
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Form 10-Q

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2002

- ☐ **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.)

333 Clay Street, Suite 4200, Houston, Texas 77002-7361

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: 713-651-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 21, 2002.

Title of each class
Common Stock, \$.01 par value

Number of shares
115,537,357

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 Amounts) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
NET OPERATING REVENUES				
Natural Gas	\$ 224,018	\$ 229,653	\$ 631,874	\$1,108,667
Crude Oil, Condensate and Natural Gas Liquids	62,121	65,324	165,531	213,661
Gains (Losses) on Mark-to-market Commodity Derivative Contracts	(7,849)	58,750	(41,451)	95,033
Gains on Sales of Reserves and Related Assets and Other, Net	<u>1,579</u>	<u>445</u>	<u>921</u>	<u>112</u>
TOTAL	<u>279,869</u>	<u>354,172</u>	<u>756,875</u>	<u>1,417,473</u>
OPERATING EXPENSES				
Lease and Well	45,727	43,640	129,956	129,462
Exploration Costs	12,824	12,408	41,514	50,419
Dry Hole Costs	9,094	10,617	32,336	39,272
Impairments	11,802	20,597	34,548	52,628
Depreciation, Depletion and Amortization	100,208	103,351	292,624	294,782
General and Administrative	21,582	20,925	64,283	57,609
Taxes Other Than Income	<u>16,932</u>	<u>18,687</u>	<u>50,980</u>	<u>81,091</u>
TOTAL	<u>218,169</u>	<u>230,225</u>	<u>646,241</u>	<u>705,263</u>
OPERATING INCOME	61,700	123,947	110,634	712,210
OTHER INCOME (EXPENSE), NET	<u>(64)</u>	<u>1,272</u>	<u>(3,070)</u>	<u>1,883</u>
INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES	61,636	125,219	107,564	714,093
INTEREST EXPENSE, NET	<u>18,770</u>	<u>10,242</u>	<u>45,003</u>	<u>34,155</u>
INCOME BEFORE INCOME TAXES	42,866	114,977	62,561	679,938
INCOME TAX PROVISION	<u>13,979</u>	<u>43,014</u>	<u>19,807</u>	<u>256,525</u>
NET INCOME	28,887	71,963	42,754	423,413
PREFERRED STOCK DIVIDENDS	<u>2,758</u>	<u>2,759</u>	<u>8,274</u>	<u>8,237</u>
NET INCOME AVAILABLE TO COMMON	<u>\$ 26,129</u>	<u>\$ 69,204</u>	<u>\$ 34,480</u>	<u>\$ 415,176</u>
NET INCOME PER SHARE AVAILABLE TO COMMON				
Basic	<u>\$ 0.23</u>	<u>\$ 0.60</u>	<u>\$ 0.30</u>	<u>\$ 3.58</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.59</u>	<u>\$ 0.29</u>	<u>\$ 3.51</u>
AVERAGE NUMBER OF COMMON SHARES				
Basic	<u>115,621</u>	<u>115,692</u>	<u>115,555</u>	<u>115,982</u>
Diluted	<u>117,078</u>	<u>117,141</u>	<u>117,267</u>	<u>118,159</u>

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

PART I. FINANCIAL INFORMATION – (Continued)

ITEM 1. FINANCIAL STATEMENTS – (Continued)
EOG RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2002 (Unaudited)	December 31, 2001
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,782	\$ 2,512
Accounts Receivable, Net	196,782	194,624
Inventories	18,103	18,871
Assets from Price Risk Management Activities	-	19,161
Other	<u>90,712</u>	<u>37,253</u>
TOTAL	<u>313,379</u>	<u>272,421</u>
OIL AND GAS PROPERTIES (SUCCESSFUL EFFORTS METHOD)	6,584,002	6,065,603
Less: Accumulated Depreciation, Depletion and Amortization	<u>(3,301,246)</u>	<u>(3,009,693)</u>
Net Oil and Gas Properties	3,282,756	3,055,910
OTHER ASSETS	<u>96,822</u>	<u>85,713</u>
TOTAL ASSETS	<u>\$ 3,692,957</u>	<u>\$ 3,414,044</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 176,858	\$ 219,561
Accrued Taxes Payable	33,366	40,219
Dividends Payable	5,039	5,045
Liabilities from Price Risk Management Activities	10,101	-
Other	<u>43,418</u>	<u>46,022</u>
TOTAL	<u>268,782</u>	<u>310,847</u>
LONG-TERM DEBT	1,090,868	855,969
OTHER LIABILITIES	53,793	53,522
DEFERRED INCOME TAXES	613,675	551,020
SHAREHOLDERS' EQUITY		
Preferred Stock, \$.01 Par, 10,000,000 Shares Authorized:		
Series B, 100,000 Shares Issued, Cumulative, \$100,000,000 Liquidation Preference	98,293	98,116
Series D, 500 Shares Issued, Cumulative, \$50,000,000 Liquidation Preference	49,601	49,466
Common Stock, \$.01 Par, 320,000,000 Shares Authorized and 124,730,000 Shares Issued	201,247	201,247
Additional Paid in Capital	982	-
Unearned Compensation	(16,271)	(14,953)
Accumulated Other Comprehensive Income	(51,650)	(55,118)
Retained Earnings	1,687,437	1,668,708
Common Stock Held in Treasury, 9,209,257 shares at September 30, 2002 and 9,278,382 shares at December 31, 2001	<u>(303,800)</u>	<u>(304,780)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>1,665,839</u>	<u>1,642,686</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 3,692,957</u>	<u>\$ 3,414,044</u>

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

PART I. FINANCIAL INFORMATION – (Continued)

