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 June 30, 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<br>Ardmore, Oklahoma | 73401 |
| (Address of principal executive offices) | (Zip Code) |

(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 August 2, 1994: 49,981,221





## PART I. FINANCIAL INFORMATION
## ITEM 1. FINANCIAL STATEMENTS
### NOBLE AFFILIATES, INC. AND SUBSIDIARIES
### CONSOLIDATED CONDENSED BALANCE SHEET
(Dollars in Thousands)

| | (Unaudited) June 30, 1994 | December 31, 1993 |
|---|---|---|
| ASSETS: | | |
| Current Assets: | | |
| Cash and short-term cash investments ....... | $ 21,044 | $ 176,432 |
| Accounts receivable-trade ................. | 67,654 | 66,314 |
| Materials and supplies inventories ......... | 3,193 | 3,302 |

| | | |
|---|---|---|
| Other current assets | 13,424 | 10,516 |
| Total Current Assets | 105,315 | 256,564 |
| Property, Plant and Equipment | 1,548,431 | 1,487,068 |
| Less: accumulated depreciation, depletion and amortization | (738,181) | (692,463) |
| | 810,250 | 794,605 |
| Other Assets | 27,080 | 16,827 |
| Total Assets | $ 942,645 | $1,067,996 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current Liabilities: | | |
| Accounts payable | $ 53,641 | $ 29,354 |
| Other current liabilities | 19,106 | 19,241 |
| Short-term borrowing | | 95,600 |
| Income taxes | 1,269 | 2,343 |
| Total Current Liabilities | 74,016 | 146,538 |
| Deferred Income Taxes | 55,525 | 45,108 |
| Other Deferred Credits and Noncurrent Liabilities | 11,381 | 7,158 |
| Long-term Debt | 376,938 | 453,760 |
| Shareholders' Equity: | | |
| Common stock | 171,669 | 171,535 |
| Capital in excess of par value | 141,123 | 140,703 |
| Retained earnings | 127,411 | 118,612 |
| | 440,203 | 430,850 |
| Less common stock in treasury (at cost, 1,524,900 shares) | (15,418) | (15,418) |
| Total Shareholders' Equity | 424,785 | 415,432 |
| Total Liabilities and Shareholders' Equity | $ 942,645 | $1,067,996 |

See notes to consolidated condensed financial statements.





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

| | Six Months Ended June 30, 1994 | Six Months Ended June 30, 1993 |
|---|---|---|
| REVENUES: | | |
| Oil and gas sales and royalties | $161,895 | $131,017 |
| Gathering, marketing and processing revenues | 8,483 | |
| Other income | 5,195 | 5,164 |
| | 175,573 | 136,181 |
| COSTS AND EXPENSES: | | |
| Oil and gas operations | 36,497 | 36,888 |

| | | | |
|---|---|---|---|
| Oil and gas exploration | 17,570 | 18,522 | |
| Gathering, marketing and processing costs | 8,385 | | |
| Depreciation, depletion and amortization | 64,440 | 42,532 | |
| Selling, general and administrative | 18,851 | 16,502 | |
| Interest expense | 14,290 | 9,187 | |
| Interest capitalized | (4,186) | (551) | |
| | 155,847 | 123,080 | |
| INCOME BEFORE INCOME TAXES | 19,726 | 13,101 | |
| INCOME TAX PROVISION | 6,932 (1) | 4,611 (1) | |
| NET INCOME | $ 12,794 | $ 8,490 | |
| NET INCOME PER SHARE | $ .26 (2) | $ .18 (2) | |

See notes to consolidated condensed financial statements.





