EOG RESOURCES INC
Form 10-Q
November 01, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 1-9743

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

Delaware	47-0684736
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer o Non-accelerated filer o
Smaller reporting company o Emerging growth company o

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of each class	Number of shares
Common Stock, par value $0.01 per share	579,903,041 (as of October 26, 2018)

EOG RESOURCES, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
EOG RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating Revenues and Other				
Crude Oil and Condensate	$2,655,278	$1,451,410	$7,134,114	$4,326,925
Natural Gas Liquids	353,704	180,038	861,473	480,389
Natural Gas	311,713	220,402	912,324	675,012
Gains (Losses) on Mark-to-Market Commodity Derivative Contracts	(52,081)	(6,606)	(297,735)	64,860
Gathering, Processing and Marketing	1,360,992	784,368	3,899,250	2,289,702
Gains (Losses) on Asset Dispositions, Net	115,944	(8,202)	94,658	(33,876)
Other, Net	36,074	23,434	96,779	64,869
Total	4,781,624	2,644,844	12,700,863	7,867,881
Operating Expenses				
Lease and Well	321,568	251,943	936,236	762,906
Transportation Costs	196,027	183,565	550,781	548,635
Gathering and Processing Costs	114,063	32,590	324,577	105,480
Exploration Costs	32,823	30,796	115,137	122,401
Dry Hole Costs	358	50	5,260	77
Impairments	44,617	53,677	160,934	325,798
Marketing Costs	1,326,974	793,536	3,853,827	2,320,671
Depreciation, Depletion and Amortization	918,180	846,222	2,515,445	2,527,642
General and Administrative	111,284	111,717	310,065	317,462
Taxes Other Than Income	209,043	125,912	582,395	386,319
Total	3,274,937	2,430,008	9,354,657	7,417,391
Operating Income	1,506,687	214,836	3,346,206	450,490
Other Income (Expense), Net	3,308	226	(4,516)	8,349
Income Before Interest Expense and Income Taxes	1,509,995	215,062	3,341,690	458,839
Interest Expense, Net	63,632	69,082	189,032	211,010
Income Before Income Taxes	1,446,363	145,980	3,152,658	247,829
Income Tax Provision	255,411	45,439	626,386	95,718
Net Income	$1,190,952	$100,541	$2,526,272	$152,111
Net Income Per Share				
Basic	$2.06	$0.17	$4.38	$0.26
Diluted	$2.05	$0.17	$4.35	$0.26
Dividends Declared per Common Share	$0.2200	$0.1675	$0.5900	$0.5025
Average Number of Common Shares				
Basic	577,254	574,783	576,431	574,370
Diluted	581,559	578,736	580,442	578,453
Comprehensive Income				
Net Income	$1,190,952	$100,541	$2,526,272	$152,111

Other Comprehensive Income (Loss)				
Foreign Currency Translation Adjustments	(1,952)	355	(179)	1,924
Other, Net of Tax	6	(25)	18	(74)
Other Comprehensive Income (Loss)	(1,946)	330	(161)	1,850
Comprehensive Income	$1,189,006	$100,871	$2,526,111	$153,961

The accompanying notes are an integral part of these condensed consolidated financial statements.

EOG RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,274,132	$ 834,228
Accounts Receivable, Net	2,151,247	1,597,494
Inventories	766,964	483,865
Assets from Price Risk Management Activities	1,569	7,699
Income Taxes Receivable	320,938	113,357
Other	302,242	242,465
Total	4,817,092	3,279,108
Property, Plant and Equipment		
Oil and Gas Properties (Successful Efforts Method)	56,799,237	52,555,741
Other Property, Plant and Equipment	4,191,958	3,960,759
Total Property, Plant and Equipment	60,991,195	56,516,500
Less: Accumulated Depreciation, Depletion and Amortization	(33,043,454)	(30,851,463)
Total Property, Plant and Equipment, Net	27,947,741	25,665,037
Deferred Income Taxes	16,880	17,506
Other Assets	856,023	871,427
Total Assets	$ 33,637,736	$ 29,833,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 2,435,773	$ 1,847,131
Accrued Taxes Payable	249,234	148,874
Dividends Payable	126,829	96,410
Liabilities from Price Risk Management Activities	132,618	50,429
Current Portion of Long-Term Debt	1,262,874	356,235
Other	217,819	226,463
Total	4,425,147	2,725,542
Long-Term Debt	5,171,949	6,030,836
Other Liabilities	1,302,249	1,275,213
Deferred Income Taxes	4,199,921	3,518,214
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common Stock, $0.01 Par, 1,280,000,000 Shares Authorized and 580,308,937 Shares Issued at September 30, 2018 and 578,827,768 Shares Issued at December 31, 2017	205,803	205,788
Additional Paid in Capital	5,626,259	5,536,547
Accumulated Other Comprehensive Loss	(19,458)	(19,297)
Retained Earnings	12,778,104	10,593,533
Common Stock Held in Treasury, 478,042 Shares at September 30, 2018 and 350,961 Shares at December 31, 2017	(52,238)	(33,298)