ITEM 1. FINANCIAL STATEMENTS – (Continued)
EOG RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Reconciliation of Net Income to Net Operating Cash Inflows:</i>		
Net Income	\$ 42,754	\$ 423,413
Items Not Requiring Cash		
Depreciation, Depletion and Amortization	292,624	294,782
Impairments	34,548	52,628
Deferred Income Taxes	38,225	170,315
Other, Net	16,102	9,483
Exploration Costs	41,514	50,419
Dry Hole Costs	32,336	39,272
Mark-to-market Commodity Derivative Contracts		
Total (Gains) Losses	41,451	(95,033)
Realized Gains (Losses)	(11,741)	27,798
Losses on Sales of Reserves and Related Assets	14	1,028
Tax Benefits from Stock Options Exercised	4,216	6,133
Other, Net	(1,552)	(2,748)
Changes in Components of Working Capital and Other Liabilities		
Accounts Receivable	902	138,819
Inventories	768	(4,953)
Accounts Payable	(45,292)	4,026
Accrued Taxes Payable	(38,303)	(17,300)
Other Liabilities	(919)	(1,067)
Other, Net	(19,662)	(46)
Changes in Components of Working Capital Associated with Investing and Financing Activities	<u>35,046</u>	<u>(43,527)</u>
NET OPERATING CASH INFLOWS	463,031	1,053,442
INVESTING CASH FLOWS		
Additions to Oil and Gas Properties	(541,034)	(754,035)
Exploration Costs	(41,514)	(50,419)
Dry Hole Costs	(32,336)	(39,272)
Proceeds from Sales of Reserves and Related Assets	6,334	7,380
Changes in Components of Working Capital Associated with Investing Activities	(35,590)	41,218
Other, Net	<u>(14,017)</u>	<u>(8,642)</u>
NET INVESTING CASH OUTFLOWS	(658,157)	(803,770)
FINANCING CASH FLOWS		
Long-Term Debt Borrowings (Repayments)	234,899	(157,978)
Dividends Paid	(21,878)	(21,306)
Treasury Stock Purchased	(24,288)	(103,008)
Proceeds from Sales of Treasury Stock	13,831	20,631
Other, Net	<u>(2,168)</u>	<u>3,181</u>
NET FINANCING CASH INFLOWS (OUTFLOWS)	200,396	(258,480)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,270	(8,808)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,512	20,152
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 7,782</u>	<u>\$ 11,344</u>

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

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. The consolidated financial statements of EOG Resources, Inc. and subsidiaries ("EOG") included herein have been prepared by management without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the 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, 2001 ("EOG's 2001 Annual Report").

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

As more fully discussed in Note 12 to the consolidated financial statements included in EOG's 2001 Annual Report, EOG engages in price risk management activities from time to time. Derivative financial instruments (primarily price swaps and collars) are utilized selectively to hedge the impact of market fluctuations on natural gas and crude oil prices. During the first nine months of 2002 and 2001, EOG elected not to designate any of its price risk management activities as accounting hedges, and accordingly, accounted for them using the mark-to-market accounting method.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 143 - "Accounting for Asset Retirement Obligations" effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires entities to record the fair value of a liability for legal obligations associated with the retirement of tangible long-lived assets. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. If the obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement. This statement will impact how EOG accounts for its abandonment liabilities related to its oil and gas properties. EOG is currently evaluating the effect of adopting SFAS No. 143 on its financial statements and will adopt the statement on January 1, 2003.

2. The following table sets forth the computation of basic and diluted earnings from net income available to common (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Numerator for basic and diluted earnings per share -				
Net income available to common	<u>\$ 26,129</u>	<u>\$ 69,204</u>	<u>\$ 34,480</u>	<u>\$ 415,176</u>
Denominator for basic earnings per share -				
Weighted average shares	115,621	115,692	115,555	115,982
Potential dilutive common shares -				
Stock options	1,252	1,385	1,474	1,911
Restricted stock and units	<u>205</u>	<u>64</u>	<u>238</u>	<u>266</u>
Denominator for diluted earnings per share -				
Adjusted weighted average shares	<u>117,078</u>	<u>117,141</u>	<u>117,267</u>	<u>118,159</u>
Net income per share of common stock				
Basic	<u>\$ 0.23</u>	<u>\$ 0.60</u>	<u>\$ 0.30</u>	<u>\$ 3.58</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.59</u>	<u>\$ 0.29</u>	<u>\$ 3.51</u>

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

3. The following table presents the components of EOG's comprehensive income for the three-month and nine-month periods ended September 30, 2002 and 2001 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net Income	\$ 28,887	\$ 71,963	\$ 42,754	\$ 423,413
Other Comprehensive Income				
Unrealized Loss on Available-for-sale Security, net of tax	-	(517)	-	(1,062)
Reclassification of Nontemporary Decline in Fair Value of Available-for-sale Security to Earnings	-	-	926	-
Foreign Currency Translation Adjustments	(20,977)	(13,943)	2,542	(18,801)
COMPREHENSIVE INCOME	<u>\$ 7,910</u>	<u>\$ 57,503</u>	<u>\$ 46,222</u>	<u>\$ 403,550</u>

4. Selected financial information about operating segments is reported below for the three-month and nine-month periods ended September 30, 2002 and 2001 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
NET OPERATING REVENUES				
United States	\$ 219,287	\$ 304,188	\$ 588,098	\$ 1,206,388
Canada	37,603	32,897	113,323	158,606
Trinidad	22,966	17,071	55,418	52,413
Other	13	16	36	66
TOTAL	<u>\$ 279,869</u>	<u>\$ 354,172</u>	<u>\$ 756,875</u>	<u>\$ 1,417,473</u>
OPERATING INCOME (LOSS)				
United States	\$ 40,056	\$ 101,409	\$ 61,839	\$ 593,073
Canada	7,123	12,966	17,151	99,088
Trinidad	14,642	9,865	34,132	26,354
Other	(121)	(293)	(2,488)	(6,305)
TOTAL	<u>61,700</u>	<u>123,947</u>	<u>110,634</u>	<u>712,210</u>
RECONCILING ITEMS				
Other Income (Expense), Net	(64)	1,272	(3,070)	1,883
Interest Expense, Net	18,770	10,242	45,003	34,155
INCOME BEFORE INCOME TAXES	<u>\$ 42,866</u>	<u>\$ 114,977</u>	<u>\$ 62,561</u>	<u>\$ 679,938</u>

