
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 March 31, 2003

- 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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 22, 2003.

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

Number of shares
114,580,393

EOG RESOURCES, INC.

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	<u>Page No.</u>
ITEM 1.	Financial Statements	
	Consolidated Statements of Income - Three Months Ended March 31, 2003 and 2002	3
	Consolidated Balance Sheets - March 31, 2003 and December 31, 2002	4
	Consolidated Statements of Cash Flows - Three Months Ended March 31, 2003 and 2002	5
	Notes to Consolidated Financial Statements	6
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
ITEM 4.	Controls and Procedures	16
PART II.	OTHER INFORMATION	
ITEM 1.	Legal Proceedings	17
ITEM 6.	Exhibits and Reports on Form 8-K	17
SIGNATURES		18
CERTIFICATIONS.....		19

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	
	March 31,	
	2003	2002
NET OPERATING REVENUES		
Natural Gas	\$ 434,091	\$ 176,584
Crude Oil, Condensate and Natural Gas Liquids	75,508	46,775
Losses on Mark-to-market Commodity Derivative Contracts	(45,221)	(34,295)
Other, Net	<u>291</u>	<u>(2,501)</u>
TOTAL	<u>464,669</u>	<u>186,563</u>
OPERATING EXPENSES		
Lease and Well	48,339	40,591
Exploration Costs	17,458	12,936
Dry Hole Costs	6,620	10,406
Impairments	11,956	12,063
Depreciation, Depletion and Amortization	103,553	94,460
General and Administrative	20,421	20,713
Taxes Other Than Income	<u>30,193</u>	<u>16,040</u>
TOTAL	<u>238,540</u>	<u>207,209</u>
OPERATING INCOME (LOSS)	226,129	(20,646)
OTHER INCOME (EXPENSE), NET	<u>152</u>	<u>(3,163)</u>
INCOME (LOSS) BEFORE INTEREST EXPENSE AND INCOME TAXES	226,281	(23,809)
INTEREST EXPENSE, NET	<u>15,318</u>	<u>12,051</u>
INCOME (LOSS) BEFORE INCOME TAXES	210,963	(35,860)
INCOME TAX PROVISION (BENEFIT)	<u>74,407</u>	<u>(11,619)</u>
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	136,556	(24,241)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX	<u>(7,131)</u>	<u>-</u>
NET INCOME (LOSS)	129,425	(24,241)
PREFERRED STOCK DIVIDENDS	<u>2,758</u>	<u>2,758</u>
NET INCOME (LOSS) AVAILABLE TO COMMON	<u>\$ 126,667</u>	<u>\$ (26,999)</u>
NET INCOME (LOSS) PER SHARE AVAILABLE TO COMMON		
Basic		
Net Income (Loss) Available to Common Before Cumulative Effect of Change in Accounting Principle	\$ 1.17	\$ (0.23)
Cumulative Effect of Change in Accounting Principle, net of tax	<u>(0.06)</u>	<u>-</u>
Net Income (Loss) Available to Common	<u>\$ 1.11</u>	<u>\$ (0.23)</u>
Diluted		
Net Income (Loss) Available to Common Before Cumulative Effect of Change in Accounting Principle	\$ 1.15	\$ (0.23)
Cumulative Effect of Change in Accounting Principle, net of tax	<u>(0.06)</u>	<u>-</u>
Net Income (Loss) Available to Common	<u>\$ 1.09</u>	<u>\$ (0.23)</u>
AVERAGE NUMBER OF COMMON SHARES		
Basic	<u>114,427</u>	<u>115,485</u>
Diluted	<u>116,224</u>	<u>115,485</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, Except Share Data)**

