

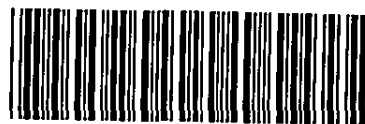
Company Registration No. 4458621

EOG Resources United Kingdom Limited

Annual Report and Financial Statements

Year ended 31 December 2012

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EOG RESOURCES UNITED KINGDOM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS	Page
Report of directors	2
Statement of directors' responsibilities	5
Independent auditor's report	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9
Net commercial oil and gas reserve quantities (unaudited)	21

EOG RESOURCES UNITED KINGDOM LIMITED

Report of the directors for the year ended 31 December 2012

The directors present their annual report on the affairs of EOG Resources United Kingdom Limited (the Company), together with the financial statements and auditor's report, for the year ended 31 December 2012

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 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 through to 2014. 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 (Seneca Energy plc) submitted a revised field development plan (FDP) to the United Kingdom Department of Energy and Climate Change (DECC) during the third quarter of 2012. The FDP involved the construction of a new bridge linked platform (BLP) alongside the existing Lomond platform. This was to be built by the Lomond owner (BG Group). In March 2013 BG Group informed the operator of the Columbus Field that it had decided not to proceed with the construction of the bridge linked platform. As such the Columbus group are required to review other alternatives for the export of Columbus gas and liquids. Given the circumstances that there is no current commercially viable export route, the Company took the decision to write off the Columbus assets. The Company continues to work with its partners with an aim to finding a viable export route and submitting a revised Field Development Plan to DECC.

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. DECC have since determined that the Conwy and Corfe accumulations should be treated as a single field and as such an FDP for the combined Conwy and Corfe Fields was approved in March 2012. DECC have agreed that if further geological data can be provided supporting the basis for treating the fields separately then they could be determined as two separate fields, at which time a new FDP would be submitted for the Corfe Field. This determination will be made following the results of an appraisal well being drilled in the second quarter of 2013. During 2012 the Conwy platform was installed and pipelines and an umbilical were laid between the Conwy platform and the nearby Douglas platform that the Conwy facilities will be tied into for processing and transportation. The design and fabrication of modifications to the Douglas platform continued throughout 2012, with offshore construction work taking place during 2013 and 2014. First production is anticipated in the fourth quarter of 2014.

Turnover in 2012 decreased by approximately £1.4 million (26%) from 2011 turnover primarily due to natural gas production declines. Gross profit in 2012 decreased approximately £0.7 million (21%) mainly due to the decrease in turnover for the year, offset by a corresponding decrease in cost of sales. Operating loss for 2012 was £0.1 million, compared to an operating loss of £0.9 million for 2011. The change in operating loss of £0.8 million was primarily due to the reduction in turnover for the year, and a lower impairment related to the decommissioning asset on the Arthur Field compared to 2011. Income after tax for 2012 increased by £6.1 million to a profit of £7.2 million. This was due to the lower operating loss, combined with an increase in the deferred tax benefit for the year compared to 2011, partially offset by the increase in the finance expense for the year. Net assets increased by £7.2 million to £26.4 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 2012 of £7,216,914 (2011 – £1,136,972).

In 2012 and 2011, there were no preference or common dividends paid.

EOG RESOURCES UNITED KINGDOM LIMITED

Report of the directors for the year ended 31 December 2012 (continued)

Key Performance Indicators

	Units	2012	2011	+/-%
Sales Volumes – Natural gas	MMcf	632	885	(29)
Sales Volumes – Condensate	MBI	2.4	6.0	(60)
Average Natural Gas Price	£/Mcf	6.13	5.70	8
Average Condensate Price	£/Bbl	54.06	59.74	(10)

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 the policies of its ultimate parent (the Parent), EOG Resources, Inc. in respect of financial risk management. The following is a summary of the principle 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 2012, 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 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 2012 and 2011, 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
William R. Thomas
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 no borrowings other than from its immediate parent. The Parent has pledged continued financial support to the Company for a period of not less than 12 months from the date of approval of the financial statements. 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.

