
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 June 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 **47-0684736**
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) 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 July 26, 2002.

<u>Title of each class</u>	<u>Number of shares</u>
Common Stock, \$.01 par value	116,168,001

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 June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
NET OPERATING REVENUES				
Natural Gas	\$ 231,272	\$ 357,536	\$ 407,856	\$ 879,013
Crude Oil, Condensate and Natural Gas Liquids	56,635	73,143	103,410	148,337
Gains (Losses) on Mark-to-market Commodity Derivative Contracts	693	36,849	(33,602)	36,283
Gains (Losses) on Sales of Reserves and Related Assets and Other, Net	<u>1,903</u>	<u>(1,480)</u>	<u>(658)</u>	<u>(332)</u>
TOTAL	<u>290,503</u>	<u>466,048</u>	<u>477,006</u>	<u>1,063,301</u>
OPERATING EXPENSES				
Lease and Well	43,638	43,248	84,229	85,822
Exploration Costs	15,754	17,746	28,690	38,011
Dry Hole Costs	12,836	12,971	23,242	28,655
Impairments	10,683	16,267	22,746	32,031
Depreciation, Depletion and Amortization	97,956	97,470	192,416	191,431
General and Administrative	21,988	18,735	42,701	36,684
Taxes Other Than Income	<u>18,008</u>	<u>25,372</u>	<u>34,048</u>	<u>62,404</u>
TOTAL	<u>220,863</u>	<u>231,809</u>	<u>428,072</u>	<u>475,038</u>
OPERATING INCOME	69,640	234,239	48,934	588,263
OTHER INCOME (EXPENSE), NET	<u>97</u>	<u>1,250</u>	<u>(3,006)</u>	<u>611</u>
INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES	69,737	235,489	45,928	588,874
INTEREST EXPENSE, NET	<u>14,182</u>	<u>10,624</u>	<u>26,233</u>	<u>23,913</u>
INCOME BEFORE INCOME TAXES	55,555	224,865	19,695	564,961
INCOME TAX PROVISION	<u>17,447</u>	<u>88,662</u>	<u>5,828</u>	<u>213,511</u>
NET INCOME	38,108	136,203	13,867	351,450
PREFERRED STOCK DIVIDENDS	<u>2,758</u>	<u>2,757</u>	<u>5,516</u>	<u>5,478</u>
NET INCOME AVAILABLE TO COMMON	<u>\$ 35,350</u>	<u>\$ 133,446</u>	<u>\$ 8,351</u>	<u>\$ 345,972</u>
NET INCOME PER SHARE OF COMMON STOCK				
Basic	<u>\$ 0.31</u>	<u>\$ 1.15</u>	<u>\$ 0.07</u>	<u>\$ 2.98</u>
Diluted	<u>\$ 0.30</u>	<u>\$ 1.13</u>	<u>\$ 0.07</u>	<u>\$ 2.92</u>
AVERAGE NUMBER OF COMMON SHARES				
Basic	<u>115,737</u>	<u>115,870</u>	<u>115,553</u>	<u>116,127</u>
Diluted	<u>117,689</u>	<u>118,047</u>	<u>117,397</u>	<u>118,551</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)

	June 30, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,206	\$ 2,512
Accounts Receivable, net	204,342	194,624
Inventories	17,058	18,871
Assets from Price Risk Management Activities	-	19,161
Other	<u>45,382</u>	<u>37,253</u>
TOTAL	<u>275,988</u>	<u>272,421</u>
OIL AND GAS PROPERTIES (SUCCESSFUL EFFORTS METHOD)	6,438,142	6,065,603
Less: Accumulated Depreciation, Depletion and Amortization	<u>(3,210,854)</u>	<u>(3,009,693)</u>
Net Oil and Gas Properties	3,227,288	3,055,910
OTHER ASSETS	<u>86,322</u>	<u>85,713</u>
TOTAL ASSETS	<u>\$ 3,589,598</u>	<u>\$ 3,414,044</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 167,921	\$ 219,561
Accrued Taxes Payable	31,703	40,219
Dividends Payable	5,058	5,045
Liabilities from Price Risk Management Activities	5,413	-
Other	<u>23,639</u>	<u>46,022</u>
TOTAL	<u>233,734</u>	<u>310,847</u>
LONG-TERM DEBT	1,035,843	855,969
OTHER LIABILITIES	52,018	53,522
DEFERRED INCOME TAXES	582,348	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	98,234	98,116
Series D, 500 Shares Issued, Cumulative, \$50,000,000 Liquidation Preference	49,556	49,466
Common Stock, \$.01 Par, 320,000,000 Shares Authorized and 124,730,000 Shares Issued	201,247	201,247
Unearned Compensation	(17,140)	(14,953)
Accumulated Other Comprehensive Income	(30,673)	(55,118)
Retained Earnings	1,665,936	1,668,708
Common Stock Held in Treasury, 8,569,954 shares at June 30, 2002 and 9,278,382 shares at December 31, 2001	<u>(281,505)</u>	<u>(304,780)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>1,685,655</u>	<u>1,642,686</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 3,589,598</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)

