

EOG RESOURCES INC
Form 8-K
April 16, 2014

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 16, 2014

EOG RESOURCES, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---|---------------------------------------|---|
| Delaware (State or other jurisdiction of incorporation) | 1-9743 (Commission File Number) | 47-0684736 (I.R.S. Employer Identification No.) |
|---|---------------------------------------|---|

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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EOG RESOURCES, INC.

Item 7.01 Regulation FD Disclosure.

I. Price Risk Management

With the objective of enhancing the certainty of future revenues, from time to time EOG Resources, Inc. (EOG) enters into New York Mercantile Exchange (NYMEX) related financial price swap, option, swaption, collar and basis swap contracts. EOG accounts for financial commodity derivative contracts using the mark-to-market accounting method. In addition to financial transactions, from time to time 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 physical commodity contracts is included in revenues at the time of settlement, which in turn affects average realized hydrocarbon prices.

For the first quarter of 2014, EOG anticipates a non-cash net loss of \$155.7 million on the mark-to-market of its crude oil and natural gas derivative contracts. During the first quarter of 2014, the net cash paid for settlements of crude oil and natural gas derivative contracts was \$34.0 million.

For the quarter ended March 31, 2014, NYMEX West Texas Intermediate crude oil averaged \$98.61 per barrel, and NYMEX natural gas at Henry Hub averaged \$4.89 per million British thermal units (MMBtu). EOG's actual realizations for crude oil and natural gas for the quarter ended March 31, 2014, differ from these NYMEX prices due to delivery location and quality adjustments.

II. Crude Oil Derivative Contracts

Since filing its Annual Report on Form 10-K for the year ended December 31, 2013, on February 24, 2014 (Annual Report on Form 10-K), EOG has entered into additional crude oil derivative contracts as a result of counterparties exercising certain outstanding options on or about March 31, 2014, to extend certain derivative contracts for each month during the period April 1, 2014 through December 31, 2014. Presented below is a comprehensive summary of EOG's crude oil derivative contracts at April 16, 2014, with notional volumes expressed in barrels per day (Bbld) and prices expressed in dollars per barrel (\$/Bbl).

Crude Oil Derivative Contracts

| | Volume (Bbld) | Weighted Average Price (\$/Bbl) |
|--|------------------|--|
| <u>2014</u> ⁽¹⁾ | | |
| January 2014 (closed) | 156,000 | \$ 96.30 |
| February 2014 (closed) | 171,000 | 96.35 |
| March 2014 (closed) | 181,000 | 96.55 |
| April 1, 2014 through May 31, 2014 | 181,000 | 96.55 |
| June 2014 | 171,000 | 96.35 |
| July 1, 2014 through December 31, 2014 | 74,000 | 95.37 |

EOG has entered into crude oil derivative contracts which give counterparties the option to extend certain current derivative contracts for additional three-month and six-month periods. Options covering a notional volume of 10,000 Bbld are exercisable on or about May 30, 2014. If the counterparties exercise all such options, the notional volume of EOG's existing crude oil derivative contracts will increase by 10,000 Bbld at an average price of \$100.00 per barrel for each month during the period June 1, 2014 through August 31, 2014. Options covering a notional volume of 118,000 Bbld are exercisable on or about June 30, 2014. If the counterparties exercise all such options, the notional volume of EOG's existing crude oil derivative contracts will increase by 118,000 Bbld at an average price of \$96.64 per barrel for each month during the period July 1, 2014 through December 31, 2014. Options covering a notional volume of 69,000 Bbld are exercisable on or about December 31, 2014. If the counterparties exercise all such options, the notional volume of EOG's existing crude oil derivative contracts will increase by 69,000 Bbld at an average price of \$95.20 per barrel for each month during the period January 1, 2015 through June 30, 2015.

III. Natural Gas Derivative Contracts

Since filing its Annual Report on Form 10-K, EOG has entered into additional natural gas derivative contracts as a result of counterparties exercising certain outstanding options to enter into derivative contracts for the months of February 2014 through April 2014. Presented below is a comprehensive summary of EOG's natural gas derivative contracts at April 16, 2014, with notional volumes expressed in MMBtu per day (MMBtud) and prices expressed in dollars per MMBtu (\$/MMBtu).

Natural Gas Derivative Contracts

| | Volume (MMBtud) | Weighted Average Price (\$/MMBtu) |
|---|--------------------|--|
| <u>2014</u> ⁽¹⁾ | | |
| January 2014 (closed) | 230,000 | \$ 4.51 |
| February 2014 (closed) | 710,000 | 4.57 |
| March 2014 (closed) | 810,000 | 4.60 |
| April 2014 (closed) | 465,000 | 4.52 |
| May 1, 2014 through December 31, 2014 | 330,000 | 4.55 |
| <u>2015</u> ⁽²⁾ | | |
| January 1, 2015 through December 31, 2015 | 175,000 | \$ 4.51 |

EOG has entered into natural gas derivative contracts which give counterparties the option of entering into derivative contracts at future dates. All such options are exercisable monthly up until the settlement date of each (1) monthly contract. If the counterparties exercise all such options, the notional volume of EOG's existing natural gas derivative contracts will increase by 480,000 MMBtud at an average price of \$4.63 per MMBtu for each month during the period May 1, 2014 through December 31, 2014.