	March 31, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,833	\$ 9,848
Accounts Receivable, Net	370,384	259,308
Inventories	18,282	18,928
Other	99,713	106,708
TOTAL	<u>495,212</u>	<u>394,792</u>
OIL AND GAS PROPERTIES (SUCCESSFUL EFFORTS METHOD)	7,020,859	6,750,095
Less: Accumulated Depreciation, Depletion and Amortization	<u>(3,538,849)</u>	<u>(3,428,547)</u>
Net Oil and Gas Properties	3,482,010	3,321,548
OTHER ASSETS	93,433	97,666
TOTAL ASSETS	<u>\$ 4,070,655</u>	<u>\$ 3,814,006</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 222,756	\$ 201,931
Accrued Taxes Payable	35,145	23,170
Dividends Payable	5,004	5,007
Liabilities from Price Risk Management Activities	23,076	5,939
Other	45,309	40,304
TOTAL	<u>331,290</u>	<u>276,351</u>
LONG-TERM DEBT	1,044,208	1,145,132
OTHER LIABILITIES	150,890	59,180
DEFERRED INCOME TAXES	721,315	660,948
SHAREHOLDERS' EQUITY		
Preferred Stock, \$.01 Par, 10,000,000 Shares Authorized:		
Series B, 100,000 Shares Issued, Cumulative, \$100,000,000 Liquidation Preference	98,412	98,352
Series D, 500 Shares Issued, Cumulative, \$50,000,000 Liquidation Preference	49,691	49,647
Common Stock, \$.01 Par, 320,000,000 Shares Authorized and 124,730,000 Shares Issued	201,247	201,247
Additional Paid in Capital	1,396	-
Unearned Compensation	(18,802)	(15,033)
Accumulated Other Comprehensive Loss	(10,621)	(49,877)
Retained Earnings	1,846,031	1,723,948
Common Stock Held in Treasury, 10,151,036 shares at March 31, 2003 and 10,009,740 shares at December 31, 2002	<u>(344,402)</u>	<u>(335,889)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>1,822,952</u>	<u>1,672,395</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 4,070,655</u>	<u>\$ 3,814,006</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)

	Three Months Ended	
	March 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Reconciliation of Net Income to Net Operating Cash Inflows:</i>		
Net Income (Loss)	\$ 129,425	\$ (24,241)
Items Not Requiring (Providing) Cash		
Depreciation, Depletion and Amortization	103,553	94,460
Impairments	11,956	12,063
Deferred Income Taxes	50,441	(9,844)
Cumulative Effect of Change in Accounting Principle	7,131	-
Other, Net	2,611	4,025
Exploration Costs	17,458	12,936
Dry Hole Costs	6,620	10,406
Mark-to-market Commodity Derivative Contracts		
Total Losses	45,221	34,295
Realized Gains (Losses)	(27,929)	11,014
Tax Benefits from Stock Options Exercised	2,959	1,538
Losses on Sales of Reserves and Related Assets and Other, Net	69	216
Changes in Components of Working Capital and Other Liabilities		
Accounts Receivable	(111,034)	9,105
Inventories	646	569
Accounts Payable	20,670	(52,818)
Accrued Taxes Payable	23,434	(12,032)
Other Liabilities	(1,532)	1,330
Other, Net	(3,969)	(13,916)
Changes in Components of Working Capital Associated with Investing and Financing Activities	<u>8,832</u>	<u>42,338</u>
NET OPERATING CASH INFLOWS	286,562	121,444
INVESTING CASH FLOWS		
Additions to Oil and Gas Properties	(140,213)	(172,444)
Exploration Costs	(17,458)	(12,936)
Dry Hole Costs	(6,620)	(10,406)
Proceeds from Sales of Assets	7,320	1,772
Changes in Components of Working Capital Associated with Investing Activities	(8,860)	(42,226)
Other, Net	<u>(1,770)</u>	<u>(4,667)</u>
NET INVESTING CASH OUTFLOWS	(167,601)	(240,907)
FINANCING CASH FLOWS		
Long-Term Debt Borrowings (Repayments)	(100,924)	119,693
Dividends Paid	(7,241)	(7,282)
Treasury Stock Purchased	(21,295)	-
Proceeds from Sales of Treasury Stock	7,456	9,960
Other, Net	<u>28</u>	<u>(17)</u>
NET FINANCING CASH INFLOWS (OUTFLOWS)	(121,976)	122,354
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,015)	2,891
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,848	2,512
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 6,833</u>	<u>\$ 5,403</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

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 normal recurring 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, 2002 ("EOG's 2002 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.