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

5. EOG and numerous other companies in the natural gas industry are named as defendants in various lawsuits alleging violations of the Civil False Claims Act. These lawsuits have been consolidated for pre-trial proceedings in the United States District Court for the District of Wyoming. The plaintiffs contend that defendants have underpaid royalties on natural gas and natural gas liquids produced on federal and Indian lands through the use of below-market prices, improper deductions, improper measurement techniques and transactions with affiliated companies. Plaintiffs allege that the royalties paid by defendants were lower than the royalties required to be paid under federal regulations and that the forms filed by defendants with the Minerals Management Service reporting these royalty payments were false, thereby violating the Civil False Claims Act. The United States has intervened in certain of the cases as to some of the defendants, but has not intervened as to EOG. Based on EOG's present understanding of these cases, EOG believes that it has substantial defenses to these claims and intends to vigorously assert these defenses. However, if EOG is found to have violated the Civil False Claims Act, EOG could be subject to a variety of sanctions, including treble damages and substantial monetary fines.

There are various other suits and claims against EOG that have arisen in the ordinary course of business. However, management does not believe these suits and claims will individually or in the aggregate have a material adverse effect on the financial condition or results of operations of EOG. EOG has been named as a potentially responsible party in certain Comprehensive Environmental Response Compensation and Liability Act proceedings. However, management does not believe that any potential assessments resulting from such proceedings will individually or in the aggregate have a material adverse effect on the financial condition or results of operations of EOG.

6. From time to time, EOG repurchases shares of its common stock for purposes of reducing the number of shares of common stock outstanding and limiting the dilution resulting from common shares issued or anticipated to be issued under EOG's employee stock and stock option plans. For the first nine months of 2002, EOG repurchased 0.7 million shares of its common stock. For the first nine months of 2001, EOG repurchased 1.8 million shares of its common stock. To supplement its share repurchase program, EOG entered into a series of equity derivative transactions in the second quarter of 2001. During the second quarter of 2001, EOG sold put options obligating EOG to purchase up to 0.6 million shares of its common stock, with such options expiring in December 2001 at an average price of \$33.42. These transactions were accounted for as equity transactions with premiums received recorded to Additional Paid in Capital in the Consolidated Balance Sheets. These options expired unexercised in December 2001.
7. EOG Company of Canada ("EOG Canada") completed a sale via a private placement on April 2, 2002 of \$100 million of 7.00% Senior Notes due 2011. The notes constitute a further issuance of EOG Canada's 7.00% Senior Notes due 2011, first issued on December 5, 2001, and form a single series with those notes. Proceeds of the offering before the payment of expenses were approximately \$100.5 million, including accrued interest.
8. In July 2002, the \$300 million credit facility that was scheduled to expire was renewed at the same commitment level for a period of one year, which is the same period as the last renewal of this facility. This facility commits the banks to advance funds for a period up to and including July 23, 2003, with any outstanding balances under this facility maturing July 23, 2004. EOG has not drawn any funds under this facility.
9. As discussed in more detail in Item 1 of EOG's Form 10-K for the fiscal year ended December 31, 1999, under the heading "Relationship Between the Company and Enron Corp.," following the closing on August 16, 1999 of the Share Exchange between EOG and Enron Corp. ("Enron"), Enron issued to investors promissory notes that were mandatorily exchangeable at maturity into a maximum of 11.5 million shares of EOG common stock, which constituted all of Enron's remaining shares in EOG on the date the notes were issued. According to the prospectus for the notes, the notes are unsecured general corporate obligations of Enron. The maturity date for the notes was July 31, 2002. In light of Enron's bankruptcy, EOG believes it is unlikely that the notes will be exchanged for EOG common stock.

According to filings with the Securities and Exchange Commission, the 11.5 million shares of EOG common stock formerly held by Enron are currently held by an affiliate of Enron. By an order entered on June 21, 2002, the bankruptcy judge in the Enron bankruptcy case authorized the sale of the 11.5 million shares of EOG common stock in a manner specified in the judge's order, with the proceeds to be placed into escrow. The timing of the sale is to be determined by a committee of interested parties that does not include EOG. The entire 11.5 million shares have been included in EOG's outstanding common shares.

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Concluded)

EOG RESOURCES, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

10. During the second and third quarters of 2002, EOG, through a subsidiary, invested in and currently owns an approximate 31% equity interest in a Trinidad company named Nitrogen 2000 Unlimited ("Nitro"). The other shareholders in Nitro are subsidiaries of Ferrostaal AG, Halliburton and Clico Energy Company Limited. At September 30, 2002, the investment in Nitro was approximately \$13.6 million, with additional equity payments of \$14.1 million due over the next 20 months. Nitro is constructing an ammonia plant in Trinidad which is expected to commence production around 2005. Upon funding, Nitro will have a long-term debt balance of approximately \$228.0 million, which will be non-recourse to Nitro's shareholders. EOG will be liable for its share of any pre-completion deficiency funds loans to fund plant cost overruns up to \$15 million, approximately \$4.6 million of which is net to EOG's interest. EOG will also be liable for its share of any post-completion deficiency funds loans to fund the costs of operation, payment of principal and interest to the principal creditor and other cash deficiencies of Nitro up to \$30 million, approximately \$9.2 million of which is net to EOG's interest. The Shareholders' Agreement requires the consent of the holders of 90% or more of the shares to take certain material actions. Accordingly, given its current level of equity ownership, EOG is able to exercise significant influence over the operating and financial policies of Nitro and therefore, accounts for the investment using the equity method.
11. On October 30, 2002, EOG entered into a Senior Unsecured Term Loan Facility (the "Facility") with a group of banks whereby the banks agreed to lend EOG \$150 million with a maturity of three years. EOG will use the loan proceeds under this Facility to reduce outstanding commercial paper and uncommitted bank line borrowings. This Facility calls for interest to be charged at a spread over LIBOR or the Base rate at EOG's option, and contains the same covenants as those in EOG's \$300 million Long-Term Revolving Credit Agreement. EOG expects to draw under the Facility prior to November 15, 2002.