Total Stockholders' Equity	18,538,470	16,283,273
Total Liabilities and Stockholders' Equity	$ 33,637,736	$ 29,833,078

The accompanying notes are an integral part of these condensed consolidated financial statements.

EOG RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended September 30, 2018	2017
Cash Flows from Operating Activities		
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Net Income	$2,526,272	$152,111
Items Not Requiring (Providing) Cash		
Depreciation, Depletion and Amortization	2,515,445	2,527,642
Impairments	160,934	325,798
Stock-Based Compensation Expenses	116,290	101,537
Deferred Income Taxes	681,702	114,850
(Gains) Losses on Asset Dispositions, Net	(94,658)	33,876
Other, Net	15,314	(4,514)
Dry Hole Costs	5,260	77
Mark-to-Market Commodity Derivative Contracts		
Total (Gains) Losses	297,735	(64,860)
Net Cash Received from (Payments for) Settlements of Commodity Derivative Contracts	(180,228)	4,730
Other, Net	1,652	270
Changes in Components of Working Capital and Other Assets and Liabilities		
Accounts Receivable	(553,529)	(25,445)
Inventories	(286,817)	(17,674)
Accounts Payable	537,525	112,894
Accrued Taxes Payable	(36,891)	(49,967)
Other Assets	(103,334)	(83,940)
Other Liabilities	(14,776)	(69,224)
Changes in Components of Working Capital Associated with Investing and Financing Activities	95,484	(120,373)
Net Cash Provided by Operating Activities	5,683,380	2,937,788
Investing Cash Flows		
Additions to Oil and Gas Properties	(4,571,932)	(2,927,988)
Additions to Other Property, Plant and Equipment	(202,384)	(139,558)
Proceeds from Sales of Assets	11,582	191,593
Other Investing Activities	(19,993)	—
Changes in Components of Working Capital Associated with Investing Activities	(95,541)	120,469
Net Cash Used in Investing Activities	(4,878,268)	(2,755,484)
Financing Cash Flows		
Long-Term Debt Repayments	—	(600,000)
Dividends Paid	(311,075)	(289,261)
Treasury Stock Purchased	(58,558)	(50,374)
Proceeds from Stock Options Exercised and Employee Stock Purchase Plan	12,098	11,174
Repayment of Capital Lease Obligation	(5,052)	(4,897)
Changes in Components of Working Capital Associated with Financing Activities	57	(96)
Net Cash Used in Financing Activities	(362,530)	(933,454)
Effect of Exchange Rate Changes on Cash	(2,678)	(2,607)
Increase (Decrease) in Cash and Cash Equivalents	439,904	(753,757)
Cash and Cash Equivalents at Beginning of Period	834,228	1,599,895

Cash and Cash Equivalents at End of Period	$1,274,132	$846,138

The accompanying notes are an integral part of these condensed consolidated financial statements.

EOG RESOURCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

General. The condensed consolidated financial statements of EOG Resources, Inc., together with its subsidiaries (collectively, EOG), included herein have been prepared by management without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, they reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods presented. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures included either on the face of the financial statements or in these notes are sufficient to make the interim information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in EOG's Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 27, 2018 (EOG's 2017 Annual Report).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The operating results for the three and nine months ended September 30, 2018, are not necessarily indicative of the results to be expected for the full year.

Effective January 1, 2018, EOG adopted the provisions of Accounting Standards Update (ASU) 2014-09, "Revenue From Contracts With Customers" (ASU 2014-09). ASU 2014-09 and other related ASUs require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. EOG elected to adopt ASU 2014-09 using the modified retrospective approach, which required EOG to recognize in retained earnings the cumulative effect at the date of adoption for all existing contracts with customers which were not substantially complete as of January 1, 2018. There was no impact to retained earnings upon adoption of ASU 2014-09.

