EOG RESOURCES INC
Form 10-K
February 25, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015
or
o 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 (State or other jurisdiction of incorporation or organization)	47-0684736 (I.R.S. Employer Identification No.)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Common Stock aggregate market value held by non-affiliates as of June 30, 2015: $47,957 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Class: Common Stock, par value $0.01 per share, 549,883,390 shares outstanding as of February 18, 2016.

Documents incorporated by reference. Portions of the Definitive Proxy Statement for the registrant's 2016 Annual Meeting of Stockholders, to be filed within 120 days after December 31, 2015, are incorporated by reference into Part III of this report.

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PART I

ITEM 1. Business

General

EOG Resources, Inc., a Delaware corporation organized in 1985, together with its subsidiaries (collectively, EOG), explores for, develops, produces and markets crude oil and natural gas primarily in major producing basins in the United States of America (United States or U.S.), The Republic of Trinidad and Tobago (Trinidad), the United Kingdom (U.K.), The People's Republic of China (China), Canada and, from time to time, select other international areas. EOG's principal producing areas are further described in "Exploration and Production" below. EOG's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports are made available, free of charge, through EOG's website, as soon as reasonably practicable after such reports have been filed with the United States Securities and Exchange Commission (SEC). EOG's website address is www.eogresources.com. Information on our website is not incorporated by reference into, and does not constitute a part of, this report.

At December 31, 2015, EOG's total estimated net proved reserves were 2,118 million barrels of oil equivalent (MMBoe), of which 1,098 million barrels (MMBbl) were crude oil and condensate reserves, 383 MMBbl were natural gas liquids (NGLs) reserves and 3,825 billion cubic feet, or 637 MMBoe, were natural gas reserves (see Supplemental Information to Consolidated Financial Statements). At such date, approximately 97% of EOG's net proved reserves, on a crude oil equivalent basis, were located in the United States and 3% in Trinidad. Crude oil equivalent volumes are determined using a ratio of 1.0 barrel of crude oil and condensate or NGLs to 6.0 thousand cubic feet (Mcf) of natural gas.

As of December 31, 2015, EOG employed approximately 2,760 persons, including foreign national employees.

EOG's business strategy is to maximize the rate of return on investment of capital by controlling operating and capital costs and maximizing reserve recoveries. This strategy is intended to enhance the generation of cash flow and earnings from each unit of production on a cost-effective basis, allowing EOG to deliver long-term production growth while maintaining a strong balance sheet. EOG is focused on cost-effective utilization of advanced technology associated with three-dimensional seismic and microseismic data, the development of reservoir simulation models, the use of improved drill bits, completion technologies for horizontal drilling and formation evaluation. These advanced technologies are used, as appropriate, throughout EOG to reduce the risks associated with all aspects of oil and gas exploration, development and exploitation. EOG implements its strategy by emphasizing the drilling of internally generated prospects in order to find and develop low-cost reserves. Maintaining the lowest possible operating cost structure that is consistent with prudent and safe operations is also an important goal in the implementation of EOG's strategy.

With respect to information on EOG's working interest in wells or acreage, "net" oil and gas wells or acreage are determined by multiplying "gross" oil and gas wells or acreage by EOG's working interest in the wells or acreage.

Business Segments

EOG's operations are all crude oil and natural gas exploration and production related. For financial information about our reportable segments (including financial information by segment geographic area), see Note 11 to Consolidated Financial Statements. For information regarding the risks associated with EOG's foreign operations, see ITEM 1A, Risk Factors.

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Exploration and Production

United States Operations

EOG's operations are focused in most of the productive basins in the United States with a current focus on crude oil and, to a lesser extent, liquids-rich natural gas plays.

At December 31, 2015, on a crude oil equivalent basis, 53% of EOG's net proved reserves in the United States were crude oil and condensate, 19% were NGLs and 28% were natural gas. The majority of these reserves are in long-lived fields with well-established production characteristics. EOG believes that opportunities exist to increase production through continued development in and around many of these fields and through the utilization of applicable technologies. EOG also maintains an active exploration program designed to extend fields and add new trends and resource plays to its already broad portfolio. The following is a summary of significant developments during 2015 and certain 2016 plans for EOG's United States operations.