PART I. FINANCIAL INFORMATION (Continued)

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

The following review of operations for the three-month periods ended September 30, 2002 and 2001 should be read in conjunction with the consolidated financial statements of EOG Resources, Inc. and subsidiaries ("EOG") and Notes thereto.

Results of Operations

Three Months Ended September 30, 2002 vs. Three Months Ended September 30, 2001

EOG generated net income available to common of \$26.1 million for the third quarter of 2002 compared to \$69.2 million for the third quarter of 2001.

Net Operating Revenues. For the third quarter of 2002, net operating revenues were \$279.9 million compared to \$354.2 million for the third quarter of 2001. Wellhead volume and price statistics are summarized below:

	2002	2001
Natural Gas Volumes (MMcf per day)⁽¹⁾		
United States	630	681
Canada	<u>152</u>	<u>124</u>
North America	782	805
Trinidad	<u>164</u>	<u>116</u>
TOTAL	<u>946</u>	<u>921</u>
Average Natural Gas Prices (\$/Mcf)⁽²⁾		
United States	\$ 2.75	\$ 2.91
Canada	2.17	2.48
North America Composite	2.63	2.84
Trinidad	1.09	1.21
COMPOSITE	2.37	2.64
Crude Oil/Condensate Volumes (MBbl per day)⁽¹⁾		
United States	18.1	21.9
Canada	<u>2.2</u>	<u>1.8</u>
North America	20.3	23.7
Trinidad	<u>2.9</u>	<u>1.9</u>
TOTAL	<u>23.2</u>	<u>25.6</u>
Average Crude Oil/Condensate Prices (\$/Bbl)⁽²⁾		
United States	\$ 27.50	\$ 25.60
Canada	25.83	23.97
North America Composite	27.33	25.48
Trinidad	24.22	23.12
COMPOSITE	26.93	25.30
Natural Gas Liquids Volumes (MBbl per day)⁽¹⁾		
United States	2.7	3.6
Canada	<u>0.7</u>	<u>0.6</u>
TOTAL	<u>3.4</u>	<u>4.2</u>
Average Natural Gas Liquids Prices (\$/Bbl)⁽²⁾		
United States	\$ 15.92	\$ 15.46
Canada	11.23	12.10
COMPOSITE	14.96	14.99
Natural Gas Equivalent Volumes (MMcfe per day)⁽³⁾		
United States	755	834
Canada	<u>169</u>	<u>138</u>
North America	924	972
Trinidad	<u>181</u>	<u>128</u>
TOTAL	<u>1,105</u>	<u>1,100</u>
Total Bcfe⁽³⁾ Deliveries	102	101

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

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

(3) Million cubic feet equivalent per day or billion cubic feet equivalent, as applicable.

PART I. FINANCIAL INFORMATION (Continued)

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

Wellhead revenues decreased 7% to \$268.1 million in the third quarter of 2002 compared to \$288.9 million in the third quarter of 2001, primarily due to lower average wellhead natural gas prices and a decline in domestic natural gas and crude oil and condensate deliveries.

Wellhead natural gas revenues decreased approximately \$17.5 million primarily due to a decline in average wellhead natural gas prices, partially offset by an increase in natural gas deliveries in Trinidad and the Canada Division. The average wellhead price for natural gas decreased 10% to \$2.37 per Mcf for the third quarter of 2002 compared to \$2.64 per Mcf for the third quarter of 2001. The decrease in wellhead natural gas prices was due primarily to lower wellhead prices in the Denver and Canada Divisions.

Natural gas deliveries increased 3% to 946 MMcf per day for the third quarter of 2002 compared to 921 MMcf per day for the comparable period a year ago. The increase in natural gas deliveries was due to an increase in Trinidad of 41% from 116 MMcf per day in 2001 to 164 MMcf per day in 2002 and an increase in the Canada Division of 23% from 124 MMcf per day in 2001 to 152 MMcf per day in 2002. The higher production in 2002 was attributable to active drilling activities and strategic property and small corporate acquisitions in the Canada Division, and the commencement of production from the U(a) Block in Trinidad. This increase was partially offset by the decreased production in the United States Divisions of 7% or 51 MMcf per day.

Wellhead crude oil and condensate revenues decreased approximately \$2.1 million, due primarily to the decline in domestic crude oil and condensate deliveries, partially offset by an increase in wellhead crude oil and condensate prices. The average wellhead crude oil and condensate price increased 6% to \$26.93 per barrel for the third quarter of 2002 compared to \$25.30 per barrel for the comparable period a year ago.

Crude oil and condensate deliveries decreased 9% to 23.2 MBbl per day for the third quarter of 2002 compared to 25.6 MBbl per day for the third quarter of 2001. The decrease in volumes was primarily due to decreased crude oil and condensate production in the Offshore, Midland, Tyler and Denver Divisions as a result of a natural decline in production. This natural decline in production was partially offset by an increased production in Trinidad due to the commencement of production from the U(a) Block, and active drilling activities and strategic property and small corporate acquisitions in the Canada Division.

Natural gas liquids revenues were \$1.1 million lower than a year ago primarily due to a decrease in deliveries of 19%.