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 2012 (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

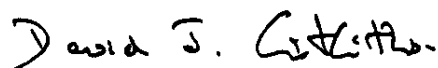
The confirmation is given and should be interpreted in accordance with the provisions of s418 of Companies Act 2006

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,



23 September 2013

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 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes numbered 1 to 23. 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 auditor's 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 Statement of Directors' Responsibilities, 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 2012 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.



David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
23 September 2013

EOG RESOURCES UNITED KINGDOM LIMITED

Profit and Loss Account

For the year ended 31 December 2012

	Notes	2012 £	2011 £
TURNOVER	2	4,001,989	5,394,161
Cost of sales		<u>(1,283,723)</u>	<u>(1,945,939)</u>
GROSS PROFIT		2,718,266	3,448,222
Exploration expenditures	3	(407,873)	(437,566)
Impairment of decommissioning asset	9	(310,087)	(1,809,970)
Administrative expenses		<u>(2,099,603)</u>	<u>(2,139,740)</u>
OPERATING LOSS		(99,297)	(939,054)
Finance expense, net	6	(346,784)	(239,524)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	<u>(446,081)</u>	<u>(1,178,578)</u>
Taxation on loss on ordinary activities	8	7,662,995	2,315,550
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>7,216,914</u>	<u>1,136,972</u>

There are no other recognised gains or losses other than those shown above during the current and prior 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 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Intangible assets	9a	16,128,188	68,592,014
Tangible assets	9b	147,370,235	1,304,213
Investments	10	<u>1</u>	<u>1</u>
		163,498,424	69,896,228
CURRENT ASSETS			
Debtors due within one year	11	2,621,828	3,813,816
Deferred tax asset – due after more than one year	12	10,181,058	2,489,030
Stock	13	330,006	326,850
Cash at bank		<u>5,956,569</u>	<u>9,493,298</u>
		19,089,461	16,122,994
CREDITORS amounts falling due within one year	14	<u>(54,281,512)</u>	<u>(58,520,881)</u>
NET CURRENT LIABILITIES		<u>(35,192,051)</u>	<u>(42,397,887)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>128,306,373</u>	<u>27,498,341</u>
CREDITORS amounts falling after more than one year	15	(84,311,291)	(500)
PROVISIONS FOR LIABILITIES	16	<u>(17,595,789)</u>	<u>(8,287,798)</u>
NET ASSETS		<u>26,399,293</u>	<u>19,210,043</u>
CAPITAL AND RESERVES			
Called up share capital	17,19	1	1
Capital contribution	19	16,019,079	16,046,743
Share premium account	19	321,184	321,184
Profit and loss account	18,19	<u>10,059,029</u>	<u>2,842,115</u>
SHAREHOLDER'S FUNDS	19	<u>26,399,293</u>	<u>19,210,043</u>

Signed on behalf of the Board on 23 September 2013, Company Number 4458621

David J Griffiths

David J Griffiths

Director

Notes to the financial statements for the year ended 31 December 2012

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 (UK) 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 following exceptions: (i) depletion, depreciation and amortisation charges in the Company's accounts are calculated using proved developed oil and gas reserves where the SORP recommends the use of proved and probable reserves, and (ii) licence costs and exploratory geological and geophysical costs are expensed where the SORP recommends the initial capitalisation of these costs.

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. The unwinding of the discount relating to the decommissioning provision is included within finance expenses.

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.

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

f) Cash flow statement

In accordance with FRS 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

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 share options for shares in the ultimate parent company. Equity-settled share-based payments are measured at the estimated fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The estimated 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 estimated fair value 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.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

n) Investments

Fixed asset investments are shown at cost less provision for impairment

o) Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of these assets. This policy is applied when the construction period of the tangible fixed assets is expected to exceed one year. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Finance costs, including premiums payable on settlement or redemption, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2 Turnover

Turnover for both 2012 and 2011 represents crude oil and natural gas sales and relates to one geographical segment, the United Kingdom.