EOG presents disaggregated revenues by type of commodity within its Condensed Consolidated Statements of Income and Comprehensive Income and by geographic areas defined as operating segments. See Note 5.

In connection with the adoption of ASU 2014-09, EOG presents natural gas processing fees relating to certain processing and marketing agreements within its United States segment as Gathering and Processing Costs, instead of as a deduction to Revenues within its Condensed Consolidated Statements of Income and Comprehensive Income. There was no impact to operating income, net income or cash flows resulting from changes to the presentation of natural gas processing fees. The impacts of the adoption of ASU 2014-09 for the three and nine months ended September 30, 2018, were as follows (in thousands):

EOG RESOURCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	As Reported	Amounts Without Adoption of ASU 2014-09	Effect of Change	As Reported	Amounts Without Adoption of ASU 2014-09	Effect of Change
Operating Revenues and Other						
Crude Oil and Condensate	$2,655,278	$2,655,278	$ —	$7,134,114	$7,134,114	$ —
Natural Gas Liquids	353,704	352,084	1,620	861,473	856,628	4,845
Natural Gas	311,713	256,169	55,544	912,324	770,441	141,883
Gathering, Processing and Marketing	1,360,992	1,355,909	5,083	3,899,250	3,883,222	16,028
Total Operating Revenues and Other	4,781,624	4,719,377	62,247	12,700,863	12,538,107	162,756
Operating Expenses						
Gathering and Processing Costs	114,063	56,899	57,164	324,577	177,849	146,728
Marketing Costs	1,326,974	1,321,891	5,083	3,853,827	3,837,799	16,028
Total Operating Expenses	3,274,937	3,212,690	62,247	9,354,657	9,191,901	162,756
Operating Income	1,506,687	1,506,687	—	3,346,206	3,346,206	—

Revenues are recognized for the sale of crude oil and condensate, natural gas liquids (NGLs) and natural gas at the point control of the product is transferred to the customer, typically when production is delivered and title or risk of loss transfers to the customer. Arrangements for such sales are evidenced by signed contracts with prices typically based on stated market indices, with certain adjustments for product quality and geographic location. As EOG typically invoices customers shortly after performance obligations have been fulfilled, contract assets and contract liabilities are not recognized. The balances of accounts receivable from contracts with customers on January 1, 2018 and September 30, 2018, were $1,343 million and $1,812 million, respectively, and are included in Accounts Receivable, Net on the Condensed Consolidated Balance Sheets. Losses incurred on receivables from contracts with customers are infrequent and have been immaterial.

Crude Oil and Condensate. EOG sells its crude oil and condensate production at the wellhead or further downstream at a contractually-specified delivery point. Revenue is recognized when control transfers to the customer based on contract terms which reflect prevailing market prices. Any costs incurred prior to the transfer of control, such as gathering and transportation, are recognized as Operating Expenses.

Natural Gas Liquids. EOG delivers certain of its natural gas production to either EOG-owned processing facilities or third-party processing facilities, where extraction of NGLs occurs. For EOG-owned facilities, revenue is recognized after processing upon transfer of NGLs to a customer. For third-party facilities, extracted NGLs are sold to the owner of the processing facility at the tailgate, or EOG takes possession and sells the extracted NGLs at the tailgate or exercises its option to sell further downstream to various customers. Under typical arrangements for third-party facilities, revenue is recognized after processing upon the transfer of control of the NGLs, either at the tailgate of the processing plant or further downstream. EOG recognizes revenues based on contract terms which reflect prevailing market prices, with processing fees recognized as Gathering and Processing Costs.

Natural Gas. EOG sells its natural gas production either at the wellhead or further downstream at a contractually-specified delivery point. In connection with the extraction of NGLs, EOG sells residue gas under separate agreements. Typically, EOG takes possession of the natural gas at the tailgate of the processing facility and sells it at the tailgate or further downstream. In each case, EOG recognizes revenues when control transfers to the customer, based on contract terms which reflect prevailing market prices.

Gathering, Processing and Marketing. Gathering, processing and marketing revenues represent sales of third-party crude oil and condensate, NGLs and natural gas, as well as fees associated with gathering and processing third-party natural gas and revenues from sales of EOG-owned sand. EOG evaluates whether it is the principal or agent under these transactions. As control of the underlying commodity is transferred to EOG prior to the gathering, processing and marketing activities, EOG considers itself the principal of these arrangements. Accordingly, EOG recognizes these transactions on a gross basis. Purchases of third-party commodities are recorded as Marketing Costs, with sales of third-party commodities and fees received for gathering and processing recorded as Gathering, Processing and Marketing revenues.

