we believe awards should be influenced by how TSR compares to the TSR of companies in our comparator group. Regardless of our relative TSR performance to peers at the end of the performance period, payouts are capped at 100% in any performance cycle in which the absolute TSR of the Company is negative. Shown in the chart below are relative TSR targets for the performance-based restricted stock unit awards for the three year performance period, 2012 to 2014:

TSR	**Shares Earned as % of Target Grant**
75th percentile or higher	200%
50th percentile	100%
25th percentile	30%
Below the 25th percentile	0%

If the resulting TSR ranking is between these goals, the percentage of shares earned will be interpolated.

Stock Option Awards

For recipients, stock options have value only to the extent the price of the common stock is higher on the date the options are exercised than it was on the date the options were granted. Stock options have a ten year term and vest in equal increments over three years from the grant date.

Time-Based RSUs

This type of equity is used to retain executives and to facilitate stock ownership. Time-based RSUs have a three year cliff vesting schedule. The use of time-based RSUs is also consistent with the practices of the comparator group of companies.

Grant Practices

The Compensation Committee will approve the annual equity grant in February or early March of each year shortly after the annual earnings release. The grant date for awards is on or after the date of such approval to ensure the market has time to absorb material information disclosed in the earnings release and reflect that information in the stock price.

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The grant date for off-cycle grants for individuals, for reasons such as retention or new hires, is the first business day of the month following the approval of the grant. By using this consistent approach, WPX removes grant timing from the influence of the release of material information.

Annual Cash Incentives Target

The starting point to determine annual cash incentive targets (expressed as a percent of base pay) is competitive market information, which gives us an idea of what other companies target to pay in annual cash incentives for similar jobs. We also consider the internal value of each job i.e., how important the job is to executing its strategy compared to other jobs in the Company before the target is set for the year. The 2011 and 2012 annual cash incentive targets as a percentage of base pay for the NEOs are as follows:

	2011 Target	2012 Target
Mr. Hill	65%	100%
Mr. Sailor	50%	70%
Mr. Bender	65%	65%
Mr. Guderian	50%	65%
Mr. Buck	45%	65%

The 2011 Target for Mr. Hill and the other NEOs reflect their responsibility with Williams. The 2012 targets are based on their new leadership positions for WPX Energy.

2011 Annual Cash Incentives

Williams provided annual cash incentives to encourage and reward NEOs for making decisions that improve Williams performance as measured by EVA®. EVA® measures the value created by a company. Our NEOs participated in the program through the Separation Date. Simply stated, it is the financial return in a given period less the capital charge for that period. The calculation used is as follows:

EVA®	=	Adjusted Net Operating Profits after Taxes (NOPAT)	*Less*	Adjusted Capital Charge (the amount of capital invested multiplied by the cost of capital)

EVA® is first calculated as NOPAT less Capital Charge. Williams incentive program allowed for the Compensation Committee to make adjustments to EVA® calculations to reflect certain business events. After studying companies that utilize EVA® as an incentive measure, Williams determined that it is standard practice to make adjustments to EVA® calculations to create better alignment with shareholders and to ensure executives were not rewarded for positive results they did not facilitate nor are they penalized for certain unusual circumstances outside their control.

For 2011, Williams provided the calculated incentive awards based on the EVA® results. We used these calculations for our NEOs 2011 awards since WPX Energy was a wholly-owned subsidiary of Williams until the Separation Date.

2011 Annual Cash Incentives Actual

For NEOs, the annual cash incentive program was funded when Williams attained an established level of EVA® performance. Applying EVA® measurement to this annual cash incentive process encourages management to make business decisions that help drive long-term shareholder value. To determine the funding of the annual cash incentive, Williams used the following calculation for each NEO:

Actual Base Pay received in 2011	X	Incentive Target %	X	EVA® Goal Attainment %

Actual payments may be adjusted upward to recognize individual performance that exceeded expectations, such as success toward business unit and individual goals and successful demonstration of the leadership

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competencies. Payments may also be adjusted downwards if performance warrants. For 2011 payouts, Williams provided calculated awards based on the EVA® attainment to us and any adjustments to recognize individual performance were recommended by our CEO. Actual payouts to our NEOs based on our CEO s recommendations were approved by our Compensation Committee.

How Williams Set the 2011 EVA® Goals

Setting the EVA® goals for the annual cash incentive program began with internal budgeting and planning. This rigorous process includes an evaluation of the challenges and opportunities for Williams and each of its business units. The key steps are as follows:

Business and financial plans are submitted by the business units and consolidated by the corporate planning department.

The business and financial plans are reviewed and analyzed by Williams CEO, chief financial officer and other NEOs.

Using the plan guidance, Williams management establishes the EVA® goal and recommends it to Williams Compensation Committee.

Williams Compensation Committee reviews, discusses and makes adjustments as necessary to management s recommendations and sets the goal at the beginning of each year.

Thereafter, progress toward the goal is regularly monitored and reported to Williams Compensation Committee throughout the year. Based on EVA® performance relative to the established goals, Williams Compensation Committee certified the 2011 EVA® performance results and approved payment of the annual cash incentive plan, which were provided to our Compensation Committee. Our Compensation Committee used this information and approved additional cash awards for select NEOs for their leadership and contribution to the spin-off.

2012 Annual Cash Incentives

WPX Energy will provide annual cash incentives to encourage and reward NEOs for making decisions that improve our performance using new metrics that we believe better measure performance as an independent exploration and production company. For 2012, the Compensation Committee will consider the following performance metrics in determining our annual incentives:

2012 Annual Incentive Metric	Definition of the Metric	Weighting
Production Volume	Volumes as reported publically in financial results based on sales of oil, gas, and natural gas liquids	30%
Production Costs	Sum of Lease Operating Expenses, Facility Operating Expenses, and Selling, General, and Administrative Expenses Divided by Production Volume for $/Mcfe	30%
Reserve Additions	Year end proved reserves additions as defined by the SEC and as reported in Supplemental Oil and Gas Disclosures from 10K	20%
Adjusted EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortization and Exploratory Expenses	20%

When developing the metrics, we used the following principles to ensure the program drives the intended behaviors.

Drive a culture that recognizes and rewards enterprise growth and cost management

Ensure transparency and alignment to shareholders

Ensure employees ability to track progress and directly link performance to results

- Have all employees driving for the same goals
- Balance focus of growth, cost management and profitability
- Recognize and reward individual performance
- Keep it simple

When setting the goals for the annual incentive program, we began with our rigorous internal budgeting and planning which includes an evaluation of the challenges and opportunities for the business.

Management will regularly review with the Compensation Committee a supplemental scorecard reflecting the Company s production volume components, capital efficiency, capital expenditures, and leading indicators safety measures. The supplemental scorecard provides reliable updates regarding the Company s performance as well as ensures alignment between these measures and the performance metric identified above. This supplemental scorecard provides the Compensation Committee with additional performance data to assist in determining final AIP awards.

Base Pay

Base pay compensates NEOs for carrying out the duties of their jobs and serves as the foundation of our pay program. Most other major components of pay are set based on a relationship to base pay, including annual and long-term incentives and retirement benefits.

Base pay for NEOs is set considering the market median, with potential individual variation from the median due to experience, skills, and sustained performance of the individual as part of our pay-for-performance philosophy. Performance is measured in two ways: through the Right Results obtained in the Right Way. Right Results considers the NEOs success in attaining their annual goals as they relate to our business objectives and goals, business strategies, and personal development plans. Right Way reflects the NEOs behavior as exhibited through our leadership competencies. Competencies focus on how results are achieved and provide clarity on expectations. Williams grouped their competencies into four core leadership areas: Foundational, Organizational, Operational, and People. WPX Energy s management will adopt new competencies in 2012.

Benefits

Consistent with our philosophy to emphasize pay for performance, NEOs receive very few perquisites (perks) or supplemental benefits. They are as follows:

- *Financial Planning Reimbursement.* We reimburse for financial planning to the NEOs to provide expertise on current tax laws with personal financial planning and preparations for contingencies such as death and disability. In addition, by working with a financial planner, executive officers gain a better understanding of and appreciation for our compensation programs which we believe maximizes the retention and engagement aspects of the dollars we spend on these programs.

- *Personal Use of WPX Energy s Company Aircraft.* We provide limited personal use of Company aircraft at the CEO s discretion. Our policy for all executive officers is to discourage personal use of the aircraft, but the CEO retains discretion to permit its use when he deems appropriate, such as when the destination is not well served by commercial airlines or personal emergencies.

- *Executive Physicals.* Executive officer physicals align with our wellness initiative as well as assist us in mitigating risk. These physicals reduce vacancy succession risk because they help to identify and prevent issues that would leave a role vacated unexpectedly.

