

EOG RESOURCES INC
Form 10-Q
November 06, 2013
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, 2013

or

☐ 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 Identification No.)
of incorporation or organization)

1111 Bagby, Sky Lobby 2, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Edgar Filing: EOG RESOURCES INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<u>Title of each class</u>	<u>Number of shares</u>
Common Stock, par value \$0.01 per share	272,974,701 (as of October 30, 2013)

EOG RESOURCES, INC.

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	<u>Page No.</u>
ITEM 1.	Financial Statements (Unaudited)	
	Consolidated Statements of Income and Comprehensive Income - Three Months Ended September 30, 2013 and 2012 and Nine Months Ended September 30, 2013 and 2012	3
	Consolidated Balance Sheets - September 30, 2013 and December 31, 2012	4
	Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2013 and 2012	5
	Notes to Consolidated Financial Statements	6
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	38
ITEM 4.	Controls and Procedures	38
PART II.	OTHER INFORMATION	
ITEM 1.	Legal Proceedings	39
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
ITEM 4.	Mine Safety Disclosures	39
ITEM 6.	Exhibits	40
	SIGNATURES	42
	EXHIBIT INDEX	43

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EOG RESOURCES, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Operating Revenues				
Crude Oil and Condensate	\$2,337,742	\$1,512,168	\$6,132,574	\$4,198,753
Natural Gas Liquids	208,190	170,351	556,176	518,684
Natural Gas	396,123	426,728	1,269,604	1,153,433
(Losses) Gains on Mark-to-Market Commodity Derivative Contracts	(293,387)	4,671	(206,853)	327,328
Gathering, Processing and Marketing	872,699	764,385	2,755,069	2,193,290
Gains on Asset Dispositions, Net	8,183	67,376	185,569	248,134
Other, Net	11,846	9,176	45,956	31,203
Total	3,541,396	2,954,855	10,738,095	8,670,825
Operating Expenses				
Lease and Well	299,169	253,452	817,057	765,703
Transportation Costs	219,790	164,407	628,538	431,642
Gathering and Processing Costs	31,121	26,223	81,522	72,403
Exploration Costs	39,429	45,953	130,968	136,909
Dry Hole Costs	19,548	1,924	59,260	13,005
Impairments	85,917	62,875	177,432	250,239
Marketing Costs	876,761	755,457	2,746,900	2,155,043
Depreciation, Depletion and Amortization	928,800	825,851	2,685,719	2,383,359
General and Administrative	98,654	92,870	257,246	244,866
Taxes Other Than Income	172,438	120,096	458,566	359,798
Total	2,771,627	2,349,108	8,043,208	6,812,967
Operating Income	769,769	605,747	2,694,887	1,857,858
Other Income, Net	11,168	7,596	5,867	22,902
Income Before Interest Expense and Income Taxes	780,937	613,343	2,700,754	1,880,760
Interest Expense, Net	59,382	53,154	182,950	154,198
Income Before Income Taxes	721,555	560,189	2,517,804	1,726,562
Income Tax Provision	259,057	204,698	900,889	651,284
Net Income	\$462,498	\$355,491	\$1,616,915	\$1,075,278
Net Income Per Share				
Basic	\$1.71	\$1.33	\$5.99	\$4.03
Diluted	\$1.69	\$1.31	\$5.93	\$3.98
Dividends Declared per Common Share	\$0.1875	\$0.17	\$0.5625	\$0.51
Average Number of Common Shares				
Basic	270,471	267,941	269,934	267,136
Diluted	273,576	270,982	272,856	270,328
Comprehensive Income				
Net Income	\$462,498	\$355,491	\$1,616,915	\$1,075,278
Other Comprehensive Income (Loss)				

Edgar Filing: EOG RESOURCES INC - Form 10-Q

Foreign Currency Translation Adjustments	15,106	50,426	(18,472)	48,262
Foreign Currency Swap Transaction	1,459	1,708	2,498	2,338
Income Tax Related to Foreign Currency Swap Transaction	-	(646)	-	(597)
Interest Rate Swap Transaction	678	(318)	1,999	(682)
Income Tax Related to Interest Rate Swap Transaction	(244)	114	(719)	245
Other	27	29	82	87
Other Comprehensive Income (Loss)	17,026	51,313	(14,612)	49,653
Comprehensive Income	\$479,524	\$406,804	\$1,602,303	\$1,124,931