	Six Months Ended	
	June 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Reconciliation of Net Income to Net Operating Cash Inflows:</i>		
Net Income	\$ 13,867	\$ 351,450
Items Not Requiring Cash		
Depreciation, Depletion and Amortization	192,416	191,431
Impairments	22,746	32,031
Deferred Income Taxes	3,724	87,807
Other, Net	6,386	7,128
Exploration Costs	28,690	38,011
Dry Hole Costs	23,242	28,655
Mark-to-market Commodity Derivative Contracts		
Total (Gains) Losses	33,602	(36,283)
Realized Gains (Losses)	(8,828)	478
Losses on Sales of Reserves and Related Assets and Other, Net	4	1,128
Tax Benefits from Stock Options Exercised	2,403	8,039
Other, Net	1,010	(1,232)
Changes in Components of Working Capital and Other Liabilities		
Accounts Receivable	(9,722)	100,205
Inventories	1,813	(3,801)
Accounts Payable	(50,786)	(24,530)
Accrued Taxes Payable	(3,591)	55,579
Other Liabilities	(1,455)	4,144
Other, Net	(25,927)	(10,651)
Changes in Components of Working Capital Associated with Investing and Financing Activities	<u>44,497</u>	<u>(8,797)</u>
NET OPERATING CASH INFLOWS	274,091	820,792
INVESTING CASH FLOWS		
Additions to Oil and Gas Properties	(351,761)	(419,926)
Exploration Costs	(28,690)	(38,011)
Dry Hole Costs	(23,242)	(28,655)
Proceeds from Sales of Reserves and Related Assets	4,620	5,317
Changes in Components of Working Capital Associated with Investing Activities	(45,050)	6,860
Other, Net	<u>212</u>	<u>(4,912)</u>
NET INVESTING CASH OUTFLOWS	(443,911)	(479,327)
FINANCING CASH FLOWS		
Long-Term Debt Borrowings (Repayments)	179,874	(218,178)
Dividends Paid	(14,577)	(14,006)
Treasury Stock Purchased	-	(80,125)
Proceeds from Sales of Treasury Stock	13,073	16,055
Other, Net	<u>(1,856)</u>	<u>2,931</u>
NET FINANCING CASH INFLOWS (OUTFLOWS)	176,514	(293,323)
INCREASE IN CASH AND CASH EQUIVALENTS	6,694	48,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,512	20,152
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 9,206</u>	<u>\$ 68,294</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.

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

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 costless collars) are utilized selectively to hedge the impact of market fluctuations on natural gas and crude oil prices. During the first half 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.

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Numerator for basic and diluted earnings per share -				
Net income available to common	<u>\$ 35,350</u>	<u>\$ 133,446</u>	<u>\$ 8,351</u>	<u>\$ 345,972</u>
Denominator for basic earnings per share -				
Weighted average shares	115,737	115,870	115,553	116,127
Potential dilutive common shares -				
Stock options	1,719	1,996	1,609	2,175
Restricted stock and units	<u>233</u>	<u>181</u>	<u>235</u>	<u>249</u>
Denominator for diluted earnings per share -				
Adjusted weighted average shares	<u>117,689</u>	<u>118,047</u>	<u>117,397</u>	<u>118,551</u>
Net income per share of common stock				
Basic	<u>\$ 0.31</u>	<u>\$ 1.15</u>	<u>\$ 0.07</u>	<u>\$ 2.98</u>
Diluted	<u>\$ 0.30</u>	<u>\$ 1.13</u>	<u>\$ 0.07</u>	<u>\$ 2.92</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net Income	\$ 38,108	\$ 136,203	\$ 13,867	\$ 351,450
Other Comprehensive Income				
Unrealized Loss on Available-for-sale Security, net of tax	-	(879)	-	(545)
Reclassification of Nontemporary Decline in Fair Value of Available-for-sale Security to Earnings	-	-	926	-
Foreign Currency Translation Adjustments	<u>23,413</u>	<u>12,097</u>	<u>23,519</u>	<u>(4,858)</u>
Comprehensive Income	<u>\$ 61,521</u>	<u>\$ 147,421</u>	<u>\$ 38,312</u>	<u>\$ 346,047</u>