Other marketing activities associated with sales and purchases of natural gas increased net operating revenues by \$18.0 million compared to an increase of \$6.4 million in the third quarter of 2001.

During the third quarter of 2002, EOG recognized a loss from outstanding mark-to-market commodity price swaps of \$7.8 million compared to a gain of \$58.8 million for the prior year period. During the same period, net cash outflows from mark-to-market commodity price swaps were \$2.9 million compared to net cash inflows of \$27.3 million for the comparable period in 2001.

Operating Expenses. For the third quarter of 2002, operating expenses of \$218.2 million were approximately \$12.1 million lower than the third quarter of 2001.

Impairments decreased \$8.8 million to \$11.8 million in the third quarter of 2002 compared to a year ago due primarily to improved value-to-cost relationship on a field by field basis and decreased amortization of unproved leases in the third quarter of 2002.

Depreciation, depletion and amortization ("DD&A") of \$100.2 million decreased \$3.1 million from the prior year period due primarily to decreased production in the Offshore, Midland and Tyler Divisions, partially offset by the higher DD&A rates in the Canada Division as a result of certain strategic property and small corporate acquisitions.

PART I. FINANCIAL INFORMATION (Continued)

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
EOG RESOURCES, INC.**

Lease and well expenses of \$45.7 million were \$2.1 million higher than the comparable period a year ago due primarily to increases in the Canada Division due to additional wells that came on line as a result of more active drilling activities and strategic property acquisitions, partially offset by the decrease in the number of workover and re-completion projects in the Offshore Division.

Taxes other than income were \$1.8 million lower compared to a year ago due to decreased wellhead revenue in North America.

Interest Expense. For the third quarter of 2002, interest expense increased \$8.5 million, or 83%, to \$18.8 million compared to the third quarter of 2001. This increase is due primarily to a higher average debt balance for the third quarter of 2002 and the one-time close-out fees associated with the completion of the Section 29 (Tight Gas Sands Federal Income Tax Credits) financing begun several years ago.

Per-Unit Costs. The following table presents the per-unit costs for the three-month periods ended September 30, 2002 and 2001.

	Three Months Ended September 30,	
	2002	2001
Lease and Well	\$ 0.45	\$ 0.43
DD&A	0.99	1.02
G&A	0.21	0.21
Taxes Other than Income	0.17	0.19
Interest Expense	<u>0.18</u>	<u>0.10</u>
Total Per-Unit Costs	<u>\$ 2.00</u>	<u>\$ 1.95</u>

The higher per-unit interest expense rate for the three-month period ended September 30, 2002 compared to the same period in 2001, reflects a higher interest expense in the third quarter of 2002 for reasons delineated above in the interest expense discussion.

The lower per-unit rate of taxes other than income for the three-month period ended September 30, 2002 compared to the same period in 2001 is due primarily to the decrease in average wellhead natural gas price discussed in the Net Operating Revenues section above.

Income Tax Provision. For the third quarter of 2002, income tax provision decreased \$29.0 million to \$14.0 million compared to the third quarter of 2001, due to reductions in both the pre-tax income and the net effective tax rate. The decrease in the net effective tax rate for the third quarter of 2002 to 33% from 37% for the same period of 2001 was due primarily to reductions in the foreign and state effective income tax rates.

PART I. FINANCIAL INFORMATION (Continued)

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

Results of Operations

Nine Months Ended September 30, 2002 vs. Nine Months Ended September 30, 2001

In the first nine months of 2002, EOG generated net income available to common of \$34.5 million compared to \$415.2 million for the comparable period of 2001.

Net Operating Revenues. For the first nine months of 2002, net operating revenues were \$756.9 million compared to \$1,417.5 million for the comparable period of 2001. Wellhead volume and price statistics are summarized below:

	2002	2001
<i>Natural Gas Volumes (MMcf per day)⁽¹⁾</i>		
United States	631	696
Canada	<u>152</u>	<u>121</u>
North America	783	817
Trinidad	<u>128</u>	<u>114</u>
<i>TOTAL</i>	<u>911</u>	<u>931</u>
<i>Average Natural Gas Prices (\$/Mcf)⁽²⁾</i>		
United States	\$ 2.68	\$ 4.83
Canada	2.41	4.35
North America Composite	2.63	4.76
Trinidad	1.19	1.21
<i>COMPOSITE</i>	2.43	4.33
<i>Crude Oil/Condensate Volumes (MBbl per day)⁽¹⁾</i>		
United States	19.1	22.8
Canada	<u>2.0</u>	<u>1.7</u>
North America	21.1	24.5
Trinidad	<u>2.2</u>	<u>2.0</u>
<i>TOTAL</i>	<u>23.3</u>	<u>26.5</u>
<i>Average Crude Oil/Condensate Prices (\$/Bbl)⁽²⁾</i>		
United States	\$ 24.05	\$ 26.84
Canada	23.19	24.73
North America Composite	23.97	26.69
Trinidad	22.47	26.94
<i>COMPOSITE</i>	23.82	26.71
<i>Natural Gas Liquids Volumes (MBbl per day)⁽¹⁾</i>		
United States	3.1	3.5
Canada	<u>0.8</u>	<u>0.5</u>
<i>TOTAL</i>	<u>3.9</u>	<u>4.0</u>
<i>Average Natural Gas Liquids Prices (\$/Bbl)⁽²⁾</i>		
United States	\$ 13.72	\$ 18.69
Canada	10.05	17.23
<i>COMPOSITE</i>	13.03	18.50
<i>Natural Gas Equivalent Volumes (MMcfe per day)⁽³⁾</i>		
United States	765	854
Canada	<u>168</u>	<u>135</u>
North America	933	989
Trinidad	<u>141</u>	<u>125</u>
<i>TOTAL</i>	<u>1,074</u>	<u>1,114</u>
<i>Total Bcfe⁽³⁾ Deliveries</i>	293	304

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

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

(3) Million cubic feet equivalent per day or billion cubic feet equivalent, as applicable.