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

- 3 -

EOG RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$1,318,817	\$876,435
Accounts Receivable, Net	1,849,517	1,656,618
Inventories	566,004	683,187
Assets from Price Risk Management Activities	44,484	166,135
Income Taxes Receivable	42,296	29,163
Deferred Income Taxes	127,658	-
Other	243,191	178,346
Total	4,191,967	3,589,884
Property, Plant and Equipment		
Oil and Gas Properties (Successful Efforts Method)	41,887,901	38,126,298
Other Property, Plant and Equipment	2,954,085	2,740,619
Total Property, Plant and Equipment	44,841,986	40,866,917
Less: Accumulated Depreciation, Depletion and Amortization	(19,242,795)	(17,529,236)
Total Property, Plant and Equipment, Net	25,599,191	23,337,681
Other Assets	356,112	409,013
Total Assets	\$30,147,270	\$27,336,578
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$2,247,714	\$2,078,948
Accrued Taxes Payable	200,477	162,083
Dividends Payable	50,753	45,802
Liabilities from Price Risk Management Activities	174,648	7,617
Deferred Income Taxes	-	22,838
Current Portion of Long-Term Debt	406,579	406,579
Other	267,162	200,191
Total	3,347,333	2,924,058
Long-Term Debt	5,906,494	5,905,602
Other Liabilities	846,780	894,758
Deferred Income Taxes	5,185,083	4,327,396
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common Stock, \$0.01 Par, 640,000,000 Shares Authorized and 273,061,895 Shares Issued at September 30, 2013 and 271,958,495 Shares Issued at December 31, 2012	202,731	202,720
Additional Paid in Capital	2,614,898	2,500,340

Edgar Filing: EOG RESOURCES INC - Form 10-Q

Accumulated Other Comprehensive Income	425,283	439,895
Retained Earnings	11,639,302	10,175,631
Common Stock Held in Treasury, 142,467 Shares at September 30, 2013 and 326,264 Shares at December 31, 2012	(20,634)	(33,822)
Total Stockholders' Equity	14,861,580	13,284,764
Total Liabilities and Stockholders' Equity	\$30,147,270	\$27,336,578

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

- 4 -

EOG RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities		
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Net Income	\$1,616,915	\$1,075,278
Items Not Requiring (Providing) Cash		
Depreciation, Depletion and Amortization	2,685,719	2,383,359
Impairments	177,432	250,239
Stock-Based Compensation Expenses	103,171	101,337
Deferred Income Taxes	657,686	385,878
Gains on Asset Dispositions, Net	(185,569)	(248,134)
Other, Net	460	(10,266)
Dry Hole Costs	59,260	13,005
Mark-to-Market Commodity Derivative Contracts		
Total Losses (Gains)	206,853	(327,328)
Realized Gains	115,323	555,946
Excess Tax Benefits from Stock-Based Compensation	(50,230)	(49,426)
Other, Net	16,222	12,675
Changes in Components of Working Capital and Other Assets and Liabilities		
Accounts Receivable	(213,746)	(112,174)
Inventories	61,147	(154,766)
Accounts Payable	145,199	83,682
Accrued Taxes Payable	73,197	42,791
Other Assets	(78,799)	(120,085)
Other Liabilities	10,889	39,871
Changes in Components of Working Capital Associated with Investing and Financing Activities	(72,945)	87,708
Net Cash Provided by Operating Activities	5,328,184	4,009,590
Investing Cash Flows		
Additions to Oil and Gas Properties	(5,084,335)	(5,326,884)
Additions to Other Property, Plant and Equipment	(271,136)	(477,351)
Proceeds from Sales of Assets	587,273	1,213,550
Changes in Restricted Cash	(68,061)	-
Changes in Components of Working Capital Associated with Investing Activities	72,916	(87,654)
Net Cash Used in Investing Activities	(4,763,343)	(4,678,339)
Financing Cash Flows		
Long-Term Debt Borrowings	-	1,234,138
Dividends Paid	(147,731)	(134,412)
Excess Tax Benefits from Stock-Based Compensation	50,230	49,426
Treasury Stock Purchased	(55,562)	(44,799)
Proceeds from Stock Options Exercised and Employee Stock Purchase Plan	30,080	59,714