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Continued)

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
NET OPERATING REVENUES				
United States	\$ 227,942	\$ 398,211	\$ 368,811	\$ 902,200
Canada	45,373	51,179	75,720	125,709
Trinidad	17,175	16,634	32,452	35,342
Other	13	24	23	50
TOTAL	<u>\$ 290,503</u>	<u>\$ 466,048</u>	<u>\$ 477,006</u>	<u>\$1,063,301</u>
OPERATING INCOME (LOSS)				
United States	\$ 52,562	\$ 190,817	\$ 21,783	\$ 491,664
Canada	8,812	33,217	10,028	86,122
Trinidad	10,613	10,504	19,490	16,489
Other	(2,347)	(299)	(2,367)	(6,012)
TOTAL	<u>69,640</u>	<u>234,239</u>	<u>48,934</u>	<u>588,263</u>
RECONCILING ITEMS				
Other Income (Expense), Net	97	1,250	(3,006)	611
Interest Expense, Net	14,182	10,624	26,233	23,913
INCOME BEFORE INCOME TAXES	<u>\$ 55,555</u>	<u>\$ 224,865</u>	<u>\$ 19,695</u>	<u>\$ 564,961</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. 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.

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 half of 2002, EOG did not repurchase any shares of its common stock. For the first half 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.

PART I. FINANCIAL INFORMATION (Continued)

ITEM 1. FINANCIAL STATEMENTS (Concluded)

EOG RESOURCES, INC.

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

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 never 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 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.

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

EOG generated second quarter net income available to common of \$35 million compared to \$133 million for the second quarter of 2001. Net operating revenues were \$291 million compared to \$466 million for the second quarter of 2001. Following is an explanation of the variances causing this decrease.

Wellhead volume and price statistics are summarized below:

	2002	2001
Natural Gas Volumes (MMcf per day)⁽¹⁾		
United States	628	703
Canada	<u>159</u>	<u>123</u>
North America	787	826
Trinidad	<u>111</u>	<u>105</u>
TOTAL	<u>898</u>	<u>931</u>
Average Natural Gas Prices (\$/Mcf)⁽²⁾		
United States	\$ 3.05	\$ 4.61
Canada	2.76	4.14
North America Composite	2.99	4.54
Trinidad	1.27	1.22
COMPOSITE	2.77	4.16
Crude Oil/Condensate Volumes (MBbl per day)⁽¹⁾		
United States	19.2	23.5
Canada	<u>2.0</u>	<u>1.7</u>
North America	21.2	25.2
Trinidad	<u>1.9</u>	<u>1.9</u>
TOTAL	<u>23.1</u>	<u>27.1</u>
Average Crude Oil/Condensate Prices (\$/Bbl)⁽²⁾		
United States	\$ 24.86	\$ 26.82
Canada	23.93	24.99
North America Composite	24.77	26.69
Trinidad	24.46	28.73
COMPOSITE	24.74	26.84
Natural Gas Liquids Volumes (MBbl per day)⁽¹⁾		
United States	2.9	3.8
Canada	<u>0.7</u>	<u>0.5</u>
TOTAL	<u>3.6</u>	<u>4.3</u>
Average Natural Gas Liquids Prices (\$/Bbl)⁽²⁾		
United States	\$ 14.86	\$ 17.60
Canada	10.53	17.71
COMPOSITE	13.95	17.61
Natural Gas Equivalent Volumes (MMcfe per day)⁽³⁾		
United States	760	867
Canada	<u>175</u>	<u>136</u>
North America	935	1,003
Trinidad	<u>124</u>	<u>117</u>
TOTAL	<u>1,059</u>	<u>1,120</u>
Total Bcfe⁽³⁾ Deliveries	96	102

(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 33% to \$283 million in the second quarter of 2002 compared to \$426 million in the second quarter of 2001, primarily due to lower North America average wellhead natural gas prices and lower United States wellhead natural gas deliveries.