Recently Issued Accounting Standards. In March 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-05, "Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118" (ASU 2018-05). In December 2017, the United States (U.S.) enacted the Tax Cuts and Jobs Act (TCJA), which made significant changes to U.S. federal income tax law. Shortly after enactment of the TCJA, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which provides guidance on accounting for the impact of the TCJA. ASU 2018-05 codified various paragraphs of SAB 118 and was effective upon issuance. Under SAB 118, an entity would use a similar approach as the measurement period provided in the Business Combinations Topic of the Accounting Standards Codification (ASC). An entity will recognize those matters for which the accounting can be completed. For matters that have not been completed, the entity would either (1) recognize provisional amounts to the extent that they are reasonably able to be estimated and adjust them over time as more information becomes available or (2) for any specific income tax effects of the TCJA for which a reasonable estimate cannot be determined, continue to apply the Income Taxes Topic of the ASC on the basis of the provisions of the tax laws that were in effect immediately before the TCJA was signed into law. EOG has prepared its condensed consolidated financial statements for the three and nine months ended September 30, 2018 in accordance with ASU 2018-05. As discussed in EOG's 2017 Annual Report, provisional amounts were recorded for tax accruals of certain aspects of the TCJA. EOG has updated and finalized the 2017 U.S. federal provisional amounts. The 2017 state provisional amounts will be finalized in the fourth quarter of 2018.

During the third quarter of 2018, EOG filed its consolidated 2017 U.S. federal income tax return, along with certain tax elections, and finalized its foreign earnings and profits study. The deemed repatriation tax decreased from the provisional amount of $179 million to $40 million mostly as a result of reducing the repatriation taxable income by net operating losses (NOLs), which had previously been expected to be utilized in future years. EOG is no longer electing to pay the repatriation tax in installments over eight years after considering recent Internal Revenue Service (IRS) guidance which indicated that no tax refunds would be issued until the entire repatriation tax liability is satisfied regardless of an installment election. EOG has reviewed the tax consequences of the repatriation tax on its outside basis differences in its investment in non-U.S. subsidiaries and has confirmed that no U.S. federal deferred tax liability is required at this time.

EOG has analyzed the impact of the new "global intangible low-taxed income" (GILTI) inclusion and, while no taxable income inclusion is required in 2018, EOG may become subject to GILTI inclusion in future years and will treat any resulting tax as a period expense.

The remeasurement of U.S. deferred tax assets and liabilities resulted in a provisional tax benefit of $2.2 billion in 2017, which was increased by approximately $52 million in the third quarter of 2018 due to the utilization of the aforementioned NOLs at the 2017 U.S. federal corporate income tax rate of 35% instead of the future tax rate of 21%. This additional tax benefit along with other less significant tax reform adjustments has lowered the 2018 year-to-date effective tax rate approximately two percentage points.

EOG recorded a provisional amount in 2017 for its refundable alternative minimum tax (AMT) credits due to the lack of guidance, at that time, on whether any portion of these credits would be sequestered due to a federal budgetary provision. In the first quarter of 2018, the IRS affirmed that any refundable AMT credits resulting from the TCJA would be subject to sequestration. EOG does not expect further clarification from the IRS or Office of Management and Budget and therefore considers the accounting for sequestration on its refundable AMT credits complete.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" (ASU 2016-02), which significantly changes accounting for leases by requiring that lessees recognize a right-of-use asset and a related lease liability representing the obligation to make lease payments, for certain lease transactions. Additional disclosures about an entity's lease transactions will also be required. ASU 2016-02 defines a lease as "a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration." In January 2018, the FASB issued ASU 2018-01, "Leases (Topic 842) - Land Easement Practical Expedient for Transition to Topic 842" (ASU 2018-01), which permits an entity an optional election to not evaluate under ASU 2016-02 those existing or expired land easements that were not previously accounted for as leases prior to the adoption of ASU 2016-02. Additionally, in July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842) - Targeted Improvements” (ASU 2018-11), which permits an entity (i) to apply the provisions of ASU 2016-02 at the adoption date instead of the earliest period presented in the financial statements, and, as a lessor, (ii) to account for lease and nonlease components as a single component as the nonlease components would otherwise be accounted for under the provisions of ASU 2014-09. ASU 2016-02 and other related ASUs are effective for interim and annual periods beginning after December 31, 2018, and early application is permitted. Based on the provisions of ASU 2018-11 and other related ASUs, lessees and lessors may recognize and measure leases at the beginning of the earliest period presented in the financial statements, defined as the effective date, using a modified retrospective approach, or at the adoption date by recognizing a cumulative-effect adjustment to the opening balance of retained earnings.

