



## EOG Resources

### Company Profile

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[www.datamonitor.com](http://www.datamonitor.com)

**Datamonitor USA**  
245 5th Avenue  
4th Floor  
New York, NY 10016  
USA

t:+1 212 686 7400  
f:+1 212 686 2626  
e:usinfo@datamonitor.com

**Datamonitor Europe**  
Charles House  
108-110 Finchley Road  
London NW3 5JJ  
United Kingdom

t:+44 20 7675 7000  
f:+44 20 7675 7500  
e:eurinfo@datamonitor.com

Datamonitor Germany  
Kastor & Pollux  
Platz der Einheit 1  
60327 Frankfurt  
Deutschland

t:+49 69 9754 4517  
f:+49 69 9754 4900  
e:deinfo@datamonitor.com

**Datamonitor Hong Kong**  
2802-2803 Admiralty Centre  
Tower 1  
18 Harcourt Road  
Hong Kong

t:+852 2520 1177  
f:+852 2520 1165  
e:hkinfo@datamonitor.com

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## COMPANY OVERVIEW

EOG Resources is a mid size independent oil and gas exploration company with significant operations in the Permian Basin, south Texas, Rocky Mountains, east Texas, Gulf of Mexico, Canada, Trinidad and the North Sea. Geographically the company's operations span the US, Canada, Trinidad and Tobago, and the UK. It is headquartered in Houston, Texas and employs about 1,570 people.

The company recorded revenues of \$3,904.4 million during the fiscal year ended December 2006, an increase of 7.9% over 2005. The increase was primarily attributable to the increase in prices of natural gas and crude oil. The operating profit of the company during fiscal 2006 was \$1,895.4 million, a decrease of 4.9% compared to fiscal 2005. The net profit was \$1,299.9 million during fiscal year 2006, an increase of 3.2% over 2005

## KEY FACTS

<b>Head Office</b>	EOG Resources 333 Clay Street Suite 4200 Houston Texas 77002 7361 USA
<b>Phone</b>	1 713 651 7000
<b>Fax</b>	1 713 651 6995
<b>Web Address</b>	<a href="http://www.eogresources.com">www.eogresources.com</a>
<b>Revenue / turnover (USD Mn)</b>	3,904.4
<b>Financial Year End</b>	December
<b>Employees</b>	1,570
<b>New York Ticker</b>	EOG

## **BUSINESS DESCRIPTION**

EOG was once part of the energy giant Enron and subsequently in 1999 became an independent entity and changed its name from Enron Oil & Gas to EOG Resources. The company through its subsidiaries is primarily engaged in the exploration and production of crude oil and natural gas. It operates in major producing basins in the US, Canada, Trinidad and other international areas. The company had 6802 billion cubic feet of net proved natural reserves by the year ended December 2006. An estimated 60% of EOG's reserves are located in the US, 20% in Canada and 20% in Trinidad.

All of EOG's operations are related to natural gas and crude oil exploration and production and its operations are grouped into three reportable segments by geographies: US, Canada, and Trinidad and other regions.

The US operations are grouped into eight independent business units with each unit focusing on certain basins in a particular geographic region. The divisions are Midland, Texas; Denver, Colorado; Oklahoma City/Mid-Continent; Tyler, Texas; Corpus Christi, Texas; Pittsburgh, Pennsylvania Houston, Texas/Offshore; and Calgary, Canada Division. Other producing areas in the US are in Wyoming, Utah, South and East Texas, the Mississippi Salt Basin, the offshore Gulf of Mexico, New Mexico, Val Verde and Midland Basins of West Texas. The company's other US natural gas and crude oil producing properties are located primarily in other areas of Texas, Utah, Oklahoma, California, and Kansas. Approximately 88% of the company's proved US reserves are of natural gas while the remaining 12% are crude oil, condensate and natural gas liquids.

EOG's Canadian operations are carried out through its subsidiary EOG Resources Canada. Offices are located in Calgary and Alberta. Total Canadian natural gas production of the company during 2006 was approximately 226 MMcf (Million cubic feet) per day of natural gas.