Certain reclassifications have been made to prior period financial statements to conform with the current presentation.

As more fully discussed in Note 11 to the consolidated financial statements included in EOG's 2002 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 market prices. During the first quarter of 2003 and 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.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143 - "Accounting for Asset Retirement Obligations" effective for fiscal years beginning after June 15, 2002. As more fully discussed in Note 1 to the consolidated financial statements included in EOG's 2002 Annual Report, SFAS No. 143 essentially requires entities to record the fair value of a liability for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. EOG adopted the statement on January 1, 2003. The adoption of SFAS No. 143 did not have a material effect on the financial condition or results of operations of EOG (see Note 6).

In December 2002, the FASB issued SFAS No. 148 - "Accounting for Stock-Based Compensation-Transition and Disclosure - an amendment of FASB Statement No. 123." This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation, along with the requirement of disclosure in both annual and interim financial statements about the method used and effect on reported results (see Note 8). Subsequently, at the April 22, 2003 FASB meeting, the FASB decided to require all companies to expense the value of employee stock options. Companies will be required to measure the cost according to the fair value of the options. EOG continues to monitor the developments in this area as details of the implementation of the decision emerge.

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)
EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. The following table sets forth the computation of basic and diluted earnings per share from net income (loss) available to common (in thousands, except per share amounts). For the first quarter of 2002, 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.

	Three Months Ended	
	March 31,	
	2003	2002
Numerator for Basic and Diluted Earnings Per Share - Net Income (Loss) Available To Common	<u>\$ 126,667</u>	<u>\$ (26,999)</u>
Denominator for Basic Earnings Per Share - Weighted Average Shares	114,427	115,485
Potential Dilutive Common Shares - Stock Options	1,555	-
Restricted Stock and Units	<u>242</u>	<u>-</u>
Denominator for Diluted Earnings Per Share - Adjusted Weighted Average Shares	<u>116,224</u>	<u>115,485</u>
Net Income (Loss) Per Share of Common Stock		
Basic	<u>\$ 1.11</u>	<u>\$ (0.23)</u>
Diluted	<u>\$ 1.09</u>	<u>\$ (0.23)</u>

3. The following table presents the components of EOG's comprehensive income (loss):

	Three Months Ended	
	March 31,	
	2003	2002
	(In Thousands)	
Net Income (Loss)	\$ 129,425	\$ (24,241)
Other Comprehensive Income		
Foreign Currency Translation Adjustment	39,256	106
Available-for-Sale Security Transactions	<u>-</u>	<u>926</u>
Comprehensive Income (Loss)	<u>\$ 168,681</u>	<u>\$ (23,209)</u>

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Selected financial information about operating segments is reported below for the three-month periods ended March 31, 2003 and 2002:

	Three Months Ended March 31,	
	2003	2002
	(In Thousands)	
NET OPERATING REVENUES		
United States	\$ 358,505	\$ 140,869
Canada	80,689	30,407
Trinidad	25,464	15,277
Other	<u>11</u>	<u>10</u>
TOTAL	<u>\$ 464,669</u>	<u>\$ 186,563</u>
OPERATING INCOME (LOSS)		
United States	\$ 162,117	\$ (30,779)
Canada	51,390	1,276
Trinidad	16,971	8,877
Other	<u>(4,349)</u>	<u>(20)</u>
TOTAL	<u>226,129</u>	<u>(20,646)</u>
RECONCILING ITEMS		
Other Income (Expense), Net	152	(3,163)
Interest Expense, Net	<u>15,318</u>	<u>12,051</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>\$ 210,963</u>	<u>\$ (35,860)</u>

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. The plaintiffs in one of the two lawsuits in which EOG is involved dismissed EOG from that case without prejudice. 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 materially adverse effect on the financial condition or results of operations of EOG.