EOG has entered into natural gas derivative contracts which give counterparties the option of entering into derivative contracts at future dates. All such options are exercisable monthly up until the settlement date of each (2) monthly contract. If the counterparties exercise all such options, the notional volume of EOG's existing natural gas derivative contracts will increase by 175,000 MMBtud at an average price of \$4.51 per MMBtu for each month during the period January 1, 2015 through December 31, 2015.

IV. Forward-Looking Statements

Information Regarding Forward-Looking Statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, including, among others, statements and projections regarding EOG's future financial position, operations, performance, business strategy, returns, budgets, reserves, levels of production and costs, statements regarding future commodity prices and statements regarding the plans and objectives of EOG's management for future operations, are forward-looking statements. EOG typically uses words such as "expect," "anticipate," "estimate," "project," "strategy," "intend," "plan," "target," "goal," "may," "will," "should" and "believe" or the negative of those terms or other variations or comparable terminology to identify its forward-looking statements. In particular, statements, express or implied, concerning EOG's future operating results and returns or EOG's ability to replace or increase reserves, increase production, generate income or cash flows or pay dividends are forward-looking statements. Forward-looking statements are not guarantees of performance. Although EOG believes the expectations reflected in its forward-looking statements are reasonable and are based on reasonable assumptions, no assurance can be given that these assumptions are accurate or that any of these expectations will be achieved (in full or at all) or will prove to have been correct. Moreover, EOG's forward-looking statements may be affected by known, unknown or currently unforeseen risks, events or circumstances that may be outside EOG's control. Important factors that could cause EOG's actual results to differ materially from the expectations reflected in EOG's forward-looking statements include, among others:

- the timing and extent of changes in prices for, and demand for, crude oil and condensate, NGLs, natural gas and related commodities;
- the extent to which EOG is successful in its efforts to acquire or discover additional reserves;
- the extent to which EOG is successful in its efforts to economically develop its acreage in, produce reserves and achieve anticipated production levels from, and optimize reserve recovery from, its existing and future crude oil and natural gas exploration and development projects;
- the extent to which EOG is successful in its efforts to market its crude oil, natural gas and related commodity production;
- the availability, proximity and capacity of, and costs associated with, appropriate gathering, processing, compression, transportation and refining facilities;
- the availability, cost, terms and timing of issuance or execution of, and competition for, mineral licenses and leases and governmental and other permits and rights-of-way, and EOG's ability to retain mineral licenses and leases;
- the impact of, and changes in, government policies, laws and regulations, including tax laws and regulations; environmental, health and safety laws and regulations relating to air emissions, disposal of produced water, drilling fluids and other wastes, hydraulic fracturing and access to and use of water; laws and regulations imposing conditions or restrictions on drilling and completion operations and on the transportation of crude oil and natural gas; laws and regulations with respect to derivatives and hedging activities; and laws and regulations with respect to the import and export of crude oil, natural gas and related commodities;
- EOG's ability to effectively integrate acquired crude oil and natural gas properties into its operations, fully identify existing and potential problems with respect to such properties and accurately estimate reserves, production and costs with respect to such properties;
- the extent to which EOG's third-party-operated crude oil and natural gas properties are operated successfully and economically;
- competition in the oil and gas exploration and production industry for employees and other personnel, facilities, equipment, materials and services;
- the availability and cost of employees and other personnel, facilities, equipment, materials (such as water) and services;

the accuracy of reserve estimates, which by their nature involve the exercise of professional judgment and may therefore be imprecise;

weather, including its impact on crude oil and natural gas demand, and weather-related delays in drilling and in the installation and operation (by EOG or third parties) of production, gathering, processing, refining, compression and transportation facilities;

the ability of EOG's customers and other contractual counterparties to satisfy their obligations to EOG and, related thereto, to access the credit and capital markets to obtain financing needed to satisfy their obligations to EOG;

EOG's ability to access the commercial paper market and other credit and capital markets to obtain financing on terms it deems acceptable, if at all, and to otherwise satisfy its capital expenditure requirements;

the extent and effect of any hedging activities engaged in by EOG;

the timing and extent of changes in foreign currency exchange rates, interest rates, inflation rates, global and domestic financial market conditions and global and domestic general economic conditions;

political conditions and developments around the world (such as political instability and armed conflict), including in the areas in which EOG operates;

the use of competing energy sources and the development of alternative energy sources;

the extent to which EOG incurs uninsured losses and liabilities or losses and liabilities in excess of its insurance coverage;

acts of war and terrorism and responses to these acts;

physical, electronic and cyber security breaches; and

the other factors described under ITEM 1A, "Risk Factors", on pages 17 through 26 of EOG's Annual Report on Form 10-K for the year ended December 31, 2013, and any updates to those factors set forth in EOG's subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

In light of these risks, uncertainties and assumptions, the events anticipated by EOG's forward-looking statements may not occur, and, if any of such events do, we may not have anticipated the timing of their occurrence or the extent of their impact on our actual results. Accordingly, you should not place any undue reliance on any of EOG's forward-looking statements. EOG's forward-looking statements speak only as of the date made, and EOG undertakes no obligation, other than as required by applicable law, to update or revise its forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EOG RESOURCES, INC.
(Registrant)

/s/ TIMOTHY K. DRIGGERS

Date: April 16, 2014 By: Timothy K. Driggers
Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)