Apart from North America, the company also has offshore operations in Trinidad and other international areas. During 2006 net delivery from the Trinidad region was approximately 4.8 MBbl (thousand barrels) per day of crude oil, and 264 MMcf per day of natural gas and condensate.

In the international arena the company is exploring opportunities in areas where natural gas and crude oil reserves have been located, including the UK.

## **HISTORY**

EOG Resources' operations originate in 1987, when Enron Oil & Gas Company, with responsibility for exploration and production, was formed out of previous InterNorth and Houston Natural Gas (HNG) operations, including Nortex Oil & Gas, Belco Petroleum, HNG Oil Company, and Florida Petroleum Company. Enron Oil & Gas Company was a subsidiary of Enron.

Enron Oil & Gas Company launched an initial public offering of 16% of its stock on the New York Stock Exchange in 1989, while its parent, Enron, continued to be the majority shareholder.

Later in 1992 Enron Oil & Gas Company expanded its international operations into the South East Coast Consortium Block offshore Trinidad, through a 95% working interest concession. The area included three undeveloped fields previously held by three energy companies owned by the Government of Trinidad and Tobago. In 1994, the Indian National Oil Company and Oil & Natural Gas Corporation designated Enron Oil & Gas Company the role of operator of three blocks offshore Bombay (India) as well as establishing a 30% working interest for Enron Oil & Gas Company in these areas. In 1995 Enron Oil & Gas Company was awarded the right to develop a block adjacent to the SECC block in Trinidad and later signed a product-sharing contract with the Government of Trinidad and Tobago in 1996.

The company signed a 30-year production-sharing contract with China National Petroleum in 1997, for crude oil and natural gas reserves within the Chuazhong Block located in one of China's oldest producing areas in the central Sichuan Province. Enron Oil & Gas Company held a 100% interest in the fields and was the operator. Enron Oil & Gas Company announced a share exchange transaction with Enron where Enron Oil & Gas Company received the majority of its shares owned by Enron and Enron received a subsidiary that contained Enron Oil & Gas Company's India and China operations and \$600 million. Thus, in 1999 Enron Oil & Gas Company became an independent entity and changed its name to EOG Resources (EOG).

During 2000, EOG started the functioning of its ninth division office in Pittsburgh, Pennsylvania in order to focus on potential of the Appalachian Basin. The company also signed a landmark marketing agreement with Calpine, where the daily price of natural gas was related to the price of electricity.

EOG resources and Burlington Resources in 2000 signed a definitive agreement for the exchange of gas and oil properties. The two companies exchanged approximately 6.5 million barrels of oil or 40 billion cubic feet equivalent. This agreement increased EOG's production and reserves in the Permian basin.

In 2002 the company discovered natural gas in Parula, Trinidad, and opened two new offshore exploration blocks. The company also started the CNC Ammonia plant in the same year. Also during the year EOG discovered natural gas in Parula in its Trinidad region of operation.

EOG made one of the biggest acquisitions in its history in 2003. Through its Canadian subsidiary, the company acquired natural gas properties in the Wintering Hills, Drumheller East and Twining areas Southeast Alberta from a subsidiary of Husky Energy. The acquired properties had about 34 MMcfd of production and around 275 billion cubic feet equivalent (Bcfe) of proved reserves. Through this acquisition, the company expanded its Canadian operation by adding 600 infill-drilling locations and 380 recompletions. In the same year the company also announced its plans to begin drilling in the Barnett Shale area, which commenced in the year 2004.

In Trinidad during 2005, EOG commenced natural gas production to supply feedstock for the M5000 Methanol Plant, and Atlantic LNG Train 4, which started taking gas in 2005 prior to plant commissioning.

In 2006, EOG's results from the Fort Worth Basin Barnett Shale Play continue to exceed expectations. Production at year-end 2006 was 206 MMcfd, exceeding the original year-end goal of 155 MMcfd.