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. EOG adopted the SFAS No. 143 - "Accounting for Asset Retirement Obligations" on January 1, 2003. The impact of adopting the statement resulted in an after-tax loss of \$7.1 million, which is reported as cumulative effect of change in accounting principle. The following table presents the reconciliation of the beginning and ending aggregate carrying amount of short-term and long-term legal obligations associated with the retirements of oil and gas properties pursuant to SFAS No. 143 for the quarter ended March 31, 2003 (in thousands):

	<u>Asset Retirement Obligations</u>		
	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Balance at December 31, 2002	\$ -	\$ -	\$ -
Carrying Amount at Adoption	6,384	92,097	98,481
Liabilities Incurred	-	1,036	1,036
Liabilities Settled	(329)	(82)	(411)
Accretion	31	1,081	1,112
Foreign Currency Translation	43	697	740
Balance at March 31, 2003	<u>\$ 6,129</u>	<u>\$ 94,829</u>	<u>\$ 100,958</u>

Pro forma net income and earnings per share are not presented for the three months ended March 31, 2002 because the pro forma application of SFAS No. 143 to the prior period would not result in pro forma net income and earnings per share materially different from the actual amounts reported for the period in the accompanying Consolidated Statements of Income.

7. EOG, through certain wholly-owned subsidiaries, owns equity interests in two Trinidadian companies: Caribbean Nitrogen Company Limited ("CNCL") and Nitrogen (2000) Unlimited ("N2000"). During the first quarter of 2003, EOG completed separate share purchase agreements whereby a portion of the EOG subsidiaries' shareholdings in CNCL and N2000 was sold to a third party energy company. The sale left EOG with equity interests of approximately 12% in CNCL and 27% in N2000 and did not result in any gain or loss.

During the first quarter of 2003, N2000 received a revised certificate of environmental clearance from the Environmental Management Authority of Trinidad and Tobago and confirmation from the lender of N2000's long-term debt that the lender is satisfied with the revisions. As a result, the long-term debt is now non-recourse to the N2000 shareholders.

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Concluded)
EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. EOG has various stock plans ("the Plans") under which employees and non-employee members of the Board of Directors of EOG and its subsidiaries have been or may be granted certain equity compensation.

Stock Options. EOG has in place compensatory stock option plans whereby participants have been or may be granted rights to purchase shares of common stock of EOG at a price not less than the market price of the stock as of the date of grant.

EOG's pro forma net income (loss) and net income (loss) per share of common stock for the three-month periods ended March 31, 2003 and 2002, had compensation costs been recorded using the fair value method in accordance with SFAS No. 123 - "Accounting for Stock-Based Compensation," as amended by SFAS No. 148 - "Accounting for Stock-Based Compensation-Transition and Disclosure - an amendment of FASB Statement No. 123," are presented below pursuant to the disclosure requirement of SFAS No. 148 (in millions except per share data):

	Three Months Ended	
	March 31,	
	2003	2002
Net Income (Loss) Available to Common - As Reported	\$ 126.7	\$ (27.0)
Deduct: Total stock-based employee compensation expense	<u>(3.3)</u>	<u>(4.2)</u>
Net Income (Loss) Available to Common - Pro Forma	<u>\$ 123.4</u>	<u>\$ (31.2)</u>
Net Income (Loss) per Share Available to Common		
Basic - As Reported	<u>\$ 1.11</u>	<u>\$ (0.23)</u>
Basic - Pro Forma	<u>\$ 1.08</u>	<u>\$ (0.27)</u>
Diluted - As Reported	<u>\$ 1.09</u>	<u>\$ (0.23)</u>
Diluted - Pro Forma	<u>\$ 1.06</u>	<u>\$ (0.27)</u>

The effects of applying SFAS No. 123, as amended, should not be interpreted as being indicative of future effects. The statement does not apply to awards prior to 1995, and the extent and timing of additional future awards cannot be predicted.

Restricted Stock and Units. Under the Plans, employees may be granted restricted stock and/or units without cost to them. Related compensation expense for the three-month periods ended March 31, 2003 and 2002 was \$1.3 million and \$1.1 million, respectively.

