

EOG RESOURCES INC
Form 10-Q
August 06, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM
10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

or

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

Commission File Number: 1-9743

EOG RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

47-0684736
(I.R.S. Employer
Identification No.)

1111 Bagby, Sky Lobby 2, Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

713-651-7000

(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 o

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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

| <u>Title of each class</u> | <u>Number of shares</u> |
|--|------------------------------------|
| Common Stock, par value \$0.01 per share | 251,931,774 (as of August 3, 2009) |

EOG RESOURCES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
 EOG RESOURCES, INC.
 CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Data)
(Unaudited)

| | |
|--------------------|------------------|
| Three Months Ended | Six Months Ended |
| June 30, | June 30, |
| 2009 2008 | 2009 2008 |

Net
 Operating

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Revenues

| | | | | |
|--|-----------|-------------|-------------|-------------|
| Natural Gas | \$460,044 | \$1,340,557 | \$1,027,622 | \$2,378,195 |
| Crude Oil, Condensate and Natural Gas | 287,134 | 524,793 | 487,462 | 919,641 |
| Liquids Gains (Losses) on Mark-to-Market Commodity Derivatives | 33,570 | (842,822) | 384,953 | (1,312,666) |
| Contracts | | | | |
| Gathering and Processing | 77,284 | 63,777 | 115,126 | 99,762 |
| Marketing | | | | |
| Other | 3,007 | 9,207 | 4,085 | 144,598 |
| Net Total | 861,039 | 1,095,512 | 2,019,248 | 2,229,530 |

Operating Expenses

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Lease and Well | 134,599 | 129,949 | 280,105 | 254,056 |
| Transportation | 66,011 | 63,102 | 134,873 | 125,069 |
| Costs | | | | |
| Gathering and Processing | 13,521 | 8,922 | 31,234 | 17,281 |
| Costs | | | | |
| Exploration | 34,307 | 59,511 | 83,930 | 107,454 |
| Costs | | | | |
| Dry Hole | 33,643 | 6,785 | 36,637 | 15,213 |
| Costs | | | | |
| Impairment | 47,046 | 48,875 | 112,517 | 81,449 |
| Marketing | 14,050 | 62,986 | 106,003 | 96,031 |
| Costs | | | | |
| Depreciation | 376,592 | 315,294 | 764,921 | 612,493 |
| Depletion and Amortization | | | | |
| General and Administrative | 58,760 | 61,640 | 116,706 | 114,566 |

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| | | | | |
|--|--------------|------------|------------|-----------|
| Taxes | 23,492 | 95,345 | 70,892 | 182,095 |
| Other Than Income | | | | |
| Total | 861,021 | 852,409 | 1,737,818 | 1,605,707 |
| Operating Income | 18 | 243,103 | 281,430 | 623,823 |
| Other Income, Net | 1,237 | 13,309 | 2,976 | 14,892 |
| Income Before Interest Expense and Income Taxes | 1,255 | 256,412 | 284,406 | 638,715 |
| Interest Expense, Net | 24,811 | 9,029 | 43,187 | 21,220 |
| Income (Loss) Before Income Taxes | (23,556) | 247,383 | 241,219 | 617,495 |
| Income Tax Provision (Benefit) | (6,850) | 69,177 | 99,215 | 198,333 |
| Net Income (Loss) | (16,706) | 178,206 | 142,004 | 419,162 |
| Preferred Stock Dividends | - | - | - | 443 |
| Net Income (Loss) Available to Common Stockholders | \$(16,706)\$ | 178,206 \$ | 142,004 \$ | 418,719 |
| Net Income (Loss) Per Share Available to | | | | |

| | | | | |
|---|----------|----------|----------|---------|
| Common Stockholders | | | | |
| Basic \$ | (0.07)\$ | 0.72 \$ | 0.57 \$ | 1.70 |
| Diluted \$ | (0.07)\$ | 0.71 \$ | 0.57 \$ | 1.67 |
| Dividends Declared per Common Share | 0.145 \$ | 0.120 \$ | 0.290 \$ | 0.240 |
| Average Number of Common Shares | | | | |
| Basic | 248,207 | 246,536 | 248,095 | 245,950 |
| Diluted | 248,207 | 251,135 | 250,499 | 250,553 |

The accompanying notes are an integral part of these consolidated financial statements.

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EOG RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

| | June 30, 2009 | December 31, 2008 |
|---|------------------|-------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 706,964 | \$ 331,311 |
| Accounts Receivable, Net | 570,262 | 722,695 |
| Inventories | 243,614 | 187,970 |
| Assets from Price Risk Management Activities | 606,595 | 779,483 |
| Income Taxes Receivable | 19,078 | 27,053 |
| Other | 63,763 | 59,939 |
| Total | 2,210,276 | 2,108,451 |
| Property, Plant and Equipment | | |

| | | |
|---|---------------------|---------------------|
| Oil and Gas Properties (Successful Efforts Method) | 22,292,107 | 20,803,629 |
| Other Property, Plant and Equipment | 1,172,546 | 1,057,888 |
| T o t a l | 23,464,653 | 21,861,517 |
| Property, Plant and Equipment | | |
| L e s s : Accumulated Depreciation, Depletion and Amortization | (9,018,974) | (8,204,215) |
| T o t a l | 14,445,679 | 13,657,302 |
| Property, Plant and Equipment, Net | | |
| Other Assets | 136,797 | 185,473 |
| Total Assets | \$16,792,752 | \$15,951,226 |

**LIABILITIES AND STOCKHOLDERS'
EQUITY**

| | | |
|---|------------------|------------------|
| C u r r e n t | | |
| Liabilities | | |
| Accounts Payable | \$ 720,053 | \$ 1,122,209 |
| Accrued Taxes Payable | 78,470 | 86,265 |
| Dividends Payable | 35,983 | 33,461 |
| Liabilities from Price Risk Management Activities | 11,758 | 4,429 |
| Deferred Income Taxes | 213,413 | 368,231 |
| Current Portion of Long-Term Debt | 37,000 | 37,000 |
| Other | 92,943 | 113,321 |
| Total | 1,189,620 | 1,764,916 |
| | 2,760,000 | 1,860,000 |

| | | |
|--|-----------|-----------|
| Long-Term Debt | | |
| Other Liabilities | 550,339 | 498,291 |
| Deferred Income Taxes | 3,033,271 | 2,813,522 |
| Commitments and Contingencies (Note 9) | | |

| | | |
|---|--------------|--------------|
| Stockholders' Equity | | |
| Common Stock, \$0.01 Par, 640,000,000 Shares Authorized and 250,528,510 Shares Issued at June 30, 2009 and 249,758,577 Shares Issued at December 31, 2008 | 202,505 | 202,498 |
| Additional Paid in Capital | 395,128 | 323,805 |
| Accumulated Other Comprehensive Income | 130,503 | 27,787 |
| Retained Earnings | 8,535,559 | 8,466,143 |
| Common Stock Held in Treasury, 76,279 Shares at June 30, 2009 and 126,911 Shares at December 31, 2008 | (4,173) | (5,736) |
| Total Stockholders' Equity | 9,259,522 | 9,014,497 |
| Total Liabilities and Stockholders' Equity | \$16,792,752 | \$15,951,226 |

Equity

The accompanying notes are an integral part of these consolidated financial statements.

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EOG RESOURCES, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

| | Six Months Ended | |
|----------------|------------------|------------|
| | June 30, | |
| | 2009 | 2008 |
| Cash Flows | | |
| From Operating | | |
| Activities | | |
| Reconciliation | | |
| of Net Income | | |
| to Net Cash | | |
| Provided by | | |
| Operating | | |
| Activities: | | |
| Net Income | \$ 142,004 | \$ 419,162 |
| Items Not | | |
| Requiring | | |
| (Providing) | | |
| Cash | | |
| Depreciation, | 764,921 | 612,493 |
| Depletion and | | |
| Amortization | | |
| Impairments | 112,517 | 81,449 |
| Stock-Based | 48,479 | 44,566 |
| Compensation | | |
| Expenses | | |
| Deferred | 62,161 | 123,330 |
| Income Taxes | | |
| Other, Net | 1,689 | (127,693) |
| Dry Hole Costs | 36,637 | 15,213 |
| Mark-to-Market | | |
| Commodity | | |
| Derivative | | |
| Contracts | | |
| Total (Gains) | (384,953) | 1,312,666 |
| Losses | | |
| Realized Gains | 655,740 | (114,859) |
| (Losses) | | |
| Other, Net | 6,865 | 9,077 |
| Changes in | | |
| Components of | | |

| | | |
|--|-------------|-------------|
| Working Capital and Other Assets and Liabilities | | |
| Accounts Receivable | 149,021 | (395,526) |
| Inventories | (22,151) | (9,176) |
| A c c o u n t s Payable | (414,823) | 255,495 |
| Accrued Taxes Payable | (17,743) | (92,738) |
| Other Assets | (7,487) | (61,623) |
| O t h e r Liabilities | (24,842) | (8,440) |
| Changes in Components of W o r k i n g C a p i t a l Associated with Investing and F i n a n c i n g Activities | 169,183 | (775) |
| Net Cash Provided by Operating Activities | 1,277,218 | 2,062,621 |
| Investing Cash Flows | | |
| Additions to Oil and Gas Properties | (1,433,591) | (2,144,769) |
| Additions to Other Property, P l a n t a n d Equipment | (151,845) | (196,353) |
| Proceeds from Sales of Assets | 828 | 354,413 |
| Changes in Components of W o r k i n g C a p i t a l Associated with I n v e s t i n g Activities | (169,101) | 648 |
| Other, Net | 1,384 | (20,429) |
| Net Cash Used in Investing Activities | (1,752,325) | (2,006,490) |
| Financing Cash Flows | | |

| | | |
|--|------------|----------|
| Long-Term Debt Borrowing | 900,000 | - |
| Long-Term Debt Repayments | - | (38,000) |
| Dividends Paid | (69,516) | (51,647) |
| Redemption of Preferred Stock | - | (5,395) |
| Excess Tax Benefits from Stock-Based Compensation | 21,874 | 55,552 |
| Treasury Stock Purchased | (6,125) | (6,865) |
| Proceeds from Stock Options Exercised and Employee Stock Purchase Plan | 8,026 | 48,509 |
| Debt Issuance Costs | (8,741) | - |
| Other, Net | (82) | 127 |
| Net Cash Provided by Financing Activities | 845,436 | 2,281 |
| Effect of Exchange Rate Changes on Cash | 5,324 | (4,542) |
| Increase in Cash and Cash Equivalents | 375,653 | 53,870 |
| Cash and Cash Equivalents at Beginning of Period | 331,311 | 54,231 |
| Cash and Cash Equivalents at End of Period | 706,964 \$ | 108,101 |

The accompanying notes are an integral part of these consolidated financial statements.

(Unaudited)

1.

Summary of Significant Accounting Policies

General. The consolidated financial statements of EOG Resources, Inc., together with its subsidiaries (collectively, EOG), included herein have been prepared by management without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, they reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods presented. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures included either on the face of the financial statements or in these notes are sufficient to make the interim information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in EOG's Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 25, 2009 (EOG's 2008 Annual Report).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year.

Gathering, processing and marketing revenues represent sales of third-party natural gas, crude oil and natural gas liquids as well as gathering fees associated with gathering third-party natural gas. EOG's gathering, processing and marketing revenues were previously presented

net of related purchase and transportation costs in Net Operating Revenues - Other, Net. In addition, certain other expenses previously included in Lease and Well have been reclassified to Gathering and Processing Costs. The effect of these reclassifications on the three and six months ended June 30, 2008 presentation in the Consolidated Statements of Income was to increase total net operating revenues and total operating expenses by \$63 million and \$96 million, respectively. These changes did not impact previously reported operating income, net income or cash flows.

Recently Issued Accounting Standards and Developments. In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, "*The FASB Accounting Standards CodificationTM* and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162" (SFAS No. 168), which establishes the FASB Accounting Standards Codification Principles (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP. SFAS No. 168 explicitly recognizes rules and interpretive releases of the SEC under federal securities laws as authoritative GAAP for SEC registrants. SFAS No. 168 will become effective for interim and annual periods ending after September 15, 2009 and will result in disclosure modifications.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" (SFAS No. 165). SFAS No. 165 clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date and through the date that the financial statements are issued or available to be issued, both for interim and annual reporting periods. SFAS No. 165 is effective prospectively for interim and annual reporting periods ending after June 15, 2009 and will result in additional disclosures. EOG adopted the provisions of SFAS No. 165 effective April 1, 2009. See Note 14.

Effective January 1, 2009, EOG adopted SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141 (R)), which establishes principles and requirements for how the acquirer recognizes and measures in the financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquired, as well as determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

In April 2009, the FASB issued FASB Staff Position (FSP) No. FAS 141 (R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" (FSP 141 (R)-1). FSP 141 (R)-1 amended certain provisions of SFAS No. 141 (R) related to recognition, measurement and disclosure of assets acquired and liabilities assumed in a business combination that arise from contingencies. EOG adopted the provisions of FSP 141 (R)-1 effective January 1, 2009.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (FSP 107-1), which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP 107-1 also amends Accounting Principles Board Opinion No. 28, "Interim Financial Reporting," to require those disclosures in summarized financial information at interim periods. FSP 107-1 is effective for interim periods ending after June 15, 2009. EOG adopted the provisions of FSP 107-1 at June 30, 2009. See Note 11.