## KEY EMPLOYEES

<b>Name</b>	<b>Job Title</b>	<b>Board</b>
Mark G Papa	Chairman and Chief Executive Officer	Executive Board
Edmund P Segner	Senior Executive Vice President and Chief of Staff	Executive Board
George A Alcorn	Director	Non Executive Board
Charles R Crisp	Director	Non Executive Board
William D Stevens	Director	Non Executive Board
H Leighton Steward	Director	Non Executive Board
Donald F Textor	Director	Non Executive Board
Frank G Wisner	Director	Non Executive Board
Steven E Weatherl	Vice President and General Manager, Midland	Senior Management
Ronnie L Adams	Controller, Land Administration	Senior Management
Ann D Janssen	Controller, Financial Reporting and Planning	Senior Management
Joseph C Landry	Controller, Operations Accounting	Senior Management
Helen Y Lim	Vice President and Treasurer	Senior Management
Loren M Leiker	Senior Executive Vice President, Exploration	Senior Management
Gary L Thomas	Senior Executive Vice President, Operations	Senior Management
Sandeep Bhakhri	Vice President and Chief Information Officer	Senior Management
Steven B Coleman	Senior Vice President New Projects, Fort Worth	Senior Management
Kurt D Doerr	Senior Vice President and General Manager, Denver	Senior Management
Lawrence E Fenwick	Senior Vice President and General Manager, EOG Resources Canada	Senior Management
Robert K Garrison	Executive Vice President, Exploration	Senior Management
William R Thomas	Senior Vice President and General Manager, Fort Worth	Senior Management
Maire A Baldwin	Vice President, Investor Relations	Senior Management
Ben B Boyd	Vice President, Accounting, EOG Resources International	Senior Management
Timothy K Driggers	Vice President and Chief Accounting Officer	Senior Management
Patricia L Edwards	Vice President, Human Resources, Administration and Corporate Secretary	Senior Management
Kevin S Hanzel	Vice President, Audit	Senior Management
Andrew N Hoyle	Vice President and General Manager, Pipeline	Senior Management

<b>Name</b>	<b>Job Title</b>	<b>Board</b>
Olaf A C Karlsen	General Manager, EOG Resources, UK	Senior Management
Lindell L Looger	Vice President and General Manager, International President, EOG Resources International	Senior Management
Tony C Maranto	Vice President and General Manager Oklahoma City	Senior Management
Richard A Ott	Vice President, Tax	Senior Management
Earl J Ritchie	Vice President and General Manager, Offshore	Senior Management
J. Pat Woods	Managing Director, EOG Resources Trinidad Limited	Senior Management
Gary L Smith	Vice President and General Manager, Pittsburgh	Senior Management
Ernest J. LaFlure	Vice President and General Manager, Tyler	Senior Management
Lloyd W. Helms	Vice President, Engineering and Acquisitions	Senior Management
Marc R. Eschenburg	Vice President, Marketing and Regulatory Affairs	Senior Management
Kenneth E. Dunn	Vice President and General Manager, Corpus Christi	Senior Management
Paul Arnott	Vice President and General Manager, EOG Resources Canada	Senior Management
Frederick J. Plaeger	Senior Vice President and General Counsel	Senior Management
David L. Rolando	Controller, Land Administration	Senior Management

## **KEY EMPLOYEE BIOGRAPHIES**

### **Mark G Papa**

Board: Executive Board  
Job Title: Chairman and Chief Executive Officer  
Since: 1999  
Age: 60

Mr. Papa has been the Chairman and Chief Executive Officer of EOG since 1999. He was President and Chief Executive Officer and Director in 1998, President and Chief Operating Officer in 1997, President in 1996 and was President-North America operations from 1994 to 1998. He joined Belco Petroleum Corporation, predecessor, in 1981. He is also a Director of Oil States International, an oilfield services company, a Director of Magellan Midstream Partners, a pipeline and terminal company, and Chairman of the US Oil and Gas Association.

### **Edmund P Segner**

Board: Executive Board  
Job Title: Senior Executive Vice President and Chief of Staff  
Since: 2007  
Age: 53

Mr. Segner has been the Senior Executive Vice President and Chief of Staff of EOG since 2007. He has served as Vice Chairman and Chief of Staff in 1997. He is the principal Financial Officer.