EOG is continuing its assessment of ASU 2016-02 by implementing its project plan, including a lease accounting software solution. EOG has assessed the scope of its current contractual arrangements, reviewed the majority of its existing contracts and is continuing to evaluate certain operational and corporate policies and processes in light of these findings. EOG enters into contracts for drilling rig services, fracturing services, compression, real estate and other contracts which contain equipment and other assets used in its exploration, development and production activities and corporate functions. Certain of these contracts are anticipated to require recognition of a right-of-use asset and related lease liability. At this time, the impact upon adoption of ASU 2016-02 and other related ASUs is not quantifiable, but is expected to significantly impact EOG’s consolidated balance sheet by increasing assets and liabilities related to operating leases. EOG plans to elect the practical expedient under ASU 2018-11 and apply the provisions of ASU 2016-02 on the adoption date, January 1, 2019. Additionally, EOG plans to elect the package of practical expedients within ASU 2016-02 that allows an entity to not reassess prior to the effective date (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct costs for any existing leases, but does not plan to elect the practical expedient of hindsight when determining the lease term of existing contracts at the effective date. EOG also plans to elect the practical expedient under ASU 2018-01 and not evaluate existing or expired land easements not previously accounted for as leases prior to the effective date.

2. Stock-Based Compensation

As more fully discussed in Note 7 to the Consolidated Financial Statements included in EOG's 2017 Annual Report, EOG maintains various stock-based compensation plans. Stock-based compensation expense is included on the Condensed Consolidated Statements of Income and Comprehensive Income based upon the job function of the employees receiving the grants as follows (in millions):

	Three Months Ended September 30,	Nine Months Ended September 30,

	2018	2017	2018	2017
Lease and Well	$12.9	$9.5	$37.1	$30.0
Gathering and Processing Costs	0.1	0.1	0.3	0.5
Exploration Costs	5.8	4.7	18.4	16.1
General and Administrative	30.2	29.2	60.5	54.9
Total	$49.0	$43.5	$116.3	$101.5

The Amended and Restated EOG Resources, Inc. 2008 Omnibus Equity Compensation Plan (2008 Plan) provides for grants of stock options, stock-settled stock appreciation rights (SARs), restricted stock and restricted stock units, performance units and performance stock and other stock-based awards.

At September 30, 2018, approximately 13.7 million common shares remained available for grant under the 2008 Plan. EOG's policy is to issue shares related to 2008 Plan grants from previously authorized unissued shares or treasury shares to the extent treasury shares are available.

EOG RESOURCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Stock Options and Stock-Settled Stock Appreciation Rights and Employee Stock Purchase Plan. The fair value of stock option grants and SAR grants is estimated using the Hull-White II binomial option pricing model. The fair value of Employee Stock Purchase Plan (ESPP) grants is estimated using the Black-Scholes-Merton model. Stock-based compensation expense related to stock option, SAR and ESPP grants totaled $21.7 million and $20.9 million during the three months ended September 30, 2018 and 2017, respectively, and $45.4 million and $42.9 million during the nine months ended September 30, 2018 and 2017, respectively.

Weighted average fair values and valuation assumptions used to value stock option, SAR and ESPP grants during the nine-month periods ended September 30, 2018 and 2017 are as follows:

	Stock Options/SARs		ESPP	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Weighted Average Fair Value of Grants	$33.49	$23.94	$25.52	$22.10
Expected Volatility	28.22 %	28.28 %	24.36 %	26.96 %
Risk-Free Interest Rate	2.68 %	1.52 %	1.86 %	0.89 %
Dividend Yield	0.72 %	0.75 %	0.64 %	0.71 %
Expected Life	5.0 years	5.1 years	0.5 years	0.5 years

Expected volatility is based on an equal weighting of historical volatility and implied volatility from traded options in EOG's common stock. The risk-free interest rate is based upon United States Treasury yields in effect at the time of grant. The expected life is based upon historical experience and contractual terms of stock option, SAR and ESPP grants.

