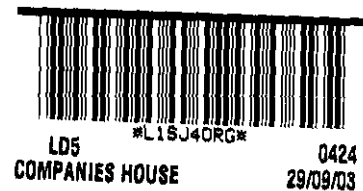


EOG Resources United Kingdom Limited

Financial Statements 31 December 2002
Together with directors' and auditors' reports

Registered number: 4458621



Directors' report

For the period 11 June 2002 (incorporation) to 31 December 2002

The directors present their first annual report on the affairs of the company, together with the financial statements and auditors' report, for the period 11 June 2002 (incorporation) to 31 December 2002.

Principal activity and business review

The principal activity of the company is the exploration, development, production and marketing of crude oil and natural gas reserves in the United Kingdom and Canada.

During the period, the company acquired a 25% interest in a prospect located in the V Fields area in the Southern Gas Basin of the North Sea. An exploratory well was successfully completed in early 2003, and the discovery is now in the development stage. In 2003, the company acquired a 50% interest in a prospect located in the Alba-Britannia area in the Southern Gas Basin of the North Sea. An exploratory well was drilled but determined in March 2003 to be a dry hole and the associated costs of approximately \$4.5 million will therefore be written off in the 2003 financial statements. In 2003, the company also acquired a 10% working interest in a producing oil and gas well in the Saskatchewan Province of Canada.

Results and dividends

The Company incurred a loss for the period 11 June 2002 (incorporation) to 31 December 2002 of \$160,936 .

No dividend was paid or proposed for the period.

Directors

Directors serving during the period and up to the date of signing the financial statements were as follows:

Gerald R. Colley
Loren M. Leiker
Mark G. Papa
Edmund P. Segner, III
Donald W. Wendland

No director had any beneficial interest in shares of the company or any other group company at any time during the period that need disclosing under schedule VII of the Companies Act 1985.

Auditors

Deloitte & Touche have been appointed as auditors, and a resolution to re-appoint Deloitte & Touche as auditors for the ensuing period will be proposed at the Annual General Meeting. Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

CityPoint
33rd Floor
1 Ropemaker Street
London
EC2Y 9UE

15 August 2003

By order of the Board,


Gerald R. Colley
Director

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of EOG Resources United Kingdom Limited

We have audited the financial statements of EOG Resources United Kingdom Limited for the period 11 June 2002 (incorporation) to 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the period 11 June 2002 (incorporation) to 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
15 August 2003

Profit and loss account

For the period 11 June 2002 (incorporation) to 31 December 2002

	Note	\$
Operating expenses		<u>(160,936)</u>
Loss before and after tax for the financial period	2, 3	(160,936)
Accumulated deficit at beginning of period		<u>- 0 -</u>
Accumulated deficit at end of period		<u>(160,936)</u>

There are no other recognised gains or losses other than those shown above during the financial period.

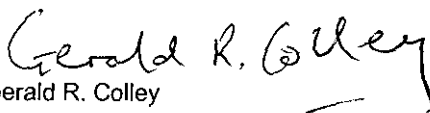
The above results were generated from continuing operations during the financial period.

Balance sheet

31 December 2002

	Note	\$
Intangible fixed assets	4	<u>1,338,238</u>
Current assets		
Debtors	5	501,541
Cash at bank		<u>- 0 -</u>
		501,541
Creditors: Amounts falling due within one year	6	<u>(1,500,339)</u>
Net current liabilities		<u>(998,798)</u>
Total assets less current liabilities		<u>339,440</u>
Net assets		<u><u>339,440</u></u>
 Capital and reserves		
Share capital	7	779
Share premium account	8	499,597
Profit and loss account	8	<u>(160,936)</u>
Shareholders' funds	8	<u><u>339,440</u></u>
 Shareholders' funds may be analysed as:		
Equity interests		(159,930)
Non-equity interests		<u>499,370</u>
	8	<u><u>339,440</u></u>

Signed on behalf of the Board on 15 August 2003


Gerald R. Colley Director

Notes to the financial statements

31 December 2002

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

a) *Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. They are also prepared in accordance with the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued by the UK Oil Industry Accounting Committee on 7 June 2001.

b) *Oil and gas assets*

The company adopts the successful efforts method of accounting for exploration costs.

Under the successful efforts method, exploratory drilling costs are capitalised as intangible oil and gas assets pending determination of proved reserves. If proved reserves are not discovered the exploratory drilling costs are expensed. Other exploration costs are expensed as incurred whilst all development costs, together with related exploration costs, are capitalised within tangible fixed assets. Provision for depreciation, depletion and amortisation will be determined on a field-by-field basis using the unit of production method.

c) *Foreign currency translation*

The financial statements are prepared in US dollars which is the functional currency.