The results for both 2012 and 2011 relate to one class of business, the sale of crude oil and natural gas.

3 Exploration expenditures

Exploration expenses written off in 2012 represent a credit relating to dry hole costs of £20,100, geological studies and data acquisition costs of £25,300, annual licence fees of £224,200 and geological consulting fees £92,000, with the remainder being other geological and geophysical expenses. Exploration expenditures written off in 2011 included dry hole costs of £14,200, costs of £145,900 for geological studies and data acquisition, £143,200 for geological consulting services, with the remainder being other geological and geophysical expenses.

4 Information regarding employees and directors

	2012 No	2011 No.
Average monthly number of persons employed (including directors)		
Administration	5	5
Sales and operations	3	3
	<u>8</u>	<u>8</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	1,286,600	1,110,200
Social security costs	149,000	128,400
Pension costs	83,000	89,400
Other costs	2,100	7,300
	<u>1,520,700</u>	<u>1,335,300</u>
Directors' remuneration		
Emoluments and fees	867,000	800,300
Contributions to defined contribution pension schemes	46,000	41,900
	<u>913,000</u>	<u>842,200</u>

The emoluments of the highest paid director were £235,200 (2011 - £211,600) and he also received contributions to his defined contribution pension scheme of £21,200 (2011 - £20,200).

All directors were members of defined contribution pension schemes. 5 directors exercised share options in the ultimate parent company during 2012.

Included in the above directors' remuneration are £656,600 (2011 - £610,400) 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.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

5 Operating lease commitments

At 31 December 2012, the Company was committed to making the following payments during the next year in respect of operating leases

	2012 Land and buildings £	2011 Land and buildings £
Operating leases expiring		
Within one year	40,811	-
Between two to five years	169,040	169,172
	<u>209,851</u>	<u>169,172</u>

6 Finance expense, net

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

	2012 £	2011 £
<i>Interest payable and similar charges</i>		
Foreign exchange loss / (gain)	9,309	(12,394)
Unwinding of discount on bonds (see note 15)	1,798,791	-
Unwinding of discount on provisions (see note 16)	146,290	206,326
Cumulative preference share dividends	22,470	129,220
Other	773	419
	<u>1,977,633</u>	<u>323,571</u>
<i>Interest income and similar income</i>		
Bank interest	(65,267)	(41,120)
Other	(7,154)	(42,927)
	<u>(72,421)</u>	<u>(84,047)</u>
Finance costs capitalised	(1,558,428)	-
	<u>346,784</u>	<u>239,524</u>

£nil (2011 - £nil) interest income was from other EOG Resources group companies

Finance costs have been capitalised based on a capitalisation rate of 3.08% (2011 - nil) which is the weighted average of rates applicable to the Company's general borrowings outstanding during the year

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 (2011 - £34,500), operating lease rentals (land and buildings) of £149,000 (2011 - £149,000) and depreciation on tangible fixed assets of £295,000 (2011 - £482,400). Fees payable to the Company's auditors and their associates for other services to the Company were nil (2011 - nil)

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

8 Taxation on loss on ordinary activities

The tax charge comprises

	2012 £	2011 £
Current corporation tax charge	29,033	101,710
Deferred tax		
- origination and reversal of timing differences	51,487,241	26,039,541
- decrease / (increase) in estimate of recoverable deferred tax liability arising in previous periods	131,354	(23,342)
- adjustment for rate change	900,957	(23,736)
- net operating loss carry forward	(51,132,743)	(26,121,254)
- ring fence expenditure supplement	(9,078,837)	(2,288,469)
Total deferred tax benefit (see note 12)	(7,692,028)	(2,417,260)
Total tax benefit	<u>(7,662,995)</u>	<u>(2,315,550)</u>