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Additional Components of WPX Energy s Executive Compensation Program

In addition to establishing the pay elements described above, we have a number of policies to further the goals of the executive compensation program, particularly with respect to strengthening the alignment of NEOs interests with shareholder long-term interests.

Recoupment Policy

We maintain a recoupment policy to allow recovery of incentive-based compensation from executive officers in the event we are required to restate the financial statements due to fraud or intentional misconduct. The policy provides the Board discretion to determine situations where recovery of incentive pay is appropriate.

Stock Ownership Guidelines

To help ensure shareholder alignment, all NEOs must hold an equity interest in WPX Energy. The chart below shows the NEO stock ownership guidelines.

Position	Holding Requirement as a multiple of Base Pay
CEO	6
Other NEOs	3

The Compensation Committee will review the guidelines annually for competitiveness and alignment with best practice and monitors the NEOs progress toward compliance. Shares owned outright, including beneficial shares owned and unvested time-based RSUs are counted toward the guideline. An NEO below the holding requirement as a multiple of base pay must retain 50 percent of any equity of the Company acquired through the exercise of stock options or the vesting of time-based or performance-based RSUs, net of taxes, until the NEO s WPX stock ownership is at or above the holding requirement. The Compensation Committee maintains discretion to modify the guidelines in special circumstances of financial hardship such as illness of the NEO or a family member.

Derivative Transactions

Our insider trading policy applies to transactions in positions or interests whose value is based on the performance or price of the common stock. Because of the inherent potential for abuse, we prohibit officers, directors and certain key employees from entering into short sales or use of equivalent derivative securities.

Accounting and Tax Treatment

We will consider the impact of accounting and tax treatment when designing all aspects of pay, but the primary driver of our program design is to support our business objectives. The tax deductibility guidelines under Internal Revenue Code Section 162(m) for performance-based compensation to executive officers is a key consideration in our overall plan design, however we maintain the flexibility to provide compensation that supports our business objectives.

Employment Agreements

We do not enter into employment agreements with the NEOs and can remove a NEO when it is in the best interest of the Company.

Termination and Severance Arrangements

The NEOs are not covered under a severance plan. However, the Compensation Committee may exercise judgment and consider the circumstances surrounding each departure and may decide a severance package is appropriate. In designing a severance package, the Compensation Committee takes into consideration the NEO s term of employment, past accomplishments, reasons for separation from the Company and competitive market practice. The only pay or benefits an employee has a right to receive upon termination of employment are those that have already vested or which vest under the terms in place when an award was granted.

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Rationale for Change in Control Agreements

While Williams employees, our NEOs were covered by change in control agreements with Williams. These agreements are no longer in effect as of the Separation Date. Prior to the spin-off, Williams Compensation Committee approved our change in control agreements effective January 1, 2012. Our Board of Directors approved these new agreements prior to the spin-off. Like Williams agreements, our change in control agreements, in conjunction with the NEOs RSU agreements, provide separation benefits for the NEOs. Our program includes a double trigger for benefits and equity vesting. This means there must be a change in control and the NEO s employment must terminate prior to receiving benefits under the agreement. While a double trigger for equity is not the competitive norm of our comparator group, this practice creates security for the NEOs, but does not provide an incentive for NEOs to leave immediately after a change in control. Our agreements do not contain an excise tax gross-up provision, but instead provide a best net provision providing NEOs with the better of their after-tax benefit capped at the safe harbor amount or their benefit paid in full subjecting them to possible excise tax payments. The program is designed to encourage the NEOs to focus on the best interests of our shareholders by alleviating their concerns about a possible detrimental impact to their compensation and benefits under a potential change in control, not to provide compensation advantages to NEOs for executing a transaction.

The Compensation Committee will review our change in control benefits periodically to ensure they are consistent with competitive practice and aligned with our compensation philosophy. As part of the review, calculations will be performed to determine the overall program costs if a change in control event were to occur and all covered NEOs were terminated as a result. An assessment of competitive norms including the reasonableness of the elements of compensation received is used to validate benefit levels for a change in control. Our Compensation Committee believes that offering a change in control program is appropriate and critical to attracting and retaining executive talent and keeping them aligned with our shareholder interests in the event of a change in control.

The following chart details the benefits received if an NEO were to be terminated or resigned for a defined good reason following a change in control as well as an analysis of those benefits as it relates to the Company, shareholders and the NEO. Please also see the Change in Control Agreements section below for further discussion of our change in control program.

Change in Control Benefit	**What does the benefit provide to the Company and shareholders?**	**What does the benefit provide to the NEO?**
Multiple of base pay plus annual cash incentive at target	Encourages NEOs to remain engaged and stay focused on successfully closing the transaction.	Financial security for the NEO equivalent to two years of continued employment. (Three years for our CEO.)
Accelerated vesting of stock awards	An incentive to stay during and after a change in control. If there is risk of forfeiture, NEOs may be less inclined to stay or to support the transaction.	The NEOs are kept whole, if they have a separation from service following a change in control.
Up to 18 months of medical or health coverage through COBRA	This is a minimal cost to the Company that creates a competitive benefit.	Access to health coverage.
Reimbursement of legal fees to enforce benefit	Keeps NEOs focused on the Company and not concerned about whether the acquiring Company will honor commitments after a change in control.	Security during a non-stable period of time.
Outplacement assistance	Keeps NEOs focused on supporting the transaction and less concerned about trying to secure another position.	Assists NEOs in finding a comparable executive position.

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Treatment of Outstanding Williams Long-Term Incentive Awards upon the Spin-off

In anticipation of our spin-off, Williams Compensation Committee approved the adjustments to be made upon successful completion of the spin-off. As of the Separation Date, all unvested, outstanding Williams long-term incentives awards were converted to WPX Energy awards. The new WPX Energy awards are the same type of award with the same terms and provisions as prior to the Separation Date, but are governed by the 2011 WPX Energy Incentive Plan. Vested and unvested stock options granted after December 31, 2005 were converted from Williams stock options to WPX Energy stock options. Vested stock options granted prior to December 31, 2005 were converted from Williams stock options into both adjusted Williams stock options and WPX Energy stock options based on the spin-off distribution ratio. All adjustments were made equitably, preserving the intrinsic value, based on the value of Williams volume weighted average stock price before the spin-off (Pre-Spin WMB Stock Price) and both Williams and WPX Energy s volume weighted average stock price after the spin-off (Post-Spin WMB Stock Price and Post-Spin WPX Energy Stock Price, respectively). The volume weighted average stock price, a common trading benchmark especially for pension plans, is calculated by adding up the dollars traded for every transaction (price multiplied by number of shares traded) and then dividing by the total shares traded for the day.

Unvested Performance-Based and Time-Based RSUs

WPX Energy employees holding unvested Williams RSUs received unvested WPX Energy RSUs of similar value. The Williams RSUs were cancelled.

Number of Unvested Williams RSUs	x	Pre-Spin WMB Stock Price	/	Post-Spin WPX Energy Stock Price	=	Number of Unvested WPX Energy RSUs

Below is an example of this conversion for a February 23, 2010 grant of 1,000 unvested Williams RSUs to unvested WPX Energy RSUs.

	Prior to Spin-off	**After Spin-off**
Number of RSUs	1,000 Unvested Williams RSUs	1,806 Unvested WPX Energy RSUs
Stock Price	Pre-Spin WMB Stock Price	Post-Spin WPX Energy Stock Price
Vesting	3 year cliff, February 23, 2013	3 year cliff, February 23, 2013

The measurement of the existing performance-based RSUs granted in 2010 and 2011 will be based on the total shareholder return of WMB and WPX stocks relative to the originally established comparator group. The value of the WPX stock included in the total shareholder return calculation will be adjusted using the spin-off distribution ratio.

All Unvested Stock Options and Vested Stock Options Granted After 2005

WPX Energy employees holding unvested Williams stock options received unvested WPX Energy stock options of similar value. The original Williams stock options were cancelled. The number of WPX Energy stock options is determined as follows:

Number of Unvested Williams Stock Options	X	(Pre-Spin WMB Stock Price	/	Post-Spin WPX Energy Stock Price)	=	Number of Unvested WPX Energy Stock Options

The resulting strike price of WPX Energy stock options is determined as follows:

Original Strike Price of Williams Stock Options	x	(Post-Spin WPX Stock Price	/	Pre-Spin WMB Stock Price)	=	Resulting Strike Price of WPX Energy Stock Options

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Below is an example of this conversion for a February 23, 2010 grant of 1,000 unvested Williams stock options to unvested WPX Energy stock options.