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

| | Three Months Ended June 30, | |
|---|---|---|
| | 1994 | 1993 |
| REVENUES: | | |
| Oil and gas sales and royalties | $80,993 | $64,129 |
| Gathering, marketing and processing revenues | 8,483 | |
| Other income | 2,556 | 2,198 |
| | 92,032 | 66,327 |
| COSTS AND EXPENSES: | | |
| Oil and gas operations | 18,286 | 19,541 |
| Oil and gas exploration | 13,575 | 8,293 |
| Gathering, marketing and processing costs | 8,385 | |
| Depreciation, depletion and amortization | 30,888 | 20,783 |
| Selling, general and administrative | 9,618 | 7,800 |
| Interest expense | 6,695 | 4,092 |
| Interest capitalized | (2,163) | (302) |
| | 85,284 | 60,207 |
| INCOME BEFORE INCOME TAXES | 6,748 | 6,120 |
| INCOME TAX PROVISION | 2,371 (1) | 2,118 (1) |
| NET INCOME | $ 4,377 | $ 4,002 |
| NET INCOME PER SHARE | $ .09 (2) | $ .08 (2) |

See notes to consolidated condensed financial statements.

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

| | Six Months Ended June 30, 1994 | Six Months Ended June 30, 1993 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net income | $ 12,794 | $ 8,490 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 64,440 | 42,532 |
| Amortization of undeveloped lease costs, net | 3,290 | 7,444 |
| Change in deferred credits | 14,640 | (1,010) |
| Change in other noncash items, net | (10,210) | 3,947 |
| Changes in working capital, not including cash: | | |
| (Increase) decrease in accounts receivable | (1,340) | 9,313 |
| (Increase) decrease in other current assets | (2,446) | (1,618) |
| Increase (decrease) in accounts payable | 24,287 | 3,707 |
| Increase (decrease) in other current liabilities | (1,209) | 2,769 |
| Net Cash Provided by Operating Activities | 104,246 | 75,574 |
| Cash Flows From Investing Activities: | | |
| Capital expenditures | (84,972) | (37,686) |
| Proceeds from sale of property, plant and equipment | 1,380 | 9,998 |
| Net Cash Provided by (Used in) Investing Activities | (83,592) | (27,688) |
| Cash Flows From Financing Activities: | | |
| Retirement of long-term debt | (125,000) | |
| Retirement of short-term debt for property acquisition | (95,600) | |
| Proceeds from line of credit borrowings | 48,000 | |
| Exercise of stock options | 554 | 2,226 |
| Cash dividends | (3,996) | (3,776) |
| Retirement of convertible debt | | (1,845) |
| Net Cash Used in Financing Activities | (176,042) | (3,395) |
| Increase (Decrease) in Cash and Short-term Cash Investments | (155,388) | 44,491 |
| Cash and Short-term Cash Investments at Beginning of Period | 176,432 | 118,726 |
| Cash and Short-term Cash Investments at End of Period | $ 21,044 | $163,217 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest (net of amount capitalized) | $ 11,752 | $ 5,893 |
| Income taxes | $ 5,000 | $ 4,550 |

See notes to consolidated condensed financial statements.





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 June 30, 1994 and December 31, 1993, and the results of operations for the three month and six month periods ended June 30, 1994 and 1993 and the cash flows for the six month periods ended June 30, 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 six months ended June 30:

| | (In thousands) 1994 | 1993 |
|---|---|---|
| Current ............................. | $(3,485) | $ 5,963 |
| Deferred ............................ | 10,417 | (1,352) |
| | $ 6,932 | $ 4,611 |

For the three months ended June 30:

| | (In thousands) 1994 | 1993 |
|---|---|---|
| Current ............................. | $(1,192) | $ 2,530 |
| Deferred ............................ | 3,563 | (412) |
| | $ 2,371 | $ 2,118 |

(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 six months ended June 30: ..... | 49,948 | 46,301 |
| For the three months ended June 30: ... | 49,955 | 47,945 |





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

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased to $104.2 million in the six months ended June 30, 1994 from $75.6 million in the same period of 1993. Cash and short-term cash investments decreased from $176.4 million at December 31, 1993 to $21 million at June 30, 1994.

In January 1994, the Company repaid $95.6 million of short-term debt which was issued in October 1993 to acquire a producing property. On June 1, 1994, the Company redeemed all of its outstanding 10 1/8% Notes Due June 1, 1997, being $125 million aggregate principal amount. The Company used its available cash plus borrowed $48 million from its bank credit line to complete the redemption. The Company expects to reduce its annual interest expense by approximately $7.5 million as a result of this redemption.