In December 2008, the SEC released a final rule, "Modernization of Oil and Gas Reporting," which amends the oil and gas reporting requirements. The key revisions to the reporting requirements include: using a 12-month average price to determine reserves; including nontraditional resources in reserves if they are intended to be upgraded to synthetic oil and gas; ability to use new technologies to determine and estimate reserves; and permitting the disclosure of probable and possible reserves. In addition, the final rule includes the requirements to report the independence and qualifications of the reserve preparer or auditor; to file a report as an exhibit when a third party is relied upon to prepare reserve estimates or conduct reserve audits; and to disclose the development of any proved undeveloped reserves (PUDs), including the total quantity of PUDs at year-end, material changes to PUDs during the year, investments and progress toward the development of PUDs and an explanation of the reasons why material concentrations of PUDs have remained undeveloped for five years or more after disclosure as PUDs. The accounting changes resulting from changes in definitions and pricing assumptions should be treated as a change in accounting principle that is inseparable from a change in accounting estimate, which is to be applied prospectively. The final rule is effective for annual reports for fiscal years ending on or after December 31, 2009. Early adoption is not permitted. EOG is assessing the impact that this final rule will have on its financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 does not change the scope or accounting of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS No. 133), but expands disclosure requirements about an entity's derivative instruments and hedging activities. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. EOG adopted the provisions of SFAS No. 161 effective January 1, 2009. See Note 13.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 provides a definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard also requires additional disclosures on the use of fair value in measuring assets and liabilities. SFAS No. 157 establishes a fair value hierarchy and requires disclosure of fair value measurements within that hierarchy. In February 2008, the FASB issued a Staff Position on SFAS No. 157, FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2). FSP 157-2 delays the effective date of SFAS No. 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. EOG partially adopted SFAS No. 157 effective January 1, 2008 and adopted the provisions

related to nonfinancial assets and liabilities effective January 1, 2009. See Note 12.

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2. Stock-Based Compensation

As more fully discussed in Note 6 to the Consolidated Financial Statements included in EOG's 2008 Annual Report, EOG maintains various stock-based compensation plans. Stock-based compensation expense is included in the Consolidated Statements of Income based upon job functions of the employees receiving the grants as follows (in millions):

| | Three Months Ended June 30, 2009 | | Six Months Ended June 30, 2008 | |
|-------------------------------|--|---------|---|---------|
| Lease and Well \$ | 5.4 | 4.1 | 11.4 | 8.5 |
| Exploration Costs | 4.9 | 4.4 | 10.1 | 8.4 |
| General and Administrative | 11.8 | 16.3 | 27.0 | 27.7 |
| Total | \$ 22.1 | \$ 24.8 | \$ 48.5 | \$ 44.6 |

The EOG Resources, Inc. 2008 Omnibus Equity Compensation Plan (2008 Plan) provides for grants of stock options, stock-settled stock appreciation rights (SARs), restricted stock, restricted stock units and other stock-based awards, up to an aggregate maximum of 6.0 million shares of common stock, plus shares underlying forfeited or cancelled grants under the prior stock plans. At June 30, 2009, approximately 3.9 million common shares remained available for grant under the 2008 Plan. Effective with the adoption of the 2008 Plan, EOG's policy is to issue shares related to the 2008 Plan from previously authorized unissued shares.

Stock Options and Stock Appreciation Rights and Employee Stock Purchase Plan. The fair value of all Employee Stock Purchase Plan (ESPP) grants is estimated using the Black-Scholes-Merton model. Certain of EOG's stock options granted in 2005 contain a feature that limits the potential gain that can be realized by requiring vested options to be exercised if the market price of EOG's common stock reaches 200% of the grant price for five consecutive trading days (Capped Option). EOG may or may not issue Capped Options in the future. The fair value of each Capped Option grant was estimated using a Monte Carlo simulation. Effective May 2005, the fair value of stock option grants not containing the Capped Option feature and SAR grants was estimated using the Hull-White II binomial option pricing model. Stock-based compensation expense related to stock option, SAR and ESPP grants totaled \$10.4 million and \$8.9 million during the three months ended June 30, 2009 and 2008, respectively, and \$19.1 million and \$17.8 million during the six months ended June 30, 2009 and 2008, respectively.

Weighted average fair values and valuation assumptions used to value stock option, SAR and ESPP grants during the six-month periods ended June 30, 2009 and 2008 are as follows:

| Stock Options/SARs Six Months Ended | ESPP Six Months Ended |
|--|-----------------------------|
|--|-----------------------------|

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| | June 30, 2009 | | June 30, 2008 | |
|---------------------------------------|------------------|----------|------------------|----------|
| Weighted Average Fair Value of Grants | \$ 26.59 | \$ 34.22 | \$ 25.78 | \$ 21.86 |
| Expected Volatility | 51.74% | 33.47% | 78.89% | 31.67% |
| Risk-Free Interest Rate | 1.09% | 2.47% | 0.25% | 3.29% |
| Dividend Yield | 0.9% | 0.4% | 1.0% | 0.4% |
| Expected Life | 4.8 yrs | 4.4 yrs | 0.5 yrs | 0.5 yrs |

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Expected volatility is based on an equal weighting of historical volatility and implied volatility from traded options in EOG's stock. The risk-free interest rate is based upon United States Treasury yields in effect at the time of grant. The expected life is based upon historical experience and contractual terms of stock option, SAR and ESPP grants.

EOG has suspended the ESPP, effective for the July 1, 2009 - December 31, 2009 offering period, due to an insufficient number of shares remaining available under the ESPP. Subject to stockholder approval of an amendment to the ESPP to increase the shares available under the ESPP at the 2010 Annual Meeting of Stockholders, EOG expects to resume the ESPP for the January 1, 2010 - June 30, 2010 offering period. The ESPP was originally approved by EOG's stockholders in 2001.

The following table sets forth stock option and SAR transactions for the six-month periods ended June 30, 2009 and 2008 (stock options and SARs in thousands):

| | Six Months Ended June 30, 2009 | | Six Months Ended June 30, 2008 | |
|-------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | Number of Stock Options/SARs | Weighted Average Grant Price | Number of Stock Options/SARs | Weighted Average Grant Price |
| Outstanding at January 1 | 7,802 | \$ 52.56 | 9,373 | \$ 41.04 |
| Granted | 66 | 70.34 | 51 | 117.58 |
| Exercised (1) | (191) | 30.64 | (1,937) | 25.71 |
| Forfeited | (59) | 71.72 | (64) | 61.92 |
| Outstanding at June 30 (2) | 7,618 | \$ 53.11 | 7,423 | \$ 45.39 |

| | | | | | | |
|---|-------|----|-------|-------|----|-------|
| Vested or Expected to Vest ⁽³⁾ | 7,391 | \$ | 52.38 | 7,192 | \$ | 44.79 |
| Exercisable at June 30 ⁽⁴⁾ | 4,660 | \$ | 38.60 | 3,886 | \$ | 30.04 |

(1) The total intrinsic value of stock options/SARs exercised for the six months ended June 30, 2009 and 2008 was \$7 million and \$176 million, respectively. The intrinsic value is based upon the difference between the market price of EOG's common stock on the date of exercise and the grant price of the stock options/SARs.

(2) The total intrinsic value of stock options/SARs outstanding at June 30, 2009 and 2008 was \$146 million and \$637 million, respectively. At June 30, 2009 and 2008, the weighted average remaining contractual life was 4.1 years and 4.7 years, respectively.

(3) The total intrinsic value of stock options/SARs vested or expected to vest at June 30, 2009 and 2008 was \$146 million and \$621 million, respectively. At June 30, 2009 and 2008, the weighted average remaining contractual life was 4.1 years and 4.7 years, respectively.

(4) The total intrinsic value of stock options/SARs exercisable at June 30, 2009 and 2008 was \$140 million and \$393 million, respectively. At June 30, 2009 and 2008, the weighted average remaining contractual life was 3.5 years and 4.1 years, respectively.

At June 30, 2009, unrecognized compensation expense related to non-vested stock option and SAR grants totaled \$60.4 million. This unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.1 years.

Restricted Stock and Restricted Stock Units.

Employees may be granted restricted (non-vested) stock and/or restricted stock units without cost to them. Stock-based compensation expense related to restricted stock and restricted stock units totaled \$11.7 million and \$15.9 million for the three months ended June 30, 2009 and 2008, respectively, and \$29.4 million and \$26.8 million for the six months ended June 30, 2009 and 2008, respectively.

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The following table sets forth the restricted stock and restricted stock units transactions for the six-month periods ended June 30, 2009 and 2008 (shares and units in thousand):

| Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 |
|-----------------------------------|-----------------------------------|
| Weighted | Weighted |

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| | Number of Shares and Units | Average Grant Date Fair Value | Number of Shares and Units | Average Grant Date Fair Value |
|--|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Outstanding at January 1 | 3,048 | \$ 70.24 | 3,000 | \$ 50.61 |
| Granted | 686 | 49.30 | 374 | 125.06 |
| Released ⁽¹⁾ | (335) | 25.61 | (181) | 21.43 |
| Forfeited | (22) | 79.53 | (32) | 66.47 |
| Outstanding at June 30 ⁽²⁾ | 3,377 | \$ 70.35 | 3,161 | \$ 60.91 |

both the six
upon
stock units

(1) The total intrinsic value of restricted stock and restricted stock units released for months ended June 30, 2009 and 2008 was \$19 million. The intrinsic value is based the closing price of EOG's common stock on the date restricted stock and restricted are released.

June 30, 2009

(2) The total intrinsic value of restricted stock and restricted stock units outstanding at and 2008 was \$229 million and \$415 million, respectively.

At June 30, 2009, unrecognized compensation expense related to restricted stock and restricted stock units totaled \$125.5 million. Such unrecognized expense will be recognized on a straight-line basis over a weighted average period of 3.2 years.

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3. Earnings (Loss) Per Share

The following table sets forth the computation of Net Income (Loss) Per Share Available to Common Stockholders for the three-month and six-month periods ended June 30, 2009 and 2008 (in thousands, except per share data). For the three-month period ending June 30, 2009, the same number of shares was used in the calculation of both basic and diluted earnings per share as a result of the net loss available to common stockholders.

| | Three Months Ended June 30, 2009 | | Six Months Ended June 30, 2008 | |
|--|---|------------|---|------------|
| Numerator for Basic and Diluted Earnings Per Share - | | | | |
| Net Income | \$ (16,706) | \$ 178,206 | \$ 142,004 | \$ 419,162 |
| (Loss) | | | | |
| Less: Preferred Stock | - | - | - | 443 |

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| | | | | |
|---|-------------|------------|------------|------------|
| Dividends | | | | |
| Net Income | \$ (16,706) | \$ 178,206 | \$ 142,004 | \$ 418,719 |
| (Loss) | | | | |
| Available to Common Stockholders | | | | |
| Denominator for Basic Earnings Per Share - Weighted Average Shares | 248,207 | 246,536 | 248,095 | 245,950 |
| Potential Dilutive Common Shares - Stock Options/SARs | - | 3,141 | 1,462 | 3,183 |
| Restricted Stock and Restricted Stock Units | - | 1,458 | 942 | 1,420 |
| Denominator for Diluted Earnings Per Share - Adjusted Diluted Weighted Average Shares | 248,207 | 251,135 | 250,499 | 250,553 |
| Net Income (Loss) Per Share Available to Common Stockholders | | | | |
| Basic | \$ (0.07) | \$ 0.72 | \$ 0.57 | \$ 1.70 |
| Diluted | \$ (0.07) | \$ 0.71 | \$ 0.57 | \$ 1.67 |

The diluted earnings per share calculation excludes stock options, SARs, restricted stock and restricted stock units that were anti-dilutive. The excluded stock options and SARs totaled 7.7 million and 1.9 million for the three months ended June 30, 2009 and 2008, respectively, and 3.2 million and 3.3 million for the six months ended June 30, 2009 and 2008, respectively. For the quarter ended June 30, 2009, excluded restricted stock and restricted stock units totaled 3.4 million.