	Prior to Spin-off	After Spin-off
Number of Stock Options	1,000 Unvested Williams Stock Option	1,806 Unvested WPX Energy Stock Options
Strike Price	$21.22 Original Williams Strike Price	$11.75 WPX Energy Strike Price
Stock Price	Pre-Spin WMB Stock Price	Post-Spin WPX Energy Stock Price
Vesting	One-third vests each year for three years	One-third vests each year for three years
Expiration Date	February 23, 2020	February 23, 2020

Vested Stock Options Granted Prior to 2006

WPX Energy employees, who at the Separation Date, held vested Williams stock options granted prior to 2006 received an allocation of both vested adjusted Williams stock options and vested WPX Energy stock options. The allocation of the new awards considered the distribution ratio of one WPX Energy share that was distributed to Williams shareholders for every three shares of Williams stock held. All adjustments were made equitably, preserving the intrinsic value, based on the value of the Pre-Spin WMB Stock Price and the values of the Post-Spin WMB Stock Price and the Post-Spin WPX Energy Stock Price.

The resulting strike price of the Williams stock options is determined as follows:

Original Strike Price of Williams Stock Options	x	(Post-Spin WMB Stock Price	/	Pre-Spin WMB Stock Price)	=	Resulting Strike Price of Williams Stock Options

The resulting strike price of WPX Energy stock options is determined as follows:

Original Strike Price of Williams Stock Options	x	(Post-Spin WPX Stock Price	/	Pre-Spin WMB Stock Price)	=	Resulting Strike Price of WPX Energy Stock Options

The adjusted number of Williams stock options is determined as follows:

Number of vested Williams Stock Options	x	Pre-Spin WMB Stock Price	/	Aggregate Post-Spin Value

The adjusted number of WPX Energy stock options is determined by using the same equation as above and multiplying the result by the spin-off distribution ratio of WPX Energy shares to Williams shares.

Below is an example of this conversion for a February 23, 2005 grant of 1,000 vested Williams stock options to vested both Williams and WPX Energy stock options.

		After Spin-off	
	Prior to Spin-off	Williams	WPX Energy
# of Stock Options	1,000 Vested Williams Stock Option granted prior to 2006	1,000 Vested Williams Stock Options	333 Vested WPX Energy Stock Options
Strike Price	$21.22 Original Williams Strike Price	$17.28 Adjusted Williams Strike Price	$11.75 WPX Energy Strike Price
Stock Price	Pre-Spin WMB Stock Price	Post-Spin WPX Energy Stock Price	Post-Spin WPX Energy Stock Price

Vesting	Previously vested	Previously vested
Expiration Date	February 23, 2015	February 23, 2015

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Executive Compensation and Other Information

2011 Summary Compensation Table

The following table sets forth certain information with respect to the compensation of the NEOs earned during fiscal years 2011, 2010, and 2009.

Name and Principal Position(1)	Year	Salary(2)	Bonus(3)	Stock Awards(4)	Option Awards(5)	Non-Equity Incentive Plan Compensation(6)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(7)	All Other Compensation(8)	Total
Ralph A. Hill	2011	$ 505,108	$	$ 1,304,947	$ 309,371	$ 538,979	$ 765,938	$ 33,743	$ 3,458,086
President &	2010	493,208		1,257,287	356,777	384,479	315,626	16,304	2,823,681
Chief Executive Officer	2009	503,654		1,056,319	525,969	566,473	427,867	37,786	3,118,068
Donald R. Chappel	2011	627,231		1,611,982	382,162	755,051	486,435	18,484	3,881,345
Former Senior Vice	2010	610,154		1,436,882	407,743	559,052	225,539	16,320	3,255,690
President, Chief Financial	2009	623,077		1,242,734	618,783	765,047	383,380	16,320	3,649,341
Officer and Treasurer									
Rodney J. Sailor Senior Vice President, Chief Financial Officer and Treasurer	2011	257,448	100,000	264,736	79,714	142,253	260,751	13,832	1,118,734
James J. Bender	2011	486,677		997,911	236,581	449,132	398,852	34,305	2,603,458
Senior Vice President and	2010	477,954		933,975	265,033	359,122	188,427	33,900	2,258,411
General Counsel	2009	488,077		807,773	402,209	522,119	250,679	26,647	2,497,504
Bryan K. Guderian Senior Vice President of Operations	2011	273,096		272,567	82,073	155,329	308,316	15,492	1,106,873
Neal A. Buck Senior Vice President of Business Development and Land	2011	265,347	100,000	283,728	85,435	138,074	224,660	15,452	1,112,696

(1) **Name and Principal Position.** As of December 31, 2011, Mr. Chappel no longer served as our Chief Financial Officer.

(2) **Salary.** Actual salary paid may differ from the annual rate due to the number of pay periods during the year.

(3) **Bonus.** Awards were made to Messrs. Sailor and Buck for the efforts to ensure a successful spin-off from Williams.

(4) **Stock Awards.** Awards were granted under the terms of Williams 2007 Incentive Plan and include time-based and performance-based RSUs. Amounts shown are the grant date fair value of awards computed in accordance with FASB ASC Topic 718. The assumptions used to value the stock awards can be found in William s Annual Report on Form 10-K for the year-ended December 31, 2011.

The potential maximum values of the performance-based RSUs, subject to changes in performance outcomes, are as follows:

	2011 Performance-Based RSU Maximum potential
Ralph A. Hill	$ 1,414,253
Donald R. Chappel	1,747,008
Rodney J. Sailor	225,047
James J. Bender	1,081,499
Bryan K. Guderian	231,685
Neal A. Buck	241,186

(5) **Option Awards.** Awards are granted under the terms of Williams 2007 Incentive Plan and include non-qualified stock options. Amounts shown are the grant date fair value of awards computed in accordance with FASB ASC Topic 718. The assumptions used to value the option awards can be found in Williams Annual Report on Form 10-K for the year-ended December 31, 2011.

(6) **Non-Equity Incentive Plan**. Under Williams AIP, the maximum annual incentive pool funding for NEOs is 250 percent of target and the incentive reserve, into which certain awards were required to be deferred, was eliminated, beginning in 2009. Any existing reserve balances for the NEOs continued to be at risk and were paid after meeting the threshold performance targets. In 2009, 2010 and 2011 a portion of the respective reserve balance was paid to each NEO each year. After 2011 AIP awards no reserve balances remained.

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The reserve amounts paid in 2012 as it relates to 2011 performance are as follows:

	Reserve Balance
Ralph A. Hill	$ 36,479
Donald R. Chappel	30,052
James J. Bender	22,132

(7) **Change in Pension Value and Nonqualified Deferred Compensation Earnings.** The amount shown is the aggregate change from December 31, 2010 to December 31, 2011 in the actuarial present value of the accrued benefit under the qualified pension and supplemental plan sponsored by Williams. WPX Energy does not sponsor a qualified pension and supplemental plan.

(8) **All Other Compensation.** Amounts shown represent payments by Williams made on behalf of the NEOs and includes life insurance premium, a 401(k) matching contribution and perquisites (if applicable). Perquisites include financial planning services, mandated annual physical exam and personal use of the Company aircraft. The incremental cost method was used to calculate the personal use of the Company aircraft. The incremental cost calculation includes such items as fuel, maintenance, weather and airport services, pilot meals, pilot overnight expenses, aircraft telephone and catering. The amounts of perquisites for our NEOs in the aggregate amounts do not exceed $25,000 for Mr. Hill and Mr. Bender. Mr. Bender did exceed $10,000 for financial planning, incurring $15,000 in 2011.

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2011 Grants of Plan Based Awards

The following table sets forth certain information with respect to the grant of stock options to acquire Williams stock, RSUs with respect to Williams stock and awards payable under Williams annual cash incentive program during the fiscal year 2011 to the NEOs. All information is presented as of the grant date and is not adjusted for the spin-off.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units(3)	All Other Option Awards Number of Securities Underlying Options(4)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold**	**Target**	**Maximum**	**Threshold**	**Target(2)**	**Maximum**				
Ralph A. Hill	2/24/2011	$ 36,479	364,799	857,280					40,126	29.73	309,371
	2/24/2011					21,731	43,462				707,127
	2/24/2011							21,731			597,820
Donald R. Chappel	2/24/2011	30,051	500,475	1,206,110					49,567	29.73	382,162
	2/24/2011					26,844	53,688				873,504
	2/24/2011							26,844			738,478
Rodney J. Sailor	2/24/2011		135,000	337,500				5,533			152,213
	2/24/2011					3,458	6,916				112,523
	2/24/2011								10,339	29.73	79,714
James J. Bender	2/24/2011	22,132	339,322	848,305							457,161
	2/24/2011					16,618	33,236			29.73	540,750
	2/24/2011								16,618		236,581
Bryan K. Guderian	2/24/2011		154,212	385,529				5,697			156,724
	2/24/2011					3,560	7,120				115,842
	2/24/2011								10,645	29.73	82,073
Neal A. Buck	2/24/2011		131,733	329,333				5,930			163,134
	2/24/2011					3,706	7,412			29.73	120,593
	2/24/2011								11,081	29.73	85,435

(1) Non-Equity Incentive Awards. Awards from Williams 2011 AIP are shown.

