

Company Registration No. 4458621

EOG Resources United Kingdom Limited

Annual Report and Financial Statements

Year ended 31 December 2011

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EOG RESOURCES UNITED KINGDOM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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Report of the directors for the year ended 31 December 2011

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2011

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

The Company is a member of consortia which are engaged in the exploration and production of crude oil and natural gas from the United Kingdom Continental Shelf, in particular in the Southern Gas Basin of the North Sea, the Central North Sea and the East Irish Sea. The Company's interests in the Southern Gas Basin consist of the Valkyrie Field 25%, Arthur Field 30% and Viper Exploration Area 50%. The Company's interest in the Central North Sea consists of a 25% interest in the Columbus discovery in Block 23/16f, a licence in Block 21/12b, 100%, and a 32.5% interest in the Dunkeld Block 15/30a. The licences in Blocks 13/29c and 23/11b were relinquished in December 2010 and June 2011 respectively. The Company's interests in the East Irish Sea consist of a 100% interest in Blocks 110/7b and 110/12a containing the Conwy and Corfe Fields.

Commercial production commenced from the Valkyrie Field in August 2004 and is expected to continue for approximately two more years through to 2013. Commercial production commenced from the Arthur Field in January 2005 and ceased in September 2010.

In 2007, a successful appraisal well was drilled on the Columbus discovery in the Central North Sea. The field operator expects to submit a revised field development plan to the United Kingdom Department of Energy and Climate Change (DECC) during the third quarter of 2012 and anticipates receiving approval of this plan during the first quarter of 2013. The operator and partners are currently negotiating processing and transportation terms with export infrastructure owners.

During the second quarter of 2009, the Company drilled two exploratory wells in the East Irish Sea. Well 110/14b-7, in which the Company had a 70% working interest, was a dry hole. The Company relinquished this licence in January 2010. Well 110/12-6, in which the Company has a 100% working interest, was an oil discovery and has been named the Conwy Field. During 2010 the Corfe Field which adjoins Conwy was also identified for development. In December 2010 an Environmental Statement for the Conwy and Corfe Fields was submitted to DECC. During 2011 fabrication of Conwy platform began, along with the design and fabrication of modifications to the nearby Douglas platform that the Conwy facilities will be tied into for processing and transportation. Field development plans for Conwy and Corfe were approved in March 2012.

Turnover in 2011 decreased by approximately £0.9 million (15%) from 2010 turnover primarily due to natural gas production declines, partially offset by increases in both natural gas and condensate prices. Gross profit in 2011 decreased approximately £1.0 million (21%) mainly due to the decrease in turnover for the year. Operating loss for 2011 was £0.9 million, compared to an operating loss of £13.6 million for 2010. The change in loss of £12.7 million was primarily due to the £13.4 million of dry hole costs incurred in 2010, offset by a £1.8 million impairment of the decommissioning asset on the Arthur Field following an increase in the estimation of the decommissioning liability at the end of 2011. Income after tax for 2011 increased by £7.5 million to a profit of £1.1 million. This was due to the lower operating loss, partially offset by a smaller deferred tax benefit than in 2010. Net assets increased by £1.1 million to £19.2 million.

The directors anticipate that the Company will continue to invest in the exploration and development of oil and gas fields as in the current year.

Results and dividends

The Company generated a profit after tax for the year ended 31 December 2011 of £1,136,972 (2010 – loss of £6,412,864).

In 2011 and 2010, there were no preference or common dividends paid.

Key Performance Indicators

	Units	2011	2010	+/-%
Sales Volumes – Natural gas	MMcf	885	1,449	(39)
Sales Volumes – Condensate	MBI	6.0	5.4	11
Average Natural Gas Price	£/Mcf	5.70	4.21	35
Average Condensate Price	£/Bbl	59.74	43.68	37

Report of the directors for the year ended 31 December 2011 (continued)

Principal risks and uncertainties

Risks and uncertainties such as exploration success, production performance and crude oil and natural gas prices are typical to an oil and gas company. The first two risks are partially mitigated through the application of state-of-the-art exploration technology and the management of major properties by first class operators. The crude oil and natural gas prices risk is discussed below under "financial risk management".

