

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

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-7062

NOBLE AFFILIATES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 73-0785597
(STATE OF INCORPORATION) (I.R.S. EMPLOYER IDENTIFICATION NUMBER)

110 WEST BROADWAY 73401
ARDMORE, OKLAHOMA (ZIP CODE)
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(405) 223-4110
(Registrant's telephone number, including area code)

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 x No

Number of shares of common stock outstanding as of April 30, 1994: 49,945,990

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
NOBLE AFFILIATES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
(DOLLARS IN THOUSANDS)

(UNAUDITED)
MARCH 31, DECEMBER 31,
1994 1993

ASSETS:
Current Assets:

Cash and short-term cash investments.	\$ 118,102	\$ 176,432
Accounts receivable-trade	62,165	66,314
Materials and supplies inventories.	3,324	3,302
Other current assets.	6,872	10,516
	-----	-----
Total Current Assets.	190,463	256,564
	-----	-----
Property, Plant and Equipment	1,528,199	1,487,068
Less: accumulated depreciation, depletion and amortization	(724,102)	(692,463)
	-----	-----
	804,097	794,605
	-----	-----
Other Assets.	19,216	16,827
	-----	-----
Total Assets.	\$ 1,013,776	\$ 1,067,996
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current Liabilities:		
Accounts payable.	\$ 50,780	\$ 29,354
Other current liabilities	26,520	19,241
Short-term borrowing.		95,600
Income taxes.	401	2,343
	-----	-----
Total Current Liabilities	77,701	146,538
	-----	-----
Deferred Income Taxes	51,962	45,108
	-----	-----
Other Deferred Credits and Noncurrent Liabilities.	8,360	7,158
	-----	-----
Long-term Debt.	453,780	453,760
	-----	-----
Shareholders' Equity:		
Common stock.	171,564	171,535
Capital in excess of par value.	140,795	140,703
Retained earnings	125,032	118,612
	-----	-----
	437,391	430,850
	-----	-----
Less common stock in treasury (at cost, 1,524,900 shares)	(15,418)	(15,418)
	-----	-----
Total Shareholders' Equity.	421,973	415,432
	-----	-----
Total Liabilities and Shareholders' Equity.	\$ 1,013,776	\$ 1,067,996
	-----	-----

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

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NOBLE AFFILIATES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
	-----	-----
REVENUES:		
Oil and gas sales and royalties	\$ 80,902	\$ 66,888
Other income.	2,639	2,966
	-----	-----
	83,541	69,854
	-----	-----
COSTS AND EXPENSES:		
Oil and gas operations.	18,211	17,347
Oil and gas exploration	3,995	10,229
Depreciation, depletion and amortization.	33,552	21,749
Selling, general and administrative.	9,233	8,702
Interest expense.	7,595	5,095
Interest capitalized.	(2,023)	(249)
	-----	-----
	70,563	62,873
	-----	-----
INCOME BEFORE INCOME TAXES.	12,978	6,981
	-----	-----
INCOME TAX PROVISION.	4,561 (1)	2,493 (1)
	-----	-----
NET INCOME.	\$ 8,417	\$ 4,488
	-----	-----

NET INCOME PER SHARE.	\$.17 (2)	\$.10 (2)
	-----	-----
	-----	-----

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

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NOBLE AFFILIATES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
	-----	-----
Cash Flows from Operating Activities:		
Net income.	\$ 8,417	\$ 4,488
Noncash charges (credits) included in income		
Depreciation, depletion and amortization.	33,552	21,749
Amortization of undeveloped lease costs, net.	1,408	3,878
Change in deferred credits.	8,056	3,174
Change in other noncash items, net.	(2,479)	2,434
Changes in working capital, not including cash		
(Increase) decrease in accounts receivable.	4,149	12,952
(Increase) decrease in other current assets.	3,495	(1,629)
Increase (decrease) in accounts payable.	21,426	(547)
Increase (decrease) in other current liabilities.	5,337	4,535
	-----	-----
Net Cash Provided by Operating Activities	83,361	51,034
	-----	-----
Cash Flows From Investing Activities:		
Capital expenditures.	(44,834)	(21,610)
Proceeds from sale of plant and equipment.	619	6,904
	-----	-----
	(44,215)	(14,706)
	-----	-----
Cash Flows From Financing Activities:		
Exercise of stock options.	121	1,783
Cash dividends.	(1,997)	(1,785)
Repayment of short-term debt for property acquisition.	(95,600)	
	-----	-----
	(97,476)	(2)
	-----	-----
Increase (decrease) in Cash and Short-term Cash Investments	(58,330)	36,326
Cash and Short-term Cash Investments at Beginning of Period	176,432	118,726
	-----	-----
Cash and Short-term Cash Investments at End of Period	\$118,102	\$155,052
	-----	-----
	-----	-----
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest (net of amount capitalized).	\$ -0-	\$ -0-
Income taxes.	\$ -0-	\$ -0-

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments, consisting only of necessary and normal recurring adjustments, necessary to present fairly the Company's financial position as of March 31, 1994 and December 31, 1993, and the results of operations and the cash flows for the three month periods ended March 31, 1994 and 1993. These consolidated, condensed financial statements should be read in conjunction with the financial statements and the Notes thereto incorporated in the Company's annual report on Form 10-K for the year ended December 31, 1993.