The Company expended approximately $85 million of its $190.5 million capital budget through June 30, 1994 and currently plans to expend all of its remaining capital budget in the remainder of the year. The Company plans to maintain an active drilling program and will also continue to evaluate reserve acquisition opportunities for the remainder of 1994. The Company believes it can fund internally its remaining exploration budget. Acquisitions which might exceed the Company's ability to fund from its internal cash flow would require external sources of financing, such sources which the Company believes would be available.

The Company's current ratio (current assets divided by current liabilities) was 1.4 at June 30, 1994 compared to 1.7 at December 31, 1993. The company's ratio of long-term debt to book capital (defined as the Company's long-term debt plus its equity) at June 30, 1994 was 47 percent compared to 52 percent at December 31, 1993.

The Company follows an entitlements method of accounting for its gas imbalances. The Company's gas imbalance receivables were $13.8 million at June 30, 1994 and $12.9 million at December 31, 1993. Gas imbalance liabilities were $10.8 million at June 30, 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 over the life 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

During the second quarter of 1994, the Company recorded net income of $4.4 million, or 9 cents per share, compared to net income of $4.0 million, or 8 cents per share, in the second quarter of 1993. During the first six months of 1994, the Company recorded net income of $12.8 million, or 26 cents per share, compared to net income of $8.5 million, or 18 cents per share, in the first six months of 1993.

The increased income for the six months ended June 30, 1994 compared to 1993 resulted from higher natural gas prices and increased production volumes primarily as a result of the acquisition of producing properties from Freeport-McMoRan Inc. effective October 1, 1993. The effect of the increased production volumes of both oil and gas during the second quarter of 1994 compared to the same period of 1993 was offset by higher exploration expenses.

Noble Gas Marketing, Inc. (NGM), a wholly owned subsidiary of the Company, markets the Company's natural gas. In addition, in June 1994, NGM sold $8.5 million of third party gas. NGM's business plan calls for it to sell gas directly to end-users, gas marketers, industrial users, interstate and intrastate gas pipelines and local distribution companies. The Company records all of NGM's sales as gathering, marketing and processing revenues. All intercompany sales from Samedan Oil Corporation, a wholly owned subsidiary of the Company engaged in oil and gas exploration and production, to NGM are eliminated.

Gas sales, excluding third party sales by NGM, increased 41 percent and 45 percent, respectively, for the three months and six months ended June 30, 1994. The increase in sales is primarily due to a 39 percent and 35 percent increase, respectively, in average daily production and a 1 percent and 8 percent increase, respectively, in average gas price.

Oil sales increased 12 percent for the three months ended June 30, 1994, compared to the same period of 1993. The increase in sales is primarily due to a 23 percent increase in average daily production offset in part by an 11 percent decrease in average oil price.

Oil sales decreased 1 percent for the six months ended June 30, 1994, compared to the same period of 1993. Average daily oil production increased 24 percent but was more than offset by an average oil price decrease of 21 percent.

The Company had no oil or gas hedges in place, or any hedge related deposits, at June 30, 1994 or at December 31, 1993. The marketing of natural gas to end users at fixed prices while purchasing gas at fluctuating index prices exposes NGM to price risk. It is anticipated that NGM will be controlling these price risks by utilizing various hedging techniques.