### **George A Alcorn**

Board: Non Executive Board  
Job Title: Director  
Since: 2000  
Age: 74

Mr. Alcorn has been a Director of EOG since 2000. He was a past Chairman of the Independent Petroleum Association of America and a founding member and past Chairman of the Natural Gas Council.

### **Charles R Crisp**

Board: Non Executive Board  
Job Title: Director  
Since: 2002

Age: 59

Mr. Crisp has been a Director of EOG since 2002. He was President and Chief Executive Officer and a Director of Coral Energy, a subsidiary of Shell Oil Company from 1999 until his retirement in 2000, and President and Chief Operating Officer and a Director from 1998 through 1999. He is also a Director of AGL Resources, an energy services holding company.

### **William D Stevens**

Board: Non Executive Board  
Job Title: Director  
Since: 2004  
Age: 72

Mr. Stevens has been a Director of EOG since 2004. He is currently retired. He served as President and Chief Operating Officer of Mitchell Energy and Development Corporation from 1994 until his retirement in 2002, having also served as a board member since 1992.

### **H Leighton Steward**

Board: Non Executive Board  
Job Title: Director  
Since: 2004  
Age: 72

Mr. Steward has been a Director of EOG since 2004. He is author-partner of Sugar Busters. He retired from Burlington Resources in 2000, where he had served as Vice Chairman since 1997.

### **Donald F Textor**

Board: Non Executive Board  
Job Title: Director  
Since: 2001  
Age: 60

Mr. Textor has been a Director of EOG since 2001. His principal occupation is Portfolio Manager of the Dorset Energy Fund and a Partner of Knott Partners. Previously, he was a Partner and Managing Director at Goldman Sachs until his retirement in March 2001.

### **Frank G Wisner**

Board: Non Executive Board  
Job Title: Director

Since: 1997  
Age: 66

Mr. Wisner has been a Director of EOG since 1997. He has served as Vice Chairman of External Affairs of American International Group since 1997, following his retirement as US Ambassador to India. He is also a Director of Ethan Allen Interiors.

### **Loren M Leiker**

Board: Senior Management  
Job Title: Senior Executive Vice President, Exploration  
Since: 2000  
Age: 51

Mr. Leiker is Senior Executive Vice President, Exploration of EOG. He was elected Executive Vice President, Exploration in 1998 and was subsequently named Executive Vice President, Exploration and Development. He was previously Senior Vice President, Exploration. Mr. Leiker joined EOG in 1989 as International Exploration Manager.

### **Gary L Thomas**

Board: Senior Management  
Job Title: Senior Executive Vice President, Operations  
Age: 57

Mr. Thomas is Senior Executive Vice President, Operations of EOG. He was previously Senior Vice President and General Manager, Midland division. He joined a predecessor of the company in 1978.

### **Sandeep Bhakhri**

Board: Senior Management  
Job Title: Vice President and Chief Information Officer  
Since: 1992

Mr. Bhakhri has been the Vice President and Chief Information Officer of EOG since 1992. Prior to joining the company, he served as consultant at Micro based Systems Group at McDermott International.

### **Robert K Garrison**

Board: Senior Management  
Job Title: Executive Vice President, Exploration  
Age: 57

Mr. Garrison is Executive Vice President, Exploration. He previously was elected Senior Vice President and General Manager in Corpus Christi in August 2004. Prior to that he was Vice President and General Manger in Corpus Christi.

### **Timothy K Driggers**

Board: Senior Management  
Job Title: Vice President and Chief Accounting Officer  
Since: 2003  
Age: 45

Mr. Driggers has been the Vice President and Chief Accounting Officer of EOG since 2003. He was elected Vice President and Controller of EOG in October 1999 and was subsequently named Vice President and Chief Accounting Officer in August 2003. He was previously Vice President, Accounting and Land Administration. Mr. Driggers is EOG's principal accounting officer.