(1) INCOME TAX PROVISION

For the three months ended March 31:

	(IN THOUSANDS)	
	1994	1993
	----	----
Current	\$ (2,293)	\$ 3,433
Deferred.	6,854	(940)
	-----	-----
	\$ 4,561	\$ 2,493
	-----	-----

(2) NET INCOME PER SHARE

The earnings per share of common stock was computed using the weighted average number of shares of common stock outstanding during the period as follows:

	(IN THOUSANDS)	
	1994	1993
	----	----
For the three months ended March 31:	49,941	44,657

(3) PLANNED REDEMPTION OF DEBT

On April 25, 1994 the Company announced that it intends to redeem on June 1, 1994 (the "Redemption Date") all the outstanding 10 1/8% Notes Due June 1, 1997 (the "Notes") of the Company being \$125 million aggregate principal amount. The redemption price for the Notes is 100% of the principal amount, together with accrued interest to the Redemption Date of \$50.625 per \$1,000 principal amount of Note. On and after June 1, 1994, interest on the Notes will cease to accrue. The Company expects to redeem the Notes with its available cash and short-term cash investments plus short-term borrowings from its line of credit agreement with certain banks. The Company expects to reduce its annual interest expense by approximately \$7.5 million as a result of this redemption.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased to \$83.4 million in the three months ended March 31, 1994 from the \$51.0 million in the same period of 1993. Cash and short-term cash investments decreased from \$176.4 million at December 31, 1993 to \$118.1 million at March 31, 1994. This decrease in cash and short-term cash investments is the result of the repayment in January 1994 of \$95.6 million of short-term debt which was issued in October 1993 to acquire a producing property.

The Company has expended approximately \$44.8 million of its \$190.5 million capital budget through March 31, 1994. The Company expects to fund the remainder of the 1994 capital budget primarily from funds provided by operations. The Company's \$190.5 million capital budget includes no amounts for potential acquisitions of producing properties. The Company continues to evaluate possible

strategic acquisitions and believes it could finance any significant acquisitions from external sources based on the Company's current financial condition.

On April 25, 1994 the Company announced that it intends to redeem on June 1, 1994 (the "Redemption Date") all the outstanding 10 1/8% Notes Due June 1, 1997 (the "Notes") of the Company being \$125 million aggregate principal amount. The redemption price for the Notes is 100% of the principal amount, together with accrued interest to the Redemption Date of \$50.625 per \$1,000 principal amount of Note. On and after June 1, 1994, interest on the Notes will cease to accrue. The Company expects to redeem the Notes with its available cash and short-term cash investments plus short-term borrowings from its line of credit agreement with certain banks. The Company expects to reduce its annual interest expense by approximately \$7.5 million as a result of this redemption.

In May 1993, the Company redeemed its \$100,000,000 of 7 1/4% Convertible Debentures Due 2012. As a result of the call for redemption, owners of \$98,155,000 of the debentures elected to convert into a total of 5,001,373 shares of Company common stock.

On October 21, 1993, the Company issued \$230,000,000 of 4 1/4% Convertible Subordinated Notes Due 2003 and \$100,000,000 of 7 1/4% Notes Due 2023. After the planned redemption of the Notes on June 1, 1994, the outstanding long-term debt of the Company will total \$330 million.

The Company's current ratio (current assets divided by current liabilities) was 2.45 at March 31, 1994 compared to 1.75 at December 31, 1993.

The Company follows an entitlements method of accounting for its gas imbalances. The Company's estimated gas imbalance receivables were \$12.4 million at March 31, 1994 and \$12.9 million at December 31, 1993. Gas imbalance liabilities were \$8.4 million at March 31, 1994 and \$7.6 million at December 31, 1993. These imbalances are valued at the amount which is expected to be received or paid to settle the imbalances. The settlement of the imbalances can occur either during, or at the end of the life of a well, on a volume basis or by cash settlement. The Company does not expect that a significant portion of the settlements will occur in any one year. Thus, the Company believes the settlement of gas imbalances will have little impact on its liquidity.

RESULTS OF OPERATIONS

For the first quarter of 1994, the Company had net income of \$8.4 million, or 17 cents per share, compared to net income of \$4.5 million, or 10 cents per share, in the first quarter of 1993. The results reflected higher oil and gas production volumes and higher gas prices, offset by lower oil prices, in the first three months of 1994.

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Oil sales decreased 14 percent for the three months ended March 31, 1994, compared to the same period of 1993. The decrease in sales is primarily due to an average oil price decrease of 32 percent offset in part by a 25 percent increase in production volumes in the first quarter of 1994 compared to the first quarter of 1993.