Certain selected gas and oil operating statistics follow:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| Gas revenues (in thousands) ..... | $ 46,131 | $ 32,673 | $100,176 | $ 69,178 |
| Average daily gas -- MCFS ........ | 253,941 | 182,731 | 261,826 | 194,318 |
| Average gas price per MCF ........ | $ 2.04 | $ 2.02 | $ 2.15 | $ 2.00 |
| Oil revenues (in thousands) ...... | $ 32,619 | $ 29,199 | $ 57,387 | $ 58,089 |
| Average daily oil -- BBLS ........ | 22,923 | 18,703 | 22,849 | 18,428 |
| Average oil price per BBL ........ | $ 15.67 | $ 17.55 | $ 13.96 | $ 17.76 |

<FN>
BBLS -- barrels
MCF -- thousand cubic feet

Oil and gas operations expense decreased $1.29 and $.98 respectively on a barrel of oil equivalent basis (converting gas to oil on the basis of 6 MCF per barrel) for the three months and six months ended June 30, 1994, as compared to the same periods of 1993. The Freeport-McMoRan Inc. acquisition increased oil and gas operations expense for the first six months of 1994 by approximately $3.2 million, compared to the same period of 1993, expensed workovers in 1994 decreased oil and gas operations expense approximately $1.2 million compared to the same period of 1993, the sale of non-core properties in 1993 decreased oil and gas operations expense in 1994 by $.5 million compared to the same period of 1993, and oil and gas operations expenses on foreign properties decreased $1.8 million in 1994 compared to the first six months of 1993.

Oil and gas exploration expense increased 64 percent, or $5.3 million, for the three months ended June 30, 1994, compared to the same period in 1993. The increase resulted in part from a $4.8 million increase in dry hole expense and a $1.7 million increase in seismic expense offset by a $1.7 million decrease in undeveloped lease impairment. Notwithstanding such increase in the 1994 second quarter, oil and gas exploration expense for the first six months of 1994 was nearly flat with the first six months of 1993.

Depreciation, depletion and amortization (DD&A) expense increased 49 percent and 52 percent, respectively, for the three months and six months ended June 30, 1994, compared to the same periods 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 the basis of 6 MCF per barrel, was $5.35 for the first six 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 64 percent and 56 percent, respectively, for the three months and six months ended June 30, 1994, compared to the same periods of 1993 as a result of the increase in long-term debt incurred in connection with the October 1, 1993 acquisition.

Interest capitalized increased $1.8 million for the three months ended June 30, 1994 and $3.6 million for the six months ended June 30, 1994, when compared to the same periods in 1993. This increase is primarily due to the increase in the capitalization of interest on the development of properties in the Gulf of Mexico.

FUTURE TRENDS

Both oil and gas production in the three months and six months ended June 30, 1994 were higher than the same periods a year ago. This increase is due in part to volumes of oil and gas produced from 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 compared to 1993 as a result of the properties acquired from Freeport-McMoRan Inc. as well as new oil and gas properties commencing production 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 may 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.





PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The information required by this Item 6 (a) is set forth in the Index to Exhibits accompanying this quarterly report and is incorporated herein by reference.

(b) The Company did not file any reports on Form 8-K during the three months ended June 30, 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.

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(Registrant)

Date August 12, 1994

WM. D. DICKSON

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



INDEX TO EXHIBITS

| Exhibit Number | Exhibit | Sequentially Numbered Page |
|---|---|---|
| 10.1 | Amendment No. 2 to the 1988 NonQualified Stock Option Plan For Non-Employee Directors of the Registrant effective as of July 1, 1993. | |
| 10.2 | Amendment No. 1 to the Noble Affiliates, Inc. 1992 Stock Option and Restricted Stock Plan dated as of July 27, 1993. | |

AMENDMENT NO. 2 TO THE
1988 NONQUALIFIED STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS
OF
NOBLE AFFILIATES, INC.

Pursuant to the provisions of Section 6.02 thereof, the 1988 Nonqualified Stock Option Plan for Non-Employee Directors of Noble Affiliates, Inc., as amended and restated effective March 17, 1989, and as further amended effective April 28, 1992 (the "Plan"), is hereby amended in the following respects only.

FIRST: Recital B of the Plan is hereby amended by restatement in its entirety to read as follows:

B. The purposes of the Plan are to provide to each of the directors of the Company who is not also either an employee or an officer of the Company added incentive to continue in the service of the Company and a more direct interest in the future success of the operations of the Company by granting to such directors options (the "Options", or individually, the "Option") to purchase shares of the Company's common stock, $3.33-1/3 par value (the "Common Stock"), subject to the terms and conditions described below.