Threshold: At threshold, the 2011 AIP awards would be zero. Because the AIP reserve balance from prior years was payable in 2012 upon meeting threshold performance, the reserve balance is shown for Mr. Hill, Mr. Chappel and Mr. Bender.

Target: The amount shown is based upon an EVA® attainment of 100%, plus the AIP reserve balance for Mr. Hill, Mr. Chappel and Mr. Bender.

Maximum: The maximum amount the NEOs can receive is 250% of their AIP target, plus the AIP reserve balance for Mr. Hill, Mr. Chappel and Mr. Bender.

(2) Represents performance-based RSUs granted under William s 2007 Incentive Plan. Performance-based RSUs can be earned over a three-year period only if the established performance target is met and the NEO is employed on the certification date, subject to certain exceptions such as the executive s death or disability. These shares will be distributed no earlier than the third anniversary of the grant other than due to a termination upon a change in control. If performance plan goals are exceeded, the NEO can receive up to 200% of target. If plan threshold goals are not met, the NEO s awards are cancelled in their entirety. With the conversion at the spin-off of these unvested Performance-based RSUs to WPX Energy Performance-based RSUs, the vesting provisions remain the same.

(3) Represents time-based RSUs granted under William s 2007 Incentive Plan. Time-based units vest three years from the grant date of 2/24/2011 on 2/24/2014. With the conversion at the spin-off of these unvested RSUs to WPX Energy RSUs, the vesting provisions remain the same.

(4) Represents stock options granted under William s 2007 Incentive Plan. Stock options granted in 2011 become exercisable in three equal annual installments beginning one year after the grant date. One-third of the options vested on 2/243/2012. Another one-third will vest on 2/24/2013, with the final one-third vesting on 2/24/2014. Once vested, stock options are exercisable for a period of 10 years from the grant date. With the conversion at the spin-off of these unvested options to WPX Energy options, the vesting provisions remain the same.

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2011 Outstanding Equity Awards

The following table sets forth certain information with respect to the outstanding Williams equity awards held by the NEOs at the end of fiscal year 2011. All information presented is not adjusted for the spin-off. Please see Supplemental Disclosure of Post-Spin-off Outstanding Equity Awards table below which present the awards as adjusted for the spin-off.

	Option Award						Stock Awards				
Name	**Grant Date(1)**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options**	**Option Exercise Price**	**Expiration Date**	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (2)**	**Market Value of Shares or Units of Stock That Have Not Vested(4)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units of Stock or Other Rights That Have Not Vested (3)**	**Equity Incentive Plan Award: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(4)**
Ralph A. Hill	2/24/2011		40,126		29.73	2/24/2021	2/24/2011	21,731	717,558	21,731	717,558
	2/23/2010	16,941	33,882		21.22	2/23/2020	2/23/2010	30,733	1,014,804	30,733	1,014,804
	2/23/2009	62,615	31,308		10.86	2/23/2019	2/23/2009	62,173	2,052,952	62,173	2,052,952
	2/25/2008	38,587			36.50	2/25/2018					
	2/26/2007	43,605			28.30	2/26/2017					
Donald R. Chappel	2/24/2011		49,567		29.73	2/24/2021	2/24/2011	26,844	886,389	28,844	886,389
	2/23/2010	19,361	38,722		21.22	2/23/2020	2/23/2010	35,123	1,159,761	35,123	1,159,761
	2/23/2009	73,664	36,833		10.86	2/23/2019	2/23/2009	73,145	2,415,248	73,145	2,415,248
	2/25/2008	50,772			36.50	2/25/2018					
	2/26/2007	48,450			28.30	2/26/2017					
	3/3/2006	41,921			21.67	3/3/2016					
	2/25/2005	55,000			19.29	2/25/2015					
	2/5/2004	75,000			9.93	2/5/2014					
	4/16/2003	175,000			5.10	4/16/2013					
Rodney A. Sailor	2/24/2011		10,339		29.73	2/24/2021	2/24/2011	3,458	114,183	5,533	182,700
	2/23/2010	3,866	7,734		21.22	2/23/2020	2/23/2010	4,291	141,689	6,866	226,715
	2/23/2009	11,342	5,672		10.86	2/23/2019	2/23/2009	6,684	220,706	10,695	353,149
	2/25/2008	9,139			36.50	2/25/2018					
	2/26/2007	9,448			28.30	2/26/2017					
	3/3/2006	8,537			21.67	3/3/2016					
	7/19/2005	4,000			20.44	7/19/2015					
	2/25/2005	12,000			19.29	2/25/2015					
James J. Bender	2/24/2011		30,685		29.73	2/24/2021	2/24/2011	16,618	548,726	16,618	548,726
	2/23/2010	12,584	25,170		21.22	2/23/2020	2/23/2010	22,830	753,847	22,830	753,847
	2/23/2009	47,882	23,941		10.86	2/23/2019	2/23/2009	47,544	1,569,903	47,544	1,569,903
	2/25/2008	30,463			36.50	2/25/2018					
	2/26/2007	29,070			28.30	2/26/2017					
	3/3/2006	24,136			21.67	3/3/2016					
Bryan K. Guderian	2/24/2011		10,645		29.73	2/24/2021	2/24/2011	3,560	117,551	5,697	188,115
	2/23/2010	4,419	8,839		21.22	2/23/2020	2/23/2010	4,904	161,930	7,847	259,108
	2/23/2009	2,160	4,321		10.86	2/23/2019	2/23/2009	7,639	252,240	12,223	403,603
	2/25/2008	11,862			36.50	2/25/2018					
	2/26/2007	14,535			28.30	2/26/2017					

Neal A Buck	2/24/2011		11,081	29.73	2/24/2021	2/24/2011	3,706	122,372	5,930	195,809
	2/23/2010	4,419	8,839	21.22	2/23/2020	2/23/2010	4,904	161,930	7,847	259,108
	2/23/2009	7,962	6,482	10.86	2/23/2019	2/23/2009	7,639	252,240	12,223	403,603
	2/25/2008	10,236		36.50	2/25/2018					
	2/26/2007	14,535		28.30	2/26/2017					
	3/3/2006	11,433		21.67	3/3/2016					
	2/25/2005	15,000		19.29	2/25/2015					

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Stock Options

(1) The following table reflects the vesting schedules for associated stock option grant dates for awards that had not been 100% vested as of December 30, 2011.

Grant Date	Vesting Schedule	Vesting Dates
2/24/2011	One-third vests each year for three years	2/24/2012, 2/24/2013, 2/24/2014
2/23/2010	One-third vests each year for three years	2/23/2011, 2/23/2012, 2/23/2013
2/23/2009	One-third vests each year for three years	2/23/2010, 2/23/2011, 2/23/2012

Stock Awards

(2) The following table reflects the vesting dates for associated time-based restricted stock unit award grant dates.

Grant Date	Vesting Schedule	Vesting Dates
2/24/2011	100% vests in three years	2/24/2014
2/23/2010	100% vests in three years	2/23/2013
2/23/2009	100% vests in three years	2/23/2012

(3) All performance-based RSUs are subject to attainment of performance targets established by the Compensation Committee. These awards will vest no earlier than the end of the performance period. The awards included on the table are outstanding as of December 30, 2011.

(4) Values are based on a closing stock price for Williams of $33.02 on December 30, 2011.

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Supplemental Disclosure of Post-Spin-off Outstanding Equity Awards

The following table sets forth certain information with respect to the outstanding WPX Energy equity awards held by the NEOs after the spin-off. The conversion of Williams equity awards upon our spin-off is described above in Treatment of Outstanding Williams Long-Term Incentive Awards upon the Spin-Off section of our Compensation Discussion and Analysis. Since Mr. Chappel was not an NEO of WPX Energy after the spin-off, he is not included in this supplemental table.