The Eagle Ford continues to prove itself as a world-class oil field having produced in excess of 1.5 billion barrels of crude oil and condensate. With approximately 549,000 of its 608,000 total net acres in the prolific oil window, EOG continues to be the largest crude oil producer in the Eagle Ford with cumulative gross production in excess of 285 MMBbl of oil. EOG completed 329 net wells in 2015 and net production averaged approximately 209 thousand barrels per day (MBbld) of crude oil and condensate and NGLs, an increase of 3% over 2014. The combination of self-sourced sand, dedicated frac crews and other services along with continuous well optimization programs have made this play the centerpiece of EOG's portfolio. In 2016, EOG expects to complete approximately 150 net wells, continue to improve well productivity and reduce drilling and completion costs as well as operating expenses.

In the Permian Basin, EOG completed 74 net wells primarily in the Leonard, Wolfcamp, and Second Bone Spring Sand plays during 2015, and evaluated multiple development concepts across these liquids-rich plays. In the Delaware Basin Wolfcamp Shale play, where it has approximately 168,000 net acres, EOG tested 500-foot well spacing in both the crude oil and combo portions of this play with positive results. The success of the 2015 Delaware Basin Wolfcamp program was due to refined targeting, high-density stimulations and cost reductions, which will make the play a focal point of EOG's 2016 Permian Basin program. In the Second Bone Spring Sand play, where it holds approximately 111,000 net acres, EOG tested multiple target zones and well spacing as close as 550 feet. With over 1,000 estimated remaining net drilling locations, this high-return oil play is another integral part of EOG's Permian Basin portfolio. In the Leonard Shale play, EOG has approximately 93,000 net acres and continued development at 300- to 500- foot well spacing. Additionally, EOG has approximately 71,000 net acres in the Wolfcamp Shale within the Midland Basin. Net production in the Permian Basin for 2015 averaged approximately 43 MBbld of crude oil and condensate and NGLs, an increase of 30% over 2014. Net natural gas production increased 27% to approximately 108 million cubic feet per day (MMcfd). EOG holds approximately 415,000 net acres throughout the Permian Basin. In 2016, activity will be focused primarily in the Delaware Basin Wolfcamp, Second Bone Spring Sand and Leonard plays by completing approximately 75 net wells.

During 2015, the Rocky Mountain area experienced reduced activity levels due to lower commodity prices but yielded consistent results. In 2015, EOG continued infill drilling on its crude oil acreage in the Williston Basin Bakken core, completing 25 net wells. The 2015 development program also included completing 10 net Codell formation wells in the DJ Basin and 13 net wells in the Turner, Parkman and Niobrara formations in the Powder River Basin. Infrastructure improvements allowed for a substantial reduction in lease operating expenses and a much higher natural gas recovery. Improved efficiencies, lower service company costs both for drilling and completions and lower lease operating expenses resulted in more profitable wells in this challenging price environment. Net production for the entire Rocky Mountain area for 2015 averaged approximately 65 MBbld of crude oil and condensate and NGLs. In 2016, EOG plans to complete approximately 35 net wells, primarily in the Powder River and Williston Basins. EOG holds approximately 985,000 net acres in the Rocky Mountain area.

In the Upper Gulf Coast region, EOG completed six net wells during 2015 and net production averaged approximately 54 MMcfd of natural gas and approximately 4 MBbld of crude oil and condensate and NGLs. In 2016, EOG will continue to defer dry gas drilling in the Haynesville Shale, while working to maintain base production and continue its liquids exploration program. EOG holds approximately 529,000 net acres in the Upper Gulf Coast region and plans to complete approximately five net wells in 2016.

In the Mid-Continent area, EOG continued its successful horizontal exploitation of the Pennsylvanian sandstones in the Anadarko Basin, completing five net wells in 2015. During 2015, EOG's net production averaged approximately 6 MBbld of crude oil and condensate and NGLs and approximately 29 MMcfd of natural gas. EOG holds approximately 250,000 net acres throughout the Mid-Continent area and expects to continue its exploration program in 2016.