## **MAJOR PRODUCTS AND SERVICES**

EOG Resources is a mid size independent oil and gas exploration company with significant operations in the Permian Basin, south Texas, Rocky Mountains, east Texas, gulf of Mexico, Canada, Trinidad and the North Sea.

The company's products and services include:

Products:

Natural gas  
Natural gas liquids  
Crude oil

Services:

Oil and gas Marketing  
Exploration

## REVENUE ANALYSIS

The company recorded revenues of \$3,904.4 million during the fiscal year ended December 2006, an increase of 7.9% over 2005. The increase was primarily attributable to the increase in prices of natural gas and crude oil. For the fiscal year 2006, revenues from the US, the company's largest geographical market, accounted for 74% of the total revenues.

EOG Resources generates revenues through its three business divisions: natural gas (72% of total revenues during fiscal 2006); crude oil, condensate and natural gas liquids (19.5%), and others (8.7%).

### Revenues by Division

During the fiscal year 2006, the natural gas division recorded revenues of \$2803.3 million, a decrease of 4.6% over fiscal 2005.

The crude oil, condensate and natural gas liquids division recorded revenues of \$761.6 million in 2006, an increase of 14% over fiscal 2005.

Others recorded revenues of \$5.3 million in 2006, compared to \$2.7 million in 2005.

### Revenues by Geography

United States, EOG Resource's largest geographical market, accounted for 74% of the total revenues in the fiscal year 2006. Revenues from US reached \$2878.2 million in 2006, an increase of 11.4% over fiscal 2005.

Canada accounted for 15.2% of the total revenues. Revenues from Canada reached \$593.7 million in 2006, a decline of 8.8% over 2005.

Trinidad accounted for 8.9% of the total revenues. Revenues from Trinidad reached \$345.7 million in 2006, an increase of 23% over fiscal 2005.

United Kingdom accounted for 2.2% of the total revenues.

## SWOT ANALYSIS

EOG Resources is a mid size independent oil and gas exploration company with significant operations in the Permian Basin, south Texas, Rocky Mountains, east Texas, Gulf of Mexico, Canada, Trinidad and the North Sea. EOG has strong reserve position. At the end of December 2006, EOG's total estimated net proved reserves were 6,802 billion cubic feet equivalent (Bcfe), an increase of 607 Bcfe or 105 over 2005. The company's strong oil and natural gas reserves place the company at a strong competitive advantage relative to other players. However, the economic slowdown in the US can have an adverse impact on the company's operations.

<b>Strengths</b>	<b>Weaknesses</b>
Strong reserves position Improved organic growth profile Strong returns	Declining natural gas revenues Lack of retail operations Declining production from United Kingdom and Canada
<b>Opportunities</b>	<b>Threats</b>
Increase in demand for Natural gas as feedstock International exploration projects Advances in technology	Economic slowdown in the US Exploration risk Highly regulated industry

### Strengths

#### Strong reserves position

At the end of December 2006, EOG's total estimated net proved reserves were 6,802 billion cubic feet equivalent (Bcfe), an increase of 607 Bcfe or 105 over 2005. Of these, 6,095 billion cubic feet (Bcf) were natural gas reserves and 118 million barrels (MMBbl), or 707 Bcfe, were crude oil, condensate and natural gas liquids reserves. From drilling alone, EOG added 1,414 Bcfe of reserves. Approximately 60% of EOG's reserves were located in the United States, 20% in Canada and 20% in Trinidad. EOG is ranked in a higher quartile of its peer group on the basis of benchmarks such as asset intensity metrics, which demonstrate the company's relatively stable production base and low cost structure. The company's strong oil and natural gas reserves place the company at a strong competitive advantage relative to other players.

#### Improved organic growth profile

EOG's overall organic year-over-year production increased 9% and the US natural gas production grew 14%. The Fort Worth Basin Barnett Shale, Northeastern Utah Uinta Basin and South Texas Frio and Lobo Plays led the US production increase. Production in the US and Canada accounted for approximately 79% of total company production in both 2006 and 2005. During 2006, EOG substantially increased drilling activity, acreage position, reserve potential and production. The net average production for 2006 was 1,337 million cubic feet per day (MMcfd) of natural gas and 37.4 million barrels per day (Bbld) of crude oil, condensate and natural gas liquids. Improving organic growth contribute to better profit margins and enhances the growth prospects of the company in increasingly competitive marketplace.