	Option Award						Stock Awards				
Name	Grant Date(1)	Number of Securities Underlying Unexercised Options(#) Exercisable (2)	Number of Securities Underlying Unexercised Options(#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Expiration Date	Grant Date	Number Of Shares Or Units Of Stock That Have Not Vested(3)	Market Value of Shares or Units of Stock That Have Not Vested(5)	Equity Incentive Plan Awards: Number of Unearned Shares, Units of Stock or Other Rights That Have Not Vested(4)	Equity Incentive Plan Award: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(5)
Ralph A. Hill	2/24/2011		72,490		16.46	2/24/2021	2/24/2011	39,258	713,318	39,258	713,318
	2/23/2010	30,605	61,210		11.75	2/23/2020	2/23/2010	55,521	1,008,817	55,521	1,008,817
	2/23/2009	113,118	56,560		6.02	2/23/2019	2/23/2009	112,320	2,040,854	112,320	2,040,854
	2/25/2008	69,710			20.21	2/25/2018					
	2/26/2007	78,775			15.67	2/26/2017					
Rodney A. Sailor	2/24/2011		18,678		16.46	2/24/2021	2/24/2011	9,995	181,609	6,247	113,508
	2/23/2010	6,984	13,972		11.75	2/23/2020	2/23/2010	12,403	225,363	7,752	140,854
	2/23/2009	20,490	10,247		6.02	2/23/2019	2/23/2009	19,321	351,063	12,075	219,403
	2/25/2008	16,510			20.21	2/25/2018					
	2/26/2007	17,068			15.67	2/26/2017					
	3/3/2006	15,422			12.00	3/3/2016					
	7/19/2005	1,335			11.32	7/19/2015					
	2/25/2005	4,006			10.68	2/25/2015					
James J. Bender	2/24/2011		55,434		16.46	2/24/2021	2/24/2011	30,021	545,482	30,021	545,482
	2/23/2010	22,733	45,472		11.75	2/23/2020	2/23/2010	41,244	749,403	41,244	749,403
	2/23/2009	86,502	43,251		6.02	2/23/2019	2/23/2009	85,891	1,560,639	85,891	1,560,639
	2/25/2008	55,033			20.21	2/25/2018					
	2/26/2007	52,517			15.67	2/26/2017					
	3/3/2006	43,603			12.00	3/3/2016					
Bryan K. Guderian	2/24/2011		19,230		16.46	2/24/2021	2/24/2011	10,292	187,006	6,431	116,851
	2/23/2010	7,983	15,968		11.75	2/23/2020	2/23/2010	14,176	257,578	8,859	160,968
	2/23/2009		11,710		6.02	2/23/2019	2/23/2009	22,081	401,212	13,800	250,746
	2/25/2008	21,429			20.21	2/25/2018					
	2/26/2007	26,258			15.67	2/26/2017					
Neal A Buck	2/24/2011		20,018		16.46	2/24/2021	2/24/2011	10,712	194,637	6,695	121,648
	2/23/2010	7,983	15,968		11.75	2/23/2020	2/23/2010	14,176	257,578	8,859	160,968
	2/23/2009	14,383	11,711		6.02	2/23/2019	2/23/2009	22,081	401,212	13,800	250,746
	2/25/2008	18,492			20.21	2/25/2018					
	2/26/2007	26,258			15.67	2/26/2017					
	3/3/2006	20,654			12.00	3/3/2016					
	2/25/2005	5,007			10.68	2/25/2015					

Stock Options

(1) The following table reflects the vesting schedules for associated stock option grant dates for awards that had not been 100% vested as of December 30, 2011.

Grant Date	Vesting Schedule	Vesting Dates
2/23/2011	One-third vests each year for three years	2/23/2012, 2/23/2013, 2/23/2014
2/23/2010	One-third vests each year for three years	2/23/2011, 2/23/2012, 2/23/2013
2/23/2009	One-third vests each year for three years	2/23/2010, 2/23/2011, 2/23/2012

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(2) The vested Williams stock options were converted to both Williams adjusted stock options and WPX Energy stock options. Only the resulting WPX Energy stock options are presented in the table above.

Name	Grant Date	Number of Unexercised Williams Stock Options Exercisable	Adjusted option Exercise Price	Expiration Date
Rodney J. Sailor	7/19/2005	4,006	16.64	7/19/2015
Rodney J. Sailor	2/25/2005	12,018	15.71	2/25/2015
Neal A. Buck	2/25/2005	15,022	15.71	2/25/2015

Stock Awards

(3) The following table reflects the vesting dates for associated time-based restricted stock unit award grant dates.

Grant Date	Vesting Schedule	Vesting Dates
2/23/2011	100% vests in three years	2/23/2014
2/23/2010	100% vests in three years	2/23/2013
2/25/2009	100% vests in three years	2/25/2012

(4) All performance-based RSUs are subject to attainment of performance targets established by the Compensation Committee. These awards will vest no earlier than the end of the performance period. The awards included on the table are outstanding as of December 30, 2011.

The supplemental values denominated in WPX Energy in this table are slightly different than those shown in the previous table which are denominated in Williams due to the conversion methodology that used volume weighted averaged stock prices and that truncated fractional shares.

(5) Values are based on a post-spin-off closing stock price for WPX Energy of $18.17 on December 30, 2011.

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2011 Williams Option Exercises and Stock Vested

The following table sets forth certain information with respect to options to acquire the stock of Williams exercised by the NEO and stock that vested during fiscal year 2010.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Ralph A. Hill	70,488	$ 767,385	15,132	$ 457,894
Donald R. Chappel			19,911	602,507
Rodney J. Sailor	19,649	396,340	3,584	108,452
James J. Bender	55,000	804,157	11,946	361,486
Bryan K. Guderian	53,042	590,608	4,652	140,770
Neal A. Buck	11,132	152,272	4,014	121,464

The Compensation Committee determines pay based on a target total compensation amount. While the Compensation Committee reviews tally sheets and wealth accumulation information on each NEO, thus far, amounts realized from previous equity grants have not been a material factor when the Committee determines pay. How much compensation the NEOs actually receive was significantly impacted by the stock market performance of both Williams and the Company s shares.

Pension Benefits

WPX Energy does not provide any qualified or nonqualified pension benefit for any NEOs or other employees.

Nonqualified Deferred Compensation

WPX Energy does not provide nonqualified deferred compensation for any NEOs or other employees.

Change in Control Agreements

Through December 31, 2011, Williams had entered into change in control agreements with certain officers, including each of our NEOs, to facilitate continuity of management if there was a change in control of Williams. The agreements between Williams and our NEOs were effective until our spin-off from Williams when our executives were no longer employees of Williams. WPX Energy entered into change in control agreements with certain officers, including each of our NEOs that were effective January 1, 2012. The provisions of WPX Energy s agreements are described. The definitions of words in quotations are also provided below.

If during the term of a change in control agreement, a change in control occurs and (i) the employment of any NEO is terminated other than for cause, disability, death or a disqualification disaggregation or (ii) an NEO resigns for good reason, such NEO is entitled to the following:

		WPX Energy
Within 10 business days after the termination date:		
Accrued but unpaid base salary, accrued earned but unpaid cash incentive, accrued but unpaid paid time off and any other amounts or benefits due but not paid (lump sum payment);		ü
On the first business day following six months after the termination date:		
Prorated annual bonus for the year of separation through the termination date (lump sum payment);		ü
A severance amount equal to a severance multiple times his/her base salary for the CEO and two times his/her base salary for the other NEO as of the termination date plus an annual bonus amount equal to his/her target percentage multiplied by his/her base salary in effect at the termination date as if performance goals were achieved at 100% (lump sum payment);	Mr. Hill Other NEOs	3 times 2 times
Continued participation in the medical benefit plans for so long as the NEO elects coverage or 18 months from the termination, whichever is less, in the same manner and at the same cost as similarly situated active employees;		ü
All restrictions on stock options held by the NEO will lapse, and the options will vest and become immediately exercisable;		ü
All restricted stock will vest and will be paid out only in accordance with the terms of the respective award agreements;		ü
Continued participation in the directors and officers liability insurance for six years or any longer known applicable statute of limitations period;		ü
Indemnification as set forth under the Company s bylaws; and		ü
Outplacement benefits for six months at a cost not exceeding $25,000.		ü

Our agreements provide a best net provision providing the NEOs with the better of their after-tax benefit capped at the safe harbor amount or their benefit paid in full subjecting them to possible excise tax payments.

If a NEO s employment is terminated for cause during the period beginning upon a change in control and continuing for two years or until the termination of the agreement, whichever happens first, the NEO is entitled to accrued but unpaid base salary, accrued earned but unpaid cash incentive, accrued but unpaid paid time off and any other amounts or benefits due but not paid (lump sum payment).

Our agreements with our NEOs effective January 1, 2012 both use the following definitions:

Cause means an NEO s

conviction of or a plea of nolo contendere to a felony or a crime involving fraud, dishonesty or moral turpitude;

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willful or reckless material misconduct in the performance of his/her duties that has an adverse effect on WPX Energy or any of its subsidiaries or affiliates;

willful or reckless violation or disregard of the code of business conduct of WPX Energy or the policies of WPX Energy or its subsidiaries; or

habitual or gross neglect of his/her duties.

Cause generally does not include bad judgment or negligence (other than habitual neglect or gross negligence); acts or omissions made in good faith after reasonable investigation by the NEO or acts or omissions with respect to which the Board of Directors could determine that the NEO had satisfied the standards of conduct for indemnification or reimbursement under the Company s bylaws, indemnification agreement or applicable law; or failure (despite good faith efforts) to meet performance goals, objectives or measures for a period beginning upon a change in control and continuing for two years or until the termination of the agreement, whichever happens first. An NEO s act or failure to act (except as relates to a conviction or plea of nolo contendere described above), when done in good faith and with a reasonable belief after reasonable investigation that such action or non-action was in the best interest of the Company or its affiliate or required by law shall not be Cause if the NEO cures the action or non-action within 10 days of notice. Furthermore, no act or failure to act will be Cause if the NEO acted under the advice of the Company s counsel or required by the legal process.

