

EOG RESOURCES INC
Form 8-K
April 23, 2019

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 23, 2019

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

| | | |
|---|-----------------------------|---|
| Delaware | 1-9743 | 47-0684736 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (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)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, par value \$0.01 per share | EOG | New York Stock Exchange |

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))

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Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EOG RESOURCES, INC.

Item 7.01 Regulation FD Disclosure.

1. Price Matters Update

Based on EOG's tax position, EOG's price sensitivity (exclusive of basis swaps) as of April 23, 2019, for each \$1.00 per barrel increase or decrease in wellhead crude oil and condensate price, combined with the estimated change in natural gas liquids price, is approximately \$104 million for net income and \$135 million for pretax cash flows from operating activities, in each case for the full-year 2019.

Based on EOG's tax position and the portion of EOG's anticipated natural gas volumes for which prices have not (as of April 23, 2019) been determined under long-term marketing contracts, EOG's price sensitivity (as of April 23, 2019) for each \$0.10 per thousand cubic feet increase or decrease in wellhead natural gas price is approximately \$25 million for net income and \$32 million for pretax cash flows from operating activities, in each case for the full-year 2019.

See below for a summary of EOG's financial commodity derivative contracts as of April 23, 2019. For a summary of EOG's financial commodity derivative contracts for the twelve months ended December 31, 2018, see Note 12 to Consolidated Financial Statements included in EOG's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 26, 2019 (Annual Report on Form 10-K).

II. Price Risk Management

With the objective of enhancing the certainty of future revenues, from time to time EOG Resources, Inc. (EOG) enters into U.S. 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.

For the first quarter of 2019, EOG anticipates a net loss of \$20.6 million on the mark-to-market of its financial commodity derivative contracts. During the first quarter of 2019, the net cash received for settlements of financial commodity derivative contracts was \$20.8 million.

For the quarter ended March 31, 2019, NYMEX West Texas Intermediate (WTI) crude oil averaged \$54.90 per barrel (\$/Bbl), and NYMEX natural gas at Henry Hub averaged \$3.13 per million British thermal units (MMBtu). EOG's actual realizations for crude oil and natural gas for the quarter ended March 31, 2019, differ from these NYMEX prices due to delivery location, quality and appropriate revenue adjustments.

III. Crude Oil Derivative Contracts

Since filing its Annual Report on Form 10-K, EOG has entered into additional crude oil derivative contracts.

As noted above, prices received by EOG for its crude oil production generally vary from NYMEX WTI prices due to adjustments for delivery location (basis) and other factors. EOG has entered into crude oil basis swap contracts in order to fix the differential between pricing in Midland, Texas, and Cushing, Oklahoma (Midland Differential). Presented below is a comprehensive summary of EOG's Midland Differential basis swap contracts through April 23, 2019. The weighted average price differential expressed in \$/Bbl represents the amount of reduction to Cushing, Oklahoma, prices for the notional volumes expressed in barrels per day (Bbld) covered by the basis swap contracts.

Midland Differential Basis Swap Contracts

| | Volume (Bbl) | Weighted Average Price Differential (\$/Bbl) |
|---|-----------------|--|
| 2019 | | |
| January 1, 2019 through April 30, 2019 (closed) | 20,000 | \$ 1.075 |
| May 1, 2019 through December 31, 2019 | 20,000 | 1.075 |

EOG has also entered into crude oil basis swap contracts in order to fix the differential between pricing in the U.S. Gulf Coast and Cushing, Oklahoma (Gulf Coast Differential). Presented below is a comprehensive summary of EOG's Gulf Coast Differential basis swap contracts through April 23, 2019. The weighted average price differential expressed in \$/Bbl represents the amount of addition to Cushing, Oklahoma, prices for the notional volumes expressed in Bbld covered by the basis swap contracts.

Gulf Coast Differential Basis Swap Contracts

| | Volume (Bbld) | Weighted Average Price Differential (\$/Bbl) |
|---|------------------|--|
| 2019 | | |
| January 1, 2019 through April 30, 2019 (closed) | 13,000 | \$ 5.572 |
| May 1, 2019 through December 31, 2019 | 13,000 | 5.572 |

Presented below is a comprehensive summary of EOG's crude oil price swap contracts through April 23, 2019, with notional volumes expressed in Bbld and prices expressed in \$/Bbl.

Crude Oil Price Swap Contracts

| | Volume (Bbld) | Weighted Average Price (\$/Bbl) |
|---------------------------------------|------------------|--|
| 2019 | | |
| April 2019 | 25,000 | \$ 60.00 |
| May 1, 2019 through December 31, 2019 | 150,000 | 62.50 |

IV. Natural Gas Derivative Contracts

Since filing its Annual Report on Form 10-K, EOG has entered into additional natural gas derivative contracts.

Presented below is a comprehensive summary of EOG's natural gas price swap contracts through April 23, 2019, with notional volumes expressed in MMBtu per day (MMBtud) and prices expressed in dollars per MMBtu (\$/MMBtu).

Natural Gas Price Swap Contracts

| | Volume (MMBtud) | Weighted Average Price (\$/MMBtu) |
|--------------------------------------|--------------------|--|
| 2019 | | |
| April 2019 (closed) | 250,000 | \$ 2.90 |
| May 1, 2019 through October 31, 2019 | 250,000 | 2.90 |

V. 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, capital expenditures, costs and asset sales, 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," "aims," "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 returns, replace or increase drilling locations, reduce or otherwise control operating costs and capital expenditures, generate cash flows, pay down or refinance indebtedness or pay and/or increase 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, extent and duration of changes in prices for, supplies of, and demand for, crude oil and condensate, natural gas liquids, 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 maximize 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 and condensate, natural gas liquids, natural gas and related commodity production;
- the availability, proximity and capacity of, and costs associated with, appropriate gathering, processing, compression, storage, 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; climate change and other 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 the acquisition of licenses, leases and properties, 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 tubulars) 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, storage 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 to which EOG is successful in its completion of planned asset dispositions;

- 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;
- geopolitical factors and political conditions and developments around the world (such as the imposition of tariffs or trade or other economic sanctions, 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 cybersecurity breaches; and
- the other factors described under ITEM 1A, Risk Factors, on pages 13 through 22 of EOG's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, 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 duration or 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 23, 2019 By: Timothy K. Driggers
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)