Financial risk management

The company applies EOG Resources, Inc. policies in respect of financial risk management. The following is a summary of financial risks and their management.

Commodity price risk The Company's revenues and profitability depend substantially upon the market price of crude oil and, in particular, natural gas. Natural gas price declines and volatility could adversely affect the Company's revenues and profitability. To manage its exposure to natural gas price declines, the Company periodically enters into physical natural gas forward contracts to secure a price for a portion of its expected future production. During 2011, no physical natural gas forward contracts were employed.

Foreign currency exchange rate risk The Company has transactions in United States Dollar and Euros and as such is exposed to movements in exchange rates. These transactions include intercompany balances with its parent companies in the normal course of business, crude oil sales to a third party and European purchases as part of the Conwy development. To help mitigate the exchange rate risk, the Company's treasury policy is to monitor closely the movements in the exchange rates and keep the outstanding balances as a result of these transactions to a minimum. The Company considers the exposure associated with these transactions in the current year to be immaterial.

Credit risk The Company's ultimate parent, (the Parent) evaluates its exposure to significant counterparties on an ongoing basis. In some instances, the Parent requires collateral, parent guarantees or letters of credit to minimize credit risk. During 2011 and 2010, the Company had a high concentration of credit risk as a result of selling all of its natural gas production to one purchaser. However, it is the Parent's view that the concentration of credit risk in this case is acceptable based on the current amount of exposure and the current financial position of the purchaser's parent company.

Directors

Directors serving throughout the year and up to the date of signing the financial statements, except as noted, were as follows:

David J. Griffiths
Loren M. Leiker (resigned 1 July 2011)
William R. Thomas (appointed 1 July 2011)
Mark G. Papa
Helen Y. Lim
Lindell L. Looger
Gary L. Thomas

Going Concern The Company's business, together with factors likely to affect its future development, performance and position are set out in this report. This report also outlines the Company's financial risk management policies. The Company has considerable financial resources and no borrowings other than from its immediate parent. These factors, combined with the anticipated cash flows from the projects in development, lead the directors to believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Parent has pledged continued financial support to the Company.

After making enquiries, the directors have a reasonable expectation that that Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

EOG RESOURCES UNITED KINGDOM LIMITED

Report of the directors for the year ended 31 December 2011 (continued)

Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- 1) So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2) The director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

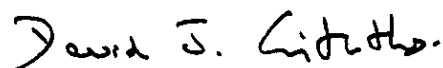
The confirmation is given and should be interpreted in accordance with the provisions of s418 of Companies Act 2006

Auditors

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting pursuant to sections 485 – 488 of the Companies Act 2006

Andrews House
College Road, Guildford
Surrey GU1 4QB

By order of the Board,



25 September 2012

David J Griffiths
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of EOG Resources United Kingdom Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes numbered 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Matthew Donaldson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

25 September 2012

EOG RESOURCES UNITED KINGDOM LIMITED

Profit and Loss Account

For the year ended 31 December 2011

	Notes	2011 £	2010 £
TURNOVER	2	5,394,161	6,341,453
Cost of sales		<u>(1,945,939)</u>	<u>(1,904,477)</u>
GROSS PROFIT		3,448,222	4,436,976
Exploration expenditures written off	3	(437,566)	(15,512,400)
Impairment of decommissioning asset	9	(1,809,970)	-
Administrative expenses		<u>(2,139,740)</u>	<u>(2,539,696)</u>
OPERATING LOSS		(939,054)	(13,615,120)
Finance expense	6	(239,524)	(349,493)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	<u>(1,178,578)</u>	<u>(13,964,613)</u>
Taxation on loss on ordinary activities	8	2,315,550	7,551,749
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,136,972</u>	<u>(6,412,864)</u>

There are no other recognised gains or losses other than those shown above during the financial year. Consequently, no statement of total recognised gains and losses is presented.

The above results were generated from continuing operations.