Change in control means:

Any person or group (other than an affiliate of the Company or an employee benefit plan sponsored by the Company or its affiliates) becomes a beneficial owner, as such term is defined under the Exchange Act, of 20% or more of the common stock of the Company or 20% or more of the combined voting power of all securities entitled to vote generally in the election of directors of the Company (Voting Securities), unless such person owned both more than 75% of common stock and Voting Securities, directly or indirectly, in substantially the same proportion immediately before such acquisition;

The Company s directors as of a date of the agreement (Existing Directors) and directors approved after that date by at least two-thirds of the Existing Directors cease to constitute a majority of the directors of the Company;

Consummation of any merger, reorganization, recapitalization consolidation or similar transaction (Reorganization Transaction), other than a Reorganization Transaction that results in the person who was the direct or indirect owner of outstanding common stock and Voting Securities of the Company prior to the transaction becoming, immediately after the transaction, the owner of at least 65% of the then outstanding common stock and Voting Securities representing 65% of the combined voting power of the then outstanding Voting Securities of the surviving corporation in substantially the same respective proportion as that person s ownership immediately before such Reorganization Transaction; or

approval by the shareholders of the Company of the sale or other disposition of all or substantially all of the consolidated assets of the Company or the complete liquidation of the company other than a transaction that would result in (i) a related party owning more than 50% of the assets that were owned by the Company immediately prior to the transaction or (ii) the persons who were the direct or indirect owners of outstanding common stock of the Company and Voting Securities prior to the transaction continuing to own, directly or indirectly, 50% or more of the assets that were owned by the Company immediately prior to the transaction.

A change in control will not occur if:

the NEO agrees in writing prior to an event that such an event will not be a change in control; or the Company s Board of Directors determines that a liquidation, sale or other disposition approved by the shareholders, as described in the fourth bullet above, will not occur, except to the extent termination occurred prior to such determination.

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Disability means a physical or mental infirmity that impairs the NEO s ability to substantially perform his/her duties for twelve months or more and for which he/she is receiving income replacement benefits from a Company plan for not less than three months.

Disqualification disaggregation means:

- the termination of a NEO s employment from the Company or an affiliate before a change in control for any reason; or
- the termination of a NEO s employment by a successor (during the period beginning upon a change in control and continuing for two years or until the termination of the agreement, whichever happens first), if the NEO is employed in substantially the same position and the successor has assumed the Company s change in control agreement.

Good reason means, generally, a material adverse change in the NEO s title, position or responsibilities, a reduction in the NEO s base salary, a reduction in the NEO s annual bonus, required relocation, a material reduction in the level of aggregate compensation or benefits not applicable to the Company s peers, a successor company s failure to honor the agreement or the failure of the Company s Board of Directors to provide written notice of the act or omission constituting cause.

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Termination Scenarios

The following table sets forth circumstances that provide for payments by WPX Energy to the NEOs following or in connection with a change in control of WPX Energy or an NEO s termination of employment for cause, upon retirement, upon death and disability or not for cause, all while employed by WPX Energy on December 31, 2011 as of the time of the spin-off. NEOs are generally eligible to retire at the earlier of age 55 and completion of 3 years of service or age 65. Even though WPX Energy s agreements were effective January 1, 2012 after the spin-off, the agreements between the NEO and WPX Energy are presented below as a better representation of likely future payments in the event termination of an NEO should occur.

All values are based on a hypothetical termination date of December 30, 2011 and a closing stock price for WPX Energy common stock of $18.17 on the last trading day of the year, December 30, 2011. The values shown are intended to provide reasonable estimates of the potential benefits the NEOs would receive upon termination. The values are based on various assumptions and may not represent the actual amount an NEO would receive. In addition to the amounts disclosed in the following table, a departing NEO would retain the amounts he/she has earned over the course of his/her employment prior to the termination event, including accrued retirement benefits and previously vested stock options and RSUs.

Name	Payment	For Cause(1)	Retirement(2)	Death & Disability(3)	Not for Cause(4)	CIC(5)(6)
Ralph A. Hill	Stock options	$	$ 1,204,130	$ 1,204,130	$ 0	$ 1,204,130
	Stock awards		5,528,392	6,527,185	6,527,185	7,525,978
	Cash Severance					2,260,826
	Outplacement					25,000
	Health & Welfare					28,902
	Total	$	$ 6,732,522	$ 7,731,315	$ 6,527,185	$ 11,044,836
Rodney J. Sailor	Stock options	$	$ 246,140	$ 246,140	$ 0	$ 246,140
	Stock awards		851,684	1,085,600	1,085,600	1,231,799
	Cash Severance					1,009,362
	Outplacement					25,000
	Health & Welfare					29,262
	Total	$	$ 1,097,824	$ 1,331,740	$ 1,085,600	$ 2,541,563
James J. Bender	Stock options	$	$ 912,222	$ 912,222	$ 0	$ 912,222
	Stock awards		4,200,374	4,955,711	4,955,711	5,711,047
	Cash Severance					1,610,400
	Outplacement					25,000
	Health & Welfare					28,902
	Total	$	$ 5,112,596	$ 5,867,933	$ 4,955,711	$ 8,287,571
Bryan K. Guderian	Stock options	$	$ 277,675	$ 277,675	$ 0	$ 277,675
	Stock awards		963,905	1,216,510	1,216,510	1,374,360
	Cash Severance					1,171,500
	Outplacement					25,000
	Health & Welfare					18,470
	Total	$	$ 1,241,580	$ 1,494,185	$ 1,216,510	$ 2,867,005
Neal A. Buck	Stock options	$	$ 279,035	$ 279,035	$	$ 279,035
	Stock awards		967,420	1,225,498	1,225,498	1,386,788
	Cash Severance					1,138,500
	Outplacement					25,000

Health & Welfare					19,969
Total	$	$ 1,246,455	$ 1,504,533	$ 1,225,498	$ 2,849,292

(1) If an NEO is terminated for cause or leaves WPX Energy voluntarily, no additional benefits will be received.

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(2) If an NEO retires from WPX Energy, then all unvested stock options will fully accelerate. A pro-rated portion of the unvested time based RSUs will accelerate and a pro-rated portion of any performance-based RSUs will vest on the original vesting date if the Compensation Committee certifies that the performance measures were met.

(3) If an NEO dies or becomes disabled, then all unvested stock options will fully accelerate. All unvested time-based RSUs will fully accelerate, and a pro-rated portion of any performance-based RSUs will vest if the Compensation Committee certifies that the performance measures were met.

(4) For an NEO who is involuntarily terminated who receives severance or for an NEO whose job is outsourced with no comparable internal offer, all unvested time-based RSUs will fully accelerate and a pro-rated portion of any performance-based RSUs will vest if the Compensation Committee certifies that the performance measures were met. However all unvested stock options cancel.

(5) See Change in Control Agreements above.

(6) The cash severance amounts for Messrs. Hill and Sailor have been reduced $2,239,174 and $248,638, respectively, due to the net best provision.

Please note that we make no assumptions as to the achievement of performance goals as it relates to the performance based RSUs. If an award is covered by Section 409A of the Code, lump sum payments and distributions occurring from these events will occur six months after the triggering event as required by the Code and our award agreements.

Compensation of Directors

Only non-employee directors receive director fees. Our Board of Directors was formed upon our spin-off from Williams, so no director compensation was paid to WPX Energy directors in 2011.

In 2012, the Company s non-employee directors will receive:

- $75,000 annual retainer in cash, paid quarterly; and

- $185,000 in the form of Restricted Stock Awards through the WPX Energy 2011 Incentive Plan, each non-employee director annually receives a form of long-term equity compensation as approved by the Nominating and Governance Committee.

The Chair of each of the Audit, Compensation, and Nominating and Governance Committees received an additional annual cash retainer of $15,000. Our non-executive chairman will receive additional compensation of $340,000 for his services each fiscal year of which $100,000 will be in cash and $240,000 will be in the form of restricted stock awards.

Non-employee directors will typically receive their equity on the date of the annual shareholders meeting. For 2012, the directors received five-twelve s of their annual equity grant in January 2012 after our successful spin-off from Williams, then will receive their annual equity grant in May 2012 when WPX Energy will hold the annual shareholders meeting in future years.

In the event that an individual becomes a non-employee director after an annual meeting, we have established the following procedures for compensating an individual for partial year service.