4. Supplemental Cash Flow Information

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Cash paid for interest and income taxes for the six-month periods ended June 30, 2009 and 2008 was as follows (in thousands):

| | Six Months Ended | |
|--------------|------------------|------------|
| | June 30, | |
| | 2009 | 2008 |
| Interest | \$ 44,270 | \$ 23,780 |
| Income Taxes | \$ 26,162 | \$ 138,941 |

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5. Comprehensive Income

The following table presents the components of EOG's comprehensive income for the three-month and six-month periods ended June 30, 2009 and 2008 (in thousands):

| | Three Months | | Six Months Ended | |
|---------------|--------------|------------|------------------|------------|
| | Ended | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Comprehensive | | | | |
| Income | | | | |
| Net | \$ (16,706) | \$ 178,206 | \$ 142,004 | \$ 419,162 |
| Income | | | | |
| (Loss) | | | | |
| Other | | | | |
| Comprehensive | | | | |
| Income | | | | |
| (Loss) | | | | |
| Foreign | 150,251 | 15,813 | 98,963 | (61,277) |
| Currency | | | | |
| Translation | | | | |
| Adjustments | | | | |
| Foreign | 2,572 | (1,983) | 4,966 | (2,957) |
| Currency | | | | |
| Swap | | | | |
| Transaction | | | | |
| Income | | | | |
| Tax | | | | |
| Related | | | | |
| to | | | | |
| Foreign | | | | |
| Currency | | | | |
| Swap | (649) | 494 | (1,258) | 733 |
| Transaction | | | | |
| Defined | | | | |
| Benefit | | | | |
| Pension | | | | |
| and | | | | |

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| | | | | |
|----------------|------------|------------|------------|------------|
| Postretirement | 36 | 35 | 70 | 70 |
| Plans | | | | |
| Income | | | | |
| Tax | | | | |
| Related | | | | |
| to | | | | |
| Defined | | | | |
| Benefit | | | | |
| Pension | (13) | (12) | (25) | (76) |
| and | | | | |
| Postretirement | | | | |
| Plans | | | | |
| Total | \$ 135,491 | \$ 192,553 | \$ 244,720 | \$ 355,655 |

6. Segment Information

Selected financial information by reportable segment is presented below for the three-month and six-month periods ended June 30, 2009 and 2008 (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---------------|--------------------|-------------|------------------|-------------|
| | June 30, | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| N e t | | | | |
| Operating | | | | |
| Revenues | | | | |
| United States | \$719,714 | \$ 763,994 | \$1,722,618 | \$1,602,041 |
| Canada | 86,142 | 215,061 | 191,044 | 385,515 |
| Trinidad | 50,150 | 105,131 | 91,412 | 215,015 |
| Other | 5,033 | 11,326 | 14,174 | 26,959 |
| International | | | | |
| (1) | | | | |
| Total | \$861,039 | \$1,095,512 | \$2,019,248 | \$2,229,530 |
| Operating | | | | |
| Income | | | | |
| (Loss) | | | | |
| United States | \$ (6,088) | \$ 64,471 | \$ 255,630 | \$ 295,029 |
| Canada | (10,787) | 115,535 | (8,398) | 175,323 |
| Trinidad | 29,772 | 64,159 | 51,270 | 152,561 |
| Other | (12,879) | (1,062) | (17,072) | 910 |
| International | | | | |
| (1) | | | | |
| Total | 18 | 243,103 | 281,430 | 623,823 |
| Reconciling | | | | |
| Items | | | | |
| | 1,237 | 13,309 | 2,976 | 14,892 |

| | | | | |
|---------------------------|------------|------------|------------|------------|
| Other Income, Net | | | | |
| Interest | 24,811 | 9,029 | 43,187 | 21,220 |
| Expense, Net | | | | |
| Income | \$(23,556) | \$ 247,383 | \$ 241,219 | \$ 617,495 |
| (Loss) | | | | |
| Before Income Taxes | | | | |

(1) Other International includes EOG's United Kingdom operations and, effective July 1, 2008, EOG's China operations.

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Total assets by reportable segment are presented below at June 30, 2009 and December 31, 2008 (in thousands):

| | At June 30, 2009 | At December 31, 2008 |
|----------------------|------------------------|-------------------------------|
| Total Assets | | |
| United States | \$13,176,235 | \$12,668,763 |
| Canada | 2,594,455 | 2,421,979 |
| Trinidad | 792,787 | 735,387 |
| Other | 229,275 | 125,097 |
| International (1) | | |
| Total | \$16,792,752 | \$15,951,226 |

operations and, (1) Other International includes EOG's United Kingdom operations and, effective July 1, 2008, EOG's China operations.

7. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of short-term and long-term legal obligations associated with the retirement of oil and gas properties pursuant to SFAS No. 143, "Accounting for Asset Retirement Obligations," for the six-month periods ended June 30, 2009 and 2008 (in thousands):

| | Six Months Ended June 30, 2009 | 2008 |
|--|--------------------------------------|------|
|--|--------------------------------------|------|

| | | |
|--|-----------|-----------|
| Carrying Amount at Beginning of Period | \$368,159 | \$211,124 |
| Liabilities Incurred | 15,415 | 15,246 |
| Liabilities Settled | (10,502) | (13,795) |
| Accretion | 10,690 | 5,801 |
| Revisions ⁽¹⁾ | (94) | 5,217 |
| Foreign Currency Translations | 3,806 | (2,242) |
| Carrying Amount at End of Period | \$387,474 | \$221,351 |
| Current Portion | \$ 19,834 | \$ 5,318 |
| Noncurrent Portion | \$367,640 | \$216,033 |

(1) Revisions to asset retirement obligations reflect changes in abandonment cost estimates.

The current and noncurrent portions of EOG's asset retirement obligations are included in Current Liabilities - Other and Other Liabilities, respectively, on the Consolidated Balance Sheets.

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8. Suspended Well Costs

EOG's net changes in suspended well costs for the six-month period ended June 30, 2009 in accordance with FSP No. 19-1, "Accounting for Suspended Well Costs," are presented below (in thousands):

| | Six Months Ended June 30, 2009 |
|--|--------------------------------|
| Balance at December 31, 2008 | \$ 85,255 |
| Additions Pending the Determination of Proved Reserves | 72,951 |
| Reclassifications to Proved Properties | (9,540) |
| Charged to Dry Hole Costs | (11,971) |
| Foreign Currency Translations | 5,328 |
| Balance at June 30, 2009 | \$ 142,023 |

The following table provides an aging of suspended well costs at June 30, 2009 (in thousands, except well count):

| | At June 30, 2009 |
|--|------------------------|
| Capitalized exploratory well costs that have been capitalized for a period less than one year | \$ 79,832 |
| Capitalized exploratory well costs that have been capitalized for a period greater than one year | 62,191 (1) |
| Total | \$ 142,023 |
| Number of exploratory wells that have been capitalized for a period greater than one year | 4 |

(1) Costs related to three shale projects in British Columbia, Canada (B.C.) (\$41 million) and an outside operated, offshore Central North Sea project in the United Kingdom (U.K.) (\$21 million). In the B.C. shale projects, further reserve evaluations will be made based on drilling and completion activities during 2009 and 2010. In addition, EOG is evaluating infrastructure alternatives for the B.C. shale projects. In the Central North Sea project, the operator submitted a field development plan to the U.K. Department of Energy and Climate Change during the fourth quarter of 2008. EOG is currently focused on securing an export route for production from the Central North Sea project.

9. Commitments and Contingencies

There are currently various suits and claims pending against EOG that have arisen in the ordinary course of EOG's business, including contract disputes, personal injury and property damage claims and title disputes. While the ultimate outcome and impact on EOG cannot be predicted with certainty, management believes that the resolution of these suits and claims will not, individually or in the aggregate, have a material adverse effect on EOG's consolidated financial position, results of operations or cash flow. In accordance with SFAS No. 5, "Accounting for Contingencies," EOG records reserves for contingencies when information available indicates that a loss is probable and the amount of the loss can be reasonably estimated.

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10. Pension and Postretirement Benefits

Pension Plans.

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EOG has a non-contributory defined contribution pension plan and a matched defined contribution savings plan in place for most of its employees in the United States. For the six months ended June 30, 2009 and 2008, EOG's total costs recognized for these pension plans were \$10.4 million and \$9.7 million, respectively.

In addition, as more fully discussed in Note 6 to Consolidated Financial Statements included in EOG's 2008 Annual Report, EOG's Canadian, Trinidadian and United Kingdom subsidiaries maintain various pension and savings plans for most of their respective employees. For both the six months ended June 30, 2009 and 2008, combined contributions to these plans were \$1.2 million.

Postretirement Plan.

EOG has postretirement medical and dental benefits in place for eligible United States and Trinidad employees and their eligible dependents. For the six months ended June 30, 2009, EOG's total contributions to these plans were approximately \$69,000. The net periodic benefit costs recognized for the postretirement medical and dental plans were \$0.4 million for both the six months ended June 30, 2009 and 2008.

11. Long-Term Debt and Common Stock

Long-Term Debt.

EOG utilizes commercial paper and short-term borrowings from uncommitted credit facilities, bearing market interest rates, for various corporate financing purposes. EOG had no outstanding borrowings from commercial paper or uncommitted credit facilities at June 30, 2009. The weighted average interest rates for commercial paper and uncommitted credit facility borrowings for the six months ended June 30, 2009 were 0.98% and 1.07%, respectively.

On May 21, 2009, EOG completed its public offering of \$900 million aggregate principal amount of 5.625% Senior Notes due 2019 (Notes). Interest on the Notes is payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2009. Net proceeds from the offering of approximately \$891 million were used for general corporate purposes, including repayment of outstanding commercial paper borrowings.

EOG currently has a \$1.0 billion unsecured Revolving Credit Agreement (Agreement) with domestic and foreign lenders. The Agreement matures on June 28, 2012. At June 30, 2009, there were no borrowings or letters of credit outstanding under the Agreement. Advances under the Agreement accrue interest based, at EOG's option, on either the London InterBank Offering Rate plus an applicable margin (Eurodollar rate) or the base rate of the Agreement's administrative agent. At June 30, 2009, the Eurodollar rate and applicable base rate, had there been any amounts borrowed under the Agreement, would have been 0.50% and 3.25%, respectively.

On May 11, 2009, EOG Resources Trinidad Limited, a wholly owned foreign subsidiary of EOG, amended its 3-year, \$75 million Revolving Credit Agreement (Credit Agreement) to extend the scheduled maturity date of the remaining outstanding balance of \$37 million from May 12, 2009 to May 12, 2010. Borrowings under the Credit Agreement accrue interest based, at EOG's option, on either the Eurodollar rate or the base rate of the Credit Agreement's administrative agent. The applicable Eurodollar rate at June 30, 2009 was 2.82%. The weighted average Eurodollar rate for the amount outstanding during the first six months of 2009 was 2.81%.

Fair Value of Long-Term Debt

. At June 30, 2009 and December 31, 2008, EOG had \$2,797 million and \$1,897 million, respectively, of long-term debt, which had estimated fair values of approximately \$2,985 million and \$1,933 million, respectively. The estimated fair value of long-term debt was based upon quoted market prices and, where such quotes were not available, upon interest rates available to EOG at period-end.

Common Stock.

On February 4, 2009, EOG's Board of Directors increased the quarterly cash dividend on EOG's common stock from the previous \$0.135 per share to \$0.145 per share effective with the dividend paid on April 30, 2009 to record holders as of April 16, 2009.

12. Fair Value Measurements

Certain of EOG's financial and nonfinancial assets and liabilities are reported at fair value in the accompanying balance sheets. Effective January 1, 2008, EOG adopted the provisions of SFAS No. 157, "Fair Value Measurements," for its financial assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, SFAS No. 157 establishes a fair value hierarchy that prioritizes the relative reliability of inputs used in fair value measurements. The hierarchy gives highest priority to Level 1 inputs that represent unadjusted quoted market prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are directly or indirectly observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs and have the lowest priority in the hierarchy. SFAS No. 157 requires that an entity give consideration to the credit risk of its counterparties, as well as its own credit risk, when measuring financial assets and liabilities at fair value. In accordance with the provisions of FSP 157-2, "Effective Date of FASB Statement No. 157," EOG adopted the provisions of SFAS No. 157 relating to its nonfinancial assets and liabilities effective January 1, 2009.

The following table provides fair value measurement information within the hierarchy for certain of EOG's financial assets and liabilities carried at fair value on a recurring basis at June 30, 2009 and December 31, 2008 (in millions):

| | Fair Value Measurements Using: | | |
|--|---|---|--|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| At June 30, 2009 | | | |
| Financial Assets: | | | |
| Natural gas collars, price swaps and basis swaps | \$ - | \$ 607 | \$ - |
| Financial Liabilities: | | | |
| Natural gas collars, price swaps and basis swaps | \$ - | \$ 47 | \$ - |
| Foreign currency rate swap | \$ - | \$ 31 | \$ - |
| At December 31, 2008 | | | |
| Financial Assets: | | | |
| Natural gas collars, price swaps | | | |

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| | | | | | | |
|-----------------|----|---|----|-----|----|---|
| and basis swaps | \$ | - | \$ | 836 | \$ | - |
|-----------------|----|---|----|-----|----|---|

Financial Liabilities:

| | | | | | | |
|--|----|---|----|----|----|---|
| Natural gas collars, price swaps and basis swaps | \$ | - | \$ | 12 | \$ | - |
| Foreign currency rate swap | \$ | - | \$ | 26 | \$ | - |

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The estimated fair value of natural gas collar, price swap and basis swap contracts was based upon forward commodity price curves based on quoted market prices. The estimated fair value of the foreign currency rate swap was based upon forward currency rates.

The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Significant Level 3 inputs used in the calculation of asset retirement obligations include plugging costs and reserve lives. A reconciliation of EOG's asset retirement obligations is presented in Note 7.

In accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," proved oil and gas properties with a carrying amount of \$32 million were written down to their fair value of \$9 million, resulting in a pretax impairment charge of \$23 million for the six months ended June 30, 2009. Significant Level 3 assumptions associated with the calculation of discounted cash flows used in the impairment analysis include EOG's estimate of future natural gas and crude oil prices, production costs, development expenditures, anticipated production of proved reserves, appropriate risk-adjusted discount rates and other relevant data.

13. Risk Management Activities

Effective January 1, 2009, EOG adopted the provisions of SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133." SFAS No. 161 requires expanded disclosure about an entity's use of derivative instruments and the impact of those instruments on the Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Information concerning EOG's derivative instruments and hedging activities is presented below.

Commodity Price Risk.