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

	2012 £	2011 £
Loss on ordinary activities before tax	(446,081)	(1,178,578)
Loss on ordinary activities multiplied by average UK corporation tax rate of 62% (2011 – 59.3%)	(276,570)	(698,896)
Effects of		
Non ring fence income taxed at 24.5% (2011 – 26.5%)	(44,453)	(47,558)
Capital allowances claimed in excess of depreciation charged	(52,188,115)	(24,346,414)
Other timing differences	1,374,343	58,607
Impairment not deductible in current year	-	-
Non-deductible expenses	31,095	88,969
Net operating loss carry forward	51,132,743	24,983,715
Previous period tax accrual to return adjustment	(10)	63,287
Current tax charge for period	<u>29,033</u>	<u>101,710</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%. The standard UK corporation tax rate for ring fenced income remains at 30%.

Factors that may affect future tax charges

The 2012 UK Budget announced on 21 March 2012 that with effect from 1 April 2013 the UK corporation tax rate (affecting non ring fenced income) would decrease from 24% to 23%. These changes will affect the amount of future cash tax payments to be made by the Company.

The 2013 UK Budget announced on 20 March 2013 that with effect from 1 April 2014 the UK corporation tax rate (affecting non ring fenced income) would decrease from 23% to 21%. These changes will also affect the amount of future cash tax payments to be made by the Company.

The Ring Fence Expenditure Supplement (RFES) assists companies that do not have sufficient taxable income for ring fence corporation tax purposes against which to fully offset their exploration, appraisal and development costs. The RFES originally allowed companies to elect to increase the value of losses carried forward from one period to the next by 6% for a maximum of 6 years, not necessarily consecutive years. The annual rate of the RFES was increased to 10% by Order effective 1 January 2012.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

9 Fixed assets

a) Intangible assets

	Oil and gas properties	
	2012	2011
Cost	£	£
At 1 January	71,883,438	28,547,352
Additions	18,713,439	43,336,086
Transfer to / from tangible assets	(71,177,265)	-
At 31 December	<u>19,419,612</u>	<u>71,883,438</u>
Amortisation and impairment		
At 1 January	(3,291,424)	(3,291,424)
Exploration expenditures written off	-	-
At 31 December	<u>(3,291,424)</u>	<u>(3,291,424)</u>
Net book value		
At 1 January	68,592,014	25,255,928
At 31 December	<u>16,128,188</u>	<u>68,592,014</u>

At 31 December 2012, the above principally represents the Company's 25% interest in the Columbus discovery in the United Kingdom sector of the North Sea

On 26 March 2012 the Company received FDP approval from DECC for the combined Conwy and Corfe Field in the United Kingdom sector of the East Irish Sea. As such, the intangible assets related to the Conwy and Corfe Field have been reclassified to tangible assets at that date.

During the year the Columbus Field decommissioning assets were reclassified from tangible assets as a field development plan has not yet been approved.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

9 Fixed assets (continued)

b) Tangible assets

	Oil and gas properties	Decommis- sioning asset	Non O&G properties	Total
Cost	£	£	£	£
At 1 January 2012	39,387,148	6,671,618	1,014,898	47,073,664
Additions/change in estimate	66,313,262	9,179,622	995	75,493,879
Transfer to / from intangible assets	<u>71,909,684</u>	<u>(732,419)</u>	<u>-</u>	<u>71,177,265</u>
At 31 December 2012	<u>177,610,094</u>	<u>15,118,821</u>	<u>1,015,893</u>	<u>193,744,808</u>

Depreciation

At 1 January 2012	(38,868,611)	(6,004,379)	(896,461)	(45,769,451)
Charge for the year	(217,162)	(25,804)	(52,069)	(295,035)
Impairment	<u>-</u>	<u>(310,087)</u>	<u>-</u>	<u>(310,087)</u>
At 31 December 2012	<u>(39,085,773)</u>	<u>(6,340,270)</u>	<u>(948,530)</u>	<u>(46,374,573)</u>

Net book value

At 31 December 2011	<u>518,537</u>	<u>667,239</u>	<u>118,437</u>	<u>1,304,213</u>
At 31 December 2012	<u>138,524,321</u>	<u>8,778,551</u>	<u>67,363</u>	<u>147,370,235</u>

At 31 December 2012 the above represents the Company's interests in the Valkyrie Field 25% and the Arthur Field 30% in the United Kingdom sector of the North Sea. It also represents the Company's 100% interest in the Conwy and Corfe Field in the United Kingdom sector of the East Irish Sea.

