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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2004

☐ **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 of incorporation or organization)	(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 October 19, 2004.

Title of each class	Number of shares
Common Stock, $.01 par value	118,575,129

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,	
	2004	**2003**	**2004**	**2003**
Net Operating Revenues				
Natural Gas	$ 448,131	$ 365,064	$ 1,296,052	$ 1,176,798
Crude Oil, Condensate and Natural Gas Liquids	123,379	67,664	316,238	204,643
Gains (Losses) on Mark-to-Market Commodity Derivative Contracts	22,743	23,628	(36,275)	(37,346)
Other, Net	(23)	2,368	1,556	4,052
Total	594,230	458,724	1,577,571	1,348,147
Operating Expenses				
Lease and Well	69,027	54,431	198,976	156,390
Exploration Costs	21,874	17,812	67,466	57,409
Dry Hole Costs	21,114	8,876	50,205	18,932
Impairments	17,930	26,117	51,289	63,548
Depreciation, Depletion and Amortization	130,257	110,438	360,278	320,578
General and Administrative	29,576	26,379	80,861	71,734
Taxes Other Than Income	29,952	21,359	95,824	63,247
Total	319,730	265,412	904,899	751,838
Operating Income	274,500	193,312	672,672	596,309
Other Income, Net	3,953	1,924	2,649	4,756
Income Before Interest Expense and Income Taxes	278,453	195,236	675,321	601,065
Interest Expense, Net	16,110	15,632	48,209	44,757
Income Before Income Taxes	262,343	179,604	627,112	556,308
Income Tax Provision	90,033	62,185	209,012	193,542
Net Income Before Cumulative Effect of Change in Accounting Principle	172,310	117,419	418,100	362,766
Cumulative Effect of Change in Accounting Principle, Net of Income Tax	-	-	-	(7,131)
Net Income	172,310	117,419	418,100	355,635
Preferred Stock Dividends	2,758	2,758	8,274	8,274
Net Income Available to Common	**$ 169,552**	**$ 114,661**	**$ 409,826**	**$ 347,361**
Net Income Per Share Available to Common				
Basic				
Net Income Available to Common Before Cumulative Effect of Change in Accounting Principle	$ 1.44	$ 1.00	$ 3.52	$ 3.09
Cumulative Effect of Change in Accounting Principle, Net of Income Tax	-	-	-	(0.06)
Net Income Available to Common	$ 1.44	$ 1.00	$ 3.52	$ 3.03
Diluted				
Net Income Available to Common Before Cumulative Effect of Change in Accounting Principle	$ 1.42	$ 0.99	$ 3.45	$ 3.05
Cumulative Effect of Change in Accounting Principle, Net of Income Tax	-	-	-	(0.06)
Net Income Available to Common	$ 1.42	$ 0.99	$ 3.45	$ 2.99
Average Number of Common Shares				
Basic	117,411	114,616	116,485	114,489
Diluted	119,677	116,370	118,710	116,284

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)

	September 30, 2004 (Unaudited)	December 31, 2003
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 81,908	$ 4,443
Accounts Receivable, Net	350,170	295,118
Inventories	30,739	21,922
Deferred Income Taxes	22,560	31,548
Other	72,302	42,983
Total	557,679	396,014
Oil and Gas Properties (Successful Efforts Method)	9,069,633	8,189,062
Less: Accumulated Depreciation, Depletion and Amortization	(4,311,597)	(3,940,145)
Net Oil and Gas Properties	4,758,036	4,248,917
Other Assets	108,882	104,084
Total Assets	$ 5,424,597	$ 4,749,015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 339,303	$ 282,379
Accrued Taxes Payable	59,168	33,276
Dividends Payable	7,497	6,175
Liabilities from Price Risk Management Activities	4,736	37,779
Deferred Income Taxes	66,746	73,611
Other	46,978	43,299
Total	524,428	476,519
Long-Term Debt	1,062,972	1,108,872
Other Liabilities	195,482	171,115
Deferred Income Taxes	915,803	769,128
Shareholders' Equity		
Preferred Stock, $.01 Par, 10,000,000 Shares Authorized:		
Series B, 100,000 Shares Issued, Cumulative, $100,000 Liquidation Preference	98,767	98,589
Series D, 500 Shares Issued, Cumulative, $50,000 Liquidation Preference	49,962	49,827
Common Stock, $.01 Par, 320,000,000 Shares Authorized and 124,730,000 Shares Issued	201,247	201,247
Additional Paid in Capital	15,586	1,625
Unearned Compensation	(32,555)	(23,473)
Accumulated Other Comprehensive Income	100,194	73,934
Retained Earnings	2,509,851	2,121,214
Common Stock Held in Treasury, 6,363,820 shares at September 30, 2004 and 8,819,600 shares at December 31, 2003	(217,140)	(299,582)
Total Shareholders' Equity	2,725,912	2,223,381
Total Liabilities and Shareholders' Equity	$ 5,424,597	$ 4,749,015

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,	
	2004	**2003**
Cash Flows From Operating Activities		
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Net Income	$ 418,100	$ 355,635
Items Not Requiring Cash		
Depreciation, Depletion and Amortization	360,278	320,578
Impairments	51,289	63,548
Deferred Income Taxes	158,216	123,431
Cumulative Effect of Change in Accounting Principle, Net of Income Tax	-	7,131
Other, Net	13,546	6,763
Exploration Costs	67,466	57,409
Dry Hole Costs	50,205	18,932
Mark-to-Market Commodity Derivative Contracts		
Total Losses	36,275	37,346
Realized Losses	(70,507)	(47,700)
Collar Premium	-	(1,365)
Tax Benefits from Stock Options Exercised	20,730	7,025
Other, Net	(208)	2,894
Changes in Components of Working Capital and Other Liabilities		
Accounts Receivable	(55,352)	(15,905)
Inventories	(8,817)	(1,860)
Accounts Payable	58,113	50,028
Accrued Taxes Payable	619	32,769
Other Liabilities	3,566	1,783
Other, Net	(531)	18,074
Changes in Components of Working Capital Associated with Investing and Financing Activities	(17,940)	(22,064)
Net Cash Provided by Operating Activities	1,085,048	1,014,452
Investing Cash Flows		
Additions to Oil and Gas Properties	(891,465)	(564,825)
Exploration Costs	(67,466)	(57,409)
Dry Hole Costs	(50,205)	(18,932)
Proceeds from Sales of Assets	12,771	12,361
Changes in Components of Working Capital Associated with Investing Activities	17,366	22,223
Other, Net	(14,322)	(70,366)
Net Cash Used in Investing Activities	(993,321)	(676,948)
Financing Cash Flows		
Net Commercial Paper and Line of Credit Repayments	(20,900)	(134,310)
Long-Term Debt Borrowings	150,000	-
Long-Term Debt Repayments	(175,000)	-
Dividends Paid	(27,828)	(22,878)
Treasury Stock Purchased	-	(21,295)
Proceeds from Stock Options Exercised	60,479	17,717
Other, Net	(1,013)	(2,097)
Net Cash Used in Financing Activities	(14,262)	(162,863)
Increase in Cash and Cash Equivalents	77,465	174,641
Cash and Cash Equivalents at Beginning of Period	4,443	9,848
Cash and Cash Equivalents at End of Period	**$ 81,908**	**$ 184,489**