EOG RESOURCES UNITED KINGDOM LIMITED

Balance Sheet

As at 31 December 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Intangible assets	9a	68,592,014	25,255,928
Tangible assets	9b	1,304,213	1,562,451
Investments	10	<u>1</u>	<u>-</u>
		69,896,228	26,818,379
CURRENT ASSETS			
Debtors due within one year	11	3,813,816	2,270,018
Deferred tax asset	12	2,489,030	71,770
Stock	13	326,850	326,850
Cash at bank		<u>9,493,298</u>	<u>10,465,869</u>
		16,122,994	13,134,507
CREDITORS amounts falling due within one year	14	(58,520,881)	(15,781,182)
NET CURRENT LIABILITIES		<u>(42,397,887)</u>	<u>(2,646,675)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,498,341</u>	<u>24,171,704</u>
CREDITORS amounts falling after more than one year	15	(500)	(500)
PROVISIONS FOR LIABILITIES	16	<u>(8,287,798)</u>	<u>(6,082,651)</u>
NET ASSETS		<u>19,210,043</u>	<u>18,088,553</u>
CAPITAL AND RESERVES			
Called up share capital	17,19	1	1
Capital contribution	19	16,046,743	16,062,225
Share premium account	19	321,184	321,184
Profit and loss account	18,19	<u>2,842,115</u>	<u>1,705,143</u>
SHAREHOLDER'S FUNDS	19	<u>19,210,043</u>	<u>18,088,553</u>

Signed on behalf of the Board on 25 September 2012, Company Number 4458621

David J. Griffiths

David J Griffiths

Director

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, 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 ("the SORP"), with the exception that depletion, depreciation and amortisation charges in the Company's accounts are calculated using proved developed oil and gas reserves where the SORP prescribes the use of proved and probable reserves.

The accounts are prepared under the going concern assumption as laid out in the directors' report.

b) Oil and gas assets and exploration costs

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. If proved reserves are determined then the associated costs are transferred to tangible assets. Expenditure incurred prior to the acquisition of a licence and the costs of other exploration activities which are not specifically directed to an identified structure 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 is determined on a field-by-field basis using the unit-of-production method for proved reserves.

The Company's oil and gas activities that are conducted in joint ventures with other companies fall within the Financial Reporting Standard (FRS) 9 "Associates and joint ventures" definition of joint arrangements that are not entities. Accordingly, the Company accounts for its relevant portion of production revenues, capital and operating expenditures, assets and liabilities and cash flows.

Provisions for decommissioning costs are recorded at the present value of the expenditures expected to be required to settle the Company's future obligation, to the extent any damage has been caused to date and taking risks and uncertainties into account in reaching the best estimate of the provision. Provisions are reviewed at each balance sheet date to reflect the current best estimate of the cost at present value. A decommissioning asset is also established, since the future cost of decommissioning is regarded as part of the total investment to gain access to future economic benefit. The decommissioning asset is then depleted by field on a unit-of-production basis, using proved developed reserves.

c) Impairment of tangible assets

Producing oil and gas assets are reviewed regularly for indicators of impairment. If events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from future net revenues from oil and gas reserves attributable to the company's interest in that asset, then the asset is written down to its recoverable amount, being the discounted future cash flows relating to the reserves associated with that asset.

d) Turnover

Revenue represents the value of sales, net of related sales taxes, arising from the sale of oil and gas, and is recognised when title to the hydrocarbon product passes to the customer.

e) Foreign currency translation

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

f) Cash flow statement

In accordance with FRS No 1 "Cash flow statements (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.

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies (continued)

g) Group financial statements

Group financial statements have not been prepared as the company has taken advantage of the exemption available to it under s401 of the Companies Act 2006 not to prepare group financial statements because it is a wholly owned subsidiary of EOG Resources, Inc which prepares consolidated accounts which are publicly available

h) Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i) Share options

Certain employees of the Company receive equity-settled and cash settled share options for shares in the ultimate parent company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Company also provides employees with the ability to purchase shares in the ultimate parent company at 85% of the current market value. The Company records an expense, based on its estimate of the discounted shares expected to vest, on a straight-line basis over the vesting period.

j) 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. Deferred tax is recorded on an undiscounted basis.

k) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

l) Derivative financial instruments

The Company accounts for derivative commodity instruments on an accruals basis whereby gains or losses are recorded at the time the related physical transaction is settled.

m) Stock

Stock represents the purchase price of spare parts and consumables, and is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow-moving or defective items as appropriate.

n) Investments

Fixed asset investments are shown at cost less provision for impairment.