Edgar Filing: EOG RESOURCES INC - Form 10-Q

Debt Issuance Costs	-	(1,771)
Repayment of Capital Lease Obligation	(4,318)	(1,407)
Other, Net	29	(54)
Net Cash (Used in) Provided by Financing Activities	(127,272)	1,160,835
Effect of Exchange Rate Changes on Cash	4,813	4,811
Increase in Cash and Cash Equivalents	442,382	496,897
Cash and Cash Equivalents at Beginning of Period	876,435	615,726
Cash and Cash Equivalents at End of Period	\$1,318,817	\$1,112,623

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

- 5 -

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

1. Summary of Significant Accounting Policies

General. The consolidated financial statements of EOG Resources, Inc., together with its subsidiaries (collectively, EOG), included herein have been prepared by management without audit pursuant to the rules and regulations of the United States 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 presented. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures included either on the face of the financial statements or in these notes are sufficient to make the interim 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, 2012, filed on February 22, 2013 (EOG's 2012 Annual Report).

The preparation of financial statements in conformity with U.S. GAAP 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. The operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year.

Recently Issued Accounting Standards. In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02 "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). ASU 2013-02 amends ASU 2011-05 and requires that entities disclose additional information about amounts reclassified out of Accumulated Other Comprehensive Income (AOCI) by component. Significant amounts reclassified out of AOCI are required to be presented either on the face of the Consolidated Statements of Income and Comprehensive Income or in the notes to the financial statements. The requirements of ASU 2013-02 are effective for fiscal years and interim periods in those years beginning after December 15, 2012. EOG adopted the provisions of ASU 2013-02 effective January 1, 2013. The adoption did not have a material impact on EOG's financial statements. No significant amounts were reclassified out of AOCI during the three and nine months ended September 30, 2013 and 2012, respectively.

In July 2013, the FASB issued ASU 2013-11 "Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" (ASU 2013-11). ASU 2013-11 includes specific guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The requirements of ASU 2013-11 are effective for fiscal years and interim periods in those years beginning after December 15, 2013. Early adoption is permitted. EOG does not expect a material impact on its financial statements from the adoption of ASU 2013-11.

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Unaudited)

2. Stock-Based Compensation

As more fully discussed in Note 6 to the Consolidated Financial Statements included in EOG's 2012 Annual Report, EOG maintains various stock-based compensation plans. Stock-based compensation expense is included on the Consolidated Statements of Income and Comprehensive Income based upon the job function of the employees receiving the grants as follows (in millions):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012		2012	
Lease and Well	\$7.2	\$9.9	\$25.4	\$26.4
Gathering and Processing Costs	0.3	0.3	0.9	0.8
Exploration Costs	6.7	7.4	20.6	20.3
General and Administrative	31.3	28.3	56.3	53.8
Total	\$45.5	\$45.9	\$103.2	\$101.3

At the 2013 Annual Meeting of Stockholders, EOG's stockholders approved the Amended and Restated EOG Resources, Inc. 2008 Omnibus Equity Compensation Plan (2008 Plan). As more fully discussed in the 2008 Plan document, the 2008 Plan, among other things, authorizes an additional 15,500,000 shares of EOG common stock for grant under the 2008 Plan and extends the expiration date of the 2008 Plan to May 2023.

The 2008 Plan provides for grants of stock options, stock-settled stock appreciation rights (SARs), restricted stock, restricted stock units, performance units, performance stock and other stock-based awards. At September 30, 2013, approximately 16.6 million common shares remained available for grant under the 2008 Plan. EOG's policy is to issue shares related to the 2008 Plan from either previously authorized unissued shares or treasury shares to the extent treasury shares are available.

Stock Options and Stock-Settled Stock Appreciation Rights and Employee Stock Purchase Plan. The fair value of stock option and SAR grants is estimated using the Hull-White II binomial option pricing model. The fair value of Employee Stock Purchase Plan (ESPP) grants is estimated using the Black-Scholes-Merton model. Stock-based compensation expense related to stock option, SAR and ESPP grants totaled \$19.2 million and \$16.5 million during the three months ended September 30, 2013 and 2012, respectively, and \$40.0 million and \$37.8 million during the nine months ended September 30, 2013 and 2012, respectively.