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

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 (SEC). Accordingly, they reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods. 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, 2003 (EOG's 2003 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 2003 Annual Report, EOG engages in price risk management activities from time to time. These activities are intended to manage EOG's exposure to fluctuations in commodity prices for natural gas and crude oil. EOG utilizes commodity derivative financial instruments, primarily price swaps and collars, as the means to manage this price risk. In addition to these financial transactions, EOG is a party to various physical commodity contracts for the sale of hydrocarbons that cover varying periods of time and have varying pricing provisions. The financial impact of these various physical commodity contracts is included in revenues at the time of settlement, which in turn affects average realized hydrocarbon prices. During the first nine months of 2004 and 2003, EOG elected not to designate any of its commodity derivative financial contracts as accounting hedges, and accordingly, accounted for these commodity derivative financial contracts using the mark-to-market accounting method.

   EOG is exposed to foreign currency exchange rate risk inherent in its operations in foreign countries, including Canada, Trinidad and the United Kingdom. From time to time, EOG engages in exchange rate risk management activities to manage its exposure to exchange rates. Effective March 9, 2004, EOG entered into a foreign currency swap transaction with multiple banks to eliminate any exchange rate impacts that may result from the notes offered by one of the Canadian subsidiaries on the same date (see Note 8). EOG accounts for the foreign currency swap transaction using the hedge accounting method, pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 133 - "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137, 138 and 149. Under those provisions, as of September 30, 2004, EOG recorded the fair value of the swap of $9.1 million in Other Liabilities in the Liabilities section of the Consolidated Balance Sheets. Changes in the fair value of the foreign currency swap resulted in no net impact to the Consolidated Statements of Income. The after-tax net impact from the foreign currency swap transaction resulted in positive changes of $1.8 million and $0.1 million for the three-month and nine-month periods ended September 30, 2004, respectively. These amounts are included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets.

   On January 1, 2003, EOG adopted SFAS No. 143 - "Accounting for Asset Retirement Obligations" which 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. The impact of adopting the statement was an after-tax charge of $7.1 million, which was reported in the first quarter of 2003 as cumulative effect of change in accounting principle.

In December 2002, the Financial Accounting Standards Board (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 7). Subsequently, in March 2004, the FASB issued a proposed SFAS - "Share-Based Payment, an amendment of SFAS Nos. 123 and 95." The proposed standard would require share-based payments to employees, including stock options, to be expensed. The final ruling is expected to be issued by June 2005. EOG continues to monitor the developments in this area as details of the implementation of the final ruling emerge.

2. The following table sets forth the computation of net income per share available to common for the three-month and nine-month periods ended September 30, 2004 and 2003 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Numerator for Basic and Diluted Earnings Per Share - Net Income Available to Common	$169,552	$114,661	$409,826	$347,361
Denominator for Basic Earnings Per Share - Weighted Average Shares	117,411	114,616	116,485	114,489
Potential Dilutive Common Shares -				
Stock Options	1,745	1,476	1,733	1,512
Restricted Stock and Units	521	278	492	283
Denominator for Diluted Earnings Per Share - Adjusted Weighted Average Shares	119,677	116,370	118,710	116,284
Net Income Per Share of Common Stock				
Basic	$ 1.44	$ 1.00	$ 3.52	$ 3.03
Diluted	$ 1.42	$ 0.99	$ 3.45	$ 2.99

3. The following table presents the components of EOG's comprehensive income for the three-month and nine-month periods ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Comprehensive Income				
Net Income	$ 172,310	$ 117,419	$ 418,100	$ 355,635
Other Comprehensive Income				
Foreign Currency Translation Adjustment	56,919	2,935	26,173	90,358
Foreign Currency Swap Transaction	2,649	-	132	-
Income Tax Related to Foreign Currency Swap Transaction	(847)	-	(45)	-
Total	**$ 231,031**	**$ 120,354**	**$ 444,360**	**$ 445,993**

4. Selected financial information about operating segments is reported below for the three-month and nine-month periods ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Net Operating Revenues				
United States	$ 438,007	$ 363,791	$ 1,161,033	$ 1,050,833
Canada	109,066	69,665	309,833	223,278
Trinidad	43,427	25,268	102,975	74,036
United Kingdom(1)	3,730	-	3,730	-
Total	**$ 594,230**	**$ 458,724**	**$ 1,577,571**	**$ 1,348,147**
Operating Income (Loss)				
United States	$ 198,978	$ 139,291	$ 452,096	$ 427,721
Canada	48,121	36,776	157,139	128,297
Trinidad	26,011	17,679	67,289	45,386
United Kingdom(1)	1,390	(434)	(3,852)	(5,256)
Other	-	-	-	161
Total	**274,500**	**193,312**	**672,672**	**596,309**
Reconciling Items				
Other Income, Net	3,953	1,924	2,649	4,756
Interest Expense, Net	16,110	15,632	48,209	44,757
Income Before Income Taxes	**$ 262,343**	**$ 179,604**	**$ 627,112**	**$ 556,308**

(1) Exploratory activities in the United Kingdom began in June 2002. Production in the United Kingdom commenced in August 2004.

5. 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.

There are various other lawsuits and claims against EOG that have arisen in the ordinary course of business. However, management does not believe these lawsuits and claims will individually, or in the aggregate, have a material adverse effect on the financial condition or results of operations of EOG.