During 2015, EOG performed limited development of its liquids-rich Barnett Shale Combo play in the Fort Worth Basin, completing six net wells. In 2015, net production in the Barnett Shale averaged approximately 27 MBbld of crude oil and condensate and NGLs and approximately 272 MMcfd of natural gas. For 2016, EOG will focus on maintaining base production. EOG currently holds approximately 351,000 net acres in the Barnett Shale.

In the South Texas area, total net production during 2015 averaged approximately 6 MBbld of crude oil and condensate and NGLs and approximately 66 MMcfd of natural gas. EOG completed seven net wells with activity focused in San Patricio, Kleberg and Jim Wells counties. In 2016, EOG expects to complete approximately five net wells in the Frio and Vicksburg trends, where it holds approximately 272,000 net acres. Exploration efforts will continue in this region, primarily focusing on liquids-rich hydrocarbons.

Net production in the Marcellus Shale for 2015 averaged approximately 24 MMcfd of natural gas. EOG currently holds approximately 200,000 net acres with Marcellus and Utica Shale potential.

EOG has agreements with certain crude oil refining companies to deliver an average of 58 MBbld and 9 MBbld of crude oil in 2016 and 2017, respectively, to certain refineries. EOG intends to fulfill these crude oil delivery obligations with its Eagle Ford production.

At December 31, 2015, EOG held approximately 2.0 million net undeveloped acres in the United States.

During 2015, EOG continued the expansion of its gathering and processing activities in the Eagle Ford in South Texas, the Bakken and Three Forks plays in North Dakota and the Permian Basin in West Texas and New Mexico. At December 31, 2015, EOG-owned natural gas processing capacity in the Eagle Ford and Barnett Shale totaled 305 MMcfd and 180 MMcfd, respectively.

Also during 2015, EOG continued to use its crude oil loading facility near Stanley, North Dakota, to transport its Williston Basin crude oil production. During 2015, EOG loaded 81 unit trains (each unit train typically consists of 100 cars and has a total aggregate capacity of approximately 70,000 barrels of crude oil) with crude oil for transport to St. James, Louisiana and Stroud, Oklahoma. EOG has net unloading capacity of 100 MBbld and 90 MBbld at St. James and Stroud, respectively. During 2015, a total of 18 crude oil unit trains carrying EOG production were received at the crude oil unloading facility in St. James, Louisiana, which provides access to one of the key markets in the U.S., where sales are based upon the Light Louisiana Sweet (LLS) crude oil index. In addition, EOG utilized its Stroud, Oklahoma, crude oil unloading facility and pipeline to transport 63 unit trainloads of crude oil to the Cushing, Oklahoma trading hub. EOG believes that its marketing and related logistics processes, including crude-by-rail facilities, provide a competitive advantage, giving EOG the flexibility to direct its crude oil shipments via rail car to the most favorable markets. EOG expects to utilize its crude-by-rail network when it is advantageous.

EOG operates its own sand mine and sand processing plants in Hood County, Texas, to reduce costs and to help fulfill EOG's sand needs for its well completion operations in Texas. Additionally, EOG owns a second Hood County sand processing plant, which processes raw sand from Wisconsin, and sand sourced from the north Texas area, as needed.

In 2015, EOG continued to process sand from its Chippewa Falls, Wisconsin, sand plant on an as-needed basis.

EOG placed in service an additional sand unloading facility in Loving, New Mexico, during the first quarter of 2015 to support well completions in the Delaware Basin.

During 2015, EOG shipped the equivalent of 173 sand unit trains from various sources, to support well completions in the Eagle Ford and other plays.

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Operations Outside the United States

EOG has operations offshore Trinidad, in the U.K. East Irish Sea, in the China Sichuan Basin and in Canada and is evaluating additional exploration, development and exploitation opportunities in these and other select international areas.