Gas sales increased 48 percent for the three months ended March 31, 1994, compared to the same period of 1993. The increase in sales is primarily due to an average gas price increase of 14 percent and a production volume increase of 31 percent in the first quarter of 1994, compared to the first quarter of 1993.

The Company had no oil or gas hedges in place, or any hedge related deposits, at March 31, 1994 or at December 31, 1993.

Certain selected oil and gas operating statistics follows:

FOR THE THREE MONTHS
ENDED MARCH 31,

	1994 ----	1993 ----
Oil Sales.	\$24,768,000	\$28,890,000
Average daily oil - BBLs	22,775	18,049
Average oil price per BBL.	\$ 12.22	\$ 18.09
Gas Sales.	\$54,045,000	\$36,505,000
Average daily gas - MCFs	269,800	205,653
Average gas price per MCF.	\$ 2.26	\$ 1.99

<FN>
 BBLs - barrels
 MCF - thousand cubic feet

Oil and gas exploration expense decreased \$6.2 million to \$4.0 million for the three months ended March 31, 1994, compared to the same period in 1993. The decrease resulted in part from a \$2.6 million decrease in dry hole expense, a \$2.5 million decrease in undeveloped lease impairment relating to offshore properties and by a \$1.5 million decrease in abandoned assets.

Depreciation, depletion and amortization (DD&A) expense increased 54 percent to \$33.6 million for the three months ended March 31, 1994, compared to the same period in 1993. The increase is due primarily to higher production volumes and higher unit rates on properties acquired effective October 1, 1993. The unit rate of DD&A per equivalent barrel, converting gas to oil on a 6:1 basis, was \$5.50 for the first three months of 1994 compared to \$4.62 for the same period of 1993. The Company has recorded, through charges to DD&A, a reserve for future liabilities related to dismantlement and reclamation costs for offshore facilities. This reserve is based on the best estimates of Company engineers of such costs to be incurred in future years.

Interest expense increased 49 percent to \$7.6 million for the three months ended March 31, 1994, compared to the same period of 1993 as a result of the increase in long-term debt mentioned under "Liquidity and Capital Resources" above.

Interest capitalized increased from \$249,000 for the three months ended March 31, 1993 to \$2,023,000 for the three months ended March 31, 1994. This increase is primarily due to the increase in the capitalization of interest on the development of properties in the Gulf of Mexico.

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FUTURE TRENDS

Both oil and gas production in the first quarter of 1994 was higher than for the same period a year ago. This increase was due in part to properties acquired from Freeport-McMoRan Inc. on October 1, 1993. The Company anticipates its oil and gas production volumes will continue to increase in 1994 as a result of the properties acquired from Freeport-McMoRan Inc. as well as new oil and gas properties coming on line in 1994.

Management believes that the Company is well positioned with its balanced reserves of oil and gas to take advantage of future price increases that may occur. However, the uncertainty of oil and gas prices continues to affect the domestic oil and gas industry. Due to the volatility of oil and gas prices, the Company, from time to time, uses hedging and plans to do so in the future as a means of controlling its exposure to price changes. The Company cannot predict the extent to which its revenues will be affected by inflation, government regulation or changing prices.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The annual meeting of shareholders of the Company was held at 10:00 a.m., local time, on Tuesday, April 26, 1994 in Ardmore, Oklahoma.
- (b) Proxies were solicited by the Board of Directors of the Company pursuant to Regulation 14A under the Securities Exchange Act of 1934. There was no solicitation in opposition to the Board of Directors' nominees as listed in the proxy statement and all of such nominees were duly elected.
- (c) Out of a total of 49,943,530 shares of common stock of the Company outstanding and entitled to vote, 49,244,110 shares were present in person or by proxy, representing approximately 98 percent. The only matter voted on by the shareholders, as fully described in the proxy statement for the annual meeting, was the election of directors of the Company. The results of voting were as follows:

	Number of Shares Voting FOR Election as Director -----	Number of Shares WITHHOLDING AUTHORITY to Vote for Election As Director -----
Roy Butler	48,946,103	298,007
Edward F. Cox	49,092,756	151,354
James C. Day	48,941,204	302,906
Robert Kelley	48,946,493	297,617
Harold F. Kleinman	48,934,169	309,941
George J. McLeod	48,940,293	303,817
Guy W. Nichols	49,098,267	145,843
John F. Snodgrass	48,946,731	297,379

(d) Inapplicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) No exhibits are filed as a part of this Form 10-Q.
- (b) The Company did not file any reports on Form 8-K during the three months ended March 31, 1994.

SIGNATURE

Pursuant to the requirements 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.

NOBLE AFFILIATES, INC.

(Registrant)

Date May 13, 1994

WM. D. DICKSON

WM. D. DICKSON, Vice President-
Finance and Treasurer
(Principal Financial Officer
and Authorized Signatory)

