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EOG RESOURCES INC
Form 8-K
May 05, 2003

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: May 5, 2003

EOG RESOURCES, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---------------------|-------------|---------------------|
| Delaware | 1-9743 | 47-0684736 |
| (State or other | (Commission | (I.R.S. Employer |
| jurisdiction | File | Identification No.) |
| of incorporation or | Number) | |
| organization) | | |

| | |
|-----------------------|------------|
| 333 Clay | |
| Suite 4200 | 77002 |
| Houston, Texas | (Zip code) |
| (Address of principal | |
| executive offices) | |

713/651-7000
(Registrant's telephone number, including area code)

EOG RESOURCES, INC.

Item 9. Regulation FD Disclosure

I. Second Quarter and Full Year 2003 Forecast

The forecast items for the second quarter and full year 2003 set forth below for EOG Resources, Inc. (EOG) are based on current available information and expectations as of the date of this document. This forecast replaces and supercedes any previously issued guidance or forecast.

Estimates are provided in the attached table, which is incorporated by reference herein.

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II. 2003 Natural Gas and Crude Oil Financial Price Swap and Natural Gas Financial Collar Contracts

With the objective of enhancing the certainty of future revenues, from time to time EOG enters into NYMEX-related financial commodity price swap and collar contracts. Over and above these financial transactions, EOG occasionally enters into various physical commodity contracts. The impact resulting from these various physical commodity contracts is included in natural gas revenues and impact the average realized natural gas prices. Guidance is provided in the attached table.

Presented below is a summary of EOG's 2003 natural gas and crude oil financial price swap contracts and natural gas financial collar contracts as of May 2, 2003. These contracts remain unchanged from EOG's Current Report on Form 8-K filed April 9, 2003. EOG accounts for these price swap and collar contracts using the mark-to-market accounting method. EOG has no contracts in place beyond 2003.

(a) Natural Gas Financial Price Swap Contracts

| | Average Price (\$/MMBtu) | Volume (MMBtud) |
|----------------|-----------------------------|--------------------|
| April (closed) | \$4.96 | 100,000 |
| May (closed) | \$4.82 | 100,000 |
| June | \$4.77 | 100,000 |
| July | \$4.77 | 100,000 |
| August | \$4.77 | 100,000 |
| September | \$4.74 | 100,000 |
| October | \$4.74 | 100,000 |

(b) Crude Oil Financial Price Swap Contracts

| | Average Price (\$/Bbl) | Volume (Bbld) |
|----------------|---------------------------|------------------|
| April (closed) | \$27.77 | 3,000 |
| May | \$27.04 | 3,000 |
| June | \$26.43 | 5,000 |
| July | \$25.90 | 5,000 |
| August | \$25.49 | 5,000 |
| September | \$25.19 | 5,000 |
| October | \$24.90 | 5,000 |
| November | \$24.70 | 5,000 |
| December | \$24.47 | 5,000 |

(c) Natural Gas Financial Collar Contracts - Presented below are EOG's 2003 natural gas financial collar contracts and their respective volumes, with floor and ceiling prices expressed in \$/MMBtu.

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| | 10,000 MMBtud | | 15,000 MMBtud | | 25,000 MMBtud | |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Floor Price | Ceiling Price | Floor Price | Ceiling Price | Floor Price | Ceiling Price |
| April (closed) | \$4.01 | \$6.01 | \$4.02 | \$6.03 | \$3.88 | \$4.01 |
| May (closed) | \$3.92 | \$5.92 | \$3.88 | \$5.89 | \$3.78 | \$4.01 |
| June | \$3.89 | \$5.89 | \$3.89 | \$5.90 | \$3.78 | \$4.01 |
| July | \$3.91 | \$5.91 | \$3.89 | \$5.90 | \$3.79 | \$4.01 |
| August | \$3.91 | \$5.91 | \$3.91 | \$5.91 | \$3.79 | \$4.01 |
| September | \$3.89 | \$5.89 | \$3.87 | \$5.87 | \$3.77 | \$4.01 |
| October | \$3.90 | \$5.90 | \$3.87 | \$5.87 | \$3.77 | \$4.01 |
| November | \$4.04 | \$6.04 | \$4.02 | \$6.03 | \$3.91 | \$4.01 |
| December | \$4.18 | \$6.18 | \$4.15 | \$6.16 | \$4.04 | \$5.91 |