As more fully discussed in Note 11 to the Consolidated Financial Statements included in EOG's 2008 Annual Report, EOG engages in price risk management activities from time to time. These activities are intended to manage EOG's exposure to fluctuations in commodity prices for natural gas and crude oil. EOG utilizes financial commodity derivative instruments, primarily collar, price swap and basis swap contracts, as a means to manage this price risk. EOG has not designated any of its financial commodity derivative contracts as accounting hedges and, accordingly, accounts for financial commodity derivative contracts using the mark-to-market accounting method. Under this accounting method, changes in the fair value of outstanding financial instruments are recognized as gains or losses in the period of change and are recorded as Gains (Losses) on Mark-to-Market Commodity Derivative Contracts on the Consolidated Statements of Income. The related cash flow impact is reflected as Cash Flows from Operating Activities. In addition to financial transactions, from time to time, EOG is a party to various physical commodity contracts for the sale of hydrocarbons that cover varying periods of time and have varying pricing provisions. The financial impact of

physical commodity contracts is included in revenues at the time of settlement, which in turn affects average realized hydrocarbon prices.

Foreign Currency Exchange Rate Risk.

As more fully described in Note 2 to the Consolidated Financial Statements included in EOG's 2008 Annual Report, EOG is party to a foreign currency swap transaction with multiple banks to eliminate any exchange rate impacts that may result from the \$150 million principal amount of notes issued by one of EOG's Canadian subsidiaries. EOG accounts for the foreign currency swap transaction using the hedge accounting method, pursuant to the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Changes in the fair value of the foreign currency swap do not impact Net Income (Loss) Available to Common Stockholders. The after-tax net impact from the foreign currency swap transaction was an increase in Other Comprehensive Income of \$1.9 million and a reduction in Other Comprehensive Income of \$1.5 million for the three months ended June 30, 2009 and 2008, respectively, and a \$3.7 million increase and a \$2.2 million reduction in Other Comprehensive Income for the six months ended June 30, 2009 and 2008, respectively (see Note 5).

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The following table sets forth the amount, on a gross basis, and classification of EOG's outstanding derivative financial instruments at June 30, 2009 and December 31, 2008. Certain amounts may be presented on a net basis in the financial statements in accordance with master netting arrangements between EOG and the counter-parties to the transactions (in millions):

| Description | Location on Balance Sheet | Fair Value at | |
|---|---|---------------------|-------------------------|
| | | June 30, 2009 | December 31, 2008 |
| A s s e t | | | |
| Derivatives | | | |
| Natural gas collars and price swaps | | | |
| - | | | |
| Current portion | Assets from Price Risk Management Activities | \$ 630 | \$ 786 |
| Noncurrent portion | Other Assets | \$ - | \$ 63 |
| Liability | | | |
| Derivatives | | | |
| Natural gas basis swaps | | | |
| - | | | |
| Current portion | Liabilities from Price Risk | | |

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| | | | |
|--------------|-------------|-------|-------|
| | Management | \$ 35 | \$ 11 |
| | Activities | | |
| Noncurrent | Other | \$ 35 | \$ 14 |
| portion | Liabilities | | |
| Foreign | | | |
| currency | | | |
| rate swaps - | | | |
| Noncurrent | Other | \$ 31 | \$ 26 |
| portion | Liabilities | | |

EOG recognized a net gain on the mark-to-market of financial commodity derivative contracts of \$385 million for the six months ended June 30, 2009 and a net loss of \$1,313 million for the six months ended June 30, 2008.

Financial Collar Contracts.

Presented below is a comprehensive summary of EOG's natural gas financial collar contracts at June 30, 2009. The notional volumes are expressed in million British thermal units per day (MMBtud) and prices are expressed in dollars per million British thermal units (\$/MMBtu). The average floor price of EOG's outstanding natural gas financial collar contracts for 2010 was \$10.33 per million British thermal units (MMBtu) and the average ceiling price was \$12.63 per MMBtu.

| Natural Gas Financial Collar Contracts | | | | | |
|--|----------|--------------------|------------|--------------------|------------|
| | | Floor Price | | Ceiling Price | |
| | Volume | Floor | Weighted | Ceiling | Weighted |
| | | Range | Average | Range | Average |
| | (MMBtud) | (\$/MMBtu) | Price | (\$/MMBtu) | Price |
| | | | (\$/MMBtu) | | (\$/MMBtu) |
| <u>2010</u> | | | | | |
| January | 40,000 | \$11.44 - 11.47 | \$11.45 | \$13.79 - 13.90 | \$13.85 |
| February | 40,000 | 11.38 - 11.41 | 11.40 | 13.75 - 13.85 | 13.80 |
| March | 40,000 | 11.13 - 11.15 | 11.14 | 13.50 - 13.60 | 13.55 |
| April | 40,000 | 9.40 - 9.45 | 9.42 | 11.55 - 11.65 | 11.60 |
| May | 40,000 | 9.24 - 9.29 | 9.26 | 11.41 - 11.55 | 11.48 |
| June | 40,000 | 9.31 - 9.36 | 9.34 | 11.49 - 11.60 | 11.55 |

On April 29, 2009, EOG settled its natural gas financial collar contracts with notional volumes of 40,000 MMBtud for the July 1, 2010 - December 31, 2010 period and received proceeds of \$26.5 million.

Financial Price Swap Contracts.

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Presented below is a comprehensive summary of EOG's natural gas financial price swap contracts at June 30, 2009. The notional volumes are expressed in MMBtud and prices are expressed in \$/MMBtu. The average price of EOG's outstanding natural gas financial price swap contracts for 2009 was \$9.12 per MMBtu and for 2010 was \$10.14 per MMBtu.

Natural Gas Financial Price Swap Contracts

| | Volume | Weighted Average Price |
|--|----------|------------------------------|
| | (MMBtud) | (\$/MMBtu) |

| <u>2009</u> | | |
|----------------------|---------|---------|
| January (closed) | 585,000 | \$10.76 |
| February (closed) | 585,000 | 10.73 |
| March (closed) | 585,000 | 10.50 |
| April (closed) | 610,000 | 9.24 |
| May (closed) | 610,000 | 9.16 |
| June (closed) | 710,000 | 8.53 |
| July (closed) | 710,000 | 8.62 |
| August | 710,000 | 8.67 |
| September | 710,000 | 8.69 |
| October | 710,000 | 8.76 |
| November | 610,000 | 9.66 |
| December | 610,000 | 9.99 |
| <u>2010</u> | | |
| January | 20,000 | \$11.20 |
| February | 20,000 | 11.15 |
| March | 20,000 | 10.89 |
| April | 20,000 | 9.29 |
| May | 20,000 | 9.13 |
| June | 20,000 | 9.21 |

On April 24, 2009, EOG settled its natural gas financial price swap contracts with notional volumes of 20,000 MMBtud for the July 1, 2010 - December 31, 2010 period and received proceeds of \$12.1 million.

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Financial Basis Swap Contracts.

Prices received by EOG for its natural gas production generally vary from New York Mercantile Exchange (NYMEX) prices due to adjustments for delivery location (basis) and other factors. EOG has entered into natural gas financial basis swap contracts in order to fix the differential between prices in the Rocky Mountain area and NYMEX Henry Hub prices. Presented below is a comprehensive summary of EOG's natural gas financial basis swap contracts at June 30, 2009. The weighted average price differential represents the amount of reduction to NYMEX gas prices per MMBtu for the notional volumes covered by the basis swap. Notional volumes are

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expressed in MMBtud and price differentials are expressed in \$/MMBtu.

| Natural Gas Financial Basis Swap Contracts | | |
|--|-----------------|-------------------|
| | Volume | Weighted |
| | <u>(MMBtud)</u> | Average Price |
| | | Differential |
| | | <u>(\$/MMBtu)</u> |
| <u>2009</u> | | |
| Second Quarter (closed) | 65,000 | \$(2.54) |
| Third Quarter ⁽¹⁾ | 65,000 | (2.60) |
| Fourth Quarter | 65,000 | (3.03) |
| <u>2010</u> | | |
| First Quarter | 65,000 | \$(1.72) |
| Second Quarter | 65,000 | (2.56) |
| Third Quarter | 65,000 | (3.17) |
| Fourth Quarter | 65,000 | (3.73) |
| <u>2011</u> | | |
| First Quarter | 65,000 | \$(1.89) |

(1) Includes closed contracts for July 2009.

Credit Risk.

Notional contract amounts are used to express the magnitude of commodity price and foreign currency swap agreements. The amounts potentially subject to credit risk, in the event of nonperformance by the other parties, are equal to the fair value of such contracts. EOG evaluates its exposure to significant counterparties on an ongoing basis, including those arising from physical and financial transactions. In some instances, EOG requires collateral, parent guarantees or letters of credit to minimize credit risk.

All of EOG's outstanding derivative instruments are covered by International Swap Dealers Association (ISDA) Master Agreements with counterparties. The ISDAs may contain provisions that require EOG, if it is the party in a net liability position, to post collateral when the amount of the net liability exceeds the threshold level specified for EOG's then-current credit ratings. In addition, the ISDA may also provide that as a result of certain circumstances, including certain events that cause EOG's credit ratings to become materially weaker than its then-current ratings, the counterparty may require all outstanding derivatives under the ISDA to be settled immediately. See Note 12 for the aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a net liability position at June 30, 2009 and December 31, 2008. EOG had zero collateral posted at both June 30, 2009 and December 31, 2008.

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14. Subsequent Events

In June 2009, EOG entered into an agreement to acquire certain crude oil and natural gas properties and related assets located in Montague and Cooke Counties, Texas (Barnett Shale Combo Assets). The Barnett Shale Combo Assets consist of proved developed and undeveloped reserves and unproved acreage. The purchase price, which is subject to customary post-closing adjustments, totaled \$134.1 million, consisting of cash consideration of \$44.5 million and 1,450,000 shares of EOG common stock with a closing date fair market value of \$89.6 million. The transaction closed on July 8, 2009.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
EOG RESOURCES, INC.

Overview

EOG Resources, Inc., together with its subsidiaries (collectively, EOG), is one of the largest independent (non-integrated) oil and natural gas companies in the United States with proved reserves in the United States, Canada, Trinidad, the United Kingdom and China. EOG operates under a consistent business and operational strategy that focuses predominantly on achieving a strong reinvestment rate of return, drilling internally generated prospects, delivering long-term production growth and maintaining a strong balance sheet.

United States and Canada.

EOG's effort to identify plays with larger reserve potential has proven a successful supplement to its base development and exploitation program in the United States and Canada. EOG continues to drill numerous wells in large acreage plays, which in the aggregate are expected to contribute substantially to EOG's natural gas and crude oil production. Production in the United States and Canada accounted for approximately 86% of total company production in both the first six months of 2009 and the first six months of 2008. One of EOG's exploration strategies is to apply its horizontal drilling expertise gained in natural gas resources plays to unconventional oil reservoirs. During the first six months of 2009, the Fort Worth Basin Barnett Shale and North Dakota Bakken areas produced an increasing amount of crude oil and natural gas liquids as compared to the comparable period in 2008. For the first six months of 2009, crude oil and natural gas liquids production accounted for approximately 21% of total company production as compared to 17% for the comparable period in 2008. Based on current trends, EOG expects its 2009 crude oil and natural gas liquids production to continue to increase as compared to 2008. EOG's major producing areas are in Louisiana, New Mexico, North Dakota, Texas, Utah, Wyoming and western Canada.

In June 2009, EOG entered into an agreement to acquire certain crude oil and natural gas properties and related assets located in Montague and Cooke Counties, Texas (Barnett Shale Combo Assets). The Barnett Shale Combo Assets consist of proved developed and undeveloped reserves and approximately 25,000 net unproved acres. Production from these assets has averaged approximately 2,000 barrels equivalent per day, net. The purchase price, which is subject to customary post-closing adjustments, totaled \$134.1 million, consisting of cash consideration of \$44.5 million and 1,450,000 shares of EOG common stock with a closing date fair market value of \$89.6 million. The transaction closed on July 8, 2009.

International

In the United Kingdom, EOG drilled two operated exploratory wells in the East Irish Sea during the second quarter of 2009. The first exploratory well in Block 110/14d was unsuccessful. The second exploratory well in Block 110/12 resulted in an oil discovery. Additional drilling is planned for this block, in which EOG has a 100% working interest, in late 2009. In the Sichuan Basin, Sichuan Province, The People's Republic of China, EOG completed a monitoring well in the second quarter of 2009 and began drilling a horizontal well in June 2009.

EOG continues to evaluate other select natural gas and crude oil opportunities outside the United States and Canada primarily by pursuing exploitation opportunities in countries where indigenous natural gas and crude oil reserves have been identified.

Capital Structure. One of management's key strategies is to maintain a strong balance sheet with a consistently below average debt-to-total capitalization ratio as compared to those in EOG's peer group. At June 30, 2009, EOG's debt-to-total capitalization ratio was 23% as compared to 17% at December 31, 2008. On May 21, 2009, EOG completed its public offering of \$900 million aggregate principal amount of 5.625% Senior Notes due 2019 (Notes). Interest on the Notes is payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2009. Net proceeds from the offering of approximately \$891 million were used for general corporate purposes, including repayment of outstanding commercial paper borrowings. During the first six months of 2009, EOG funded \$1.7 billion in exploration and development and other property, plant and equipment expenditures and paid \$70 million in dividends to common stockholders, primarily by utilizing cash provided from its operating activities, proceeds from commercial paper and uncommitted credit facility borrowings and proceeds from the offering of the Notes.