An individual who became a non-employee director	but before	will receive	as of
after the annual meeting	August 1	full compensation	December 15

on or after August 1	or on December 15	pro-rated compensation	December 15
on or after December 16	the next annual meeting	pro-rated compensation	the next annual meeting date

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Non-employee directors are reimbursed for expenses (including costs of travel, food, and lodging) incurred in attending Board, committee, and shareholder meetings. Directors are also reimbursed for reasonable expenses associated with other business activities, including participation in director education programs. Non-employee directors will be able to participate in matching gift programs to certain charitable organizations on the same basis as salaried employees of the Company.

Compensation Committee Interlocks and Insider Participation

On the Separation Date, our Compensation Committee was established and Messrs. Granberry, Lentz and Work were appointed members. None of these individuals has been an officer or employee of the Company or any of its subsidiaries at any time. In 2011, none of our executive officers served as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of our Board or Compensation Committee.

Compensation Committee Report

This section of this Amendment No. 1 on Form 10-K/A will not be deemed incorporated by reference by any general statement incorporating by reference this Amendment No. 1 on Form 10-K/A into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed filed under these Acts.

The Compensation Committee has reviewed and discussed with management the section above entitled Compensation Discussion and Analysis. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Amendment No. 1 on Form 10-K/A to our Annual Report on Form 10-K for the year ended December 31, 2011.

William R. Granberry (Chairman)

Henry E. Lentz

David F. Work

ITEM 12: ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***
Securities Authorized for Issuance Under Equity Compensation Plans

We maintain two compensation plans under which shares of our common stock are authorized for issuance to plan participants: our 2011 Incentive Plan and our Employee Stock Purchase Plan. Each of these plans was approved by our stockholder prior to our separation from Williams.

The following table provides information as of December 31, 2011, about outstanding options and rights under these plans and shares reserved for future issuance under these plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,772,757	$ 11.40	12,000,000

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Security Ownership of Certain Beneficial Owners and Management

As of April 16, 2012, based on information known to us and filed with the SEC, there were no beneficial holders of five percent or more of our common stock. The following table sets forth certain information as of April 16, 2012, with respect to the number of shares of common stock owned by (a) each director of WPX, (b) each named executive officer of WPX, and (c) all directors and named executive officers of WPX as a group.

Name of Individual or Group	Shares of Common Stock Owned Directly or Indirectly(1)(2)	Shares Underlying Options Exercisable Within 60-Days(3)	Total	Percent of Class(4)
Kimberly S. Bowers	5,197	0	5,197	*
John A. Carrig	5,197	0	5,197	*
William R. Granberry	42,806	3,004	45,810	*
Don J. Gunther	5,197	0	5,197	*
Robert Herdman	5,197	0	5,197	*
Henry E. Lentz	5,197	0	5,197	*
George A. Lorch	114,966	0	114,966	*
William G. Lowrie	71,574	0	71,574	*
David F. Work	5,197	0	5,197	*
James R. Bender	360,659	344,851	705,510	*
Neal A. Buck	121,389	101,073	222,462	*
Donald R. Chappel	44,743	101,819	146,562	*
Bryan K. Guderian	118,603	81,770	200,373	*
Ralph A. Hill	572,221	403,535	975,756	*
Rodney J. Sailor	132,727	105,273	238,000	*
All directors and executive officers as a group (18 individuals)	1,924,044	1,443,925	3,367,969	1.7%

* Less than 1%

(1) Includes restricted stock units over which executive officers have no voting or investment power held under the terms of the WPX Energy, Inc. 2011 Incentive Plan as follows: Mr. Bender, 203,817; Mr. Buck, 86,419; Mr. Guderian, 86,783; Mr. Hill, 379,507; and Mr. Sailor, 104,814. Restricted stock units include both time-based and performance-based shares of common stock.

(2) Includes restricted stock units over which directors have no voting or investment power held under the terms of the WPX Energy, Inc. 2011 Incentive Plan as follows: Mr. Granberry, 33,626; Mr. Lorch, 100,204; and Mr. Lowrie, 33,626. For Mr. Lorch, includes 4,411 shares of deferred common stock that he has the right to receive at the end of a deferral period. Mr. Lorch has no voting or investment power over these deferred shares.

(3) The SEC deems a person to have beneficial ownership of all shares that the person has the right to acquire within sixty (60) days. The shares indicated represent stock options granted under the WPX Energy, Inc. 2011 Incentive Plan that are currently exercisable or will become exercisable within sixty (60) days of April 16, 2012. Shares subject to options cannot be voted.

(4) Ownership percentage is reported based on 198,714,249 shares of common stock outstanding on April 16, 2012, plus, as to the holder thereof and no other person, the number of shares (if any) that the person has the right to acquire as of April 16, 2012, or within 60 days of that date.

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ITEM 13: ***Certain Relationships and Related Transactions, and Director Independence***

Transactions with Related Persons

In 2011, we were a party to a number of transactions with Williams, our former parent company. The following is a summary of the types and amounts of such transactions.

Transaction Description	2011 Transaction Amount
Reimbursement of Expenses of Williams	
Payroll and benefits costs associated with operations employees	$ 132 million
General and administrative expense, including indirect employees	$ 140 million
Commodity Sales Contracts	
Sales of natural gas for shrink replacement and fuel to Williams Partners and other Williams affiliates	$ 844 million
Gathering, Processing and Treating Contracts	
Gathering, processing and treating services purchased from Williams Partners	$ 298 million
Transportation Contracts	
Purchase of natural gas transportation services from Williams Partners	$ 44 million
Reimbursements from Williams Partners for transportation costs in connection with transportation capacity contract	$ 10.6 million
Derivative Contracts	
Revenues from contracts with Williams Partners to hedge Williams Partners forecasted NGL sales and natural gas purchases	$ 15.8 million

Procedures for Review and Approval of Related Party Transactions

The Board has adopted policies and procedures with respect to related person transactions as part of the Audit Committee charter. Any proposed related person transaction involving a member of the Board or the Chief Executive Officer must be reviewed and approved by the full Board. The Audit Committee reviews proposed transactions with any other related persons, promoters, and certain control persons. If it is impractical to convene an Audit Committee meeting before a related person transaction occurs, the chair of the committee may review the transaction alone.

No director may participate in any review, consideration or approval of any related person transaction with respect to which such director or any of his or her immediate family members is the related person. The Audit Committee or its chair, or the Board, as the case may be, in good faith, may approve only those related person transactions that are in, or not inconsistent with, WPX s best interests and the best interests of our stockholders. In conducting a review of whether a transaction is, or is not inconsistent with the best interest of WPX and its stockholders, the Audit Committee or its chair, or the Board, as the case may be, will consider the benefits of the transaction to the Company, the availability of other sources for comparable products or services, the terms of the transaction, the terms available to unrelated third parties and to employees generally, and the nature of the relationship between the Company and the related party, among other things. During 2011, there were no transactions that required review or approval by the Audit Committee or the full Board.

Director Independence

Our Corporate Governance Guidelines require that the Board make an annual determination regarding the independence of each of our directors. Based on an annual evaluation performed by and recommendations made by the Nominating and Governance Committee, the Board has determined that each of our current directors, other than Mr. Hill, is independent. The Board s determination of independence took into account the bright line standards of the NYSE as well as the absence of any material transactions or other relationships between the Company, on the one hand, and directors, their immediate family members and other associates, on the other.

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The Board determined that Alan S. Armstrong and Donald R. Chappel, individuals who served on our Board prior to our separation from Williams, were not independent, owing to their roles as executive officers of Williams.

ITEM 14: ***Principal Accountant Fees and Services***

Principal Accountant Fees and Services

In connection with the audit of our 2011 financial statements, Williams entered into an agreement with Ernst & Young LLP that sets forth the terms under which Ernst & Young LLP performed audit services for Williams.

The following table presents fees for professional services rendered by Ernst & Young for the audit of the financial statements of Williams for 2011 and 2010 and fees for other services rendered by Ernst & Young for those periods:

(in millions)	***2011***	***2010***
Audit Fees(1)	$ 16.1	$ 14.2
Audit-Related Fees(2)	$ 1.2	$ 1.1
Tax Fees(3)	$ 0.9	$ 0.5
Total	$ 18.2	$ 15.8

(1) The aggregate fees billed by Ernst & Young LLP for professional services rendered in connection with the audit of Williams annual financial statements, the audit of internal control over financial reporting, the review of the quarterly financial statements, and services that are normally provided in connection with statutory and regulatory filings or engagements were $16.1 million in 2011 and $14.2 million in 2010. Of the total audit fees approximately $6.9 million in 2011 and $3.4 million in 2010 represent direct charges to WPX by Ernst & Young LLP.

(2) The aggregate fees billed by Ernst & Young LLP for assurance and related services reasonably related to the performance of the audit of the financial statements, but not included under Audit Fees, were $1.2 million in 2011 and $1.1 million in 2010.