Average wellhead natural gas prices were down by 33%, decreasing net operating revenues by \$114 million. Average wellhead crude oil and condensate prices were 8% lower than the comparable period in 2001, decreasing net operating revenues by \$4 million. Second quarter 2002 wellhead natural gas deliveries were approximately 4% lower than the comparable period in 2001, decreasing net operating revenues by \$12 million. The decrease in volumes was primarily due to decreased natural gas production in the Midland, Offshore, Tyler and Oklahoma City divisions, partially offset by increased production in the Corpus Christi, Pittsburgh, International and Canada divisions. Wellhead crude oil and condensate deliveries were 15% lower than the prior year period, decreasing net operating revenues by \$10 million. The decrease was primarily due to decreased crude oil production in the Midland, Offshore, Tyler and Oklahoma City divisions. Natural gas liquids revenues were \$2 million lower than a year ago primarily due to a decrease in prices and deliveries of 21% and 16%, respectively.

During the second quarter of 2002, EOG recognized a gain from outstanding mark-to-market commodity price swaps of \$0.7 million compared to a gain of \$36.8 million for the prior year period. During the same period, net cash outflows from mark-to-market commodity price swaps were \$19.8 million compared to net cash inflows of \$0.7 million for the comparable period in 2001.

Operating expenses of \$221 million for the second quarter of 2002 were approximately \$11 million lower than the second quarter of 2001. Taxes other than income of \$18 million were \$7 million lower for the second quarter of 2002 compared to the same period a year ago due to decreased wellhead revenues in North America. Impairments decreased \$6 million to \$11 million in the second quarter of 2002 compared to a year ago due primarily to decreased amortization of unproved leases and decreased impairments of certain long-lived assets as a result of future cash flow analysis. General and administrative ("G&A") expenses were \$3 million higher compared to a year ago due primarily to the settlement of litigation. Exploration costs of \$16 million decreased \$2 million from the prior year period primarily due to decreased United States exploratory drilling activities. Depreciation, depletion and amortization ("DD&A"), dry hole costs and lease and well expenses remained essentially flat compared to the same period a year ago.

The per unit operating costs of EOG for lease and well, DD&A, G&A, interest expense, and taxes other than income averaged \$2.03 per Mcfe during the second quarter of 2002 compared to \$1.92 per Mcfe during the second quarter of 2001. The increase was primarily due to a higher per unit rate of DD&A, lease and well, G&A and interest expense partially offset by a lower per unit rate for taxes other than income.

During the second quarter of 2002, the increase in interest expense of \$4 million compared to the same period a year ago reflects a higher level of debt outstanding, partially offset by a decrease in interest rates.

Income tax provision for the second quarter of 2002 was \$17 million compared to \$89 million for the comparable period of 2001, primarily due to a lower pre-tax income and a lower effective tax rate.

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

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

In the first half of 2002, EOG generated net income available to common of \$8 million compared to \$346 million for the first half of 2001. Net operating revenues for the first half of 2002 were \$477 million compared to \$1,063 million for the first half of 2001.

Wellhead volume and price statistics are summarized below:

	2002	2001
Natural Gas Volumes (MMcf per day)		
United States	631	704
Canada	<u>152</u>	<u>120</u>
North America	783	824
Trinidad	<u>110</u>	<u>112</u>
TOTAL	<u>893</u>	<u>936</u>
Average Natural Gas Prices (\$/Mcf)		
United States	\$ 2.65	\$ 5.78
Canada	2.54	5.33
North America Composite	2.63	5.72
Trinidad	1.27	1.22
COMPOSITE	2.46	5.18
Crude Oil/Condensate Volumes (MBbl per day)		
United States	19.6	23.2
Canada	<u>1.9</u>	<u>1.8</u>
North America	21.5	25.0
Trinidad	<u>1.9</u>	<u>2.0</u>
TOTAL	<u>23.4</u>	<u>27.0</u>
Average Crude Oil/Condensate Prices (\$/Bbl)		
United States	\$ 22.42	\$ 27.44
Canada	21.66	25.12
North America Composite	22.36	27.28
Trinidad	21.11	28.79
COMPOSITE	22.26	27.40
Natural Gas Liquids Volumes (MBbl per day)		
United States	3.4	3.4
Canada	<u>0.7</u>	<u>0.5</u>
TOTAL	<u>4.1</u>	<u>3.9</u>
Average Natural Gas Liquids Prices (\$/Bbl)		
United States	\$ 12.83	\$ 20.41
Canada	9.51	20.39
COMPOSITE	12.21	20.41
Natural Gas Equivalent Volumes (MMcfe per day)		
United States	769	864
Canada	<u>168</u>	<u>133</u>
North America	937	997
Trinidad	<u>121</u>	<u>124</u>
TOTAL	<u>1,058</u>	<u>1,121</u>
Total Bcfe Deliveries	192	203

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 approximately 51% to \$501 million in the first half of 2002 compared to \$1,025 million in the first half of 2001.