#### Strong returns

In 2006, EOG reported one of the highest financial returns among the large cap peer group with 26% return on equity (ROE) and 25% return on capital employed (ROCE). For the seven-year period ended December 31, 2005, EOG's average ROE was 29% as compared to 14% for the S&P 500 Index. For the same period, EOG's average ROCE was 19% as compared to 8% for the index. During this period, EOG ranked 56th and 109th, respectively, among all S&P 500 companies when measured on ROE and ROCE, and second in each category among all oil and natural gas producers. Strong returns supports organic growth and reflects efficient cost structure of the company.

#### Weaknesses

##### Declining natural gas revenues

Natural gas revenues for 2006 decreased \$136 million, or 5%, to \$2,803 million from \$2,939 million for 2005 due to a lower composite average natural gas price (\$407 million) and a second quarter 2005 revenue adjustment related to an amended Trinidad take-or-pay contract (\$19 million), partially offset by increased natural gas deliveries (\$290 million). The composite average natural gas price decreased 13% to \$5.74 per Mcf for 2006 from \$6.62 per Mcf in 2005. Declining revenues from the major segment can affect the financial position of the company.

##### Lack of retail operations

Unlike its other competitors such as Exxon Mobil, Chevron and Shell, the company does not participate in setting up any retail outlets. It has historically maintained its focus on establishing itself only as an independent producer of energy. As a result of this, the company has increased its exposure to external market factors such as low commodity prices. Furthermore, EOG did not enter into any additional oil and gas price hedging contracts and is currently unhedged for the remainder of 2007, leaving its earnings fully exposed to changes in oil and gas prices. Energy production being a capital-intensive industry; fixed costs have to be met irrespective of other factors; hence a lack of retail support based activity in the wake of the company's lack of hedging leaves it exposed to the volatility in fuel prices.

#### Declining production from United Kingdom and Canada

Natural gas equivalent production from the United Kingdom declined 22.5% from 40 MMcfd in 2005 to 31 MMcfd in 2006. The decrease in production in the United Kingdom was a result of production declines in both the Arthur and Valkyrie fields. In addition, natural gas equivalent production from Canada decreased 1%, from 248 MMcfd in 2005 to 246 MMcfd in 2006. Decreased production can affect the top line growth of the company.

### **Opportunities**

#### Increase in demand for Natural gas as feedstock

Natural gas has been increasingly used as a feedstock for energy production. The clean burning nature of natural gas has resulted in increased use of the fuel. Growth in use of electricity has led to higher usage of natural gas to fire power plants. At present about 25% of the power plants in the US are fired by natural gas. Furthermore, it is estimated that a major portion of the power plants under construction would be fired by natural gas in the future. Another area where natural gas is used as feedstock is ammonia production. Currently EOG is supplying around 50 MMcfd (million cubic feet per day) of natural gas for the CNC Ammonia plant which commenced operation in 2002. Similarly it plans to supply another 50MMcfd of natural gas to a second ammonia plant Nitro 2000 which has started its operations in 2005. These developments augur a good future for the company.

#### International exploration projects

While the company has not been traditionally known for its larger-impact, single-well type exploration projects, EOG is currently one of the largest natural gas producers in Mississippi. EOG will continue its growth in East Texas, Louisiana and Mississippi with tests of several high potential impact new projects in 2007. EOG increased drilling activity within its core areas of the Rocky Mountain area, drilling 179 net wells during 2006, including 84 net wells in the Uinta Basin, Utah, 40 net wells in the LaBarge Platform, Wyoming, 34 net wells in the Moxa Arch area, Wyoming, and seven net wells in the Williston Basin. The net average daily production for 2006 from the Rocky Mountain area was 165 MMcfd of natural gas and 8.6 MBbld of crude oil, condensate and natural gas liquids. EOG expects to continue increasing drilling activity in these core areas during 2007, while maintaining an active exploration and delineation program in other areas in Utah, Wyoming and North Dakota. The increase in the number of international exploration projects would help the company significantly increase its production of natural gas.