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

6. 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 retirement of oil and gas properties pursuant to SFAS No. 143 for the three-month periods ended March 31, June 30 and September 30, 2004 (in thousands):

	Asset Retirement Obligations		
	Short-Term	**Long-Term**	**Total**
Balance at December 31, 2003	$ 5,320	$ 118,624	$ 123,944
Liabilities Incurred	321	2,073	2,394
Liabilities Settled	(97)	(28)	(125)
Accretion	36	1,331	1,367
Foreign Currency Translation	(3)	(212)	(215)
Balance at March 31, 2004	5,577	121,788	127,365
Liabilities Incurred	-	2,863	2,863
Liabilities Settled	(748)	(4,520)	(5,268)
Accretion	17	1,316	1,333
Foreign Currency Translation	(10)	(372)	(382)
Balance at June 30, 2004	4,836	121,075	125,911
Liabilities Incurred	148	1,735	1,883
Liabilities Settled	(1,531)	(508)	(2,039)
Accretion	28	1,406	1,434
Revision	679	363	1,042
Reclassification	672	(672)	-
Foreign Currency Translation	45	997	1,042
Balance at September 30, 2004	**$ 4,877**	**$ 124,396**	**$ 129,273**

7. EOG has various stock plans (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 at the date of grant.

   Employee Stock Purchase Plan. EOG has in place an employee stock purchase plan, pursuant to Section 423 of the Internal Revenue Code of 1986, as amended, whereby participants are granted rights to purchase shares of common stock of EOG at a price that is 15% less than the market price of the stock on either the first day or the last day of a six-month offering period, whichever is less.

Pro Forma Information. EOG's pro forma net income available to common and net income per share available to common for the three-month and nine-month periods ended September 30, 2004 and 2003, if compensation costs of stock options and the employee stock purchase plan had 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 thousands, except per share amounts):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2004	**2003**	**2004**	**2003**
Net Income Available to Common - As Reported	$169,552	$114,661	$409,826	$347,361
Deduct: Total Stock-Based Employee Compensation Expense, Net of Income Tax	(3,210)	(5,491)	(8,630)	(11,138)
Net Income Available to Common - Pro Forma	$166,342	$109,170	$401,196	$336,223
Net Income Per Share Available to Common				
Basic - As Reported	$ 1.44	$ 1.00	$ 3.52	$ 3.03
Basic - Pro Forma	$ 1.42	$ 0.95	$ 3.44	$ 2.94
Diluted - As Reported	$ 1.42	$ 0.99	$ 3.45	$ 2.99
Diluted - Pro Forma	$ 1.39	$ 0.94	$ 3.38	$ 2.89

The effects of applying SFAS No. 123, as amended, in this pro forma disclosure should not be interpreted as being indicative of future effects. SFAS No. 123 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 September 30, 2004 and 2003 was $2.5 million and $1.5 million, respectively. Related compensation expense for the nine-month periods ended September 30, 2004 and 2003 was $6.9 million and $4.1 million, respectively.

Pension Plans. EOG has a non-contributory defined contribution pension plan and a matched defined contribution savings plan in place for most of its employees in the United States. EOG's contributions to these plans are based on various percentages of compensation, and in some instances, are based upon the amount of the employees' contributions to the plan. For the three-month periods ended September 30, 2004 and 2003, the contributions to these plans amounted to $1.9 million and $1.8 million, respectively. For the nine-month periods ended September 30, 2004 and 2003, the contributions to these plans amounted to $7.6 million and $5.7 million, respectively.

In addition, EOG's Canadian subsidiary maintains a non-contributory defined contribution pension plan and a matched savings plan. EOG's Trinidadian subsidiary maintains a contributory defined benefit pension plan and a matched savings plan. These plans are available to most employees of the Canadian and Trinidadian subsidiaries, and contributions related to these plans were $184,000 and $160,000 for the three-month periods ended September 30, 2004 and 2003, respectively. Contributions related to these plans were $611,000 and $445,000 for the nine-month periods ended September 30, 2004 and 2003, respectively.

PART I. FINANCIAL INFORMATION (Continued)

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

Postretirement Plan. During 2000, EOG adopted postretirement medical and dental benefits for eligible employees and their eligible dependents. Benefits are provided under the provisions of a contributory defined dollar benefit plan. EOG accrues these postretirement benefit costs over the service lives of the employees expected to be eligible to receive such benefits.

The following table summarizes EOG's postretirement benefit expense for the three-month and nine-month periods ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Service Cost	$ 33	$ 44	$ 139	$ 132
Interest Cost	28	32	107	96
Expected Return on Plan Assets	-	-	-	-
Amortization of Prior Service Cost	32	19	97	57
Amortization of Net Actuarial (Gain) Loss	(18)	-	(36)	-
Net Periodic Benefit Cost	**$ 75**	**$ 95**	**$ 307**	**$ 285**

EOG contributed $16,000 and $45,000 to fund its postretirement plan for the three-month and nine-month periods ended September 30, 2004, respectively. EOG presently anticipates contributing an additional $16,000 for a total of $61,000 for the year. EOG previously disclosed in its 2003 Annual Report that it expected to contribute $57,000 to its postretirement plan in 2004.

8. On March 9, 2004, EOG Resources Canada Inc., a wholly owned subsidiary of EOG, issued notes with a total principal amount of US$150 million, an annual interest rate of 4.75% and a maturity date of March 15, 2014, under Rule 144A of the Securities Act of 1933, as amended. The notes are guaranteed by EOG. In conjunction with the offering, EOG entered into a foreign currency swap transaction with multiple banks for the equivalent amount of the notes and related interest, which has in effect converted this indebtedness into CAD$201.3 million with a 5.275% interest rate.

   On March 31, 2004, EOG repaid $75 million of its $150 million, floating rate Senior Unsecured Term Loan Facility with a maturity date of October 30, 2005.

   On September 15, 2004, EOG repaid in full upon maturity the $100 million, 6.5% notes.

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

Overview

EOG Resources, Inc. (EOG) is one of the largest independent (non-integrated) oil and gas companies in the United States and has substantial proved reserves in the United States, Canada, offshore Trinidad and, to a lesser extent, the United Kingdom North Sea. EOG operates under a business strategy that focuses predominantly on three factors: achieving a strong reinvestment rate of return on its capital program, drilling internally generated prospects in order to find and develop low cost reserves, and maintaining a strong balance sheet, with a below industry average debt-to-total capitalization ratio.