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 March 31, 2003 and 2002 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 March 31, 2003 vs. Three Months Ended March 31, 2002

Net Operating Revenues. Wellhead volume and price statistics for the specified quarters were as follows:

	Three Months Ended March 31,	
	2003	2002
Natural Gas Volumes (MMcf per day)⁽¹⁾		
United States	642	635
Canada	158	145
North America	800	780
Trinidad	154	108
TOTAL	<u>954</u>	<u>888</u>
Average Natural Gas Prices (\$/Mcf)⁽²⁾		
United States	\$ 5.92	\$ 2.25
Canada	5.18	2.29
North America Composite	5.77	2.26
Trinidad	1.32	1.27
COMPOSITE	5.05	2.14
Crude Oil/Condensate Volumes (MBbl per day)⁽¹⁾		
United States	18.4	20.0
Canada	2.1	1.8
North America	20.5	21.8
Trinidad	2.3	1.9
TOTAL	<u>22.8</u>	<u>23.7</u>
Average Crude Oil/Condensate Prices (\$/Bbl)⁽²⁾		
United States	\$ 32.96	\$ 20.07
Canada	31.78	19.10
North America Composite	32.84	19.99
Trinidad	33.27	17.68
COMPOSITE	32.89	19.80
Natural Gas Liquids Volumes (MBbl per day)⁽¹⁾		
United States	3.1	3.9
Canada	0.7	0.7
TOTAL	<u>3.8</u>	<u>4.6</u>
Average Natural Gas Liquids Prices (\$/Bbl)⁽²⁾		
United States	\$ 23.24	\$ 11.30
Canada	22.09	8.48
COMPOSITE	23.04	10.84
Natural Gas Equivalent Volumes (MMcfe per day)⁽³⁾		
United States	771	778
Canada	174	161
North America	945	939
Trinidad	169	119
TOTAL	<u>1,114</u>	<u>1,058</u>
Total Bcfe⁽³⁾ Deliveries	100	95

(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.

During the first quarter of 2003, net operating revenues increased \$278 million to \$465 million. Total wellhead revenues of \$509 million increased by \$291 million, or 133%, as compared to a year ago.

Wellhead natural gas revenues for the first quarter of 2003 increased \$263 million, or 153%, as a result of higher average wellhead natural gas prices and increased natural gas deliveries primarily in Trinidad, Canada and the Corpus Christi and Oklahoma City Divisions. The composite average wellhead natural gas price increased 136% to \$5.05 per Mcf for the first quarter of 2003 compared to \$2.14 per Mcf for the same quarter of 2002.

Natural gas deliveries increased to 954 MMcf per day for the first quarter of 2003 compared to 888 MMcf per day a year ago. The increase in natural gas deliveries was primarily due to the production from the U(a) Block in Trinidad whose production commencement was not until the second quarter of 2002, an active drilling program and strategic property acquisitions beginning mid 2002 in Canada, and increased production in the Corpus Christi and Oklahoma City Divisions, partially offset by a general decline in production in the Tyler Division.

Wellhead crude oil and condensate revenues increased approximately \$25 million to \$68 million for the first quarter of 2003, primarily due to an increase in the average wellhead crude oil and condensate prices, offset slightly by the decrease in crude oil and condensate deliveries. The average wellhead price for crude oil and condensate increased 66% to \$32.89 per barrel compared to \$19.80 per barrel for the same quarter of 2002.

Crude oil and condensate deliveries decreased 4% to 22.8 MBbl per day for the first quarter of 2003 compared to 23.7 MBbl per day a year ago. The decrease in volumes was primarily due to a natural decline in crude oil and condensate production in the United States, partially offset by increased production in Trinidad and Canada.

Natural gas liquids revenues of \$8 million were approximately \$3 million higher than a year ago primarily due to an increase in prices of 113% and partially offset by a decrease in deliveries of 17%.

During the first quarter of 2003, EOG recognized a loss on mark-to-market commodity derivative contracts of \$45 million compared to a loss of \$34 million for the prior year period. During the first quarter of 2003, net cash outflows related to settled natural gas and crude oil financial price swap contracts and settled natural gas financial collar contracts were \$28 million compared to a net cash inflow of \$11 million for the comparable period in 2002.