#### Advances in technology

By generating advances in both technology and drilling techniques, EOG is unlocking energy resources for the future. EOG continues to drill vertical wells in reservoirs where that technology is applicable. Through the prowess the company has developed in vertical drilling and fracturing techniques, Now with horizontal drilling, EOG expects to tap into resource plays locked in low

permeability zones such as shales, sandstones and carbonates. According to current industry statistics, horizontal wells account for approximately 10% of all onshore drilling in the US and Canada. While the industry ratio is expected to grow to 30 to 35 percent within the next five years as more resource plays are developed, EOG is already ahead of these forecasts. In the US, the company is drilling approximately 50% percent of the wells horizontally. This gives EOG a technical edge, which will allow it to capture additional large North American resource plays.

## **Threats**

### Economic slowdown in the US

According to the Organization for Economic Cooperation and Development (OECD), GDP growth in the US is expected to fall from an estimated 3.2% in 2006 to 2.8% in 2007. More importantly, the US has seen 17 successive interest rate hikes over the past few years leading to the current high of 5.25%. A weak economic outlook for the US would put pressure on the revenues of the company. Economic slow down in the US could impact industrial development, which would adversely affect demand for EOG Resources services.

### Exploration risk

EOG carries the risk of capital-intensive business processes where geology, volume and timing are subject to uncertainty. A major underpinning to EOG's growth will be the extent of success with which it meets in its nascent Barnett Shale program, which is subject to risks associated with exploration. Any delays or setbacks in this project could raise questions as to the ultimate recovery factors in the non-core area.

### Highly regulated industry

Natural gas and crude oil production operations are highly regulated in the US by state and federal agencies. Several departments and agencies, both federal and state have the authority to issue rules and regulations. These include issues such as permits for the drilling of wells, regulation relating to the spacing of wells, prevention of wastage of natural gas and liquid hydrocarbon resources, and regulation of environmental and safety matters. These stringent regulations constantly change and increase the cost of operations and thus impact profitability of the business. Similarly operations of the company are subject to several laws and regulations related to environmental protection. Furthermore, environmental laws, regulations and enforcement policies are increasing with the passage of time, thereby increasing the compliance costs for companies. A sustained increase in this regard could reduce earnings and profit margins in the years to come.

## **TOP COMPETITORS**

The following companies are the major competitors of EOG Resources

Adams Resources & Energy, Inc.  
Anadarko Petroleum Corporation  
Apache Corporation  
BP Plc  
Chevron Corporation  
Duke Energy Corporation  
Dynegy Inc.  
El Paso Corporation  
ExxonMobil Corporation  
Occidental Petroleum Corporation  
Royal Dutch/Shell Group  
Abraxas Petroleum Corporation  
Noble Energy, Inc.  
Murphy Oil Corp.  
Apco Argentina Inc.  
Cabot Oil & Gas Corporation  
Pioneer Natural Resources Company  
PetroQuest Energy, Inc.  
Berry Petroleum Company  
Sun Motor International, Inc.  
Crimson Exploration  
Arena Resources, Inc.  
ERHC Energy, Inc.

## COMPANY VIEW

An excerpt from the 'Management's Discussion and Analysis of Financial Condition and Results of Operations' section is given below. The statement has been taken from the company's 10K regulatory filing for 2006.

### Overview

EOG Resources, Inc. (EOG) is one of the largest independent (non-integrated) oil and natural gas companies in the United States with proved reserves in the United States, Canada, offshore Trinidad and the United Kingdom North Sea. EOG operates under a consistent business and operational strategy that focuses predominantly on achieving a strong reinvestment rate of return, drilling internally generated prospects, delivering long-term production growth and maintaining a strong balance sheet. Net income available to common for 2006 of \$1,289 million was up 3% compared to 2005 net income available to common of \$1,252 million. At December 31, 2006, EOG's total reserves were 6.8 trillion cubic feet equivalent, an increase of 607 billion cubic feet equivalent (Bcfe) from December 31, 2005.