Weighted average fair values and valuation assumptions used to value stock option, SAR and ESPP grants during the nine-month periods ended September 30, 2013 and 2012 are as follows:

Stock Options/SARs Nine Months Ended September 30,	ESPP Nine Months Ended September 30,
--	---

Edgar Filing: EOG RESOURCES INC - Form 10-Q

	2013	2012	2013	2012
Weighted Average Fair Value of Grants	\$54.68	\$37.94	\$30.13	\$25.17
Expected Volatility	35.86%	39.68%	29.89%	41.04%
Risk-Free Interest Rate	0.78 %	0.45 %	0.11 %	0.11 %
Dividend Yield	0.40 %	0.60 %	0.60 %	0.60 %
Expected Life	5.5 yrs	5.6 yrs	0.5 yrs	0.5 yrs

- 7 -

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Unaudited)

Expected volatility is based on an equal weighting of historical volatility and implied volatility from traded options in EOG's common stock. The risk-free interest rate is based upon United States Treasury yields in effect at the time of grant. The expected life is based upon historical experience and contractual terms of stock option, SAR and ESPP grants.

The following table sets forth stock option and SAR transactions for the nine-month periods ended September 30, 2013 and 2012 (stock options and SARs in thousands):

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	Number of Stock Options/ SARs	Weighted Average Grant Price	Number of Stock Options/ SARs	Weighted Average Grant Price
Outstanding at January 1	6,219	\$ 85.81	8,374	\$ 70.01
Granted	1,117	167.32	1,223	111.91
Exercised ⁽¹⁾	(1,824)	69.03	(2,044)	53.52
Forfeited	(84)	96.76	(124)	89.95
Outstanding at September 30 ⁽²⁾	5,428	\$ 108.06	7,429	\$ 81.11
Vested or Expected to Vest ⁽³⁾	5,199	\$ 107.26	7,184	\$ 80.57
Exercisable at September 30 ⁽⁴⁾	2,491	\$ 88.05	4,315	\$ 69.87

The total intrinsic value of stock options/SARs exercised for the nine months ended September 30, 2013 and 2012 (1) was \$134.2 million and \$110.8 million, respectively. The intrinsic value is based upon the difference between the market price of EOG's common stock on the date of exercise and the grant price of the stock options/SARs.

The total intrinsic value of stock options/SARs outstanding at September 30, 2013 and 2012 was \$332.3 million (2) and \$231.1 million, respectively. At September 30, 2013 and 2012, the weighted average remaining contractual life was 4.8 years and 4.1 years, respectively.

The total intrinsic value of stock options/SARs vested or expected to vest at September 30, 2013 and 2012 was (3) \$322.5 million and \$227.3 million, respectively. At September 30, 2013 and 2012, the weighted average remaining contractual life was 4.7 years and 4.0 years, respectively.

The total intrinsic value of stock options/SARs exercisable at September 30, 2013 and 2012 was \$202.4 million (4) and \$182.7 million, respectively. At September 30, 2013 and 2012, the weighted average remaining contractual life was 3.5 years and 2.7 years, respectively.

At September 30, 2013, unrecognized compensation expense related to non-vested stock option, SAR and ESPP grants totaled \$115.5 million. This unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.9 years.

Restricted Stock and Restricted Stock Units. Employees may be granted restricted (non-vested) stock and/or restricted stock units without cost to them. Stock-based compensation expense related to restricted stock and restricted stock unit grants totaled \$19.2 million and \$23.1 million for the three months ended September 30, 2013 and 2012, respectively, and \$55.5 million and \$57.2 million for the nine months ended September 30, 2013 and 2012, respectively.

- 8 -

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Unaudited)

The following table sets forth restricted stock and restricted stock unit transactions for the nine-month periods ended September 30, 2013 and 2012 (shares and units in thousands):

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	Weighted		Weighted	
	Number	Average	Number	Average
	of	Grant	of	Grant
	Shares	Date	Shares	Date
	and	Fair	and	Fair
	Units	Value	Units	Value
Outstanding at January 1	3,818	\$ 91.06	4,240	\$ 82.93
Granted	642	151.85	757	112.13
Released ⁽¹⁾	(617)	105.77	(977)	72.97
Forfeited	(80)	95.39	(106)	88.36
Outstanding at September 30 ⁽²⁾	3,763	\$ 98.93	3,914	\$ 90.91

(1) The total intrinsic value of restricted stock and restricted stock units released for the nine months ended September 30, 2013 and 2012 was \$89.2 million and \$110.7 million, respectively. The intrinsic value is based upon the closing price of EOG's common stock on the date restricted stock and restricted stock units are released.

(2) The total intrinsic value of restricted stock and restricted stock units outstanding at September 30, 2013 and 2012 was \$637.0 million and \$438.6 million, respectively.