Transactions arising in other currencies have been translated to US dollars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies have been translated to US dollars at the year end exchange rate. Exchange gains and losses arising on translation are charged or credited to the profit and loss account.

d) *Cash flow statement*

In accordance with Financial Reporting Standard No. 1 (Revised 1996) no cash flow statement has been prepared as the company's cash flows are included in the consolidated financial statements of its ultimate parent company which are made available to the public on an annual basis.

e) *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events which result in an obligation to pay more tax, or a right to pay less tax, at a future date, have occurred at the balance sheet date. Deferred tax is measured at rates expected to apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements (continued)

2 Loss before and after tax

Loss before and after tax is stated after charging auditors' remuneration for audit services of \$10,000.

No director received any emoluments during the period in respect of their services to the company.

The company has no employees.

3 Taxation

There is no current or deferred tax charge for the period. A reconciliation of the current tax charge to the amount shown by multiplying the result before tax by the relevant statutory tax rate is as follows:

	\$
Loss before tax	160,936
Loss before tax multiplied by the UK statutory tax rate of 30%	48,281
Adjustment in respect of losses	<u>(48,281)</u>
Current tax charge for the period	<u>-</u>

There is a potential deferred tax asset of approximately \$48,000 that has not been recognised in respect of tax losses and other timing differences as there is insufficient evidence of future taxable profits to realise this asset.

4 Intangible fixed assets

	Oil and gas assets
Cost and net book value	\$
At incorporation	-
Additions (see below)	1,338,238
At 31 December 2002	<u>1,338,238</u>

During the period, the company acquired a 25% interest in a prospect located in the V Fields area in the Southern Gas Basin of the North Sea. An exploratory well was successfully completed in early 2003, and the discovery is now in the development stage. In 2003, the company acquired a 50% interest in a prospect located in the Alba-Britannia area in the Southern Gas Basin of the North Sea. An exploratory well was drilled but determined in March 2003 to be a dry hole and the associated costs of approximately \$4.5 million will therefore be written off in the 2003 financial statements. In 2003, the company also acquired a 10% working interest in a producing oil and gas well in the Saskatchewan Province of Canada.

5 Debtors

	\$
Amounts falling due within one year:	
VAT receivable	1,165
Amounts due from immediate parent	<u>500,376</u>
	<u>501,541</u>

Notes to the financial statements (continued)

6 Creditors: Amounts falling due within one year

	\$
Amount due to ultimate parent	170,765
Accruals	<u>1,329,574</u>
	<u>1,500,339</u>

7 Share capital

	£	\$
Authorised		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>15,560</u>
1,000 preference shares of £1 each	<u>1,000</u>	<u>1,556</u>
Allotted, called-up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>
500 preference shares of £1 each	<u>500</u>	<u>778</u>

During the period, the company allotted 1 ordinary share at a premium of £684 and 500 preference shares at a premium of £641 per share. Non-equity shareholders' funds relate entirely to the preference shares. These preference shares carry an entitlement to a cumulative fixed dividend at the rate of 7% per annum on the amount paid up per share. No dividends may be paid on ordinary shares unless all dividend amounts due on the preference shares have been paid.

The holders of ordinary shares have the right to receive notice of, to attend and to vote at general meetings of the company. The holders of preference shares have no such rights.

On a return of assets in liquidation or otherwise, assets available for distribution shall be applied first in paying the holders of preference shares an amount equal to unpaid dividends and then an amount equal to the amount paid up on such preference shares. Thereafter, assets available for distribution shall be applied in paying the holders of ordinary shares an amount equal to unpaid dividends and then an amount equal to the amount paid up on such ordinary shares. Any remaining assets are to be distributed to the holders of ordinary shares in proportion to their holdings of such shares.

8 Reconciliation of movements in shareholders' funds

	Share capital	Reserves		Total shareholders' funds
		Profit and loss account	Share premium account	
	\$	\$	\$	\$
Original issuance of ordinary shares	1	-	1,005	1,006
Original issuance of preference shares	778	-	498,592	499,370
Retained loss for the period	-	(160,936)	-	(160,936)
Opening balance	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Closing balance	<u>779</u>	<u>(160,936)</u>	<u>499,597</u>	<u>339,440</u>

Notes to the financial statements (continued)

9 Related party transactions

The company has taken advantage of the exemption in FRS8 and has not disclosed details of transactions with other group undertakings as it is a wholly owned subsidiary of EOG Resources, Inc., which prepares publicly available consolidated financial statements.

10 Ultimate parent company

The company's immediate parent company is EOG Resources International, Inc. and its ultimate parent company is EOG Resources, Inc., both of which are incorporated in the State of Delaware, USA.

The consolidated financial statements of EOG Resources, Inc. are available to the public at 333 Clay Street, Suite 4200, Houston, Texas, 77002, USA. The consolidated financial statements of EOG Resources International, Inc. are not available to the public.