Average wellhead natural gas prices for the first half of 2002 were approximately 53% lower than the comparable period of 2001 decreasing net operating revenues by approximately \$439 million. Average wellhead crude oil and condensate prices were down by 19% decreasing net operating revenues by \$22 million. First half 2002 wellhead natural gas deliveries were 5% lower than the comparable period in 2001, decreasing net operating revenues by \$40 million. The decrease in volumes was primarily due to decreased natural gas production in the Midland, Offshore, Tyler and Oklahoma City divisions, partially offset by increased production from the Pittsburgh and Canada divisions. Wellhead crude oil and condensate deliveries were 13% lower than the prior year period, decreasing net operating revenues by \$18 million. The decrease was primarily due to decreased crude oil and condensate production in the Midland, Oklahoma City, Offshore and Tyler divisions, partially offset by increased crude oil production in the Denver division. Natural gas liquids revenues were \$5 million lower than a year ago primarily due to a decrease in prices of 40%, partially offset by an increase in deliveries of 5%.

During the first six months of 2002, EOG recognized a loss from outstanding mark-to-market commodity price swaps of \$33.6 million compared to a gain of \$36.3 million for the prior year period. During the same period, net cash outflows from mark-to-market commodity price swaps were \$8.8 million compared to net cash inflows of \$0.5 million for the comparable period in 2001.

Operating expenses of \$428 million for the first half of 2002 were approximately \$47 million lower than the comparable period in 2001. Taxes other than income were \$28 million lower for the first half of 2002 compared to a year ago primarily due to decreased wellhead revenues in North America. Exploration costs and dry hole costs were respectively \$9 million and \$5 million lower than the comparable period a year ago due primarily to decreased North America and International exploratory activities. Impairments decreased \$9 million to \$23 million compared to the same period a year ago due primarily to decreased amortization of unproved leases and decreased impairments of certain long-lived assets as a result of future cash flow analysis. G&A expenses increased \$6 million to \$43 million, compared to the first six months of 2001, due primarily to the settlement of litigation in the second quarter and expanding operations. DD&A expense remained essentially flat compared to the same period a year ago.

The per unit operating costs of EOG for lease and well, DD&A, G&A, interest expense and taxes other than income averaged \$1.98 per Mcfe for the first half of 2002 compared to \$1.97 per Mcfe for the comparable period a year ago. The increase in the per unit rates for lease and well, DD&A, interest expense and G&A was offset by a lower per unit rate for taxes other than income.

For the first half of 2002, interest expense was \$2 million higher compared to the first half of 2001 due to a higher level of debt outstanding during the second quarter of 2002, partially offset by a decrease in interest rates.

Income tax provision for the first half of 2002 was \$6 million compared to \$214 million for the comparable period of 2001 primarily due to lower pre-tax income and a lower effective tax rate.

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 six months ended June 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 and dividends.

Net operating cash flows of \$274 million for the first six months of 2002 decreased approximately \$547 million as compared to the first six months of 2001 primarily reflecting lower operating revenues, partially offset by lower cash operating expenses.

Net investing cash outflows of approximately \$444 million for the first six months of 2002 decreased by \$35 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.

Total exploration and development expenditures for the first six months of 2002 and 2001 are as follows (in millions):

	2002	2001
United States	\$ 267	\$ 359
Canada	<u>106</u>	<u>99</u>
North America	373	458
Trinidad	31	21
Other	<u>-</u>	<u>8</u>
Subtotal	404	487
Deferred Income Taxes	<u>11</u>	<u>28</u>
TOTAL	<u>\$ 415</u>	<u>\$ 515</u>

Total exploration and development expenditures of \$415 million for the first six months of 2002 were \$100 million lower than the prior year period due primarily to decreased United States development and exploratory activities partially offset by increased Canadian and International development and exploratory activities.

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 provided by financing activities was \$177 million for the first six months of 2002 versus cash used of \$293 million for the comparable prior year period. Financing activities for 2002 included new borrowings of \$180 million, proceeds from sales of treasury stock of \$13 million and cash dividend payments of \$15 million. Financing activities for 2001 included repayments of debt of \$218 million, repurchases of EOG's common stock of \$80 million, proceeds from sales of treasury stock of \$16 million and cash dividend payments of \$14 million.