SECOND: Article II of the Plan is hereby amended by restatement in its entirety to read as follows:

ARTICLE II

ADMINISTRATION

The Plan shall be administered by the Board of Directors. The Board of Directors shall have no authority, discretion or power to select the participants who will receive Options, to set the number of shares to be covered by each Option, or to set the exercise price or the period within which the options may be exercised, or to alter any other terms or conditions specified herein, except in the sense of administering the Plan subject to the express provisions of the Plan and except in accordance with Sections 3.02(a) and 6.02 hereof. Subject to the foregoing limitations, the Board of Directors shall have authority and power to adopt such rules and regulations and to take such action as it shall consider necessary or advisable for the administration of the Plan, and to construe, interpret and administer the Plan. The decisions of the Board of Directors relating to the Plan shall be final and binding upon the Company, the Holders, as defined hereinafter, and all other persons. No member of the Board of Directors shall incur any liability by reason of any action or determination made in good faith with respect to the Plan or any stock option agreement entered into pursuant to the Plan.

THIRD: Article IV of the Plan is hereby deleted in its entirety.

FOURTH: Section 5.01 of the Plan is hereby amended by restatement in its entirety to read as follows:

5.01 Common Stock. The total number of shares of Common Stock as to which options may be granted pursuant to the Plan shall be 250,000, in the aggregate, except as such number of shares shall be adjusted from and after the Effective Date in accordance with the provisions of Section 5.02 hereof. If any outstanding Option under the Plan shall expire or be terminated for any reason before the end of the Option Period, the share's of Common Stock allocable to the unexercised portion of such Option may again be subject to the Plan. The Company shall, at all times during the life of any outstanding Options, retain as authorized and unissued Common Stock at least the number of shares from time to time included in the outstanding options or otherwise assure itself of its ability to perform its obligation under the Plan.

FIFTH: Section 5.02 of the Plan is hereby amended by restatement in its entirety to read as follows:

Section 5.02 Adjustments Upon Changes in Common Stock. In the event the Company shall effect a split of the Common Stock or dividend payable in Common Stock, or in the event the outstanding Common Stock shall be combined into a smaller number of shares, the maximum number of shares as to which Options may be granted under the Plan shall be increased or decreased proportionately. In the event that before delivery by the Company of all of the shares of Common Stock in respect of which any Option has been granted under the Plan, the Company shall have effected such a split, dividend or combination, the shares still subject to the Option shall be increased or decreased proportionately and the purchase price per share shall be increased or decreased proportionately so that the aggregate purchase price for all the then optioned shares shall remain the same as immediately prior to such split, dividend or combination.

In the event of a reclassification of the Common Stock not covered by the foregoing, or in the event of a liquidation or reorganization, including a merger, consolidation or sale of assets, the Board of Directors of the Company shall make such adjustments, if any, as it may deem appropriate in the number, purchase price and kind of shares covered by the unexercised portions of Options theretofore granted under the Plan. The provisions of this Section 5.02 shall only be applicable if, and only to the extent that, the application thereof does not conflict with any valid governmental statute, regulation or rule.

SIXTH: Section 6.01 of the Plan is hereby amended by restatement in its entirety to read as follows:

6.01 Termination of Plan. The Plan shall terminate whenever the Board of Directors adopts a resolution to that effect. If not sooner terminated under the preceding sentence, the Plan shall wholly cease and expire at the close of business on July 25, 1998. After termination of the Plan, no Options shall be granted under this Plan, but the Company shall continue to recognize Options previously granted.