(3) The aggregate fees billed by Ernst & Young LLP for tax services were $0.9 million in 2011 and $0.5 million in 2010. These fees related primarily to tax planning, tax advice and tax compliance.

In 2011 and 2010, all of Ernst & Young LLP s fees were pre-approved by the Williams Audit Committee. Ernst & Young does not provide tax services to our directors or executive officers.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditors

The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services provided by Ernst & Young LLP.

On an ongoing basis, our management presents specific projects and categories of service to the Audit Committee to request advance approval. The Audit Committee reviews those requests and advises management if the Audit Committee approves the engagement of Ernst & Young LLP. On a periodic basis, our management reports to the Audit Committee regarding the actual spending for such projects and services compared to the approved amounts. The Audit Committee may also delegate the authority to pre-approve audit and permitted non-audit services, excluding services related to the Company s internal control over financial reporting, to a subcommittee of one or more committee members, provided that any such pre-approvals are reported at a subsequent Audit Committee meeting.

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The Audit Committee s pre-approval policy with respect to audit and non-audit services is an attachment to the Audit Committee Charter, which is available on our website at www.wpxenergy.com under Investors and Corporate Governance.

PART IV

ITEM 15: ***Exhibits and Financial Statement Schedules***

(a) 1 and 2.

(a) 3 and (b) *Exhibits*.

See the Exhibit Index, which is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WPX ENERGY, INC.

By: /s/ J. Kevin Vann
J. Kevin Vann,

Chief Accounting Officer and Controller

April 20, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ralph A. Hill **Ralph A. Hill**	Chief Executive Officer (Principal Executive Officer)	April 20, 2012
/s/ Rodney J. Sailor **Rodney J. Sailor**	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	April 20, 2012
/s/ J. Kevin Vann **J. Kevin Vann**	Chief Accounting Officer and Controller (Principal Accounting Officer)	April 20, 2012
* **William G. Lowrie**	Chairman of the Board	April 20, 2012
* **Kimberly S. Bowers**	Director	April 20, 2012
* **John A. Carrig**	Director	April 20, 2012
* **William R. Granberry**	Director	April 20, 2012
* **Don J. Gunther**	Director	April 20, 2012
*	Director	April 20, 2012

Robert K. Herdman		
*	Director	April 20, 2012
Henry E. Lentz		
*	Director	April 20, 2012
George A. Lorch		
*	Director	April 20, 2012
David F. Work		

*By: /s/ Stephen E. Brilz

Stephen E. Brilz

As Attorney-In-Fact

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WPX Energy, Inc.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Charged (Credited) to Costs and Expenses	Other (Millions)	Deductions	Ending Balance
2011:					
Allowance for doubtful accounts accounts and notes receivable(a)	$16	$(1)	$	$(2)	$13
Deferred tax asset valuation allowance(a)	22			(6)(f)	16
2010:					
Allowance for doubtful accounts accounts and notes receivable(a)	19	(3)			16
Deferred tax asset valuation allowance(a)	22				22
Price-risk management credit reserves liabilities(b)	(3)	3(d)			
2009:					
Allowance for doubtful accounts accounts and notes receivable(a)	25	3		(9)(c)	19
Deferred tax asset valuation allowance(a)	22				22
Price-risk management credit reserves assets(a)	6	(3)(d)	(3)(e)		
Price-risk management credit reserves liabilities(b)	(15)	12(d)			(3)

(a) Deducted from related assets.

(b) Deducted from related liabilities.

(c) Represents recoveries of balances previously written off.

(d) Included in revenues.

(e) Included in accumulated other comprehensive income (loss).

(f) Deferred tax asset retained by Williams.

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INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Contribution Agreement, dated as of October 26, 2010, by and among Williams Production RMT Company, LLC, Williams Energy Services, LLC, Williams Partners GP LLC, Williams Partners L.P., Williams Partners Operating LLC and Williams Field Services Group, LLC (incorporated herein by reference to Exhibit 2.1 to WPX Energy, Inc. s registration statement on Form S-1/A (File No. 333-173808) filed with the SEC on July 19, 2011)
3.1	Restated Certificate of Incorporation of WPX Energy, Inc. (incorporated herein by reference to Exhibit 3.1 to WPX Energy, Inc. s Current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)
3.2	Bylaws of WPX Energy, Inc. (incorporated herein by reference to Exhibit 3.2 to WPX Energy, Inc. s Current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)
4.1	Indenture, dated as of November 14, 2011, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated herein by reference to Exhibit 4.1 to The Williams Companies, Inc. s Current report on Form 8-K (File No. 001-04174) filed with the SEC on November 15, 2011)
10.1	Separation and Distribution Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (incorporated herein by reference to Exhibit 10.1 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
10.2	Employee Matters Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (incorporated herein by reference to Exhibit 10.2 to WPX Energy, Inc. s Current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)
10.3	Tax Sharing Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (incorporated herein by reference to Exhibit 10.3 to WPX Energy, Inc. s Current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)
10.4	Transition Services Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (incorporated herein by reference to Exhibit 10.4 to WPX Energy, Inc. s Current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)
10.5	Credit Agreement, dated as of June 3, 2011, by and among WPX Energy, Inc., the lenders named therein, and Citibank, N.A., as Administrative Agent and Swingline Lender (incorporated herein by reference to Exhibit 10.3 to The Williams Companies, Inc. s Current report on Form 8-K (File No. 001-04174) filed with the SEC on June 9, 2011)
10.6#	Amended and Restated Gas Gathering, Processing, Dehydrating and Treating Agreement by and among Williams Field Services Company, LLC, Williams Production RMT Company, LLC, Williams Production Ryan Gulch LLC and WPX Energy Marketing, LLC, effective as of August 1, 2011 (incorporated herein by reference to Exhibit 10.7 to WPX Energy, Inc. s registration statement on Form S-1/A (File No. 333-173808) filed with the SEC on July 19, 2011)
10.7	Form of Change in Control Agreement between WPX Energy, Inc. and CEO (incorporated herein by reference to Exhibit 10.7 to WPX Energy, Inc. s Current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)
10.8	Form of Change in Control Agreement between WPX Energy, Inc. and Tier One Executives

(incorporated herein by reference to Exhibit 10.8 to WPX Energy, Inc. s current report on Form 8-K (File No. 001-35322) filed with the SEC on January 6, 2012)

Certain portions have been omitted pursuant to an Order Granting Confidential Treatment issued by the SEC on December 5, 2011. Omitted information has been filed separately with the SEC.

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Exhibit No.	Description
10.9	First Amendment to the Credit Agreement, dated as of November 1, 2011, by and among WPX Energy, Inc., the lenders named therein, and Citibank, N.A., as Administrative Agent and Swingline Lender (incorporated herein by reference to Exhibit 10.2 to The Williams Companies, Inc. s Current report on Form 8-K (File No. 001-04174) filed with the SEC on November 1, 2011)
10.10	Registration Rights Agreement, dated November 14, 2011, between WPX Energy, Inc. and the initial purchasers listed therein (incorporated herein by reference to Exhibit 10.1 to The Williams Companies, Inc. s Current report on Form 8-K (File No. 001-04174) filed with the SEC on November 15, 2011)
10.11	WPX Energy, Inc. 2011 Incentive Plan (incorporated herein by reference to Exhibit 4.3 to WPX Energy, Inc. s registration statement on Form S-8 (File No. 333-178388) filed with the SEC on December 8, 2011)
10.12	WPX Energy, Inc. 2011 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 4.4 to WPX Energy, Inc. s registration statement on Form S-8 (File No. 333-178388) filed with the SEC on December 8, 2011)
10.13	Form of Restricted Stock Agreement between WPX Energy, Inc. and Non-Employee Directors (incorporated herein by reference to Exhibit 10.13 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
10.14	Form of Restricted Stock Unit Agreement between WPX Energy, Inc. and Executive Officers (incorporated herein by reference to Exhibit 10.14 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
10.15	Form of Performance-Based Restricted Stock Unit Agreement between WPX Energy, Inc. and Executive Officers (incorporated herein by reference to Exhibit 10.15 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
10.16	Form of Stock Option Agreement between WPX Energy, Inc. and Executive Officers (incorporated herein by reference to Exhibit 10.16 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
21.1	List of Subsidiaries (incorporated herein by reference to Exhibit 21.1 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
23.1*	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP
23.2	Consent of Independent Petroleum Engineers and Geologists, Netherland, Sewell & Associates, Inc. (incorporated herein by reference to Exhibit 23.2 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
24.1	Powers of Attorney (incorporated herein by reference to Exhibit 24.1 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)
31.1*	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the Chief Executive Officer and the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Report of Independent Petroleum Engineers and Geologists, Netherland, Sewell & Associates, Inc. (incorporated herein by reference to Exhibit 99.1 to WPX Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011)

* Filed herewith