| | 25,000 MMBtud | | 50,000 MMBtud | |
|----------------|---------------|---------------|---------------|---------------|
| | Floor Price | Ceiling Price | Floor Price | Ceiling Price |
| April (closed) | \$4.01 | \$5.87 | \$3.59 | \$4.97 |
| May (closed) | \$3.92 | \$5.78 | \$3.54 | \$4.92 |
| June | \$3.89 | \$5.75 | \$3.56 | \$4.94 |
| July | \$3.91 | \$5.77 | \$3.59 | \$4.97 |
| August | \$3.91 | \$5.77 | \$3.60 | \$4.98 |
| September | \$3.89 | \$5.75 | \$3.60 | \$4.98 |
| October | \$3.90 | \$5.76 | \$3.60 | \$4.98 |
| November | \$4.04 | \$5.90 | \$3.77 | \$5.15 |
| December | \$4.18 | \$6.04 | \$3.92 | \$5.30 |

Mark-to-Market Line Item on the Income Statement

The mark-to-market line item on the income statement, which can be approximated using the data above and prices for closed and open NYMEX contracts at any time, would include not only the effect of cash settlements for the period, but also the gains or losses resulting from the changes in mark-to-market values at the beginning and end of the period for contracts in place for the balance of the year described above.

This mark-to-market computation is very sensitive to prices (can move up or down) and will largely be determined by closing NYMEX prices at June 30, 2003, which could differ significantly from those of the current market place.

III. Forward-Looking Statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are not guarantees of performance. Although EOG believes its expectations reflected in forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations will be achieved. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include, among others: the timing and extent of changes in commodity prices for crude oil, natural gas and related products and

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interest rates; the extent and effect of any hedging activities engaged in by EOG; the extent of EOG's success in discovering, developing, marketing and producing reserves and in acquiring oil and gas properties; the accuracy of reserve estimates, which by their nature involve the exercise of professional judgment and may therefore be imprecise; political developments around the world, including terrorist activities and responses to terrorist activities; acts of war; and financial market conditions. In light of these risks, uncertainties and assumptions, the events anticipated by EOG's forward-looking statements might not occur. EOG undertakes no obligations to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

Definitions

| | |
|----------|---|
| \$/Bbl | US Dollars per barrel |
| \$/Mcf | US Dollars per thousand cubic feet |
| \$/Mcfe | US Dollars per thousand cubic feet equivalent |
| \$/MMBtu | US Dollars per million British thermal units |
| \$MM | US Dollars in millions |
| Bbld | Barrels per day |
| Mbd | Thousand barrels per day |
| MM | Millions |
| MMBtud | Million British thermal units per day |
| MMcfd | Million cubic feet per day |
| NYMEX | New York Mercantile Exchange |
| WTI | West Texas Intermediate |

SIGNATURE

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

EOG RESOURCES, INC.

Date: May 5, 2003

By:/s/ TIMOTHY K. DRIGGERS
Timothy K. Driggers
Vice President, Accounting
and Land Administration
(Principal Accounting Officer)

EOG Resources, Inc.
Estimated Ranges
(See text for additional information)

2Q 2003

Full Year 2003

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Daily Production

| | | | | | | |
|---------------------|-----|---|-----|-----|---|-----|
| Natural Gas (MMcfd) | | | | | | |
| US | 620 | - | 650 | 640 | - | 660 |
| Canada | 150 | - | 170 | 155 | - | 175 |
| Trinidad | 130 | - | 140 | 140 | - | 160 |
| Total | 900 | - | 960 | 935 | - | 995 |