SEVENTH: Section 6. 02 of the Plan is hereby amended

by restatement in its entirety to read as follows:

6.02 Amendment of Plan. Subject to the limitations set forth in this Section 6.02, the Board of Directors may from time to time amend, modify, suspend or terminate the Plan. No such amendment, modification, suspension or termination shall (a) impair any options theretofore granted under the Plan or deprive any Holder of any shares of Common Stock which he might have acquired through or as a result of the Plan, or (b) be made without the approval of the shareholders of the Company where such change would (i) increase the total number of shares of Common Stock which may be granted under the Plan or decrease the purchase price under the Plan (other than as provided in Section 5.02 hereof), (ii) materially alter the class of persons eligible to be granted options under the Plan (iii) materially increase the benefits accruing to Holders under the Plan or (iv) extend the term of the Plan or the Option Period. Notwithstanding any other provision of this Section 6.02, in accordance with Rule 16b-3(c)(2)(ii)(B), the provisions of the Plan governing the matters described in Rule 16b-3(c)(2)(ii)(A) shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

EIGHTH: Section 6.04 of the Plan is hereby amended by restatement in its entirety to read as follows:

6.04 Effectiveness. This Plan shall become effective as of the Effective Date, subject to the conditions stated in the following sentence. This Plan and each Option granted or to be granted hereunder is conditional on and shall be of no force and effect, and no Option shall be exercised, unless and until, (a) shareholder approval of the Plan by the affirmative votes of the holders of a majority of the shares of Common Stock present, or represented, and entitled to vote at a meeting of shareholders duly held not later than the date of the next annual meeting of shareholders and (b) receipt by the Company of a favorable response from the staff of the Securities and Exchange Commission to the Company's position to the effect that (i) the Plan will meet the requirements of Rule 16b-3 and (ii) the receipt of Options under the Plan by non-employee directors will not prohibit them from continuing to be "disinterested persons" within the meaning of paragraphs (b) and (d)(3) of Rule 16b-3 with respect to the Company's employee stock option plans.

IN WITNESS WHEREOF, this Amendment has been executed this 27th day of July, 1993, to be effective as of July 1, 1993.

NOBLE AFFILIATES, INC.

By:
Robert Kelley
Chairman of the Board
President and Chief
Executive officer

AMENDMENT NO. 1 TO THE
NOBLE AFFILIATES, INC.
1992 STOCK OPTION AND
RESTRICTED STOCK PLAN

Pursuant to the provisions of Section 15 thereof, the Noble Affiliates, Inc., 1992 Stock Option and Restricted Stock Plan (the "Plan"), is hereby amended in the following respects only:

FIRST: Section 9(a)(i) of the Plan is hereby amended by restatement in its entirety to read as follows:

> (i) All rights to exercise an Option and any SARs that relate to such option shall, subject to the provisions of subsection (c) of this Section 9, terminate three months after the date the Optionee ceases to be employed by at least one of the employers in the group of employers consisting of the Company and its Affiliates, for any reason other than death or becoming disabled (within the meaning of Section 22(e)(3) of the Code), except that, in the event of the termination of employment of the Optionee on account of (a) fraud or intentional misrepresentation, or (b) embezzlement, misappropriation or conversion of assets or opportunities of the Company or its Affiliates, the Option and any SARs that relate to such Option shall thereafter be null and void for all purposes. Employment shall not be deemed to have ceased by reason of the transfer of employment, without interruption of service, between or among the Company and any of its Affiliates.

SECOND: Section 9(a) of the Plan is hereby amended by deleting clause (iii) thereof.

THIRD: Section 10 of the Plan is hereby amended by restatement in its entirety to read as follows:

> Section 10. Options and SARs Not Transferable. No Option or any SARs that relate to such Option shall be transferable by the Optionee otherwise than by will or the applicable laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

FOURTH: Section 20(a) of the Plan is hereby amended by restatement in its entirety to read as follows:

> (a) Subject to the provisions of Section 14 of the Plan, the Committee may from time to time, in its sole and absolute discretion, award Shares of Restricted Stock to such persons as it shall select from among those persons who are eligible under Section 5 of the Plan to receive awards of Restricted Stock. Any award of Restricted Stock shall be made from shares subject hereto as provided in Section 4 of the Plan.

IN WITNESS WHEREOF, this Amendment has been executed this 27th day of July, 1993.

NOBLE AFFILIATES, INC.

By:
Robert Kelley

Chairman of the Board
President and Chief
Executive Officer