During the year the Columbus Field decommissioning assets were reclassified to intangible assets as a field development plan has not yet been approved.

The impairment arose due to a revision in the decommissioning estimate on the Arthur Field during 2012. As no further production is anticipated from the Arthur Field the increase in the decommissioning asset has been immediately written off.

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £1,558,428 (2011 – £nil).

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

10 Investments

	2012 £	2011 £
At 1 January	1	-
Additions	-	1
At 31 December	<u>1</u>	<u>1</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 2012	2011	Nature of business
Subsidiary undertakings:					
EOG Resources UK Investments Limited	UK	Ordinary	100%	100%	Holding Company
EOG Resources UK Holdings Limited*	UK	Ordinary	100%	100%	Holding Company

*Company held indirectly

11 Debtors

	2012 £	2011 £
Amounts falling due within one year		
Trade debtors	57,679	1,134,297
VAT debtors	2,134,536	1,018,505
Other debtors	9,391	5,269
Amount due from ultimate parent	60,915	111,002
Amount due from fellow subsidiary	109,284	-
Prepayments and accrued income	250,023	1,544,743
	<u>2,621,828</u>	<u>3,813,816</u>

12 Deferred tax asset – due after more than one year

	2012 £	2011 £
Deferred tax asset	<u>10,181,058</u>	<u>2,489,030</u>
Analysis of deferred tax		
	2012 £	2011 £
Deferred tax asset at 1 January	2,489,030	71,770
Credited to profit and loss account	7,692,028	2,417,260
Deferred tax asset at 31 December	<u>10,181,058</u>	<u>2,489,030</u>
	2012 £	2011 £
Accelerated capital allowances	(90,569,577)	(38,155,958)
Share based payment	343,786	215,387
Bond amortisation	539,637	-
Tax losses carried forward	99,867,212	40,429,601
Deferred tax asset	<u>10,181,058</u>	<u>2,489,030</u>

The deferred tax asset 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. There are no unrecognised deferred tax assets.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

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 2012 and 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 has been substantively enacted at the balance sheet date and is therefore reflected in these financial statements.

13 Stock

	2012 £	2011 £
Stock	<u>330,006</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

	2012 £	2011 £
Trade creditors	84,356	98,216
Amount due to ultimate parent	339,898	187,365
Amount due to fellow subsidiary	37,533,294	50,013,981
Accruals and deferred income	15,942,027	7,904,199
Other creditors	360,708	286,602
Corporation tax	21,229	30,518
	<u>54,281,512</u>	<u>58,520,881</u>

15 Creditors amounts falling due after more than one year

	2012 £	2011 £
Original Issue Discount Bonds – due to fellow subsidiary		
- Between one and two years	41,818,975	-
- Between two and five years	42,491,816	-
- After five years	-	-
	<u>84,310,791</u>	<u>-</u>
- On demand or within one year	-	-
	<u>84,310,791</u>	<u>-</u>
Preference shares	<u>500</u>	<u>500</u>
	<u>84,311,291</u>	<u>500</u>

On 19 July 2012 EOG Resources United Kingdom Limited issued three Original Issue Discount Bonds to a fellow subsidiary. Each of the bonds is unsecured and was issued at an original discount (compared to its ultimate redemption value) that is unwound over the term of the bond on an effective interest basis. The bonds have a term of two, three and four years with discount rates of 4.83%, 4.90% and 5.06% respectively.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

15 Creditors amounts falling due after more than one year (continued)

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 2012 was £151,690 (2011 - £129,220) and is recorded within Other creditors (see note 14).