The following table sets forth stock option and SAR transactions for the nine-month periods ended September 30, 2018 and 2017 (stock options and SARs in thousands):

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Number of Stock Options/SARs	Weighted Average Grant Price	Number of Stock Options/SARs	Weighted Average Grant Price
Outstanding at January 1	9,103	$ 83.89	9,850	$ 75.53
Granted	1,884	126.65	2,260	96.24
Exercised (1)	(2,144)	69.62	(1,674)	55.63
Forfeited	(167)	91.89	(269)	90.22
Outstanding at September 30 (2)	8,676	$ 96.55	10,167	$ 83.02
Vested or Expected to Vest (3)	8,316	$ 96.08	9,799	$ 82.69
Exercisable at September 30 (4)	4,202	$ 85.80	5,517	$ 75.59

(1) The total intrinsic value of stock options/SARs exercised for the nine months ended September 30, 2018 and 2017 was $103.7 million and $66.6 million, respectively. The intrinsic value is based upon the difference between the market price of EOG's common stock on the date of exercise and the grant price of the stock options/SARs.

(2) The total intrinsic value of stock options/SARs outstanding at September 30, 2018 and 2017 was $269.1 million and $147.8 million, respectively. At September 30, 2018 and 2017, the weighted average remaining contractual life was 4.8 years and 4.3 years, respectively.

(3) The total intrinsic value of stock options/SARs vested or expected to vest at September 30, 2018 and 2017 was $261.9 million and $145.9 million, respectively. At September 30, 2018 and 2017, the weighted average remaining contractual life was 4.7 years and 4.3 years, respectively.

(4) The total intrinsic value of stock options/SARs exercisable at September 30, 2018 and 2017 was $175.5 million and $123.2 million, respectively. At September 30, 2018 and 2017, the weighted average remaining contractual life was 3.4 years and 2.8 years, respectively.

At September 30, 2018, unrecognized compensation expense related to non-vested stock option, SAR and ESPP grants totaled $119.7 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.3 years.

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Restricted Stock and Restricted Stock Units. Employees may be granted restricted (non-vested) stock and/or restricted stock units without cost to them. Stock-based compensation expense related to restricted stock and restricted stock units totaled $17.5 million and $15.8 million for the three months ended September 30, 2018 and 2017, respectively, and $58.8 million and $50.0 million for the nine months ended September 30, 2018 and 2017, respectively.

The following table sets forth restricted stock and restricted stock unit transactions for the nine-month periods ended September 30, 2018 and 2017 (shares and units in thousands):

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Number of Shares and Units	Weighted Average Grant Date Fair Value	Number of Shares and Units	Weighted Average Grant Date Fair Value
Outstanding at January 1	3,905	$ 88.57	3,962	$ 79.63
Granted	792	117.67	1,061	97.26
Released [1]	(708)	77.46	(837)	59.67
Forfeited	(150)	91.36	(190)	84.66
Outstanding at September 30 [2]	3,839	$ 96.52	3,996	$ 88.25

(1) The total intrinsic value of restricted stock and restricted stock units released for the nine months ended September 30, 2018 and 2017 was $80.2 million and $81.6 million, respectively. The intrinsic value is based upon the closing price of EOG's common stock on the date the restricted stock and restricted stock units are released.

(2) The total intrinsic value of restricted stock and restricted stock units outstanding at September 30, 2018 and 2017 was $489.7 million and $386.6 million, respectively.

At September 30, 2018, unrecognized compensation expense related to restricted stock and restricted stock units totaled $194.5 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.2 years.

Performance Units and Performance Stock. EOG has granted performance units and/or performance stock (collectively, Performance Awards) to its executive officers annually since 2012. As more fully discussed in the grant agreements, the performance metric applicable to the Performance Awards is EOG's total shareholder return over a three-year performance period relative to the total shareholder return of a designated group of peer companies (Performance Period). Upon the application of the performance multiple at the completion of the Performance Period, a minimum of 0% and a maximum of 200% of the Performance Awards granted could be outstanding. The fair value of the Performance Awards is estimated using a Monte Carlo simulation. Stock-based compensation expense related to the Performance Award grants totaled $9.8 million and $6.8 million for the three-month periods ended September 30, 2018 and 2017, respectively, and $12.1 million and $8.6 million for the nine-month periods ended September 30, 2018 and 2017, respectively.