Trinidad. EOG, through several of its subsidiaries, including EOG Resources Trinidad Limited,

- holds an 80% working interest in the exploration and production license covering the South East Coast Consortium (SECC) Block offshore Trinidad, except in the Deep Ibis area in which EOG's working interest decreased as a result of a third-party farm-out agreement;
- holds an 80% working interest in the exploration and production license covering the Pelican Field and its related facilities;
- holds a 50% working interest in the exploration and production licenses covering the Sercan Area (formerly known as the EMZ Area) offshore Trinidad;
- holds a 100% working interest in a production sharing contract with the Government of Trinidad and Tobago for each of the Modified U(a) Block, Modified U(b) Block and Block 4(a);
- owns a 12% equity interest in an anhydrous ammonia plant in Point Lisas, Trinidad, that is owned and operated by Caribbean Nitrogen Company Limited; and
- owns a 10% equity interest in an anhydrous ammonia plant in Point Lisas, Trinidad, that is owned and operated by Nitrogen (2000) Unlimited.

Several fields in the SECC Block, Modified U(a) Block, Modified U(b) Block, Block 4(a) and the Sercan Area have been developed and are producing natural gas and crude oil and condensate. Natural gas from EOG's Trinidad operations currently is sold under various contracts with the National Gas Company of Trinidad and Tobago Limited and its subsidiary (NGC). Crude oil and condensate from EOG's Trinidad operations currently is sold to the Petroleum Company of Trinidad and Tobago Limited (Petrotrin). In 2015, EOG's net production from Trinidad averaged approximately 349 MMcfd of natural gas and approximately 0.9 MBbld of crude oil and condensate.

EOG completed three net wells in 2015, finishing its SECC Block and Modified U(b) Block drilling program which was initiated in 2014.

In 2016, it is anticipated that EOG's Trinidad operations will supply approximately 430 MMcfd (290 MMcfd, net) of natural gas from its existing proved reserves. All of the natural gas produced from EOG's Trinidad operations in 2016 is expected to be supplied to NGC under various contracts with NGC. All crude oil and condensate produced from EOG's Trinidad operations in 2016 is expected to be supplied to Petrotrin under various contracts with Petrotrin. In 2016, EOG expects to complete one net well and install infrastructure in the Sercan Area.

At December 31, 2015, EOG held approximately 40,000 net undeveloped acres in Trinidad.

United Kingdom. EOG's subsidiary, EOG Resources United Kingdom Limited (EOGUK), owns a 25% non-operating working interest in a portion of Block 49/16a, located in the Southern Gas Basin of the North Sea. During 2015, a limited amount of production continued from the Valkyrie field in this block. Production ceased at the end of the third quarter of 2015, and decommissioning is planned for the fourth quarter of 2016.

In 2007, EOGUK was awarded a license for two blocks in the East Irish Sea – Blocks 110/7b and 110/12a. In 2009, EOGUK drilled a successful exploratory well in the East Irish Sea Block 110/12a. The well, in which EOGUK has a 100% working interest, was an oil discovery and was designated the Conwy field. During 2012 and 2013, the Conwy production platform and pipelines were installed. Modifications to the nearby third-party owned Douglas platform, which will be used to process Conwy production, began in 2013 and continued throughout 2014 and 2015. First production from the Conwy field is anticipated in March 2016.

In 2015, production averaged less than 0.1 MMcfd of natural gas, net, in the United Kingdom.

At December 31, 2015, EOG held approximately 7,000 net undeveloped acres in the United Kingdom.

China. In July 2008, EOG acquired rights from ConocoPhillips in a Petroleum Contract covering the Chuan Zhong Block exploration area in the Sichuan Basin, Sichuan Province, China. In October 2008, EOG obtained the rights to shallower zones on the acquired acreage. In 2015, EOG drilled four wells and completed three wells, one of which was drilled in 2014, in the Sichuan Basin, Sichuan Province, China. The successful completions extended the Shaximiao development in the Chuan Zhong Block and provides additional opportunities in the future.

In 2015, production averaged approximately 14 MMcfd of natural gas, net, in China.