### Operations

Several important developments have occurred since January 1, 2006.

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 numerous wells in large acreage plays, which in the aggregate are expected to contribute substantially to EOG's crude oil and natural gas production. Production in the United States and Canada accounted for approximately 79% of total company production in both 2006 and 2005. Based on current trends, EOG expects its 2007 production profile to be similar. EOG's major producing areas are in Louisiana, New Mexico, Oklahoma, Texas, Utah, Wyoming and western Canada.

### International

Although EOG continues to focus on United States and Canada natural gas, EOG sees an increasing linkage between United States and Canada natural gas demand and Trinidad natural gas supply. For example, liquefied natural gas (LNG) imports from existing and planned facilities in Trinidad are contenders to meet increasing United States natural gas demand. In addition, ammonia, methanol and chemical production has been relocating from the United States and Canada to Trinidad, driven by attractive natural gas feedstock prices in the island nation. EOG believes that its existing position with the supply contracts to two ammonia plants, a methanol plant and the Atlantic LNG Train 4 (ALNG) plant will continue to give its portfolio an even broader exposure to United States and Canada natural gas fundamentals.

Beginning December 2005, ALNG began taking start-up gas and remained in the start-up phase through December 2006. In the first quarter of 2006, a subsidiary of EOG, EOG Resources Trinidad Block 4(a) Unlimited, drilled two successful wells on Block 4(a). The subsidiary obtained approval to develop Block 4(a) under a production sharing contract with the Government of Trinidad and Tobago signed in July 2005.

A subsidiary of EOG, EOG Resources Trinidad Limited, and the other participants in the South East Coast Consortium (SECC) Block signed a farm-out agreement covering the SECC Deep Ibis prospect with BP Trinidad and Tobago LLC (BP) during 2004. The SECC Deep Ibis well spud in April 2006, was drilled to a depth of approximately 19,000 feet and was abandoned and classified as a dry hole in the third quarter of 2006. BP paid the entire cost for drilling the SECC Deep Ibis exploratory well.

During 2006, notwithstanding difficulties in accessing rig slots in the Southern Gas Basin of the United Kingdom North Sea, Arthur 3 was drilled and completed and began producing in early third quarter. In addition to EOG's ongoing production from Valkyrie and Arthur Fields, EOG participated in the drilling and successful testing of the Columbus prospect in the Central North Sea Block 23/16f. The Columbus well was a farm-in opportunity, and its future appraisal and development is currently being evaluated.

## LOCATIONS AND SUBSIDIARIES

### Head Office

EOG Resources  
333 Clay Street  
Suite 4200  
Houston  
Texas 77002 7361  
USA  
P:1 713 651 7000  
F:1 713 651 6995  
www.eogresources.com

### Other Locations and Subsidiaries

EOGR Corpus Christi Suite 900 Corpus Christi Texas 78401 USA	EOGR Midland 4000 North Big Spring Suite 500 (79705) Midland Texas 79702 2267 USA
EOGR Tyler 6101 South Broadway Suite 200 Tyler Texas 75703 USA	EOGR Denver 600 Seventeenth Street Suite 1100N Denver Colorado 80202 USA
EOGR Oklahoma 3817 North West Expressway Suite 500 Oklahoma City Oklahoma 73112 1483 USA	EOGR Canonsburg Southpointe Plaza 400 Southpointe Boulevard Suite 300 Canonsburg Pennsylvania 15317 USA
EOGR Wyoming 1540 Belco Drive Big Piney Wyoming 83113 USA	EOGR Canada Suite 1300 700 9th Avenue South West Calgary Canada T2P 3V4 CAN

<p>EOGR International Houston Texas 77210 4362 USA</p>	<p>EOGR United Kingdom Andrews House College Road Guildford Surrey GU1 4QB GBR</p>
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