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The following table sets forth the Performance Awards transactions for the nine-month periods ended September 30, 2018 and 2017 (units in thousands):

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017	
	Number of Units		Weighted Average Price per Grant Date	Number of Units	Weighted Average Price per Grant Date
Outstanding at January 1	502		$ 90.96	545	$ 80.92
Granted	107		127.00	78	96.29
Granted for Performance Multiple (1)	72		101.87	119	84.43
Released (2)	(148)		84.43	(240)	66.69
Forfeited	—		—	—	—
Outstanding at September 30 (3)	533	(4)	$ 101.50	502	$ 90.96

(1) Upon completion of the Performance Period for the Performance Awards granted in 2014 and 2013, a performance multiple of 200% was applied to each of the grants resulting in additional grants of Performance Awards in February 2018 and February 2017, respectively.
(2) The total intrinsic value of Performance Awards released during the nine months ended September 30, 2018 and 2017 was approximately $17.7 million and $23.6 million, respectively. The intrinsic value is based upon the closing price of EOG's common stock on the date the Performance Awards are released.
(3) The total intrinsic value of Performance Awards outstanding at September 30, 2018 and 2017 was approximately $68.0 million and $48.6 million, respectively.
(4) Upon the application of the relevant performance multiple at the completion of each of the remaining Performance Periods, a minimum of 143,610 and a maximum of 921,940 Performance Awards could be outstanding.

At September 30, 2018, unrecognized compensation expense related to Performance Awards totaled $11.0 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 1.7 years.

3. Net Income Per Share

The following table sets forth the computation of Net Income Per Share for the three-month and nine-month periods ended September 30, 2018 and 2017 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator for Basic and Diluted Earnings Per Share -				
Net Income	$1,190,952	$100,541	$2,526,272	$152,111
Denominator for Basic Earnings Per Share -				
Weighted Average Shares	577,254	574,783	576,431	574,370
Potential Dilutive Common Shares -				
Stock Options/SARs	1,432	1,451	1,317	1,518
Restricted Stock/Units and Performance Units/Stock	2,873	2,502	2,694	2,565

Denominator for Diluted Earnings Per Share -				
Adjusted Diluted Weighted Average Shares	581,559	578,736	580,442	578,453
Net Income Per Share				
Basic	$2.06	$0.17	$4.38	$0.26
Diluted	$2.05	$0.17	$4.35	$0.26

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The diluted earnings per share calculation excludes stock options and SARs that were anti-dilutive. Shares underlying the excluded stock options and SARs were 0.5 million and 4.2 million shares for the three months ended September 30, 2018 and 2017, respectively, and were 0.2 million and 3.6 million shares, respectively, for the nine months ended September 30, 2018 and 2017, respectively.

4. Supplemental Cash Flow Information

Net cash paid for interest and income taxes was as follows for the nine-month periods ended September 30, 2018 and 2017 (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Interest [(1)]	$172,076	$202,320
Income Taxes, Net of Refunds Received	$81,059	$92,391

(1) Net of capitalized interest of $18 million and $21 million for the nine months ended September 30, 2018 and 2017, respectively.

EOG's accrued capital expenditures at September 30, 2018 and 2017 were $702 million and $545 million, respectively.

Non-cash investing activities for the nine months ended September 30, 2018, included additions of $222 million to EOG's oil and gas properties as a result of property exchanges and an addition of $49 million to EOG's other property, plant and equipment primarily in connection with a capital lease transaction in the Permian Basin. Non-cash investing activities for the nine months ended September 30, 2017, included additions of $214 million to EOG's oil and gas properties as a result of property exchanges.

5. Segment Information

Selected financial information by reportable segment is presented below for the three-month and nine-month periods ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating Revenues and Other				
United States	$4,653,342	$2,569,867	$12,339,086	$7,620,601
Trinidad	84,648	63,800	247,272	210,022
Other International [(1)]	43,634	11,177	114,505	37,258
Total	$4,781,624	$2,644,844	$12,700,863	$7,867,881
Operating Income (Loss)				
United States	$1,458,641	$207,173	$3,251,377	$457,018
Trinidad	48,988	21,739	117,106	70,512
Other International [(1)]	(942)	(14,076)	(22,277)	(77,040)
Total	1,506,687	214,836	3,346,206	450,490
Reconciling Items				

Other Income (Expense), Net	3,308	226	(4,516)	8,349
Interest Expense, Net	(63,632)	(69,082)	(189,032)	(211,010)
Income Before Income Taxes	$1,446,363	$145,980	$3,152,658	$247,829

(1) Other International primarily consists of EOG's United Kingdom, China and Canada operations.