PART I. FINANCIAL INFORMATION (Continued)

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

Wellhead revenues decreased 41% to \$769.4 million in the first nine months of 2002 compared to \$1,314.1 million in the first nine months of 2001, primarily due to lower average wellhead natural gas prices and a decline in domestic natural gas and crude oil and condensate deliveries.

Wellhead natural gas revenues decreased approximately \$496.6 million primarily due to a decline in average wellhead natural gas prices and domestic natural gas deliveries. The average wellhead price for natural gas decreased 44% to \$2.43 per Mcf for the first nine months of 2002 compared to \$4.33 per Mcf for the first nine months of 2001.

Natural gas deliveries declined 2% to 911 MMcf per day for the first nine months of 2002 compared to 931 MMcf per day for the comparable period a year ago. The lower production was primarily due to a natural production decline in the Offshore, Oklahoma City, Midland and Tyler Divisions, partially offset by increased production in Trinidad and the Canada Division.

Wellhead crude oil and condensate revenues decreased approximately \$41.7 million, primarily due to the decline in both wellhead crude oil and condensate prices and domestic deliveries. The average wellhead crude oil and condensate price decreased 11% to \$23.82 per barrel for the first nine months of 2002 compared to \$26.71 per barrel for the comparable period a year ago.

Crude oil and condensate deliveries decreased 12% to 23.3 MBbl per day for the first nine months of 2002 compared to 26.5 MBbl per day for the first nine months of 2001. The decrease was primarily due to decreased crude oil and condensate production in the Offshore, Midland, Tyler and Corpus Christi Divisions, partially offset by increased production in Trinidad and the Canada Division.

Natural gas liquids revenues were \$6.4 million lower than a year ago primarily due to a decrease in price of 30% and a decrease in deliveries of 3%.

Other marketing activities associated with sales and purchases of natural gas increased net operating revenues by \$28.0 million compared to an increase of \$9.0 million for the same period in 2001.

During the first nine months of 2002, EOG recognized a loss from outstanding mark-to-market commodity price swaps of \$41.5 million compared to a gain of \$95.0 million for the prior year period. During the same period, net cash outflows from mark-to-market commodity price swaps were \$11.7 million compared to net cash inflows of \$27.8 million for the comparable period in 2001.

Operating Expenses. For the first nine months of 2002, operating expenses of \$646.2 million were approximately \$59.0 million lower than the first nine months of 2001.

Taxes other than income were \$30.1 million lower compared to a year ago due to decreased wellhead revenue in North America resulting in lower production taxes and a decrease in ad valorem taxes.

Impairments decreased \$18.1 million to \$34.5 million in the first nine months of 2002 compared to a year ago due primarily to improved value-to-cost relationship on a field by field basis and decreased amortization of unproved leases in the first nine months of 2002.

Exploration costs of \$41.5 million were \$8.9 million lower than a year ago due primarily to decreased geological and geoscience expenditures.

PART I. FINANCIAL INFORMATION (Continued)

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
EOG RESOURCES, INC.**

G&A expenses of \$64.3 million were \$6.7 million higher than a year ago due primarily to the settlement of litigation in the second quarter, increased insurance expense and expanded operations.

DD&A expenses of \$292.6 million decreased \$2.2 million from the prior year period due primarily to a natural production decline in the Midland, Oklahoma City, Tyler and Offshore Divisions, partially offset by higher per unit costs related to certain fields in the Denver Division and to the strategic property and small corporate acquisitions in Canada.

Interest Expense. For the nine months ended September 30, 2002, interest expense of \$45.0 million increased \$10.8 million compared to the same period a year ago. This increase is due primarily to a higher average debt balance for the nine months ended September 30, 2002 and the one-time close-out fees associated with the completion of the Section 29 (Tight Gas Sands Federal Income Tax Credits) financing begun several years ago.

Per-Unit Costs. The following table presents the per-unit costs for the nine-month periods ended September 30, 2002 and 2001.

	Nine Months Ended September 30,	
	2002	2001
Lease and Well	\$ 0.44	\$ 0.43
DD&A	1.00	0.97
G&A	0.22	0.19
Taxes Other than Income	0.17	0.27
Interest Expense	<u>0.15</u>	<u>0.11</u>
Total Per-Unit Costs	<u>\$ 1.98</u>	<u>\$ 1.97</u>

The lower per-unit rate of taxes other than income for the first nine months of 2002 compared to the same period in 2001 is due primarily to a decrease in the average wellhead natural gas and crude oil and condensate prices, partially offset by an increase in property tax rate in certain United States Divisions.

The higher per-unit interest expense and G&A rates for the first nine months of 2002 compared to the same period in 2001 is due to reasons delineated in the above interest expense and G&A discussions.

Income Tax Provision. For the first nine months of 2002, income tax provision decreased \$236.7 million to \$19.8 million compared to the comparable period a year ago, due to reductions in both the pre-tax income and the net effective tax rate. The decrease in the net effective tax rate to 32% from 38% for the same period of 2001 was due primarily to reductions in the foreign and state effective income tax rates.

PART I. FINANCIAL INFORMATION (Continued)

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

Capital Resources and Liquidity

EOG's primary sources of cash during the nine months ended September 30, 2002 included funds generated from operations, proceeds from sales of reserves and related assets, proceeds from new borrowings and proceeds from sales of treasury stock. Primary cash outflows included funds used in operations, exploration and development expenditures, dividends and common stock repurchases.

Net operating cash inflows of \$463.0 million for the first nine months of 2002 decreased from \$1,053.4 million as compared to the first nine months of 2001 primarily attributable to lower average natural gas and liquids prices, partially offset by lower cash operating expenses.