Canada. During 2014, EOG sold all of its assets in Manitoba and the majority of its assets in Alberta in two separate transactions that closed on or about December 1, 2014. EOG divested 1.3 million gross acres (1.1 million net), 97 percent of which were in Alberta. Of the approximate 5,800 net producing wells sold, 5,155 were natural gas. In 2015, net production averaged approximately 15 MMcfd of natural gas and less than 0.1 MBbld of NGLs.

Argentina. EOG's activity in Argentina is focused on the Vaca Muerta oil shale formation in the Neuquén Province. Management is currently evaluating options for its investment.

EOG continues to evaluate other select crude oil and natural gas opportunities outside the United States, primarily by pursuing exploitation opportunities in countries where indigenous crude oil and natural gas reserves have been identified.

Marketing

In 2015, EOG's wellhead crude oil and condensate production was sold into local markets or transported either by pipeline, truck or EOG's crude-by-rail assets to downstream markets. In each case, the price received was based on market prices at that specific sales point or based on the price index applicable for that location. Major U.S. sales areas included the Midwest, the Permian Basin, Cushing, Oklahoma, St. James, Louisiana, and other points along the U.S. Gulf Coast. In 2016, the pricing mechanism for such production is expected to remain the same.

In 2015, EOG processed certain of its natural gas production, either at EOG-owned facilities or at third-party facilities, extracting NGLs. NGLs were sold at prevailing market prices. In 2016, the pricing mechanism for such production is expected to remain the same.

In 2015, EOG's United States and Canada wellhead natural gas production was sold into local markets or transported by pipeline to downstream markets. Pricing was based on the spot market at the ultimate sales point. In 2016, the pricing mechanism for such production is expected to remain the same.

In 2015, a large majority of the wellhead natural gas volumes from Trinidad were sold under contracts with prices which were either wholly or partially dependent on Caribbean ammonia index prices and/or methanol prices. The remaining volumes were sold under a contract at prices partially dependent on United States Henry Hub market prices. The pricing mechanisms for these contracts in Trinidad are expected to remain the same in 2016.

In 2015, all wellhead natural gas volumes from the U.K. were sold on the spot market. In December 2014, EOG put in place arrangements to market and sell its U.K. wellhead crude oil production from the Conwy field, which is anticipated to begin in March 2016. The crude oil sales will be based on a Dated Brent price or other market prices, as applicable.

In 2015, all wellhead natural gas volumes from China were sold at regulated prices based on the purchaser's pipeline sales volumes to various local market segments. The pricing mechanism for production in China is expected to remain the same in 2016.

In certain instances, EOG purchases and sells third-party crude oil and natural gas in order to balance firm transportation capacity with production in certain areas and to utilize excess capacity at EOG-owned facilities.

During 2015, two purchasers each accounted for more than 10% of EOG's total wellhead crude oil and condensate, NGL and natural gas revenues and gathering, processing and marketing revenues. Both purchasers are in the crude oil refining industry. EOG does not believe that the loss of any single purchaser would have a material adverse effect on its financial condition or results of operations.

Wellhead Volumes and Prices

The following table sets forth certain information regarding EOG's wellhead volumes of, and average prices for, crude oil and condensate, NGLs and natural gas. The table also presents crude oil equivalent volumes which are determined using a ratio of 1.0 barrel of crude oil and condensate or NGLs to 6.0 Mcf of natural gas for each of the years ended December 31, 2015, 2014 and 2013.

Year Ended December 31	2015	2014	2013
Crude Oil and Condensate Volumes (MBbld) [(1)]			
United States:			
Eagle Ford	181.7	178.0	122.3
Other	101.6	104.0	89.8
United States	283.3	282.0	212.1
Trinidad	0.9	1.0	1.2
Other International [(2)]	0.2	5.9	7.1
Total	284.4	288.9	220.4
Natural Gas Liquids Volumes (MBbld) [(1)]			
United States:			
Eagle Ford	27.2	24.7	18.6
Other	49.7	55.0	45.7
United States	76.9	79.7	64.3
Other International [(2)]	0.1	0.6	0.9
Total	77.0	80.3	65.2
Natural Gas Volumes (MMcfd) [(1)]			