At September 30, 2013, unrecognized compensation expense related to restricted stock and restricted stock unit grants totaled \$171.8 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.7 years.

Performance Units and Performance Stock. EOG grants performance units and/or performance stock to its executive officers. The fair value of the performance units and performance stock is estimated using a Monte Carlo simulation. Stock-based compensation expense related to performance unit and performance stock grants totaled \$7.1 million and \$6.3 million for the three months ended September 30, 2013 and 2012, respectively, and \$7.7 million and \$6.3 million for the nine months ended September 30, 2013 and 2012, respectively.

Weighted average fair values and valuation assumptions used to value performance unit and performance stock grants during the nine-month periods ended September 30, 2013 and 2012 are as follows:

	Nine Months Ended September 30, 2013		2012
Weighted Average Fair Value of Grants	\$200.68		\$134.09

Edgar Filing: EOG RESOURCES INC - Form 10-Q

Expected Volatility	33.63	%	36.39	%
Risk-Free Interest Rate	0.79	%	0.39	%

Expected volatility is based on the term-matched historical volatility over the simulated term, which is calculated as the time between the grant date and the end of the performance period. The risk-free interest rate is based on a 3.26 year zero-coupon risk-free interest rate derived from the Treasury Constant Maturities yield curve on the grant date.

- 9 -

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Unaudited)

The following table sets forth performance unit and performance stock transactions for the nine-month periods ended September 30, 2013 and 2012 (shares and units in thousands):

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	Weighted Number of Average Shares Grant and Date Fair Units Value		Weighted Number of Average Shares Grant and Date Fair Units Value	
Outstanding at January 1	71	\$ 134.09	-	\$ -
Granted	60	200.68	71	134.09
Released	-	-	-	-
Forfeited	-	-	-	-
Outstanding at September 30 ⁽¹⁾	131	\$ 164.36	71	\$ 134.09

(1) The total intrinsic value of performance units and performance stock outstanding at September 30, 2013 and 2012 was \$22.1 million and \$8.0 million, respectively.

At September 30, 2013, unrecognized compensation expense related to performance unit and performance stock grants totaled \$7.1 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.7 years.

3. Net Income Per Share

The following table sets forth the computation of Net Income Per Share for the three-month and nine-month periods ended September 30, 2013 and 2012 (in thousands, except per share data):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012	2013	2012	2013
Numerator for Basic and Diluted Earnings Per Share - Net Income	\$462,498	\$355,491	\$1,616,915	\$1,075,278
Denominator for Basic Earnings Per Share - Weighted Average Shares	270,471	267,941	269,934	267,136
Potential Dilutive Common Shares - Stock Options/SARs	1,189	1,343	1,098	1,517
Restricted Stock/Units and Performance Units/Stock	1,916	1,698	1,824	1,675
Denominator for Diluted Earnings Per Share - Adjusted Diluted Weighted Average Shares	273,576	270,982	272,856	270,328

Net Income Per Share

Basic	\$1.71	\$1.33	\$5.99	\$4.03
Diluted	\$1.69	\$1.31	\$5.93	\$3.98

The diluted earnings per share calculation excluded stock options and SARs that were anti-dilutive. Shares underlying the excluded stock options and SARs totaled 0.3 million and 0.5 million shares for the three months ended September 30, 2013 and 2012, respectively, and 0.1 million and 0.3 million shares for the nine months ended September 30, 2013 and 2012, respectively.

- 10 -

EOG RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Unaudited)

4. Supplemental Cash Flow Information

Net cash paid for interest and income taxes was as follows for the nine-month periods ended September 30, 2013 and 2012 (in thousands):

	Nine Months Ended September 30,	
	2013	2012
Interest ⁽¹⁾	\$ 172,808	\$ 132,264
Income Taxes, Net of Refunds Received	\$ 220,450	\$ 257,046

(1) Net of capitalized interest of \$34 million and \$37 million for the nine months ended September 30, 2013 and 2012, respectively.

EOG's accrued capital expenditures at September 30, 2013 and 2012 were \$743 million and \$725 million, respectively.

5. Segment Information

Selected financial information by reportable segment is presented below for the three-month and nine-month periods ended September 30, 2013 and 2012 (in thousands):

Three Months Ended September 30,		Nine Months Ended September 30,	
2013	2012	2013	2012

Net Operating Revenues
United States