Operations

United States and Canada. EOG's effort to identify plays with larger reserve potential has proven a successful supplement to its base development and exploitation program in the United States and Canada. EOG plans to continue to drill smaller wells in large acreage plays, which, in the aggregate, will contribute substantially to EOG's crude oil and natural gas production. EOG has several larger potential plays under way in Wyoming, Utah and Texas, including the Barnett Shale. To date, EOG has leased approximately 345,000 net acres in the non-core Barnett Shale area (with the core area defined primarily as western Denton and eastern Wise Counties, Texas). While EOG has continued to drill successful wells in the Barnett Shale through the use of 3-D seismic and horizontal drilling techniques, significant production growth or reserve additions are not anticipated from the Barnett Shale until 2005 and beyond.

In South Texas, EOG has continued its success in the Roleta and Frio Formations. Through the use of 3-D seismic, EOG has expanded the inventory of drilling locations in the Roleta Formation and also expects to continue an active drilling program in the Frio Formation.

International. In Trinidad, EOG drilled two development wells at its Parula Discovery during the second quarter of 2004. Production from these wells are among the sources to supply existing gas contracts, as well as feeding a new methanol plant that is scheduled to commence operations in 2005. EOG completed an additional development well on the U(a) block which will primarily supply natural gas to the Caribbean Nitrogen Company Limited (CNCL) and the Nitrogen (2000) Unlimited (N2000) ammonia plants. The N2000 plant achieved full plant productivity in August 2004.

Although EOG continues to focus on United States and Canadian natural gas, EOG sees an increasing linkage between United States and Canadian natural gas demand and Trinidadian natural gas supply. For example, liquefied natural gas (LNG) imports from existing and planned facilities in Trinidad are expected to help meet decreasing United States supply. In addition, ammonia, methanol and chemical production has been relocating from the United States and Canada to Trinidad, driven by attractive natural gas prices in the island nation. EOG anticipates that its existing position with the supply contracts to the two ammonia plants and the new methanol plant will continue to give its portfolio an even broader exposure to United States and Canadian natural gas fundamentals.

In EOG's new venue in the Southern Gas Basin of the United Kingdom North Sea, EOG commenced production from its Valkyrie well in August 2004 and is on track to commence production from its Arthur well by the end of 2004. Total production from the two wells is estimated to be approximately 40 MMcfed, net, by year-end 2004. These wells were farm-in opportunities from major oil companies. EOG is reviewing additional farm-in opportunities in this area. Earlier in the year, EOG commenced preparations to become an exploration operator in the United Kingdom and received necessary government approval in August 2004.

Capital Structure

As noted, one of management’s key strategies is to keep a strong balance sheet with a consistently below industry average debt-to-total capitalization ratio. During the first nine months of 2004, EOG reduced debt by $46 million and increased its cash position by $77 million. At September 30, 2004, its debt-to-total capitalization ratio was 28.1%, down from 33.3% at December 31, 2003. On March 9, 2004, EOG Resources Canada Inc., a wholly owned subsidiary of EOG, issued notes with a total principal amount of US$150 million. The proceeds from these notes, along with the cash provided from operating activities, allowed EOG to fund the first nine months of the 2004 capital program of $1 billion, repay in full upon maturity the $100 million, 6.5% notes, and pay down $75 million on its senior unsecured term loan facility and $21 million on outstanding commercial paper borrowings. As management currently assesses price forecast and demand trends for the remainder of 2004, EOG continues to believe that operations and capital expenditure activity can be funded by cash generated from operations and, if needed, available financing alternatives.

For 2004, EOG's current estimated capital expenditure budget is approximately $1.45 billion, including acquisitions. When it fits EOG’s strategy, EOG will make acquisitions that bolster existing drilling programs or offer EOG incremental exploration and/or production opportunities. Management believes that EOG has one of the strongest overall drilling inventories in EOG’s history.

Results of Operations

Three Months ended September 30, 2004 vs. Three Months Ended September 30, 2003

The following review of operations for the three-month periods ended September 30, 2004 and 2003 should be read in conjunction with the consolidated financial statements of EOG and notes thereto.

Net Operating Revenues. During the third quarter of 2004, net operating revenues increased $136 million to $594 million. Total wellhead revenues of $571 million increased by $139 million, or 32%, as compared to the same period a year ago. Wellhead natural gas volume and price statistics for the three-month periods ended September 30, 2004 and 2003 were as follows:

	Three Months Ended September 30,	
	2004	**2003**
Natural Gas Volumes (MMcf per day)(1)		
United States	623	644
Canada	211	152
United States and Canada	834	796
Trinidad	203	155
United Kingdom	8	-
Total	**1,045**	**951**
Average Natural Gas Prices ($/Mcf)(2)		
United States	$ 5.57	$ 4.78
Canada	4.99	4.47
United States and Canada Composite	5.42	4.72
Trinidad	1.50	1.34
United Kingdom	5.30	-
Composite	**4.66**	**4.17**

(1) Million cubic feet per day.
(2) Dollars per thousand cubic feet.

Wellhead crude oil and condensate and natural gas liquids volume and price and natural gas equivalent volume statistics for the three-month periods ended September 30, 2004 and 2003 were as follows:

	Three Months Ended September 30,	
	2004	**2003**
Crude Oil and Condensate Volumes (MBbl per day)(1)		
United States	21.0	18.0
Canada	2.7	2.3
United States and Canada	23.7	20.3
Trinidad	4.0	2.5
Total	**27.7**	**22.8**
Average Crude Oil and Condensate Prices ($/Bbl)(2)		
United States	$ 43.30	$ 29.43
Canada	40.17	28.11
United States and Canada Composite	42.94	29.28
Trinidad	42.06	26.80
Composite	**42.81**	**29.01**
Natural Gas Liquids Volumes (MBbl per day)(1)		
United States	4.4	2.9
Canada	0.9	0.8
Total	**5.3**	**3.7**
Average Natural Gas Liquids Prices ($/Bbl) (2)		
United States	$ 30.07	$ 20.53
Canada	23.58	18.23
Composite	**29.02**	**20.06**
Natural Gas Equivalent Volumes (MMcfe per day)(3)		
United States	775	770
Canada	233	170
United States and Canada	1,008	940
Trinidad	227	170
United Kingdom	8	-
Total	**1,243**	**1,110**
Total Bcfe(4) Deliveries	**114.4**	**102.1**

(1) Thousand barrels per day.
(2) Dollars per barrel.
(3) Million cubic feet equivalent per day.
(4) Billion cubic feet equivalent.