Operating Expenses. For the first quarter of 2003, operating expenses of \$239 million were approximately \$32 million higher than that of the first three months of 2002.

Taxes other than income of \$30 million were \$14 million higher in the first quarter of 2003 compared to a year ago due to increased wellhead revenue in the United States resulting primarily from increased average wellhead natural gas prices along with increased natural gas production.

Depreciation, depletion and amortization ("DD&A") expenses of \$104 million increased \$9 million from the prior year period primarily due to higher DD&A in Canada and the Midland, Offshore and Corpus Christi Divisions. First quarter 2003 DD&A also included \$1 million of accretion expense related to SFAS No. 143 - "Accounting for Asset Retirement Obligations" which was adopted on January 1, 2003.

Lease and well expenses of \$48 million were \$8 million higher than the prior year period primarily due to expanding operations, higher production costs from certain properties, and increased activity resulting from higher production in Canada and the Corpus Christi Division along with an increase in transportation related costs in the Denver Division.

Exploration costs of \$18 million were \$5 million higher than the same period a year ago due primarily to increased exploratory activities in the United States.

Dry hole costs of \$7 million decreased \$4 million in the first quarter of 2003 compared to the same period a year ago.

PART I. FINANCIAL INFORMATION (Continued)

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

Interest Expense, Net. For the first quarter of 2003, interest expense increased approximately \$3 million compared to the first quarter of 2002. The increase was due primarily to a higher average debt balance during the first quarter of 2003 and a \$1 million interest charge related to a completed sales tax audit.

Per-Unit Costs. The following table presents the costs per Mcfe for the three-month periods ended March 31, 2003 and 2002:

	Three Months Ended March 31,	
	2003	2002
Lease and Well	\$ 0.48	\$ 0.43
DD&A	1.03	0.99
General and Administrative	0.21	0.22
Taxes Other than Income	0.30	0.17
Interest Expense	<u>0.15</u>	<u>0.13</u>
Total Per-Unit Costs	<u>\$ 2.17</u>	<u>\$ 1.94</u>

The higher per-unit rates of taxes other than income, lease and well, and interest expense for the three-month period ended March 31, 2003 compared to the same period in 2002 were due primarily to the reasons delineated in the above discussion.

The higher per-unit DD&A rate for the three-month period ended March 31, 2003 compared to the same period in 2002 was due primarily to increased production from higher cost properties in the Corpus Christi and Midland Divisions, and in Canada. The rate was also affected by the reduced reserve estimate for a certain offshore property. Accretion expense from the adoption of SFAS No. 143 increased the DD&A rate by \$0.01 in the first quarter of 2003.

Income Tax Provision. For the first quarter of 2003, income tax provision increased \$86 million to \$74 million compared to the first quarter of 2002 due to increases of both the pre-tax income and the net effective tax rate. The increase in the net effective tax rate for the first quarter of 2003 to 35% from 32% for the same period of 2002 was due primarily to the expiration of the Section 29 Credit provision in the Internal Revenue Code as of December 31, 2002 and increases in the overall foreign effective tax rate.

Capital Resources and Liquidity

EOG's primary sources of cash during the three months ended March 31, 2003 included funds generated from operations, proceeds from sales of partial interests in certain equity investments, proceeds from stock options exercised and proceeds from the sales of selected oil and gas reserves and related assets. Primary cash outflows included funds used in operations, exploration and development expenditures, repayments of debt, common stock repurchases and dividends paid to EOG shareholders.

Net operating cash inflows of \$287 million for the first three months of 2003 increased from \$121 million as compared to the first three months of 2002 due to higher net operating revenues resulting from higher natural gas and crude oil and condensate prices and natural gas production, net of increased cash operating expenses and current income taxes, along with higher tax benefits on stock options exercised.

Net investing cash outflows of approximately \$168 million for the first three months of 2003 decreased from \$241 million versus the comparable prior year period due primarily to lower exploration and development expenditures and decreased 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.