Notes to the financial statements for the year ended 31 December 2011

2 Turnover

Turnover for both 2011 and 2010 represents crude oil and natural gas sales and materially relates to one geographical segment, the United Kingdom

The results for both 2011 and 2010 relate to one class of business, the sale of crude oil and natural gas

3 Exploration expenditures written off

Exploration expenses written off in 2011 represent dry hole costs £14,200, geological studies and data acquisition £145,900 and geological consulting fees £143,200, with the remainder being other geological and geophysical expenses. Exploration expenditures written off in 2010 include dry hole costs of £13,420,800, costs of £1,330,100 for geological studies and data acquisition, £169,000 for geological consulting services, with the remainder being other geological and geophysical expenses

4 Information regarding employees and directors

	2011 No	2010 No
Average monthly number of persons employed (including directors)		
Administration	5	5
Sales and operations	3	4
	<u>8</u>	<u>9</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	1,110,200	914,300
Social security costs	128,400	199,300
Pension costs	89,400	94,900
Other costs	7,300	16,500
	<u>1,335,300</u>	<u>1,225,000</u>
Directors' remuneration		
Emoluments and fees	800,300	732,100
Contributions to defined contribution pension schemes	41,900	42,900
	<u>842,200</u>	<u>775,000</u>

The emoluments of the highest paid director were £211,600 (2010 - £163,900) and he also received contributions to his defined contribution pension scheme of £20,200 (2010 - £3,700)

All directors were members of defined contribution pension schemes. Some directors exercised share options in the ultimate parent company during 2011.

Included in the above directors' remuneration are £610,400 (2010 - £550,300) of costs relating to services provided to the Company but for which the cost was borne by another group undertaking, and which were not recharged to the Company.

5 Operating lease commitments

At 31 December 2011, the Company was committed to making the following payments during the next year in respect of operating leases:

	2011 Land and buildings £	2010 Land and buildings £
Operating leases expiring		
Within one year	-	25,163
Between two to five years	169,172	170,099
	<u>169,172</u>	<u>195,262</u>

Notes to the financial statements for the year ended 31 December 2011

6 Finance expense / (income)

Finance expense / (income) for the year comprises the following

	2011 £	2010 £
<i>Interest payable and similar charges</i>		
Financing fee	419	-
Foreign exchange (gain) / loss	(12,394)	82,490
Unwinding of discount (see note 16)	206,326	207,869
Cumulative preference share dividends	129,220	-
Other	-	84,994
	<u>323,571</u>	<u>375,353</u>
<i>Interest income and similar income</i>		
Bank interest	(41,120)	(25,034)
Other	(42,927)	(826)
	<u>(84,047)</u>	<u>(25,860)</u>
	<u>239,524</u>	<u>349,493</u>

£nil (2010 - £195) interest income was from other EOG Resources group companies

7 Loss on ordinary activities before taxation

Loss before tax is stated after charging fees payable to the Company's auditors for the Company's annual audit of £34,500 (2010 - £33,000), operating lease rentals (land and buildings) of £149,000 (2010 - £151,000) and depreciation on tangible fixed assets of £482,400 (2010 - £506,900). Fees payable to the Company's auditors and their associates for other services to the Company were nil (2010 - nil).