Wellhead natural gas revenues for the third quarter of 2004 increased $83 million, or 23%, to $448 million from $365 million for the same period of 2003. The increase was due to higher composite average wellhead natural gas price ($47 million) and natural gas deliveries ($36 million). The composite average wellhead price for natural gas increased 12% to $4.66 per Mcf for the third quarter of 2004 from $4.17 per Mcf for the same period of 2003.

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

Natural gas deliveries increased 94 MMcf per day, or 10%, to 1,045 MMcf per day for the third quarter of 2004 from 951 MMcf per day for the same period in 2003, primarily due to a 59 MMcf per day, or 39%, increase in Canada; a 48 MMcf per day, or 31%, increase in Trinidad; and an 8 MMcf per day increase in the United Kingdom due to commencement of production in August 2004. These increases were partially offset by a 21 MMcf per day, or 3%, decline in the United States. The increase in Canada (59 MMcf per day) was attributable approximately equally to both the property acquisitions in the fourth quarter of 2003 and the additional production that resulted primarily from drilling activities. The increase in Trinidad was attributable to the increased production from the U(a) block (40 MMcf per day) which began supplying natural gas in April 2004 to the N2000 ammonia plant and commencement of production from the Parula wells on the SECC block in February 2004 (9 MMcf per day).

Wellhead crude oil and condensate revenues increased $48 million, or 79%, to $109 million from $61 million due to increases in both the composite average wellhead crude oil and condensate price ($35 million) and the wellhead crude oil and condensate deliveries ($13 million). The composite average wellhead crude oil and condensate price for the third quarter of 2004 was $42.81 per barrel compared to $29.01 per barrel for the same period of 2003.

Wellhead crude oil and condensate deliveries increased 4.9 MBbl per day, or 21%, to 27.7 MBbl per day from 22.8 MBbl per day for the same period in 2003. The increase was mainly due to production from new wells in the United States (3.0 MBbl per day), higher production in Trinidad from the Parula wells (0.8 MBbl per day) and new production from the U(a) block (0.7 MBbl per day).

Natural gas liquids revenues were $7 million higher than a year ago primarily due to increases in the composite average price ($4 million) and deliveries ($3 million).

During the third quarter of 2004, EOG recognized a gain from the mark-to-market of financial commodity collar and price swap contracts of $23 million compared to a gain of $24 million for the prior year period. During the third quarter of 2004, the net cash outflow related to settled natural gas financial collar contracts and settled natural gas and crude oil financial price swap contracts was $32 million compared to a net cash outflow related to settled natural gas financial collar contracts, premium payments associated with certain natural gas financial collar contracts and settled natural gas and crude oil financial price swap contracts of $10 million for the prior year period.

Operating and Other Expenses. For the third quarter of 2004, operating expenses of $320 million were $55 million higher than the $265 million incurred in the third quarter of 2003. The following table presents the costs per Mcfe for the three-month periods ended September 30, 2004 and 2003:

	Three Months Ended September 30,	
	2004	**2003**
Lease and Well	$ 0.60	$ 0.53
DD&A	1.14	1.08
G&A	0.26	0.26
Taxes Other than Income	0.26	0.21
Interest Expense, Net	0.14	0.15
Total Per-Unit Costs(1)	**$ 2.40**	**$ 2.23**

(1) Total per-unit costs do not include exploration costs, dry hole costs and impairments.

The higher per-unit costs of lease and well, depreciation, depletion and amortization (DD&A) and taxes other than income for the three-month period ended September 30, 2004 compared to the same period in 2003 were due primarily to the reasons set forth below.

Lease and well expenses of $69 million were $15 million higher than the prior year period due primarily to increased production in Canada ($4 million), increased transportation expense in the United States ($3 million) and in Canada ($1 million), higher service cost structures related to operating activities in the United States ($2 million) and in Canada ($2 million), and changes in the Canadian exchange rate ($1 million).

DD&A expenses of $130 million increased $20 million from the prior year period due primarily to increased production in Canada ($5 million), increased Canadian DD&A rates mainly from developing acquired proved reserves ($5 million), increased United States DD&A rates due to a gradual proportional increase in production from higher cost properties ($5 million), increased production in the United States ($1 million) and in Trinidad ($1 million), and changes in the Canadian exchange rate ($1 million).

General and administrative (G&A) expenses of $30 million were $3 million higher than the prior year period due primarily to expanded operations.

Taxes other than income of $30 million were $9 million higher than the prior year period due primarily to increased wellhead revenue in the United States, as previously discussed ($4 million), higher property taxes in the United States as a result of higher property valuation ($2 million) and a decrease in retroactive credits against severance taxes resulting from the qualification of additional wells for a Texas high cost gas severance tax exemption ($2 million).

Exploration costs of $22 million were $4 million higher than the prior year period due primarily to increased geological and geoscience expenditures in Canada ($2 million) and in Trinidad ($2 million) and increased technical staff costs in the United States ($1 million), partially offset by decreased geological and geoscience expenditures in the United States ($1 million).

Impairments of $18 million decreased $8 million compared to the prior year period due to lower amortization of unproved leases in the United States ($5 million) and lower impairments to the carrying value of certain long-lived assets as a result of downward revisions in the future cash flow analysis for certain properties in the United States ($4 million), partially offset by higher amortization of unproved leases in Canada ($1 million). Total impairments under Statement of Financial Accounting Standards (SFAS) No. 144 - "Accounting for the Impairment or Disposal of Long-Lived Assets" for the third quarter of 2004 and 2003 were $4 million and $8 million, respectively.

For the third quarter of 2004, the income tax provision of $90 million increased $28 million compared to the third quarter of 2003, primarily due to higher income before income taxes ($29 million). The net effective tax rate for the third quarter of 2004 decreased to 34% from 35% for the same period of 2003.