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Total assets by reportable segment are presented below at September 30, 2018 and December 31, 2017 (in thousands):

	At September 30, 2018	At December 31, 2017
Total Assets		
United States	$32,656,676	$28,312,599
Trinidad	619,127	974,477
Other International [1]	361,933	546,002
Total	$33,637,736	$29,833,078

(1) Other International primarily consists of EOG's United Kingdom, China and Canada operations.

6. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of short-term and long-term legal obligations associated with the retirement of property, plant and equipment for the nine-month periods ended September 30, 2018 and 2017 (in thousands):

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Carrying Amount at January 1	$946,848	$912,926
Liabilities Incurred	63,443	30,114
Liabilities Settled [1]	(15,319)	(53,638)
Accretion	27,306	25,963
Revisions	(39,137)	(1,791)
Foreign Currency Translations	(2,197)	16,902
Carrying Amount at September 30	$980,944	$930,476
Current Portion	$18,209	$23,606
Noncurrent Portion	$962,735	$906,870

(1) Includes settlements related to asset sales.

The current and noncurrent portions of EOG's asset retirement obligations are included in Current Liabilities - Other and Other Liabilities, respectively, on the Condensed Consolidated Balance Sheets.

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7. Exploratory Well Costs

EOG's net changes in capitalized exploratory well costs for the nine-month period ended September 30, 2018, are presented below (in thousands):

	Nine Months Ended September 30, 2018
Balance at January 1	$ 2,167
Additions Pending the Determination of Proved Reserves	6,497
Reclassifications to Proved Properties	(5,346)
Costs Charged to Expense	(433)
Balance at September 30	$ 2,885

At September 30, 2018, all capitalized exploratory well costs had been capitalized for periods of less than one year.

8. Commitments and Contingencies

There are currently various suits and claims pending against EOG that have arisen in the ordinary course of EOG's business, including contract disputes, personal injury and property damage claims and title disputes. While the ultimate outcome and impact on EOG cannot be predicted, management believes that the resolution of these suits and claims will not, individually or in the aggregate, have a material adverse effect on EOG's consolidated financial position, results of operations or cash flow. EOG records reserves for contingencies when information available indicates that a loss is probable and the amount of the loss can be reasonably estimated.

9. Pension and Postretirement Benefits

EOG has defined contribution pension plans in place for most of its employees in the United States, Trinidad and the United Kingdom, and a defined benefit pension plan covering certain of its employees in Trinidad. For the nine months ended September 30, 2018 and 2017, EOG's total costs recognized for these pension plans were $30 million and $27 million, respectively. EOG also has postretirement medical and dental plans in place for eligible employees and their dependents in the United States and Trinidad, the costs of which are not material.

10. Long-Term Debt and Common Stock

Long-Term Debt. During the nine months ended September 30, 2018 and 2017, EOG utilized commercial paper borrowings, bearing market interest rates, for various corporate financing purposes. At September 30, 2018 and December 31, 2017, EOG had no outstanding commercial paper borrowings or uncommitted credit facility borrowings. The average borrowings outstanding under the commercial paper program were $11 million and $9 million during the nine months ended September 30, 2018 and 2017, respectively. The weighted average interest rate for commercial paper borrowings during the nine months ended September 30, 2018 and 2017, was 1.97% and 1.39%, respectively.

On October 1, 2018, EOG repaid upon maturity the $350 million aggregate principal amount of its 6.875% Senior Notes due 2018.

EOG currently has a $2.0 billion senior unsecured Revolving Credit Agreement (Agreement) with domestic and foreign lenders. The Agreement has a scheduled maturity date of July 21, 2020, and includes an option for EOG to extend, on up to two occasions, the term for successive one-year periods subject to certain terms and conditions. Advances under the Agreement will accrue interest based, at EOG's option, on either the London InterBank Offered Rate plus an applicable margin (Eurodollar rate) or the base rate (as defined in the Agreement) plus an applicable margin. At September 30, 2018 and December 31, 2017, there were no borrowings or letters of credit outstanding under the Agreement. The Eurodollar rate and applicable base rate, had there been any amounts borrowed under the Agreement at September 30, 2018, would have been 3.16% and 5.25%, respectively.
Common Stock.