Net investing cash outflows of approximately \$658.2 million for the first nine months of 2002 decreased from \$803.8 million versus the comparable prior year period due primarily to lower exploration and development expenditures partially offset by increased uses of working capital related to investing activities. Changes in Components of Working Capital Associated with Investing Activities included changes in accounts payable associated with the accrual of exploration and development expenditures and changes in inventories which represent materials and equipment used in drilling and related activities.

Exploration and development expenditures for the first nine months of 2002 and 2001 were as follows (in millions):

	2002	2001
United States	\$ 433	\$ 654
Canada	<u>149</u>	<u>143</u>
North America	582	797
Trinidad	33	39
Other	<u>-</u>	<u>8</u>
Subtotal	615	844
Deferred Income Taxes	<u>12</u>	<u>50</u>
TOTAL	<u>\$ 627</u>	<u>\$ 894</u>

Total exploration and development expenditures of \$627 million for the first nine months of 2002 were \$267 million, or 30% lower than the comparable prior year period due primarily to decreased United States development and exploratory activities. Included in the 2002 expenditures are \$408 million in development, \$151 million for exploration, \$49 million in property acquisitions, \$12 million in deferred income taxes and \$7 million in capitalized interest.

The level of exploration and development expenditures varies 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. There are no material continuing commitments associated with expenditure plans.

Cash provided by financing activities was \$200.4 million for the first nine months of 2002 versus cash used of \$258.5 million for the comparable prior year period. Financing activities for 2002 included new borrowings of \$234.9 million, cash dividend payments of \$21.9 million, proceeds from sales of treasury stock attributable to employee stock option exercises of \$13.8 million and common stock repurchases of \$24.3 million. New borrowings included \$100.0 million of commercial paper borrowings, an issuance of a \$100.0 million subsidiary note and \$34.9 million of borrowings from the uncommitted line of credit.

PART I. FINANCIAL INFORMATION (Continued)

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

In July 2002, the \$300 million credit facility that was scheduled to expire was renewed at the same commitment level for a period of one year, which is the same period as the last renewal of this facility. This facility commits the banks to advance funds for a period up to and including July 23, 2003, with any outstanding balances under this facility maturing July 23, 2004. EOG has not drawn any funds under this facility.

On October 30, 2002, EOG entered into a Senior Unsecured Term Loan Facility (the "Facility") with a group of banks whereby the banks agreed to lend EOG \$150 million with a maturity of three years. EOG will use the loan proceeds under this Facility to reduce outstanding commercial paper and uncommitted bank line borrowings. This Facility calls for interest to be charged at a spread over LIBOR or the Base rate at EOG's option, and contains the same covenants as those in EOG's \$300 million Long-Term Revolving Credit Agreement. EOG expects to draw under the Facility prior to November 15, 2002.

During the second and third quarters of 2002, EOG, through a subsidiary, invested in and currently owns an approximate 31% equity interest in a Trinidad company named Nitrogen 2000 Unlimited ("Nitro"). The other shareholders in Nitro are subsidiaries of Ferrostaal AG, Halliburton and Clico Energy Company Limited. At September 30, 2002, the investment in Nitro was approximately \$13.6 million, with additional equity payments of \$14.1 million due over the next 20 months. Nitro is constructing an ammonia plant in Trinidad which is expected to commence production around 2005. Upon funding, Nitro will have a long-term debt balance of approximately \$228.0 million, which will be non-recourse to Nitro's shareholders. EOG will be liable for its share of any pre-completion deficiency funds loans to fund plant cost overruns up to \$15 million, approximately \$4.6 million of which is net to EOG's interest. EOG will also be liable for its share of any post-completion deficiency funds loans to fund the costs of operation, payment of principal and interest to the principal creditor and other cash deficiencies of Nitro up to \$30 million, approximately \$9.2 million of which is net to EOG's interest. The Shareholders' Agreement requires the consent of the holders of 90% or more of the shares to take certain material actions. Accordingly, given its current level of equity ownership, EOG is able to exercise significant influence over the operating and financial policies of Nitro and therefore, accounts for the investment using the equity method.

Based upon existing economic and market conditions, management believes net operating cash flow and available financing alternatives will be sufficient to fund net investing and other cash requirements of EOG for the foreseeable future.

As more fully discussed in Note 12 to the consolidated financial statements included in EOG's 2001 Annual Report, EOG engages in price risk management activities from time to time. Derivative financial instruments (primarily price swaps and collars) are utilized selectively to hedge the impact of market fluctuations on natural gas and crude oil prices. During the first nine months of 2002, EOG elected not to designate any of its price risk management activities as accounting hedges, and accordingly, accounted for them using the mark-to-market accounting method.

At September 30, 2002, EOG had outstanding price swap contracts covering notional volumes of 200,000 million British thermal units per day ("MMBtu/d") of natural gas for October 2002 at an average price of \$3.13 per million British thermal units ("MMBtu") and 75,000 MMBtu/d of natural gas for the months of November 2002 and December 2002 at an average price of \$3.35 per MMBtu. At September 30, 2002, the fair value of these natural gas price swap contracts was a negative \$7.8 million.

At September 30, 2002, EOG had outstanding costless collar contracts that set a floor price of \$3.10 per MMBtu and ceiling prices that averaged \$3.43 per MMBtu covering notional volumes of 100,000 MMBtu/d of natural gas for October 2002. At September 30, 2002, the fair value of these costless collar contracts was a negative \$0.7 million.

At September 30, 2002, EOG had outstanding price swap contracts covering notional volumes of two thousand barrels per day of crude oil and condensate for the period October 2002 to December 2002 at a price of \$21.50 per barrel. At September 30, 2002, the fair value of these oil price swap contracts was a negative \$1.6 million.

On October 17, 2002, EOG entered into crude oil price swap contracts covering notional volumes of one thousand barrels per day of crude oil at an average price of \$25.89 per barrel for the year 2003. EOG will account for these crude oil price swap contracts using the mark-to-market accounting method.