Nine Months Ended September 30, 2004 vs. Nine Months Ended September 30, 2003

Net Operating Revenues. During the first nine months of 2004, net operating revenues increased $229 million to $1,578 million. Total wellhead revenues of $1,611 million increased $231 million, or 17%, as compared to the same period a year ago. Wellhead volume and price statistics for the nine-month periods ended September 30, 2004 and 2003 were as follows:

	Nine Months Ended September 30,	
	2004	**2003**
Natural Gas Volumes (MMcf per day)		
United States	620	641
Canada	204	154
United States and Canada	824	795
Trinidad	173	152
United Kingdom	3	-
Total	**1,000**	**947**
Average Natural Gas Prices ($/Mcf)		
United States	$ 5.55	$ 5.25
Canada	5.00	4.80
United States and Canada Composite	5.41	5.16
Trinidad	1.46	1.33
United Kingdom	5.30	-
Composite	**4.73**	**4.54**
Crude Oil and Condensate Volumes (MBbl per day)		
United States	20.7	17.9
Canada	2.6	2.2
United States and Canada	23.3	20.1
Trinidad	3.2	2.4
Total	**26.5**	**22.5**
Average Crude Oil and Condensate Prices ($/Bbl)		
United States	$ 38.57	$ 30.22
Canada	35.89	28.86
United States and Canada Composite	38.26	30.07
Trinidad	38.19	28.75
Composite	**38.26**	**29.93**
Natural Gas Liquids Volumes (MBbl per day)		
United States	4.7	3.0
Canada	0.7	0.6
Total	**5.4**	**3.6**
Average Natural Gas Liquids Prices ($/Bbl)		
United States	$ 26.09	$ 21.16
Canada	21.65	18.80
Composite	**25.52**	**20.76**
Natural Gas Equivalent Volumes (MMcfe per day)		
United States	772	766
Canada	224	172
United States and Canada	996	938
Trinidad	192	166
United Kingdom	3	-
Total	**1,191**	**1,104**
Total Bcfe Deliveries	**326.5**	**301.5**

During the first nine months of 2004, wellhead natural gas revenues increased $120 million, or 10%, to $1,295 million from $1,175 million for the same period of 2003. The increase was due to higher natural gas deliveries ($69 million) and composite average wellhead natural gas price ($51 million). The composite average wellhead price for natural gas increased to $4.73 per Mcf from $4.54 per Mcf for the same period of 2003.

Natural gas deliveries increased 53 MMcf per day, or 6%, to 1,000 MMcf per day for the first nine months of 2004 from 947 MMcf per day a year ago, primarily due to a 50 MMcf per day, or 32%, increase in Canada; a 21 MMcf per day, or 14%, increase in Trinidad; and a 3 MMcf per day increase in the United Kingdom due to commencement of production in August 2004; partially offset by a 21 MMcf per day, or 3%, decline in the United States. The increase in Canada (50 MMcf per day) was attributable approximately equally to both the property acquisitions in the fourth quarter of 2003 and the additional production that resulted primarily from drilling activities. The increase in Trinidad was mainly attributable to the increased production from the U(a) block (13 MMcf per day) which began supplying natural gas in April 2004 to the N2000 ammonia plant and commencement of production from the Parula wells on the SECC block in February 2004 (9 MMcf per day), partially offset by the decreased production from the U(a) block as a result of a temporary ammonia plant shutdown in May 2004 (2 MMcf per day).

Wellhead crude oil and condensate revenues for the first nine months of 2004 increased $94 million, or 51%, to $278 million from $184 million as compared to the same period of 2003, due to increases in both the composite average wellhead crude oil and condensate price ($61 million) and crude oil and condensate deliveries ($33 million). The composite average wellhead price for crude oil and condensate increased 28% to $38.26 per barrel from $29.93 per barrel for the same period of 2003.

Wellhead crude oil and condensate deliveries increased 4.0 MBbl per day, or 18%, to 26.5 MBbl per day from 22.5 MBbl per day for the same period a year ago. The increase was mainly due to production from new wells in the United States (2.8 MBbl per day) and commencement in February 2004 of production from the Parula wells on the SECC block in Trinidad (0.6 MBbl per day).

Natural gas liquids revenues were $18 million higher than a year ago primarily due to increases in deliveries ($11 million) and the composite average price ($7 million).

During the first nine months of 2004, EOG recognized a loss from the mark-to-market of financial commodity collar and price swap contracts of $36 million compared to a loss of $37 million for the prior year period. During the same period of 2004, the net cash outflow related to settled natural gas financial collar contracts and settled natural gas and crude oil financial price swap contracts was $71 million compared to a net cash outflow related to settled natural gas financial collar contracts, premium payments associated with certain natural gas financial collar contracts and settled natural gas and crude oil financial price swap contracts of $49 million for the prior year period.

Operating and Other Expenses. For the first nine months of 2004, operating expenses of $905 million were $153 million higher than the $752 million incurred in the first nine months of 2003. The following table presents the costs per Mcfe for the nine-month periods ended September 30, 2004 and 2003:

	Nine Months Ended September 30,	
	2004	**2003**
Lease and Well	$ 0.61	$ 0.52
DD&A	1.10	1.06
G&A	0.25	0.24
Taxes Other than Income	0.29	0.21
Interest Expense, Net	0.15	0.15
Total Per-Unit Costs[(1)]	**$ 2.40**	**$ 2.18**

(1) Total per-unit costs do not include exploration costs, dry hole costs and impairments.

The higher per-unit costs of lease and well, DD&A, G&A and taxes other than income for the nine-month period ended September 30, 2004 compared to the same period in 2003 were due primarily to the reasons set forth below.

Lease and well expenses of $199 million were $43 million higher than the prior year period due primarily to higher service cost structures related to operating activities in the United States ($12 million) and in Canada ($3 million), increased production in Canada ($11 million) and in the United States ($1 million), increased transportation expense in the United States ($10 million) and in Canada ($1 million), and changes in the Canadian exchange rate ($4 million).

DD&A expenses of $360 million increased $40 million from the prior year period due primarily to increased production in Canada ($13 million), increased Canadian DD&A rates from developing acquired proved reserves ($8 million), increased United States DD&A rates due to a gradual proportional increase in production from higher cost properties ($8 million), changes in the Canadian exchange rate ($5 million) and increased production in the United States ($3 million) and in Trinidad ($1 million).