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 never drawn any funds under this facility.

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.

PART I. FINANCIAL INFORMATION (Continued)

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

At June 30, 2002, EOG had outstanding swap contracts covering notional volumes of 368 thousand barrels of crude oil and condensate for the period July 2002 to December 2002 at a price of \$21.50 per barrel. EOG elected not to designate these crude oil swap contracts as an accounting hedge of its crude oil production, and accordingly, is accounting for these swap contracts under mark-to-market accounting. At June 30, 2002, the fair value of these oil price swap contracts was a negative \$1.8 million.

At June 30, 2002, EOG had outstanding swap contracts covering notional volumes of 100,000 million British thermal units of natural gas per day ("MMBtu/d") for the period of July 2002 to October 2002 at an average price of \$3.21 per million British thermal units ("MMBtu") and 75,000 MMBtu/d for the months of November 2002 and December 2002 at an average price of \$3.35 per MMBtu. EOG elected not to designate these natural gas swap contracts as an accounting hedge of its natural gas production, and accordingly, is accounting for these swap contracts under mark-to-market accounting. At June 30, 2002, the fair value of these natural gas price swap contracts was a negative \$3.6 million.

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 II. OTHER INFORMATION

EOG RESOURCES, INC.

ITEM 1. Legal Proceedings

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

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of EOG Resources, Inc. was held on May 7, 2002, in Houston, Texas, for the purpose of electing a board of directors, ratifying the appointment of auditors and approving a nonemployee directors stock option plan. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's solicitations.

- (a) Each of the directors nominated by the Board and listed in the proxy statement was elected with votes as follows:

<u>Nominee</u>	<u>Shares For</u>	<u>Shares Withheld</u>
George A. Alcorn	101,454,143	780,196
Charles R. Crisp	101,490,679	743,660
Mark G. Papa	101,473,915	760,424
Edward Randall, III	101,389,362	844,977
Edmund P. Segner, III	101,496,056	738,283
Donald F. Textor	101,469,960	764,379
Frank G. Wisner	101,426,258	808,081

- (b) The appointment of Deloitte & Touche LLP, independent public accountants, as auditors for the year ending December 31, 2002 was approved by the following vote: 101,852,582 shares for; 316,329 shares against; and 65,429 shares abstaining.
- (c) EOG's Amended and Restated 1993 Nonemployee Directors Stock Option Plan was approved by the following vote: 97,958,619 shares for; 3,986,664 shares against; and 287,054 shares abstaining.

ITEM 5. Other Information

On August 7, 2002, the Audit Committee preapproved the retention of Deloitte & Touche LLP to provide the following services:

- (a) the audit of EOG's financial statements for the year ending December 31, 2002;
- (b) advice and research during calendar year 2002 regarding the accounting and tax treatment of matters arising in the ordinary course of business and in connection with potential acquisitions or dispositions of businesses or assets;
- (c) comfort letters during calendar year 2002 in connection with (i) securities offerings under EOG's Registration Statement on Form S-3, filed with the Securities and Exchange Commission ("SEC") on September 28, 2000, or any other Registration Statement filed by EOG or any of its subsidiaries and declared effective by the SEC, and (ii) securities offerings exempt from registration under the Securities Act of 1933, as amended; and
- (d) any other services that are customarily provided or necessary in connection with the foregoing.

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 the Principal Financial Officer.

(b) Reports on Form 8-K

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

- On April 5, 2002, to report the anticipated mark-to-market loss in the first quarter in Item 9 - Regulation FD Disclosure.

PART II. OTHER INFORMATION (Concluded)

EOG RESOURCES, INC.

- On April 12, 2002, to report the EOG Share Agreement with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. and Royal Bank of Canada in Item 5 - Other Events.
- On April 29, 2002, to provide estimate for the second quarter and full year 2002 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: August 13, 2002

By: /S/ TIMOTHY K. DRIGGERS
Timothy K. Driggers
Vice President, Accounting
and Land Administration
(Principal Accounting 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 June 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: August 13, 2002

/S/ MARK G. PAPA

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

CERTIFICATION OF PERIODIC REPORT

I, David R. Looney, Vice President, Finance and Treasurer, and the 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 June 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: August 13, 2002

/S/ DAVID R. LOONEY
David R. Looney
Vice President, Finance and Treasurer
(Principal Financial Officer)