For 2009, EOG's budget for exploration and development and other property, plant and equipment expenditures is approximately \$3.3 billion, including acquisitions of approximately \$140 million. United States and Canada natural gas and crude oil drilling activity continues to be a key component of these expenditures. EOG intends to manage the 2009 capital budget while maintaining a strong balance sheet. When it fits EOG's strategy, EOG will make acquisitions that bolster existing drilling programs or offer EOG incremental exploration and/or production opportunities. Management continues to believe EOG has one of the strongest prospect inventories in EOG's history.

Results of Operations

The following review of operations for the three and six months ended June 30, 2009 and 2008 should be read in conjunction with the consolidated financial statements of EOG and notes thereto included in this Quarterly Report on Form 10-Q.

Three Months Ended June 30, 2009 vs. Three Months Ended June 30, 2008

Net Operating Revenues.

During the second quarter of 2009, net operating revenues decreased \$235 million, or 21%, to \$861 million from \$1,096 million for the same period of 2008. Total wellhead revenues for the second quarter of 2009, which are revenues generated from sales of EOG's production of natural gas, crude oil and condensate and natural gas liquids, decreased \$1,118 million, or 60%, to \$747 million from \$1,865 million for the same period of 2008. During the second quarter of 2009, EOG recognized a net gain on mark-to-market commodity derivative contracts of \$34 million compared to a loss of \$843 million for the same period of 2008. Gathering, processing and marketing revenues, which are revenues generated from sales of third-party natural gas, crude oil and natural gas liquids as well as gathering fees associated with gathering third-party natural gas, for the second quarter of 2009 increased \$13 million, or 21%, to \$77 million from \$64 million for the same period of 2008.

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Wellhead volume and price statistics for the three-month periods ended June 30, 2009 and 2008 were as follows:

| | Three Months Ended June 30, 2009 2008 | |
|--|--|-------|
| Natural Gas V o l u m e s (MMcfd) ⁽¹⁾ | | |
| U n i t e d S t a t e s | 1,139 | 1,139 |
| Canada | 225 | 215 |
| Trinidad | 266 | 217 |

| | | |
|----------------------|-------|-------|
| O t h e r | 15 | 12 |
| International (2) | | |
| Total | 1,645 | 1,583 |

| | | |
|--|--------|-------|
| A v e r a g e Natural Gas P r i c e s (\$/Mcf) ⁽³⁾ | | |
| U n i t e d \$ | 3.37\$ | 10.36 |
| States | | |
| Canada | 3.40 | 9.42 |
| Trinidad | 1.51 | 3.64 |
| O t h e r | 3.55 | 9.95 |
| International (2) | | |
| Composite | 3.07 | 9.31 |

| | | |
|---|------|------|
| Crude Oil a n d Condensate V o l u m e s (MBbld) ⁽¹⁾ | | |
| U n i t e d | 42.9 | 35.4 |
| States | | |
| Canada | 2.9 | 2.6 |
| Trinidad | 3.0 | 3.2 |
| O t h e r | 0.1 | - |
| International (2) | | |
| Total | 48.9 | 41.2 |

| | | |
|---|---------|--------|
| A v e r a g e Crude Oil a n d Condensate P r i c e s (\$/Bbl) ⁽³⁾ | | |
| U n i t e d \$ | 52.82\$ | 117.60 |
| States | | |
| Canada | 52.52 | 112.55 |
| Trinidad | 47.50 | 113.29 |
| O t h e r | 46.75 | 114.40 |
| International (2) | | |
| Composite | 52.47 | 116.94 |

| | | |
|---|--|--|
| Natural Gas L i q u i d s V o l u m e s (MBbld) ⁽¹⁾ | | |
|---|--|--|

| | | |
|--------------------|------|------|
| U n i t e d States | 22.1 | 14.2 |
| Canada | 1.0 | 0.9 |
| Total | 23.1 | 15.1 |

A v e r a g e
Natural Gas
L i q u i d s
P r i c e s
(\$/Bbl) ⁽³⁾

| | | |
|--------------------|---------|----------|
| U n i t e d States | \$25.60 | \$ 63.62 |
| Canada | 25.60 | 66.39 |
| Composite | 25.60 | 63.78 |

Natural Gas
Equivalent
V o l u m e s
(MMcfe)
⁽⁴⁾

| | | |
|-------------------------|-------|-------|
| U n i t e d States | 1,529 | 1,437 |
| Canada | 249 | 236 |
| Trinidad | 284 | 236 |
| O t h e r International | 15 | 12 |
| Total | 2,077 | 1,921 |

| | | |
|------------|-------|-------|
| Total Bcfe | 189.0 | 174.8 |
|------------|-------|-------|

⁽⁴⁾

(1) Million cubic feet per day or thousand barrels per day, as applicable.

(2) Other International includes EOG's United Kingdom operations and, effective July 1, 2008, EOG's China operations.

(3) Dollars per thousand cubic feet or per barrel, as applicable.

(4) Million cubic feet equivalent per day or billion cubic feet equivalent, as applicable; includes natural gas, crude oil and condensate

and natural gas liquids. Natural gas equivalents are determined using the ratio of 6.0 thousand cubic feet of natural gas to 1.0 barrel

of crude oil and condensate or natural gas liquids.

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Wellhead natural gas revenues for the second quarter of 2009 decreased \$881 million, or 66%, to \$460 million from \$1,341 million for the same period of 2008. The decrease was due to a lower composite average wellhead natural gas price (\$933 million), partially offset by increased natural gas deliveries (\$52 million). EOG's composite average wellhead natural gas price decreased 67% to \$3.07 per thousand cubic feet (Mcf) for the second quarter of 2009 from \$9.31 per Mcf for the same period of 2008.

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Natural gas deliveries for the second quarter of 2009 increased 62 MMcfd, or 4%, to 1,645 MMcfd from 1,583 MMcfd for the same period of 2008. The increase was primarily due to higher production in Trinidad (49 MMcfd) and Canada (10 MMcfd). The increase in Trinidad was primarily due to increased net contractual deliveries and reduced plant shutdowns for maintenance during 2009. The increase in Canada was primarily attributable to British Columbia Horn River Basin production.

Wellhead crude oil and condensate revenues for the second quarter of 2009 decreased \$204 million, or 47%, to \$233 million from \$437 million for the same period of 2008, due to a lower composite average wellhead crude oil and condensate price (\$287 million), partially offset by an increase of 8 MBbld, or 19%, in wellhead crude oil and condensate deliveries (\$83 million). The increase in deliveries primarily reflects increased production in North Dakota. The composite average wellhead crude oil and condensate price for the second quarter of 2009 decreased 55% to \$52.47 per barrel compared to \$116.94 per barrel for the same period of 2008.

Natural gas liquids revenues for the second quarter of 2009 decreased \$34 million, or 39%, to \$54 million from \$88 million for the same period of 2008, due to a lower composite average price (\$80 million), partially offset by an increase of 8 MBbld, or 53%, in natural gas liquids deliveries (\$46 million). The composite average natural gas liquids price for the second quarter of 2009 decreased 60% to \$25.60 per barrel compared to \$63.78 per barrel for the same period of 2008. The increase in deliveries primarily reflects increased volumes in the Fort Worth Basin Barnett Shale area.

During the second quarter of 2009, EOG recognized a net gain on mark-to-market financial commodity derivative contracts of \$34 million compared to a loss of \$843 million for the same period of 2008. During the second quarter of 2009, the net cash inflow related to settled natural gas financial collar, price swap and basis swap contracts was \$345 million compared to the cash outflow related to settled natural gas and crude oil financial price swap contracts of \$138 million for the same period of 2008.

Gathering, processing and marketing revenues represent sales of third-party natural gas, crude oil and natural gas liquids as well as gathering fees associated with gathering third-party natural gas. During the three months ended June 30, 2009 and 2008, substantially all of such revenues were related to sales of third-party natural gas and crude oil. Marketing costs represent the costs of purchasing third-party natural gas and crude oil and the associated transportation costs.

Gathering, processing and marketing revenues less marketing costs for the second quarter of 2009 were \$2 million higher compared to the same period of 2008. The increase resulted primarily from increased natural gas marketing operations in the Gulf Coast area.

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Operating and Other Expenses.

For the second quarter of 2009, operating expenses of \$861 million were \$9 million higher than the \$852 million incurred in the second quarter of 2008. The following table presents the costs per thousand cubic feet equivalent (Mcf) for the three-month periods ended June 30, 2009 and 2008:

| | Three Months Ended June 30, 2009 2008 | |
|-------------------|---|---------|
| Lease and Well | \$ 0.71 | \$ 0.74 |
| | 0.35 | 0.36 |

| | | | | |
|---|---------|---------|--|--|
| Transportation Costs Depreciation, Depletion and Amortization (DD&A) - Oil and Gas Properties Other Property, Plant and Equipment General and Administrative (G&A) Interest Expense, Net Total ⁽¹⁾ | 1.86 | 1.71 | | |
| | 0.12 | 0.09 | | |
| | 0.31 | 0.35 | | |
| | 0.13 | 0.05 | | |
| | \$ 3.48 | \$ 3.30 | | |

(1) Total excludes gathering and processing costs, exploration costs, dry hole costs, impairments, marketing costs and taxes other than income.

The primary factors impacting the cost components of per-unit rates of lease and well, transportation costs, DD&A, G&A and interest expense, net for the three months ended June 30, 2009 compared to the same period of 2008 are set forth below.

Lease and well expenses include expenses for EOG-operated properties, as well as expenses billed to EOG from other operators where EOG is not the operator of a property. Lease and well expenses can be divided into the following categories: costs to operate and maintain EOG's natural gas and crude oil wells, the cost of workovers and lease and well administrative expenses. Operating and maintenance expenses include, among other things, pumping services, salt water disposal, equipment repair and maintenance, compression expense, lease upkeep and fuel and power. Workovers are costs of operations to restore or maintain production from existing wells.

Each of these categories of costs individually fluctuate from time to time as EOG attempts to maintain and increase production while maintaining efficient, safe and environmentally responsible operations. EOG continues to increase its operating activities by drilling new wells in existing and new areas. Operating costs within these existing and new areas, as well as the costs of services charged to EOG by vendors, fluctuate over time.

Lease and well expenses of \$135 million for the second quarter of 2009 increased \$5 million from \$130 million for the same prior year period primarily due to higher operating and maintenance expenses in the United States (\$9 million) and Canada (\$2 million), partially offset by changes in the Canadian exchange rate (\$4 million) and decreased expenditures for workovers in the United States (\$2 million).

Transportation costs represent costs incurred directly by EOG from third-party carriers associated with the delivery of hydrocarbon products from the lease to a downstream point of sale. Transportation costs include the cost of compression (the cost of compressing natural gas to meet pipeline pressure requirements), dehydration (the cost

associated with removing water from natural gas to meet pipeline requirements), gathering fees, fuel costs and transportation fees.

Transportation costs of \$66 million for the second quarter of 2009 increased \$3 million from \$63 million for the same prior year period primarily due to increased production and costs associated with marketing arrangements to transport production from the Rocky Mountain area (\$2 million) and the South Texas area (\$2 million) to downstream markets.

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DD&A of the cost of proved oil and gas properties is calculated using the unit-of-production method. EOG's DD&A rate and expense are the composite of numerous individual field calculations. There are several factors that can impact EOG's composite DD&A rate and expense, such as field production profiles, drilling or acquisition of new wells, disposition of existing wells, reserve revisions (upward or downward) primarily related to well performance and impairments. Changes to these factors may cause EOG's composite DD&A rate and expense to fluctuate from year to year. DD&A of the cost of other property, plant and equipment is calculated using the straight-line depreciation method over the useful lives of the assets. Other property, plant and equipment consist of natural gas gathering and processing facilities, compressors, vehicles, buildings and leasehold improvements, furniture and fixtures, and computer hardware and software.

DD&A expenses for the second quarter of 2009 increased \$61 million to \$376 million from \$315 million for the same prior year period. DD&A expenses associated with oil and gas properties for the second quarter of 2009 were \$53 million higher than the same prior year period primarily due to higher unit rates in the United States (\$29 million), Trinidad (\$3 million) and Canada (\$3 million) and as a result of increased production in the United States (\$16 million) and in Canada (\$2 million), partially offset by changes in the Canadian exchange rate (\$7 million).

DD&A expenses associated with other property, plant and equipment for the second quarter of 2009 were \$8 million higher than the same prior year period primarily due to increased expenditures associated with natural gas gathering systems and processing plants in the Fort Worth Basin Barnett Shale area (\$5 million) and Rocky Mountain area (\$2 million).

G&A expenses of \$59 million for the second quarter of 2009 decreased \$3 million from the same prior year period primarily due to lower employee-related costs (\$4 million), partially offset by higher insurance costs (\$1 million).

Interest expense, net of \$25 million for the second quarter of 2009 increased \$16 million compared to the same prior year period primarily due to a higher average debt balance (\$18 million), partially offset by higher capitalized interest (\$2 million).

Gathering and processing costs represent operation and maintenance expenses and administrative expenses associated with operating EOG's natural gas gathering and processing assets.

Gathering and processing costs for the second quarter of 2009 increased \$5 million to \$14 million as compared to the same prior year period primarily due to increased activities in the Rocky Mountain area (\$3 million) and Fort Worth Basin Barnett Shale area (\$1 million).

Exploration costs of \$34 million for the second quarter of 2009 decreased \$25 million from the same prior year period primarily due to decreased geological and geophysical expenditures in the United States (\$22 million) and the United Kingdom (\$3 million).