G&A expenses of $81 million were $9 million higher than the prior year period due primarily to expanded operations.

Taxes other than income of $96 million were $33 million higher than the prior year period due primarily to a decrease in retroactive credits against severance taxes resulting from the qualification of additional wells for a Texas high cost gas severance tax exemption ($18 million), the results of a production tax lawsuit expensed in the first quarter of 2004 ($5 million), higher property taxes in the United States as a result of higher property valuation ($5 million) and increased wellhead revenue in the United States, as previously discussed ($4 million).

Exploration costs of $67 million were $10 million higher than the prior year period due primarily to increased geological and geoscience expenditures in the United States ($7 million) and in Canada ($2 million), and expanded operations in Canada ($1 million) and in Trinidad ($1 million), partially offset by decreased geological and geoscience expenditures in Trinidad ($2 million).

Impairments decreased $12 million to $51 million compared to the prior year period due to lower amortization of unproved leases in the United States ($6 million) and lower impairments to the carrying value of certain long-lived assets as a result of downward revisions in the future cash flow analysis for certain properties in the United States ($8 million), partially offset by higher amortization of unproved leases in Canada ($2 million). Total impairments under SFAS No. 144 for the first nine months of 2004 and 2003 were $8 million and $16 million, respectively.

For the first nine months of 2004, the income tax provision of $209 million increased $15 million compared to the first nine months of 2003, primarily due to higher income before income taxes ($25 million), partially offset by lower deferred income taxes associated with a reduction in the Alberta, Canada corporate tax rate ($5 million), lower effective foreign income tax rates ($3 million), and lower state income taxes ($1 million). The net effective tax rate for the first nine months of 2004 decreased to 33% from 35% for the same period of 2003.

Capital Resources and Liquidity

Cash Flows

At September 30, 2004 and December 31, 2003, EOG had cash and cash equivalents of $82 million and $4 million, respectively.

The primary sources of cash for EOG during the first nine months of 2004 included funds generated from operations, proceeds from sales of assets, proceeds from new borrowings (see discussion of the US$150 million notes issuance below) and proceeds from stock options exercised. Primary cash outflows included funds used in operations, exploration and development expenditures, repayment of debt and payment of dividends to shareholders.

Cash provided by operating activities of $1,085 million for the first nine months of 2004 increased $71 million as compared to the same period in 2003 primarily due to higher net income ($62 million).

Cash used in investing activities of $993 million for the first nine months of 2004 increased by $316 million as compared to the same period in 2003 due primarily to increased exploration and development expenditures ($368 million), partially offset by a property acquisition deposit made by a Canadian subsidiary of EOG in the third quarter of 2003 ($64 million), which was recorded in Other, Net of the Investing Cash Flows section. 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.

Cash used in financing activities was $14 million for the first nine months of 2004 versus cash used of $163 million for the same period in 2003. Financing activities for 2004 included the net repayment of debt ($46 million) consisting of repayments of the outstanding balances of commercial paper borrowings ($21 million), a senior unsecured term loan facility ($75 million) and 6.5% notes upon maturity ($100 million), offset partially by the notes issuance discussed below ($150 million). Other financing activities included proceeds from the exercise of employee stock options ($60 million) and payments of cash dividends ($28 million).

On March 9, 2004, EOG Resources Canada Inc., a wholly owned subsidiary of EOG, issued notes with a total principal amount of US$150 million, an annual interest rate of 4.75% and a maturity date of March 15, 2014, under Rule 144A of the Securities Act of 1933, as amended. The notes are guaranteed by EOG. In conjunction with the offering, EOG entered into a foreign currency swap transaction for the equivalent amount of the notes and related interest, which has in effect converted this indebtedness into CAD$201.3 million with a 5.275% interest rate.

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.

Total Exploration and Development Expenditures

The table below presents total exploration and development expenditures for the nine-month periods ended September 30, 2004 and 2003 (in millions):

	Nine Months Ended September 30,	
	2004	**2003**
United States	$ 726	$ 490
Canada	195	116
United States and Canada	921	606
Trinidad	55	17
United Kingdom	29	14
Other	4	4
Exploration and Development Expenditures	1,009	641
Asset Retirement Costs[(1)]	7	4
Deferred Income Tax Benefits on Acquired Properties	(17)	-
Total Exploration and Development Expenditures	**$ 999**	**$ 645**

(1) Asset retirement costs for the first nine months of 2003 do not include the cumulative effect of adoption of SFAS No. 143 - "Accounting for Asset Retirement Obligations" on January 1, 2003.

Exploration and development expenditures of $1 billion for the first nine months of 2004 were $368 million higher than the prior year period due primarily to increased drilling expenditures ($304 million) resulting from higher exploration and development activities across EOG and higher cost structures in the United States and Canada; increased lease acquisitions in the United States ($69 million), primarily in the non-core Barnett Shale area and to a lesser extent, in South Texas; and changes in the Canadian exchange rate ($13 million); partially offset by decreased property acquisitions ($14 million). The higher cost structure was primarily due to increases in materials and services across the industry. The 2004 exploration and development expenditures of $1 billion included $702 million in development, $293 million in exploration, $7 million in property acquisitions and $7 million in capitalized interest. The 2003 exploration and development expenditures of $641 million included $445 million in development, $169 million in exploration, $21 million in property acquisitions and $6 million in capitalized interest.

The level of exploration and development expenditures, including acquisitions, will vary in future periods depending on energy market conditions and other related economic factors. EOG has significant flexibility with respect to financing alternatives and the ability to adjust its exploration and development expenditure budget as circumstances warrant. There are no material continuing commitments associated with expenditure plans.

Commodity Derivative Transactions

As more fully discussed in Note 12 to the consolidated financial statements included in EOG's Annual Report on Form 10-K for the year ended December 31, 2003, EOG engages in price risk management activities from time to time. These activities are intended to manage EOG's exposure to fluctuations in commodity prices for natural gas and crude oil. EOG utilizes commodity derivative financial instruments, primarily price swaps and collars, as the means to manage this price risk. In addition to these financial transactions, EOG is a party to various physical commodity contracts for the sale of hydrocarbons that cover varying periods of time and have varying pricing provisions. The financial impact of these various physical commodity contracts is included in revenues at the time of settlement, which in turn affects average realized hydrocarbon prices. During the first nine months of 2004 and 2003, EOG elected not to designate any of its commodity derivative financial contracts as accounting hedges, and accordingly, accounted for these commodity derivative financial contracts using the mark-to-market accounting method.