8 Taxation on loss on ordinary activities

The tax charge comprises

	2011 £	2010 £
Current corporation tax charge	101,710	5,003
Deferred tax		
- origination and reversal of timing differences	26,039,541	2,126,860
- increase in estimate of recoverable deferred tax liability arising in previous periods	(23,342)	(14,222)
- adjustment for rate change	(23,736)	-
- net operating loss carry forward	(26,121,254)	(9,123,071)
- mining fence expenditure supplement	(2,288,469)	(546,319)
Total deferred tax benefit (see note 12)	<u>(2,417,260)</u>	<u>(7,556,752)</u>
Total tax benefit	<u>(2,315,550)</u>	<u>(7,551,749)</u>

Notes to the financial statements for the year ended 31 December 2011

8 Taxation on loss on ordinary activities (continued)*Factors affecting corporation tax charge for the year*

The difference between the total current corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the result before tax is as follows

	2011 £	2010 £
Loss on ordinary activities before tax	(1,178,578)	(13,964,613)
Loss on ordinary activities multiplied by average UK corporation tax rate of 59.3% (2010 – 50%)	(698,896)	(6,982,307)
Effects of		
Non ring fence income taxed at 26.5% (2010 – 28%)	(47,558)	(17,749)
Capital allowances claimed in excess of depreciation charged	(24,346,414)	(2,161,916)
Other timing differences	58,607	(101,363)
Impairment not deductible in current year	-	136,419
Non-deductible expenses	88,969	3,845
Net operating loss carry forward	24,983,715	9,123,071
Previous period tax accrual to return adjustment	63,287	5,003
Current tax charge for period	<u>101,710</u>	<u>5,003</u>

The average tax rate shown above incorporates the 10% supplementary tax on UK North Sea profits introduced with effect from 17 April 2002. Effective 1 January 2006, the tax rate of this supplementary charge was increased to 20%. Effective 24 March 2011, the tax rate of this supplementary charge was increased to 32%.

Factors that may affect future tax charges

The 2012 UK Budget announced on 21 March 2012 that with effect from 1 April 2012 the UK corporation tax rate (affecting non ring fenced income) would decrease from 26% to 24%. These changes will affect the amount of future cash tax payments to be made by the Company.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2011

9 Fixed assets

a) Intangible assets

	Oil and gas properties	
	2011	2010
Cost	£	£
At 1 January	28,547,352	22,735,181
Additions	43,336,086	5,812,171
At 31 December	<u>71,883,438</u>	<u>28,547,352</u>
Amortisation and impairment		
At 1 January	(3,291,424)	(1,940,870)
Exploration expenditures written off	-	(1,350,554)
At 31 December	<u>(3,291,424)</u>	<u>(3,291,424)</u>
Net book value		
At 1 January	25,255,928	20,794,311
At 31 December	<u>68,592,014</u>	<u>25,255,928</u>

At 31 December 2011, the above principally represents the Company's 25% interest in the Columbus discovery in the United Kingdom sector of the North Sea and the Company's 100% interest in the Conwy and Corfe Fields in the United Kingdom sector of the East Insh Sea

Exploration expenditures written off in 2010 included an impairment charge related to the west Malory licence area and other unsuccessful exploration costs incurred on the East Insh Sea

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2011

9 Fixed assets (continued)

b) Tangible assets

	Oil and gas properties	Decommis- sioning asset	Non O&G properties	Total
Cost	£	£	£	£
At 1 January 2011	39,387,148	4,654,876	1,001,167	45,043,191
Additions/change in estimate	-	2,016,742	17,354	2,034,096
Disposals	-	-	(3,623)	(3,623)
At 31 December 2011	<u>39,387,148</u>	<u>6,671,618</u>	<u>1,014,898</u>	<u>47,073,664</u>
Depreciation				
At 1 January 2011	(38,488,850)	(4,149,284)	(842,606)	(43,480,740)
Charge for the year	(379,761)	(45,125)	(57,478)	(482,364)
Disposals	-	-	3,623	3,623
Impairment	-	(1,809,970)	-	(1,809,970)
At 31 December 2011	<u>(38,868,611)</u>	<u>(6,004,379)</u>	<u>(896,461)</u>	<u>(45,769,451)</u>
Net book value				
At 31 December 2010	<u>898,298</u>	<u>505,592</u>	<u>158,561</u>	<u>1,562,451</u>
At 31 December 2011	<u>518,537</u>	<u>667,239</u>	<u>118,437</u>	<u>1,304,213</u>