Impairments include amortization of unproved leases, as well as impairments under Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144), which requires an entity to compute impairments to the carrying value of long-lived assets based on future cash flow analysis. Impairments of \$47 million for the second quarter of 2009 decreased \$2 million from \$49 million for the same prior year period primarily due to decreased SFAS No. 144 related impairments (\$24 million), partially offset by increased amortization costs of unproved leases in the United States (\$22 million). The decreased SFAS No. 144 related impairments is a result of no SFAS No. 144 related impairments recorded in the second quarter of 2009 and SFAS No. 144 related impairments recorded in the second quarter of 2008 in Trinidad as a result of EOG's relinquishment of its rights to Block Lower Reverse "L" (LRL) (\$20 million) and in the United States (\$4 million). Under SFAS No. 144, EOG recorded impairments of zero and \$24 million for the second quarter of 2009 and 2008, respectively.

Taxes other than income include severance/production taxes, ad valorem/property taxes, payroll taxes, franchise taxes and other miscellaneous taxes. Severance/production taxes are determined based on wellhead revenues and ad valorem/property taxes are generally determined based on the valuation of the underlying assets.

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Taxes other than income for the second quarter of 2009 decreased \$72 million to \$23 million (3.1% of wellhead revenues) from \$95 million (5.1% of wellhead revenues) for the same prior year period. The decrease in taxes other than income was primarily due to a decrease in severance/production taxes as a result of decreased wellhead revenues in the United States (\$43 million) and Trinidad (\$5 million), an increase in credits taken in 2009 for Texas high cost gas severance tax rate reductions (\$15 million) and lower ad valorem/property taxes in the United States (\$13 million), partially offset by an increase in franchise taxes in the United States (\$6 million). The decline in taxes other than income as a percentage of wellhead revenues primarily reflects an increase in credits taken in 2009 for Texas high cost gas severance tax rate reductions combined with a decline in non-revenue based taxes.

Other income, net was \$1 million for the second quarter of 2009 compared to \$13 million for the same prior year period. The decrease of \$12 million was primarily due to lower equity income from ammonia plants in Trinidad (\$6 million), lower interest income (\$2 million) and settlements received related to the Enron Corp. bankruptcy in the second quarter of 2008 (\$2 million).

EOG recognized an income tax benefit of \$7 million for the second quarter of 2009 compared to an income tax provision of \$69 million for the same prior year period. The change was primarily due to decreased pretax income (\$95 million), partially offset by the absence of 2008 tax benefits related to the impairment of LRL (\$18 million). The net effective tax rate for the second quarter of 2009 increased to 29% from 28% for the same prior year period.

Six Months Ended June 30, 2009 vs. Six Months Ended June 30, 2008

Net Operating Revenues.

During the first six months of 2009, net operating revenues decreased \$211 million, or 9%, to \$2,019 million from \$2,230 million for the same period of 2008. Total wellhead revenues for the first six months of 2009 decreased \$1,783 million, or 54%, to \$1,515 million from \$3,298 million for the same period of 2008. During the first six months of 2009, EOG recognized a net gain on mark-to-market financial commodity derivative contracts of \$385 million compared to a net loss of \$1,313 million for the same period of 2008. Gathering, processing and marketing revenues for the first six months of 2009 increased \$15 million, or 15%, to \$115 million from \$100 million for the same period of 2008. Other, net operating revenues in 2008 primarily consist of a gain of \$128 million on the sale of EOG's Appalachian assets in February 2008.

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Wellhead volume and price statistics for the six-month periods ended June 30, 2009 and 2008 were as follows:

| | Six Months Ended June 30, | |
|---|---------------------------------|-------|
| | 2009 | 2008 |
| Natural Gas V o l u m e s (MMcfd) | | |
| U n i t e d States | 1,167 | 1,112 |
| Canada | 227 | 215 |
| Trinidad | 264 | 224 |
| O t h e r International | 15 | 15 |
| Total | 1,673 | 1,566 |

| | | |
|---|---------|---------|
| A v e r a g e Natural Gas P r i c e s (\$/Mcf) | | |
| U n i t e d States | \$ 3.72 | \$ 9.23 |
| Canada | 3.92 | 8.42 |
| Trinidad | 1.42 | 3.76 |
| O t h e r International Composite | 4.84 | 9.89 |
| | 3.39 | 8.34 |

| | | |
|--|------|------|
| Crude Oil a n d Condensate V o l u m e s (MBbld) | | |
| U n i t e d States | 43.8 | 33.0 |
| Canada | 3.1 | 2.5 |
| Trinidad | 3.0 | 3.4 |
| O t h e r International | 0.1 | - |
| Total | 50.0 | 38.9 |

| | | |
|--|---------|----------|
| A v e r a g e Crude Oil a n d Condensate P r i c e s (\$/Bbl) | | |
| U n i t e d States | \$42.85 | \$105.78 |
| Canada | 44.53 | 101.41 |
| Trinidad | 40.49 | 99.92 |
| | 46.73 | 96.84 |

| | | |
|---|-------|--------|
| O t h e r International Composite | 42.82 | 104.97 |
|---|-------|--------|

| | | |
|--|------|------|
| Natural Gas L i q u i d s V o l u m e s (MBbld) | | |
| U n i t e d States | 21.9 | 15.5 |
| Canada | 1.1 | 0.9 |
| Total | 23.0 | 16.4 |

| | | |
|--|---------|----------|
| A v e r a g e Natural Gas L i q u i d s P r i c e s (\$/Bbl) | | |
| U n i t e d States | \$23.88 | \$ 60.19 |
| Canada | 25.56 | 61.52 |
| Composite | 23.96 | 60.26 |

| | | |
|---|-------|-------|
| Natural Gas Equivalent V o l u m e s (MMcfd) | | |
| U n i t e d States | 1,561 | 1,403 |
| Canada | 252 | 236 |
| Trinidad | 282 | 244 |
| O t h e r International | 16 | 15 |
| Total | 2,111 | 1,898 |
| Total Bcfe | 382.1 | 345.4 |

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Wellhead natural gas revenues for the first six months of 2009 decreased \$1,350 million, or 57%, to \$1,028 million from \$2,378 million for the same period of 2008. The decrease was due to a lower composite average wellhead natural gas price (\$1,499 million), partially offset by increased natural gas deliveries (\$149 million). EOG's composite average wellhead natural gas price decreased 59% to \$3.39 per Mcf for the first six months of 2009 from \$8.34 per Mcf for the same period of 2008.

Natural gas deliveries for the first six months of 2009 increased 107 MMcfd, or 7%, to 1,673 MMcfd from 1,566 MMcfd for the same period of 2008. The increase was due to higher production in the United States (55 MMcfd), Trinidad (40 MMcfd) and Canada (12 MMcfd). The increase in the United States was primarily attributable to increased production in Texas (44 MMcfd), the Rocky Mountain area (30 MMcfd) and Louisiana (2 MMcfd), partially offset by decreased production in Mississippi (8 MMcfd), Oklahoma (4 MMcfd), Pittsburgh as a result of the February 2008 sale of EOG's Appalachian assets (4 MMcfd) and New Mexico (4 MMcfd). The increase in Trinidad was primarily due to

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increased net contractual deliveries. The increase in Canada was primarily attributable to British Columbia Horn River Basin production.

Wellhead crude oil and condensate revenues for the first six months of 2009 decreased \$352 million, or 48%, to \$388 million from \$740 million for the same period of 2008, due to a lower composite average wellhead crude oil and condensate price (\$563 million), partially offset by an increase of 11 MBbld, or 29%, in wellhead crude oil and condensate deliveries (\$211 million). The increase in deliveries primarily reflects increased production in North Dakota. The composite average wellhead crude oil and condensate price for the first six months of 2009 decreased 59% to \$42.82 per barrel compared to \$104.97 per barrel for the same period of 2008.

Natural gas liquids revenues for the first six months of 2009 decreased \$80 million, or 44%, to \$100 million from \$180 million for the same period of 2008, due to a lower composite average price (\$151 million), partially offset by an increase of 7 MBbld, or 40%, in natural gas liquids deliveries (\$71 million). The composite average natural gas liquids price for the first six months of 2009 decreased 60% to \$23.96 per barrel compared to \$60.26 per barrel for the same period of 2008. The increase in deliveries primarily reflects increased volumes in the Fort Worth Basin Barnett Shale area.

During the first six months of 2009, EOG recognized a net gain on mark-to-market financial commodity derivative contracts of \$385 million compared to a net loss of \$1,313 million for the same period of 2008. During the first six months of 2009, the net cash inflow related to settled natural gas financial collar, price swap and basis swap contracts was \$656 million compared to a net cash outflow related to settled natural gas and crude oil financial price swap contracts of \$115 million for the same period of 2008.

Gathering, processing and marketing revenues less marketing costs for the first six months of 2009 increased \$5 million to \$9 million compared to \$4 million for the same period of 2008. The increase resulted primarily from increased natural gas marketing operations in the Gulf Coast area.

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Operating and Other Expenses.

For the first six months of 2009, operating expenses of \$1,738 million were \$132 million higher than the \$1,606 million incurred in the same period of 2008. The following table presents the costs per Mcfe for the six-month periods ended June 30, 2009 and 2008:

| | Six Months Ended | |
|--|------------------|---------|
| | June 30, | |
| | 2009 | 2008 |
| Lease and Well | \$ 0.73 | \$ 0.74 |
| Transportation Costs | 0.35 | 0.36 |
| DD&A - | | |
| Oil and Gas Properties | 1.88 | 1.69 |
| Other Property, Plant and Equipment | 0.12 | 0.08 |
| G&A | 0.31 | 0.33 |
| Interest Expense, Net | 0.11 | 0.06 |
| Total ⁽¹⁾ | \$ 3.50 | \$ 3.26 |

(1) Total excludes gathering and processing costs, exploration costs, dry hole costs, impairments, marketing costs and taxes other than income.

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The primary factors impacting the cost components of per-unit rates of lease and well, transportation costs, DD&A and interest expense, net for the six months ended June 30, 2009 compared to the same period of 2008 are set forth below.

Lease and well expenses of \$280 million for the first six months of 2009 increased \$26 million from \$254 million for the same prior year period primarily due to higher operating and maintenance expenses in the United States (\$27 million) and Canada (\$6 million) and higher lease and well administrative expenses (\$3 million), partially offset by changes in the Canadian exchange rate (\$11 million).

Transportation costs of \$135 million for the first six months of 2009 increased \$10 million from \$125 million for the same prior year period primarily due to increased production and costs associated with marketing arrangements to transport production from the Rocky Mountain area (\$6 million) and the Fort Worth Basin Barnett Shale area (\$5 million) to downstream markets.

DD&A expenses for the first six months of 2009 increased \$153 million to \$765 million from \$612 million for the same prior year period. DD&A expenses associated with oil and gas properties for the second quarter of 2009 were \$135 million higher than the same prior year period primarily due to higher unit rates in the United States (\$74 million), Canada (\$8 million) and Trinidad (\$7 million) and as a result of increased production in the United States (\$51 million), Canada (\$6 million) and in Trinidad (\$2 million), partially offset by changes in the Canadian exchange rate (\$18 million).

DD&A expenses associated with other property, plant and equipment for the second quarter of 2009 were \$18 million higher than the same prior year period primarily due to increased expenditures associated with natural gas gathering systems and processing plants in the Fort Worth Basin Barnett Shale area (\$10 million) and Rocky Mountain area (\$5 million).

Interest expense, net of \$43 million for the first six months of 2009 increased \$22 million compared to the same prior year period primarily due to higher average debt balance (\$28 million), partially offset by higher capitalized interest (\$5 million).

Gathering and processing costs for the first six months of 2009 increased \$14 million to \$31 million as compared to the same prior year period primarily due to increased activities in the Rocky Mountain area (\$8 million) and the Fort Worth Basin Barnett Shale area (\$5 million).

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Exploration costs of \$84 million for the first six months of 2009 decreased \$24 million compared to the same prior year period primarily due to decreased geological and geophysical expenditures in the United States (\$21 million) and the United Kingdom (\$2 million).

Impairments of \$113 million for the first six months of 2009 increased \$31 million compared to the same prior year period primarily due to increased amortization of unproved leases in the United States (\$41 million) and increased SFAS No. 144 related impairments in the United States (\$13 million), partially offset by a SFAS No. 144 related impairment in Trinidad recorded in the second quarter of 2008 as a result of EOG's relinquishment of its rights to LRL (\$20 million). Under SFAS No. 144, EOG recorded impairments of \$23 million and \$33 million for the six months ended June 30, 2009 and 2008, respectively.

Taxes other than income for the first six months of 2009 decreased \$111 million to \$71 million (4.7% of wellhead revenues) from \$182 million (5.5% of wellhead revenues) for the same prior year period. The decrease in taxes other than income was primarily due to decreased severance/production taxes primarily as a result of decreased wellhead

revenues in the United States (\$71 million) and Trinidad (\$12 million), an increase in credits taken in 2009 for Texas high cost gas severance tax rate reductions (\$20 million) and lower ad valorem/property taxes in the United States (\$12 million), partially offset by an increase in franchise taxes in the United States (\$6 million). The decline in taxes other than income as a percentage of wellhead revenues primarily reflects an increase in credits taken in 2009 for Texas high cost gas severance tax rate reductions combined with a decline in non-revenue based taxes.