On October 23, 2002, EOG entered into collar contracts that set an average floor price of \$3.67 per MMBtu and an average ceiling price of \$5.25 per MMBtu at a premium of \$0.10 per MMBtu covering notional volumes of 50,000 MMBtu/d of natural gas for the year 2003. EOG will account for these collar contracts using the mark-to-market accounting method.

PART I. FINANCIAL INFORMATION (Continued)

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

As discussed in more detail in Item 1 of EOG's Form 10-K for the fiscal year ended December 31, 1999, under the heading "Relationship Between the Company and Enron Corp.", following the closing on August 16, 1999, of the Share Exchange between EOG and Enron Corp. ("Enron"), Enron issued to investors promissory notes that are mandatorily exchangeable at maturity into a maximum of 11.5 million shares of EOG common stock, which constituted all of Enron's remaining shares in EOG on the date the notes were issued. According to the prospectus for the notes, the notes are unsecured general corporate obligations of Enron. The maturity date for the notes was July 31, 2002. In light of Enron's bankruptcy, EOG believes it is unlikely that the notes will be exchanged for EOG common stock.

According to filings with the Securities and Exchange Commission, the 11.5 million shares of EOG common stock formerly held by Enron are currently held by an affiliate of Enron. By an order entered on June 21, 2002, the bankruptcy judge in the Enron bankruptcy case authorized the sale of the 11.5 million shares of EOG common stock in a manner specified in the judge's order, with the proceeds to be placed into escrow. The timing of the sale is to be determined by a committee of interested parties that does not include EOG. The entire 11.5 million shares have been included in EOG's outstanding common shares.

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 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts, including, among others, statements regarding EOG's future financial position, business strategy, budgets, reserve information, projected levels of production, projected costs and plans and objectives of management for future operations, are forward-looking statements. EOG typically uses words such as "expect," "anticipate," "estimate," "strategy," "intend," "plan," "target" and "believe" or the negative of those terms or other variations of them or by comparable terminology to identify its forward-looking statements. In particular, statements, express or implied, concerning future operating results, the ability to increase reserves, or the ability to generate income or cash flows are forward-looking statements. 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 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 such activities; 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.

PART I. FINANCIAL INFORMATION (Concluded)

**ITEM 4. CONTROLS AND PROCEDURES
EOG RESOURCES, INC.**

Based on an evaluation of the disclosure controls and procedures conducted within 90 days prior to the filing date of this report on Form 10-Q, the Chairman of the Board and Chief Executive Officer, Mark G. Papa, and the President and Chief of Staff, and Principal Financial Officer, Edmund P. Segner, III, have concluded that the disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) promulgated under the Securities Exchange Act of 1934) are effective. There were no significant changes in the internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation thereof.

PART II. OTHER INFORMATION

EOG RESOURCES, INC.

ITEM 1. Legal Proceedings

See Part 1, Item 1, Note 5 to Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 5. Other Information

On September 11, 2002, the Audit Committee preapproved the retention of Deloitte & Touche LLP to advise and assist EOG in connection with its efforts to secure the payment of the federal income tax refund due under EOG's 2001 federal income tax return.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 99.1 - Certification of Periodic Report of Chief Executive Officer.

Exhibit 99.2 - Certification of Periodic Report of Principal Financial Officer.

(b) Reports on Form 8-K

During the third quarter of 2002, EOG filed the following Current Reports on Form 8-K:

- On July 24, 2002, to report certain proxy statement corrections and to provide an update on the Enron Corp. mandatorily exchangeable notes in Item 5 - Other Events; and to provide daily production and pricing estimates for second quarter 2002, to present summaries of the full year 2002 natural gas and crude oil financial price swap and physical contracts, to report anticipated financial results of the price risk management activities for the second quarter of 2002, and to provide an estimate for the full year 2002 production in Item 9 - Regulation FD Disclosure.
- On August 12, 2002, to report the delivery of the sworn statements by the chief executive officer and the principal financial officer of EOG as required by SEC Order 4-460 in Item 9 - Regulation FD Disclosure.
- On August 12, 2002, to provide estimates for the third and fourth quarters and full year 2002 in Item 9 - Regulation FD Disclosure.
- On August 30, 2002, to provide updated summaries on the third and fourth quarters 2002 natural gas and crude oil financial price swap and costless collar contracts in Item 9 - Regulation FD Disclosure

SIGNATURES

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.
(Registrant)

Date: October 30, 2002

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

CERTIFICATIONS

I, Mark G. Papa, the Principal Executive Officer of EOG Resources, Inc., a Delaware corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EOG Resources, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 30, 2002

/S/ MARK G. PAPA

Mark G. Papa

Chairman of the Board and Chief Executive Officer

CERTIFICATIONS (Concluded)

I, Edmund P. Segner, III, the Principal Financial Officer of EOG Resources, Inc., a Delaware corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EOG Resources, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 30, 2002

/S/ EDMUND P. SEGNER, III
Edmund P. Segner, III
President and Chief of Staff, and Principal Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Certification of Periodic Report of Chief Executive Officer.
99.2	Certification of Periodic Report of Principal Financial Officer.

CERTIFICATION OF PERIODIC REPORT

I, Mark G. Papa, Chairman of the Board and Chief Executive Officer of EOG Resources, Inc., a Delaware Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2002

/S/ MARK G. PAPA

Mark G. Papa
Chairman of the Board and
Chief Executive Officer

CERTIFICATION OF PERIODIC REPORT

I, Edmund P. Segner, III, President and Chief of Staff, and Principal Financial Officer of EOG Resources, Inc., a Delaware Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2002

/S/ EDMUND P. SEGNER, III

Edmund P. Segner, III
President and Chief of Staff,
and Principal Financial Officer