Crude Oil (Mbd)

| | | | | | | |
|----------|------|---|------|------|---|------|
| US | 17.0 | - | 17.8 | 18.0 | - | 19.0 |
| Canada | 1.6 | - | 2.0 | 1.7 | - | 2.2 |
| Trinidad | 1.8 | - | 2.4 | 2.0 | - | 2.6 |
| Total | 20.4 | - | 22.2 | 21.7 | - | 23.8 |

Natural Gas Liquids (Mbd)

| | | | | | | |
|--------|-----|---|-----|-----|---|-----|
| US | 1.9 | - | 2.3 | 1.7 | - | 2.8 |
| Canada | 0.5 | - | 1.0 | 0.5 | - | 1.0 |
| Total | 2.4 | - | 3.3 | 2.2 | - | 3.8 |

Operating Costs

| | | | | | | |
|--|--------|---|--------|--------|---|--------|
| Operating Costs | | | | | | |
| Unit Costs (\$/Mcfe) | | | | | | |
| Lease and Well | \$0.48 | - | \$0.50 | \$0.47 | - | \$0.50 |
| Depreciation, Depletion and Amortization | \$1.03 | - | \$1.07 | \$1.00 | - | \$1.06 |

Expenses (\$MM)

| | | | | | | |
|--------------------------------------|------|---|------|-------|---|-------|
| Exploration, Dry Hole and Impairment | 45.0 | - | 65.0 | 180.0 | - | 230.0 |
| General and Administrative | 23.0 | - | 27.0 | 90.0 | - | 105.0 |
| Capitalized Interest | 2.0 | - | 2.2 | 8.0 | - | 8.5 |
| Net Interest | 13.0 | - | 14.0 | 50.0 | - | 60.0 |

Taxes Other than Income (% of Revenue)

| | | | | | | |
|----------------|-----|---|-----|-----|---|-----|
| Taxes | 5.5 | - | 6.0 | 5.5 | - | 6.0 |
| Effective Rate | 32% | - | 37% | 32% | - | 37% |
| Deferred Ratio | 40% | - | 60% | 50% | - | 70% |

| | | | | | | |
|----------------------------|-----|---|-----|------|---|------|
| Preferred Dividends (\$MM) | 2.5 | - | 3.0 | 11.0 | - | 11.5 |
|----------------------------|-----|---|-----|------|---|------|

Shares Outstanding (MM) at March 31, 2003

| | |
|---|-------|
| Basic | 114.3 |
| Fully Diluted (based on stock price of \$39.56) | 116.0 |

Capital Expenditures Excluding Acquisitions

| | | | |
|------------------|-----|---|-----|
| (\$MM) - FY 2003 | 825 | - | 950 |
|------------------|-----|---|-----|

Pricing

| | | | | | | |
|--|--------|---|--------|--------|---|--------|
| Natural Gas (\$/Mcf) | | | | | | |
| Differentials (include the effect of physical contracts) | | | | | | |
| United States - below NYMEX Henry Hub | \$0.35 | - | \$0.45 | \$0.30 | - | \$0.50 |
| Canada - below NYMEX Henry Hub | \$0.60 | - | \$0.80 | \$0.80 | - | \$1.10 |
| Realizations | | | | | | |
| Trinidad | \$1.15 | - | \$1.25 | \$1.15 | - | \$1.25 |

Crude Oil (\$/Bbl)

| | | | | | | |
|----------------------|--------|---|--------|--------|---|--------|
| Differentials | | | | | | |
| US - below WTI | \$1.25 | - | \$1.75 | \$1.20 | - | \$1.50 |
| Canada - below WTI | \$3.00 | - | \$4.50 | \$2.75 | - | \$4.00 |
| Trinidad - below WTI | \$3.50 | - | \$4.50 | \$2.50 | - | \$3.50 |