Other income, net was \$3 million for the first six months of 2009 compared to \$15 million for the same prior year period. The decrease of \$12 million was primarily due to lower equity income from ammonia plants in Trinidad (\$10 million), lower interest income (\$3 million) and settlements received related to the Enron Corp. bankruptcy in the second quarter of 2008 (\$2 million), partially offset by increased foreign currency transaction gains (\$3 million).

Income tax provision of \$99 million for the first six months of 2009 decreased \$99 million compared to \$198 million for the same prior year period due primarily to decreased pretax income (\$132 million), partially offset by a higher effective tax rate. The net effective tax rate for the first six months of 2009 increased to 41% from 32% for the same prior year period primarily as a result of higher state taxes and the absence of 2008 tax benefits related to the impairment of LRL.

Capital Resources and Liquidity

Cash Flow.

The primary sources of cash for EOG during the six months ended June 30, 2009 were funds generated from operations, net commercial paper and uncommitted credit facility borrowings and a long-term debt borrowing. The primary uses of cash were funds used in operations; exploration and development expenditures; other property, plant and equipment expenditures; and dividend payments to stockholders. During the first six months of 2009, EOG's cash balance increased \$376 million to \$707 million from \$331 million at December 31, 2008.

Net cash provided by operating activities of \$1,277 million for the first six months of 2009 decreased \$785 million compared to the same period of 2008 primarily reflecting a decrease in wellhead revenues (\$1,783 million) and an increase in cash paid for interest expense (\$20 million), partially offset by a favorable change in net cash flow from the settlement of financial commodity derivative contracts (\$771 million), a decrease in net cash paid for income taxes (\$113 million), a decrease in cash operating expenses (\$88 million) and favorable changes in working capital and other assets and liabilities (\$69 million).

Net cash used in investing activities of \$1,752 million for the first six months of 2009 decreased by \$254 million compared to the same period of 2008 due primarily to a decrease in additions to oil and gas properties (\$711 million) and a decrease in additions to other property, plant and equipment (\$45 million), partially offset by a decrease in proceeds from sales of assets (\$354 million), primarily reflecting net proceeds from the sale of EOG's Appalachian assets in February 2008, and unfavorable changes in working capital associated with investing activities (\$170 million).

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Net cash provided by financing activities was \$845 million for the first six months of 2009 compared to \$2 million for the same period of 2008. Cash provided by financing activities for the first six months of 2009 included a long-term debt borrowing (\$900 million), excess tax benefits from stock-based compensation (\$22 million) and proceeds from stock options exercised and employee stock purchase plan activity (\$8 million). Cash used by financing activities for the first six months of 2009 included cash dividend payments (\$70 million), debt issuance costs (\$9 million) and the purchase of treasury stock (\$6 million).

Total Expenditures.

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For 2009, EOG's budget for exploration and development and other property, plant and equipment expenditures is approximately \$3.3 billion, including acquisitions of approximately \$140 million. The table below sets out components of total expenditures for the six-month periods ended June 30, 2009 and 2008 (in millions):

| <u>Expenditure Category</u> | Six Months Ended June 30, | |
|--|------------------------------|----------|
| | 2009 | 2008 |
| Capital | | |
| Drilling and Facilities | \$ 1,233 | \$ 1,856 |
| Leasehold Acquisitions | 131 | 218 |
| Producing Property Acquisitions | 7 | 35 |
| Capitalized Interest | 25 | 20 |
| Subtotal | 1,396 | 2,129 |
| Exploration Costs | 84 | 107 |
| Dry Hole Costs | 37 | 15 |
| Exploration and Development Expenditures | 1,517 | 2,251 |
| Asset Retirement Costs | 15 | 22 |
| Total Exploration and Development Expenditures | 1,532 | 2,273 |
| Other Property, Plant and Equipment | 152 | 196 |
| Total Expenditures | \$ 1,684 | \$ 2,469 |

Exploration and development expenditures of \$1,517 million for the first six months of 2009 were \$734 million lower than the same period of 2008 due primarily to decreased drilling and facilities expenditures in the United States (\$604 million) and Trinidad (\$14 million), decreased leasehold acquisition expenditures in Canada (\$54 million) and the United States (\$30 million), changes in the Canadian exchange rate (\$23 million), decreased geological and geophysical expenditures in the United States (\$21 million) and decreased producing property acquisition expenditures in Trinidad (\$15 million) and Canada (\$14 million), partially offset by increased dry hole costs in the United States (\$17 million) and increased drilling and facilities expenditures in the United Kingdom (\$12 million) and China (\$11 million). The exploration and development expenditures for the first six months of 2009 of \$1,517 million include \$1,111 million in development, \$374 million in exploration, \$25 million in capitalized interest and \$7 million in producing property acquisitions. The exploration and development expenditures for the first six months of 2008 of \$2,251 million include \$1,682 million in development, \$514 million in exploration, \$35 million in producing property acquisitions and \$20 million in capitalized interest.

The level of exploration and development expenditures, including acquisitions, will vary in future periods depending on energy market conditions and other related economic factors. EOG has significant flexibility with respect to financing alternatives and the ability to adjust its exploration and development expenditure budget as circumstances warrant. While EOG has certain continuing commitments associated with expenditure plans related to operations in the United States, Canada, Trinidad, the United Kingdom and China, such commitments are not expected to be material when considered in relation to the total financial capacity of EOG.

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Commodity Derivative Transactions.

As more fully discussed in Note 11 to the Consolidated Financial Statements included in EOG's Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 25, 2009, EOG engages in price risk management activities from time to time. These activities are intended to manage EOG's exposure to fluctuations in commodity prices for natural gas and crude oil. EOG utilizes financial commodity derivative instruments, primarily collar, price swap and basis swap contracts, as a means to manage this price risk. EOG has not designated any of its financial commodity derivative contracts as accounting hedges and, accordingly, accounts for financial commodity derivative contracts

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using the mark-to-market accounting method. Under this accounting method, changes in the fair value of outstanding financial instruments are recognized as gains or losses in the period of change and are recorded as Gains (Losses) on Mark-to-Market Commodity Derivative Contracts on the Consolidated Statements of Income. The related cash flow impact is reflected as Cash Flows from Operating Activities. In addition to financial transactions, from time to time, EOG is a party to various physical commodity contracts for the sale of hydrocarbons that cover varying periods of time and have varying pricing provisions. The financial impact of physical commodity contracts is included in revenues at the time of settlement, which in turn affects average realized hydrocarbon prices.

Financial Collar Contracts. The total fair value of EOG's natural gas financial collar contracts at June 30, 2009 was a positive \$33 million, which is reflected in the Consolidated Balance Sheets. Presented below is a comprehensive summary of EOG's natural gas financial collar contracts at August 6, 2009. The notional volumes are expressed in million British thermal units per day (MMBtud) and prices are expressed in dollars per million British thermal units (\$/MMBtu). The average floor price of EOG's outstanding natural gas financial collar contracts for 2010 is \$10.33 per million British thermal units (MMBtu) and the average ceiling price is \$12.63 per MMBtu.

| | Natural Gas Financial Collar Contracts | | | | | |
|---------------------------|--|--------------------|--------------------------------|--|--|--|
| | Volume (MMBtud) | Floor Price | | Weighted Average Price (\$/MMBtu) | Ceiling Price | |
| Floor Range (\$/MMBtu) | | Range | Ceiling Range (\$/MMBtu) | | Weighted Average Price (\$/MMBtu) | |
| <u>2010</u> | | | | | | |
| January | 40,000 | \$11.44 - 11.47 | \$11.45 | \$13.79 - 13.90 | \$13.85 | |
| February | 40,000 | 11.38 - 11.41 | 11.40 | 13.75 - 13.85 | 13.80 | |
| March | 40,000 | 11.13 - 11.15 | 11.14 | 13.50 - 13.60 | 13.55 | |
| April | 40,000 | 9.40 - 9.45 | 9.42 | 11.55 - 11.65 | 11.60 | |
| May | 40,000 | 9.24 - 9.29 | 9.26 | 11.41 - 11.55 | 11.48 | |
| June | 40,000 | 9.31 - 9.36 | 9.34 | 11.49 - 11.60 | 11.55 | |

On April 29, 2009, EOG settled its natural gas financial collar contracts with notional volumes of 40,000 MMBtud for the July 1, 2010 - December 31, 2010 period and received proceeds of \$26.5 million.

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Financial Price Swap Contracts.

The total fair value of EOG's natural gas financial price swap contracts at June 30, 2009 was a positive \$597 million, which is reflected in the Consolidated Balance Sheets. Presented below is a comprehensive summary of EOG's natural gas financial price swap contracts at August 6, 2009. The notional volumes are expressed in MMBtud and prices are expressed in \$/MMBtu. The average price of EOG's outstanding natural gas financial price swap contracts for 2009 is \$9.24 per MMBtu and for 2010 is \$10.14 per MMBtu.

| | Natural Gas Financial Price Swap Contracts | |
|----------------------|--|---|
| | Volume (MMBtud) | Weighted Average Price (\$/MMBtu) |
| <u>2009</u> | | |
| January (closed) | 585,000 | \$10.76 |
| February (closed) | 585,000 | 10.73 |
| March (closed) | 585,000 | 10.50 |

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| | | |
|-----------------|---------|------|
| April (closed) | 610,000 | 9.24 |
| May (closed) | 610,000 | 9.16 |
| June (closed) | 710,000 | 8.53 |
| July (closed) | 710,000 | 8.62 |
| August (closed) | 710,000 | 8.67 |
| September | 710,000 | 8.69 |
| October | 710,000 | 8.76 |
| November | 610,000 | 9.66 |
| December | 610,000 | 9.99 |

2010

| | | |
|----------|--------|---------|
| January | 20,000 | \$11.20 |
| February | 20,000 | 11.15 |
| March | 20,000 | 10.89 |
| April | 20,000 | 9.29 |
| May | 20,000 | 9.13 |
| June | 20,000 | 9.21 |

On April 24, 2009, EOG settled its natural gas financial price swap contracts with notional volumes of 20,000 MMBtud for the July 1, 2010 - December 31, 2010 period and received proceeds of \$12.1 million.

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Financial Basis Swap Contracts.

Prices received by EOG for its natural gas production generally vary from New York Mercantile Exchange (NYMEX) prices due to adjustments for delivery location (basis) and other factors. EOG has entered into natural gas financial basis swap contracts in order to fix the differential between prices in the Rocky Mountain area and NYMEX Henry Hub prices. The total fair value of EOG's natural gas financial basis swap contracts at June 30, 2009 was a negative \$70 million, which is reflected in the Consolidated Balance Sheets. Presented below is a comprehensive summary of EOG's natural gas financial basis swap contracts at August 6, 2009. The weighted average price differential represents the amount of reduction to NYMEX gas prices per MMBtu for the notional volumes covered by the basis swap. The notional volumes are expressed in MMBtud and price differentials expressed in \$/MMBtu.

Natural Gas Financial Basis Swap Contracts

| | Volume (MMBtud) | Weighted Average Price Differential (\$/MMBtu) |
|------------------------------|--------------------|---|
| <u>2009</u> | | |
| Second Quarter (closed) | 65,000 | \$(2.54) |
| Third Quarter ⁽¹⁾ | 65,000 | (2.60) |
| Fourth Quarter | 65,000 | (3.03) |
| <u>2010</u> | | |
| First Quarter | 65,000 | \$(1.72) |
| Second Quarter | 65,000 | (2.56) |
| Third Quarter | 65,000 | (3.17) |
| Fourth Quarter | 65,000 | (3.73) |
| <u>2011</u> | | |
| First Quarter | 65,000 | \$(1.89) |

(1) Includes closed contracts for the months of July and

August 2009.