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.

16 Provisions for liabilities

	2012 £	2011 £
Decommissioning provision	17,554,413	8,228,500
Other	41,376	59,298
	<u>17,595,789</u>	<u>8,287,798</u>

Analysis of decommissioning provision

	2012 £	2011 £
At 1 January	8,228,500	6,005,432
Additions	7,515,156	-
Unwinding of discount	146,290	206,326
Change in estimate	1,664,467	2,016,742
At 31 December	<u>17,554,413</u>	<u>8,228,500</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 the Conwy Field and within 5 years on all other fields. Decommissioning additions in the year relate to the Conwy platform, pipelines and umbilical that were installed during 2012.

17 Share capital

	2012 £	2011 £
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 2012 or 2011.

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

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

18 Reserves

	Profit and loss account	
	2012	2011
	£	£
At 1 January	2,842,115	1,705,143
Profit for the financial year	7,216,914	1,136,972
At 31 December	<u>10,059,029</u>	<u>2,842,115</u>

19 Reconciliation of movements in shareholder's funds

	Share capital	Capital contribution	Profit and loss account	Share premium account	Total shareholder's funds
	£	£	£	£	£
Retained profit for the year	-	-	7,216,914	-	7,216,914
Tax benefit to Parent for stock options exercised	-	(27,664)	-	-	(27,664)
Opening 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>
Closing shareholder's funds	<u>1</u>	<u>16,019,079</u>	<u>10,059,029</u>	<u>321,184</u>	<u>26,399,293</u>

Tax benefit to Parent for 2012 permanent stock option tax deductions in excess of related book expenses represents the amount of corporation tax benefit recognised by EOG Resources, Inc and has been recognised as a charge to Capital contribution

20 Subsequent events

In March 2013 BG Group informed the operator of the Columbus Field that it had decided not to proceed with the construction of the bridge linked platform. As such the Columbus group are required to review other alternatives for the export of Columbus gas and liquids. Given the circumstances that there is no current commercially viable export route, the Company took the decision to write off the Columbus assets.

The Company's balance sheet at 31 December 2012 includes a carrying value of £15.6 million within intangible fixed assets which, together with subsequent expenditure of approximately £0.2 million, will be written off in the 2013 financial statements.

The Company continues to work with its partners with an aim to finding a viable export route and submitting a revised Field Development Plan to DECC.

21 Related party transactions

The Company has taken advantage of the exemption in FRS 8 "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.

22 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.

EOG RESOURCES UNITED KINGDOM LIMITED

Notes to the financial statements for the year ended 31 December 2012

23 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 £33.4 million at 31 December 2012 (2011 - £74.2 million)

As at 31 December 2012, the Company had not entered into any forward sales of natural gas

EOG RESOURCES UNITED KINGDOM LIMITED

NET COMMERCIAL OIL AND GAS RESERVE QUANTITIES (UNAUDITED) Year ended 31 December 2012

	Proved Developed Reserves		Proved Undeveloped Reserves		Total	
	Oil (MBbl)	Gas (BSCF)	Oil (MBbl)	Gas (BSCF)	Oil (MBbl)	Gas (BSCF)
Net commercial reserves, beginning of year	3 2	0 8	-	-	3 2	0 8
Changes during the year						
- revisions of previous estimates	0 7	0 2	-	-	0 7	0 2
- extensions, discoveries or other additions	-	-	8,645 1	-	8,645 1	-
- production	(2 4)	(0 6)	-	-	(2 4)	(0 6)
	(1 7)	(0 4)	8,645 1	-	8,643 4	(0 4)
Net commercial reserves, end of year	1 5	0 4	8,645 1	-	8,646 6	0 4

*All the above reserves relate to the United Kingdom Continental Shelf in the North Sea and the East Irish Sea. The data shown above was derived from internally generated estimates by the Company's internal engineers. The additions in the year relate to the inclusion within proved undeveloped reserves of reserves in the Conwy Field.