At 31 December 2011 the above represents the Company's interests in the Valkyrie Field 25%, the Arthur Field 30% and the decommissioning asset in the Columbus Field 25% in the United Kingdom sector of the North Sea

The impairment arose due to a revision in the decommissioning estimate on the Arthur Field during 2011. As no further production is anticipated from the Arthur Field the increase in the decommissioning asset has been immediately written off.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2011

10 Investments

	2011 £	2010 £
At 1 January	-	-
Additions	1	-
At 31 December	<u>1</u>	<u>-</u>

Details of investments in which the company holds shares are as follows

Company	Country of registration	Class of shares	Holdings as at 31 December 2011	2010	Nature of business
Subsidiary undertakings					
EOG Resources UK Investments Limited	UK	Ordinary	100%	-	Holding Company
EOG Resources UK Holdings Limited*	UK	Ordinary	100%	-	Holding Company

*Company held indirectly

11 Debtors

	2011 £	2010 £
Amounts falling due within one year		
Trade debtors	1,134,297	701,005
Other debtors	1,023,774	518,463
Amount due from ultimate parent	111,002	122,637
Amount due from fellow subsidiary	-	7,480
Prepayments and accrued income	1,544,743	195,139
Corporation tax	-	725,294
	<u>3,813,816</u>	<u>2,270,018</u>

12 Deferred tax asset

	2011 £	2010 £
Deferred tax asset	<u>2,489,030</u>	<u>71,770</u>
Analysis of deferred tax		
	2011 £	2010 £
Deferred tax asset / (liability) at 1 January	71,770	(7,484,982)
Credited to profit and loss account	2,417,260	7,556,752
Deferred tax asset at 31 December	<u>2,489,030</u>	<u>71,770</u>
	2011 £	2010 £
Accelerated capital allowances	(38,155,958)	(9,825,067)
Share based payment	215,387	227,447
Tax losses carried forward	40,429,601	9,669,390
Deferred tax asset	<u>2,489,030</u>	<u>71,770</u>

The deferred tax asset relates to tax losses and has been considered by the directors to be recoverable because it is probable that there will be sufficient taxable profits in future periods to reverse the timing differences relating to the deferred tax asset

Notes to the financial statements for the year ended 31 December 2011

12 Deferred tax asset (continued)

The 2011 Budget announced on 23 March 2011 the Supplementary Charge to Corporation Tax which applies to oil and gas companies producing in the UK and UK Continental Shelf would be increased from 20% to 32% from 24 March 2011, thus increasing the total corporation tax rate applicable to UK oil and gas activities for non PRT fields from 50% to 62%. This rate change affects the size of the Company's balance sheet deferred tax assets and liabilities. Deferred tax as at 31 December 2011 has been recognised at the enacted rate of 62% on UK assets and liabilities.

The 2011 Budget also announced that a restriction of tax relief for Supplementary Charge to Corporation Tax purposes in respect of decommissioning expenditure to 20% would be enacted in 2012. This restriction had not been substantively enacted at the balance sheet date and is therefore not reflected in these financial statements.

13 Stock

	2011 £	2010 £
Stock	<u>326,850</u>	<u>326,850</u>

Stock represents tubular goods and wellhead equipment to be used in future drilling operations and is held at the lower of cost or net realisable value.

14 Creditors amounts falling due within one year

	2011 £	2010 £
Trade creditors	98,216	161,247
Amount due to ultimate parent	187,365	239,401
Amount due to fellow subsidiary	50,013,981	13,264,068
Accruals and deferred income	7,904,199	1,690,812
Other creditors	286,602	425,654
Corporation tax	30,518	-
	<u>58,520,881</u>	<u>15,781,182</u>

15 Creditors amounts falling due after more than one year

	2011 £	2010 £
Preference shares	<u>500</u>	<u>500</u>

The 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 cumulative unpaid preference dividend at 31 December 2011 was £129,220 (2010 - £106,750).