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Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, including, among others, statements and projections regarding EOG's future financial position, operations, performance, business strategy, budgets, reserve information, levels of production and costs and statements regarding the plans and objectives of EOG's management for future operations, are forward-looking statements. EOG typically uses words such as "expect," "anticipate," "estimate," "project," "strategy," "intend," "plan," "target," "goal," "may," "will" and "believe" or the negative of those terms or other variations or comparable terminology to identify its forward-looking statements. In particular, statements, express or implied, concerning EOG's future operating results and returns or EOG's ability to replace or increase reserves, increase production or generate income or cash flows are forward-looking statements. Forward-looking statements are not guarantees of performance. Although EOG believes the expectations reflected in its forward-looking statements are reasonable and are based on reasonable assumptions, no assurance can be given that these assumptions are accurate or that these expectations will be achieved or will prove to have been correct. Moreover, EOG's forward-looking statements may be affected by known and unknown risks, events or circumstances that may be outside EOG's control. Important factors that could cause EOG's actual results to differ materially from the expectations reflected in EOG's forward-looking statements include, among others:

- the timing and extent of changes in prices for natural gas, crude oil and related commodities;
- changes in demand for natural gas, crude oil and related commodities, including ammonia and methanol;
- the extent to which EOG is successful in its efforts to discover, develop, market and produce reserves and to acquire natural gas and crude oil properties;
- the extent to which EOG can optimize reserve recovery and economically develop its plays utilizing horizontal and vertical drilling and advanced completion technologies;
- the extent to which EOG is successful in its efforts to economically develop its acreage in the Barnett Shale, the Bakken Formation, its Horn River Basin and Haynesville plays and its other exploration and development areas;
- EOG's ability to achieve anticipated production levels from existing and future natural gas and crude oil development projects, given the risks and uncertainties inherent in drilling, completing and operating natural gas and crude oil wells and the potential for interruptions of production, whether involuntary or intentional as a result of market or other conditions;
- the availability, proximity and capacity of, and costs associated with, gathering, processing, compression and transportation facilities;
- the availability, cost, terms and timing of issuance or execution of, and competition for, mineral licenses and leases and governmental and other permits and rights of way;

- competition in the oil and gas exploration and production industry for employees and other personnel, equipment, materials and services and, related thereto, the availability and cost of employees and other personnel, equipment, materials and services;
- EOG's ability to obtain access to surface locations for drilling and production facilities;
- the extent to which EOG's third-party-operated natural gas and crude oil properties are operated successfully and economically;
- EOG's ability to effectively integrate acquired natural gas and crude oil properties into its operations, fully identify existing and potential problems with respect to such properties and accurately estimate reserves, production and costs with respect to such properties;
- weather, including its impact on natural gas and crude oil demand, and weather-related delays in drilling and in the installation and operation of gathering and production facilities;
- the ability of EOG's customers and other contractual counterparties to satisfy their obligations to EOG and, related thereto, to access the credit and capital markets to obtain financing needed to satisfy their obligations to EOG;
- EOG's ability to access the commercial paper market and other credit and capital markets to obtain financing on terms it deems acceptable, if at all;
- the accuracy of reserve estimates, which by their nature involve the exercise of professional judgment and may therefore be imprecise;
- the timing and extent of changes in foreign currency exchange rates, interest rates, inflation rates, global and domestic financial market conditions and global and domestic general economic conditions;

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- the extent and effect of any hedging activities engaged in by EOG;
- the timing and impact of liquefied natural gas imports;
- the use of competing energy sources and the development of alternative energy sources;
- political developments around the world, including in the areas in which EOG operates;
- changes in government policies, legislation and regulations, including environmental regulations;
- the extent to which EOG incurs uninsured losses and liabilities;
- acts of war and terrorism and responses to these acts; and
- the other factors described under Item 1A, "Risk Factors," on pages 13 through 19 of EOG's Annual Report on Form 10-K for the year ended December 31, 2008 and any updates to those factors set forth in EOG's subsequent Quarterly Reports on Form 10-Q.

In light of these risks, uncertainties and assumptions, the events anticipated by EOG's forward-looking statements may not occur, and you should not place any undue reliance on any of EOG's forward-looking statements. EOG's forward-looking statements speak only as of the date made and EOG undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK EOG RESOURCES, INC.

EOG's exposure to commodity price risk, interest rate risk and foreign currency exchange rate risk is discussed in (i) the "Derivative Transactions," "Financing," "Foreign Currency Exchange Rate Risk" and "Outlook" sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources and Liquidity," on pages 36 through 42 of EOG's Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 25, 2009 (EOG's 2008 Annual Report); and (ii) Note 11, "Price, Interest Rate and Credit Risk Management Activities," on pages F-26 through F-29, to EOG's Consolidated Financial Statements included in EOG's 2008 Annual Report. There have been no material changes in this information. For additional information regarding EOG's financial commodity derivative contracts and physical commodity contracts, see (i) Note 13 to Consolidated Financial Statements in this Quarterly Report on Form 10-Q; (ii) "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Net Operating Revenues" in this Quarterly Report on Form 10-Q; and (iii) "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources and Liquidity - Commodity Derivative Transactions" in this Quarterly Report on Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES EOG RESOURCES, INC.

Disclosure Controls and Procedures.

EOG's management, with the participation of EOG's principal executive officer and principal financial officer, evaluated the effectiveness of EOG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this Quarterly Report on Form 10-Q (Evaluation Date). Based on this evaluation, EOG's principal executive officer and principal financial officer have concluded that EOG's disclosure controls and procedures were effective as of the Evaluation Date in ensuring that information that is required to be disclosed by EOG in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to EOG's management as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting.

There were no changes in EOG's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) that occurred during the quarterly period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, EOG's internal control over financial reporting.

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PART II. OTHER INFORMATION

EOG RESOURCES, INC.

ITEM 1. LEGAL PROCEEDINGS

See Part I, Item 1, Note 9 to Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 8, 2009, EOG Resources, Inc. (EOG) issued an aggregate of 1,450,000 shares of its common stock in connection with EOG's acquisition of certain crude oil and natural gas properties and related assets located in Montague and Cooke Counties, Texas (Barnett Shale Combo Assets). In addition to the shares of common stock, which were issued to certain of the sellers, EOG paid \$44.5 million in cash to the sellers in exchange for the Barnett Shale Combo Assets; the aggregate purchase price is subject to customary post-closing adjustments. The shares of common stock were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering. The acquisition was a privately negotiated transaction; no advertisements or general solicitation with respect to the transaction were made by EOG or anyone acting on its behalf. In addition, EOG relied upon certain representations and warranties received from the sellers, including a representation that the shares were being acquired for investment only and not with a view to, or for offer and sale in connection with, any distribution of the shares.

The following table sets forth, for the periods indicated, EOG's share repurchase activity:

| Period | Total Number of Shares Purchased (1) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | |
|---|--|--|--|-----------|
| | | | Maximum Number of Shares that May Yet Be Purchased Under The Plans or Programs | |
| April 1, 2009 - April 30, 2009 | 405 | \$ 62.57 | - | 6,386,200 |
| May 1, 2009 - | 5,467 | 73.18 | - | 6,386,200 |

| | | | | |
|---|--------|----------|---|-----------|
| May 31, 2009 | | | | |
| June 1, 2009 - June 30, 2009 | 10,858 | 73.24 | - | 6,386,200 |
| Total | 16,730 | \$ 72.97 | - | |

(1) Represents 16,730 total shares for the quarter ended June 30, 2009 that consist solely of shares that were withheld by or returned to

EOG (i) in satisfaction of tax withholding obligations that arose upon the exercise of employee stock options or stock-settled stock

appreciation rights or the vesting of restricted stock or restricted stock unit grants or (ii) in payment of the exercise price of employee

stock options. These shares do not count against the 10 million aggregate share authorization by EOG's Board of Directors (Board)

discussed below.

(2) In September 2001, the Board authorized the repurchase of up to 10 million shares of EOG's common stock. During the second quarter

of 2009, EOG did not repurchase any shares under the Board-authorized repurchase program.

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

The 2009 Annual Meeting of Stockholders (Annual Meeting) of EOG Resources, Inc. (EOG) was held on April 29, 2009 in Houston, Texas for the following purposes: (i) to elect seven directors to hold office until EOG's 2010 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, and (ii) to ratify the appointment by the Audit Committee of EOG's Board of Directors (Board) of Deloitte & Touche LLP, independent public accountants, as EOG's auditors for the year ending December 31, 2009.

Proxies for the Annual Meeting were solicited by the Board pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and there was no solicitation in opposition to the Board's nominees for director. In addition, there were no broker non-votes submitted with respect to either of the matters presented at the Annual Meeting.

Each of the nominees for director was duly elected, with votes as follows:

| Nominee | Shares For | Shares Against | Shares Abstaining |
|---------------------|---------------|-------------------|----------------------|
| George A. Alcorn | 221,875,169 | 2,434,415 | 62,365 |
| Charles R. Crisp | 221,882,707 | 2,426,627 | 62,616 |
| James C. Day | 221,892,190 | 2,421,862 | 57,896 |
| Mark G. Papa | 219,633,120 | 4,682,099 | 56,730 |
| H. Leighton Steward | 221,847,346 | 2,464,405 | 60,199 |

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| | | | |
|------------------|-------------|-----------|---------|
| Donald F. Textor | 215,234,670 | 9,073,861 | 63,419 |
| Frank G. Wisner | 219,739,612 | 4,507,246 | 125,091 |

The appointment of Deloitte & Touche LLP, independent public accountants, as EOG's auditors for the year ending December 31, 2009, was ratified by EOG's stockholders by the following vote: 223,274,771 shares for; 1,038,422 shares against; and 58,757 shares abstaining.

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ITEM 6. EXHIBITS

Exhibit No.

Description

- 4.1 - Indenture, dated as of May 18, 2009, by and between EOG and Wells Fargo Bank, NA (incorporated by reference to Exhibit 4.9 to EOG's Registration Statement on Form S-3, Registration No. 333-159301, filed May 18, 2009).
- 4.2 - Officers' Certificate Establishing 5.625% Senior Notes due 2019, dated May 21, 2009 (incorporated by reference to Exhibit 4.2 to EOG's Current Report on Form 8-K filed May 21, 2009).
- 4.3 - Form of Global Note with respect to the 5.625% Senior Notes due 2019 of EOG (incorporated by reference to Exhibit 4.3 to EOG's Current Report on Form 8-K filed May 21, 2009).
- 10.1 - First Amendment to Amended and Restated Change of Control Agreement between EOG and Mark G. Papa, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.1(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.2 - First Amendment to Amended and Restated Change of Control Agreement between EOG and Loren M. Leiker, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.2(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.3 - First Amendment to Amended and Restated Change of Control Agreement between EOG and Gary L. Thomas, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.3(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.4 - First Amendment to Executive Employment Agreement between EOG and Frederick J. Plaeger, II, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.4(a) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.5 - First Amendment to Change of Control Agreement between EOG and Frederick J. Plaeger, II, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.4(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.6 - First Amendment to Amended and Restated Change of Control Agreement between EOG and Timothy K. Driggers, effective as of April 30, 2009 (incorporated by reference to

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Exhibit 10.5 to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).

- 10.7 - First Amendment to the EOG Resources, Inc. Change of Control Severance Plan, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.6 to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- *31.1 - Section 302 Certification of Periodic Report of Principal Executive Officer.
- *31.2 - Section 302 Certification of Periodic Report of Principal Financial Officer.
- *32.1 - Section 906 Certification of Periodic Report of Principal Executive Officer.
- *32.2 - Section 906 Certification of Periodic Report of Principal Financial Officer.

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Exhibit No.

Description 9;

- * **101.INS - XBRL Instance Document
- * **101.SCH - XBRL Schema Document
- * **101.CAL - XBRL Calculation Linkbase Document
- * **101.LAB - XBRL Label Linkbase Document
- * **101.PRE - XBRL Presentation Linkbase Document
- * **101.DEF - XBRL Definition Linkbase Document

*Exhibits filed herewith

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income - Three Months Ended June 30, 2009 and 2008 and Six Months Ended June 30, 2009 and 2008, (ii) the Consolidated Balance Sheets - June 30, 2009 and December 31, 2008, (iii) the Consolidated Statements of Cash Flows - Six Months Ended June 30, 2009 and 2008 and (iv) Notes to Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

EOG RESOURCES, INC.
(Registrant)

Date: August 6, 2009

By: /s/ TIMOTHY K. DRIGGERS

Timothy K. Driggers
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.

Description

- | | | |
|------|---|---|
| 4.1 | - | Indenture, dated as of May 18, 2009, by and between EOG and Wells Fargo Bank, NA (incorporated by reference to Exhibit 4.9 to EOG's Registration Statement on Form S-3, Registration No. 333-159301, filed May 18, 2009). |
| 4.2 | - | Officers' Certificate Establishing 5.625% Senior Notes due 2019, dated May 21, 2009 (incorporated by reference to Exhibit 4.2 to EOG's Current Report on Form 8-K filed May 21, 2009). |
| 4.3 | - | Form of Global Note with respect to the 5.625% Senior Notes due 2019 of EOG (incorporated by reference to Exhibit 4.3 to EOG's Current Report on Form 8-K filed May 21, 2009). |
| 10.1 | - | First Amendment to Amended and Restated Change of Control Agreement between EOG and Mark G. Papa, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.1(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). |
| 10.2 | - | First Amendment to Amended and Restated Change of Control Agreement between EOG and Loren M. Leiker, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.2(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). |
| 10.3 | - | First Amendment to Amended and Restated Change of Control Agreement between EOG and Gary L. Thomas, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.3(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). |
| 10.4 | - | |

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First Amendment to Executive Employment Agreement between EOG and Frederick J. Plaeger, II, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.4(a) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).

- 10.5 - First Amendment to Change of Control Agreement between EOG and Frederick J. Plaeger, II, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.4(b) to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.6 - First Amendment to Amended and Restated Change of Control Agreement between EOG and Timothy K. Driggers, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.5 to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- 10.7 - First Amendment to the EOG Resources, Inc. Change of Control Severance Plan, effective as of April 30, 2009 (incorporated by reference to Exhibit 10.6 to EOG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).
- *31.1 - Section 302 Certification of Periodic Report of Principal Executive Officer.
- *31.2 - Section 302 Certification of Periodic Report of Principal Financial Officer.
- *32.1 - Section 906 Certification of Periodic Report of Principal Executive Officer.
- *32.2 - Section 906 Certification of Periodic Report of Principal Financial Officer.

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Exhibit No.

Description

- * **101.INS - XBRL Instance Document
- * **101.SCH - XBRL Schema Document
- * **101.CAL - XBRL Calculation Linkbase Document
- * **101.LAB - XBRL Label Linkbase Document
- * **101.PRE - XBRL Presentation Linkbase Document
- * **101.DEF - XBRL Definition Linkbase Document

*Exhibits filed herewith

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income - Three Months Ended June 30, 2009 and 2008 and Six Months Ended June 30, 2009 and 2008, (ii) the Consolidated Balance Sheets - June 30, 2009 and December 31, 2008, (iii) the Consolidated Statements of Cash Flows - Six Months Ended June 30, 2009 and 2008 and (iv) Notes to Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or

12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.