Presented below is a summary of EOG's remaining 2004 natural gas financial collar and price swap contracts at September 30, 2004 with prices expressed in dollars per million British thermal units ($/MMBtu) and notional volumes in million British thermal units per day (MMBtud). The total fair value of the natural gas financial collar and price swap contracts at September 30, 2004 was a negative $5 million.

Natural Gas Financial Contracts

	Collar Contracts					Price Swap Contracts	
		Floor Price		Ceiling Price			
	Volume (MMBtud)	Floor Range/ Floor ($/MMBtu)	Weighted Average ($/MMBtu)	Ceiling Range ($/MMBtu)	Weighted Average ($/MMBtu)	Volume (MMBtud)	Weighted Average Price ($/MMBtu)
2004							
Oct	375,000	$ 4.47 - 4.75	$ 4.58	$ 4.93 - 5.19	$ 5.09	30,000	$ 4.80
Nov	100,000	6.35	6.35	7.60 - 7.64	7.61	-	-

Subsequent to September 30, 2004, EOG has entered into additional natural gas financial collar and price swap contracts. Presented below is a summary of EOG's natural gas financial collar and price swap contracts as of October 28, 2004:

Natural Gas Financial Contracts

	Collar Contracts					Price Swap Contracts	
		Floor Price		Ceiling Price			
	Volume (MMBtud)	Floor Range/ Floor ($/MMBtu)	Weighted Average ($/MMBtu)	Ceiling Range/ Ceiling ($/MMBtu)	Weighted Average ($/MMBtu)	Volume (MMBtud)	Weighted Average Price ($/MMBtu)
2004							
Oct	375,000	$ 4.47 - 4.75	$ 4.58	$ 4.93 - 5.19	$ 5.09	30,000	$ 4.80
Nov	100,000	6.35	6.35	7.60 - 7.64	7.61	200,000	6.82
Dec	50,000	7.65	7.65	8.90	8.90	-	-
2005							
Jan(1)	75,000	$ 7.65 - 8.00	$ 7.77	$ 8.90 - 9.50	$ 9.10	-	$ -
Feb(2)	75,000	7.65 - 8.00	7.77	9.19 - 9.50	9.32	-	-
Mar(2)	75,000	7.65 - 8.00	7.77	9.19 - 9.50	9.32	-	-

(1) Notional volumes of 25,000 MMBtud of the January 2005 collar contracts were purchased at a premium of $0.10 per MMBtu.
(2) The collar contracts for February 2005 and March 2005 were purchased at a premium of $0.10 per MMBtu.

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

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. 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, foreign currency exchange rates and interest rates; the timing and impact of liquefied natural gas imports and changes in demand or prices for ammonia or methanol; 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; the availability and cost of drilling rigs, experienced drilling crews and tubular steel; the availability of pipeline transportation capacity; the extent to which EOG can replicate on its other Barnett Shale acreage the results of its most recent Barnett Shale wells; the results of wells yet to be drilled that are necessary to test whether substantial Barnett Shale acreage positions in Erath, Somervell, Hood, Jack, Palo Pinto and Hill Counties, Texas, contain suitable drilling prospects; whether EOG is successful in its efforts to more densely develop its acreage in the Barnett Shale and other production areas; political developments around the world; acts of war and terrorism and responses to these acts; 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.

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

EOG's exposure to interest rate risk, commodity price risk and foreign currency exchange risk is discussed respectively in the Financing and Outlook sections of the "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources and Liquidity," on pages 10 through 14 of the Form 8-K filed on February 24, 2004.

ITEM 4. CONTROLS AND PROCEDURES
EOG RESOURCES, INC.

EOG's management, with the participation of EOG's principal executive officer and principal financial officer, evaluated the effectiveness of EOG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the quarter ended September 30, 2004. Based on this evaluation, the principal executive officer and principal financial officer have concluded that EOG's disclosure controls and procedures were effective as of the end of the quarter ended September 30, 2004 to ensure that information that is required to be disclosed by EOG in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. There were no changes in EOG's internal control over financial reporting that occurred during the quarter ended September 30, 2004 that have materially affected, or are reasonably likely to materially affect, EOG's internal control over financial reporting.

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 2. Changes in Securities and Use of Proceeds

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[2]
July 1, 2004 - July 31, 2004	-	$ -	-	6,386,200
Aug 1, 2004 - Aug 31, 2004	120	57.45	-	6,386,200
Sept 1, 2004 - Sept 30, 2004	133	58.98	-	6,386,200
Total	253	$ 58.25	-	

(1) Includes 253 shares that were returned to EOG to satisfy tax withholding obligations that arose upon the exercise of employee stock options or the vesting of restricted stock or units.

(2) In September 2001, EOG announced that its Board of Directors authorized the repurchase of up to 10,000,000 shares of EOG's common stock.

ITEM 6. Exhibits

Exhibit 31.1 - Section 302 Certification of Periodic Report of Chief Executive Officer.

Exhibit 31.2 - Section 302 Certification of Periodic Report of Principal Financial Officer.

Exhibit 32.1 - Section 906 Certification of Periodic Report of Chief Executive Officer.

Exhibit 32.2 - Section 906 Certification of Periodic Report of Principal Financial Officer.

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 28, 2004

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

EXHIBIT INDEX

Exhibit No.		Description
*31.1	--	Section 302 Certification of Periodic Report of Chief Executive Officer
*31.2	--	Section 302 Certification of Periodic Report of Principal Financial Officer
*32.1	--	Section 906 Certification of Periodic Report of Chief Executive Officer
*32.2	--	Section 906 Certification of Periodic Report of Principal Financial Officer

*Exhibits filed herewith

Exhibit 31.1

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2004

/s/ MARK G. PAPA

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

Exhibit 31.2

CERTIFICATIONS

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2004

/s/ EDMUND P. SEGNER, III

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

Exhibit 32.1

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, 2004 (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 28, 2004

/s/ MARK G. PAPA
Mark G. Papa
Chairman of the Board and
Chief Executive Officer

Exhibit 32.2

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, 2004 (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 28, 2004

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