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.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2011

16 Provisions for liabilities

	2011 £	2010 £
Decommissioning provision	8,228,500	6,005,432
Other	59,298	77,219
	<u>8,287,798</u>	<u>6,082,651</u>

Analysis of decommissioning provision

	2011 £	2010 £
At 1 January	6,005,432	5,618,600
Unwinding of discount	206,326	207,869
Change in estimate	2,016,742	178,963
At 31 December	<u>8,228,500</u>	<u>6,005,432</u>

The provision is in respect of the decommissioning of oil and gas facilities currently in place
Decommissioning of existing fields is currently expected to be within 10 years on all fields

17 Share capital

	2011 £	2010 £
Authorised 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called-up and fully paid 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

No dividends were paid on ordinary shares in 2011 or 2010

The preference shares are presented as a liability (see note 15) and accordingly are excluded from called-up share capital in the balance sheet

18 Reserves

	Profit and loss account	
	2011 £	2010 £
At 1 January	1,705,143	8,118,007
Profit / (loss) for the financial year	1,136,972	(6,412,864)
At 31 December	<u>2,842,115</u>	<u>1,705,143</u>

19 Reconciliation of movements in shareholder's funds

	Share capital £	Capital contribution £	Profit and loss account £	Share premium account £	Total share- holder's funds £
Retained profit for the year	-	-	1,136,972	-	1,136,972
Tax benefit to Parent for stock options exercised	-	(15,482)	-	-	(15,482)
Opening shareholder's funds	<u>1</u>	<u>16,062,225</u>	<u>1,705,143</u>	<u>321,184</u>	<u>18,088,553</u>
Closing shareholder's funds	<u>1</u>	<u>16,046,743</u>	<u>2,842,115</u>	<u>321,184</u>	<u>19,210,043</u>

Tax benefit to Parent for 2011 permanent stock option tax deductions in excess of related book expenses represents the amount of corporation tax benefit recognised by EOG Resources, Inc as a credit to Additional Paid in Capital

Notes to the financial statements for the year ended 31 December 2011

20 Related party transactions

The Company has taken advantage of the exemption in FRS8 "Related party disclosures" 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

21 Ultimate parent company

The Company's immediate parent company is EOGI International Company, a Cayman Islands company. Its second, third and ultimate parent companies are EOGI International, Inc, EOG Resources International, Inc and EOG Resources, Inc , respectively, all of which are incorporated in the State of Delaware, USA.

The consolidated financial statements of EOG Resources, Inc are available to the public at 1111 Bagby Sky Lobby 2, Houston, Texas, 77002, USA or via the internet at www.eogresources.com. The consolidated financial statements of EOGI International Company, EOGI International, Inc and EOG Resources International, Inc are not available to the public.

The only company into which the results of EOG Resources United Kingdom Limited are consolidated is that headed by EOG Resources, Inc , ultimate holding company and controlling party.

22 Capital and other commitments

The Company is committed to its share of future exploration and development costs under the terms of its contractual agreements, amounting to approximately £74.2 million at 31 December 2011 (2010 - £2.7 million).

As at 31 December 2011, the Company had not entered into any forward sales of gas.

EOG RESOURCES UNITED KINGDOM LIMITED

NET COMMERCIAL OIL AND GAS RESERVE QUANTITIES (UNAUDITED) Year ended 31 December 2011

	Oil (MBbl)	Gas (BSCF)
Net commercial reserves, beginning of year		
- proved developed reserves	<u>7 8</u>	<u>1 9</u>
Changes during the year		
- revisions of previous estimates	1 4	(0 2)
- extensions, discoveries or other additions	-	-
- production	<u>(6 0)</u>	<u>(0 9)</u>
	<u>(4 6)</u>	<u>(1 1)</u>
Net commercial reserves, end of year		
- proved developed reserves*	<u>3 2</u>	<u>0 8</u>

*All the above reserves relate to the United Kingdom Continental Shelf in the North Sea. The data shown above was derived from internally generated estimates by the Company's internal engineers.