PART I. FINANCIAL INFORMATION (Continued)

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

Exploration and development expenditures for the first three months of 2003 and 2002 were as follows (in millions):

	Three Months Ended March 31,	
	2003	2002
United States	\$ 130	\$ 130
Canada	24	46
North America	154	176
Trinidad	1	20
Other	9	-
Subtotal	164	196
Deferred Income Tax Gross Up	-	3
TOTAL	<u>\$ 164</u>	<u>\$ 199</u>

Total exploration and development expenditures of \$164 million for the first three months of 2003 were \$35 million lower than the comparable prior year period due primarily to decreased exploratory and development activities in Trinidad and Canada. Included in the 2003 expenditures are \$102 million in development, \$51 million for exploration, \$9 million in property acquisitions, and \$2 million in capitalized interest.

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

Cash used by financing activities was \$122 million for the first three months of 2003 versus cash provided of \$122 million for the comparable prior year period. Financing activities for 2003 included the reduction of the outstanding balance on commercial paper borrowings and the uncommitted line of credit of \$93 and \$8 million, respectively, common stock repurchases of \$21 million, cash dividend payments to EOG shareholders of \$7 million, and proceeds from sales of treasury stock attributable to employee stock option exercises of \$7 million.

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 11 to the consolidated financial statements included in EOG's 2002 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 three months of 2003 and 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 March 31, 2003, EOG had outstanding natural gas financial collar contracts that set floor prices that averaged \$3.81 per million British thermal units ("MMBtu") and ceiling prices that averaged \$5.32 per MMBtu covering notional volumes of 125,000 million British thermal units per day ("MMBtud") of natural gas for the period April 2003 through December 2003. At March 31, 2003, the fair value of these natural gas financial collar contracts was a negative \$13 million.

At March 31, 2003, EOG had outstanding natural gas financial price swap contracts covering notional volumes of 100,000 MMBtud of natural gas for the period April 2003 through October 2003 at an average price of \$4.80 per MMBtu. At March 31, 2003, the fair value of these natural gas financial price swap contracts was a negative \$7 million.

PART I. FINANCIAL INFORMATION (Continued)

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

At March 31, 2003, EOG had outstanding crude oil financial price swap contracts covering notional volumes of three thousand barrels per day ("MBbld") of crude oil for April and May 2003 at an average price of \$27.40 per barrel and five MBbld of crude oil for the period June 2003 through December 2003 at a price of \$25.30 per barrel. At March 31, 2003, the fair value of these crude oil financial price swap contracts was a negative \$3 million.

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 replace or increase reserves or to increase production, 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; 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.

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 6. Exhibits and Current 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) Current Reports on Form 8-K

During the first quarter of 2003, EOG filed the following Current Reports on Form 8-K:

- On January 13, 2003, to provide estimates for the fourth quarter 2002, to present summaries of the full year 2003 natural gas and crude oil financial price swap and natural gas financial collar contracts and to report anticipated financial results of the price risk management activities for the fourth quarter of 2002 in Item 9 - Regulation FD Disclosure.
- On February 3, 2003, to provide updated summaries of the full year 2003 natural gas and crude oil financial price swap and natural gas financial collar contracts in Item 9 - Regulation FD Disclosure.
- On February 20, 2003, to present management's discussion and analysis of financial condition and results of operations for 2002, financial statements for 2002, and related exhibits in Item 7 - Financial Statements and Exhibits.
- On February 28, 2003, to provide estimates for the first quarter and full year 2003 and to present summaries of the full year 2003 natural gas and crude oil financial price swap and natural gas financial 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: May 6, 2003

By /s/ T. K. DRIGGERS
T. 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: May 6, 2003

/S/ MARK G. PAPA

Mark G. Papa
Chairman of the Board and Chief Executive Officer
(Principal 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: May 6, 2003

/S/ EDMUND P. SEGNER, III

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

EXHIBIT INDEX

**Exhibit
Number**

Description

- | | | |
|-------|----|---|
| *99.1 | -- | Certification of Periodic Report of Chief Executive Officer |
| *99.2 | -- | Certification of Periodic Report of Principal Financial Officer |

*Exhibits filed herewith