EOG RESOURCES INC
Form DEF 14A
March 27, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant |X|
Filed by a Party other than the Registrant |_|

Check the appropriate box:

|_| Preliminary Proxy Statement
|_| Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
|X| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material Pursuant to Rule 14a-12

EOG Resources, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

|X| No fee required.

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1. Title of each class of securities to which transaction applies:

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

EOG RESOURCES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 6, 2003

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of EOG Resources, Inc. (the Company) will be held in the La Salle A Ballroom of the Doubletree Hotel at Allen Center, 400 Dallas Street, Houston, Texas, at 2:00 p.m. Houston time on Tuesday, May 6, 2003, for the following purposes:

1. To elect seven directors of the Company to hold office until the next annual meeting of shareholders and until their respective successors are duly elected and qualified;
2. To ratify the Board of Directors appointment of Deloitte & Touche LLP, independent public accountants, as auditors for the Company for the year ending December 31, 2003; and
3. To transact such other business as may properly be brought before the meeting or any adjournments thereof.

Holders of record of Common Stock of the Company at the close of business on March 10, 2003, will be entitled to notice of and to vote at the meeting or any adjournments thereof.

Shareholders who do not expect to attend the meeting are encouraged to vote via the Internet, vote by phone or vote by returning a signed proxy card.
By Order of the Board of Directors,
PATRICIA L. EDWARDS
Vice President, Human Resources, Administration
& Corporate Secretary

Houston, Texas
March 27, 2003

EOG RESOURCES, INC.

PROXY STATEMENT

The enclosed form of proxy is solicited by the Board of Directors of EOG Resources, Inc. (the Company or EOG) to be used at the annual meeting of shareholders to be held in the La Salle A Ballroom of the Doubletree Hotel at Allen Center, 400 Dallas Street, Houston, Texas, at 2:00 p.m. Houston time on Tuesday, May 6, 2003 (the Annual Meeting). The mailing address of the principal executive offices of the Company is 333 Clay Street, Suite 4200, Houston, Texas 77002. This proxy statement and the related proxy are to be first sent or given to the shareholders of the Company on approximately March 27, 2003. Any shareholder giving a proxy may revoke it at any time provided written notice of such revocation is received by the Vice President, Human Resources, Administration & Corporate Secretary of the Company before such proxy is voted; otherwise, if received in time, properly completed proxies will be voted at the Annual Meeting in accordance with the instructions specified thereon. Shareholders attending the Annual Meeting may revoke their proxies and vote in person.

Holders of record at the close of business on March 10, 2003, of Common Stock of the Company, par value $.01 per share (the Common Stock), will be entitled to one vote per share on all matters submitted to the meeting. On March 10, 2003, the record date, there were outstanding 114,940,924 shares of Common Stock. There are no other voting securities outstanding.
The Company s annual report to shareholders for the year ended December 31, 2002, is being mailed herewith to all shareholders entitled to vote at the Annual Meeting. However, the annual report to shareholders does not constitute a part of the proxy soliciting materials.

ITEM 1.

ELECTION OF DIRECTORS

At the Annual Meeting, seven directors are to be elected to hold office until the next succeeding annual meeting of the shareholders and until their respective successors have been elected and qualified. All of the nominees are currently directors of the Company. Proxies cannot be voted for a greater number of persons than the number of nominees named on the enclosed form of proxy. A majority of the votes cast in person or by proxy by the holders of Common Stock is required to elect a director. Accordingly, under Delaware law, abstentions and broker non-votes (which occur if a broker or other nominee does not have discretionary authority and has not received instructions with respect to a particular item) would not have the same effect as a vote withheld with respect to a particular director. Shareholders may not cumulate their votes in the election of directors.

It is the intention of the persons named in the enclosed proxy to vote such proxy FOR the election of the nominees named herein. Should any nominee become unavailable for election, discretionary authority is conferred to vote for a substitute. The following information regarding the nominees, their principal occupations, employment history and directorships in certain companies is as reported by the respective nominees.

GEORGE A. ALCORN, 70
Director since 2000

Mr. Alcorn has served as President of Alcorn Exploration, Inc. for more than the past five years. He is a past chairman of the Independent Petroleum Association of America and a founding member and past chairman of the Natural Gas Council.

CHARLES R. CRISP, 55
Director since 2002

Mr. Crisp s principal occupation is investments. Mr. Crisp was President and Chief Executive Officer and a Director of Coral Energy, LLC, a subsidiary of Shell Oil Company from 1999 until his retirement in November 2000, and President and Chief Operating Officer and a Director from January 1998 through February 1999. Mr. Crisp joined Houston Industries in 1996 and became President of their domestic power generation group in 1997. He is on the Advisory Board of Directors for the transmission business of Entergy.

MARK G. PAPA, 56
Director since 1998

Mr. Papa was elected Chairman of the Board and Chief Executive Officer of the Company in August 1999, President and CEO and Director in September 1998, President and Chief Operating Officer in September 1997, President in December 1996 and was President-North America Operations from February 1994 to September 1998. Mr. Papa joined Belco Petroleum Corporation, a predecessor of the Company, in 1981. Mr. Papa is also a director of Oil States International, Inc., an oilfield services company, and Chairman of the U.S. Oil and Gas Association.

EDWARD RANDALL, III, 76
Director since 1990

Mr. Randall s principal occupation has been investments for more than the past five years. Mr. Randall is also a director of Kinder Morgan, Inc., a midstream energy company.

DONALD F. TEXTOR, 56
Director since 2001

Mr. Textor s principal occupation is investments. Mr. Textor was a partner and managing director at Goldman Sachs until his retirement in March 2001. For 22 years he was the firm s senior security analyst for domestic integrated oils and exploration and production companies.

Security Ownership of Certain Beneficial Owners on December 31, 2002

The Company knows of no one who beneficially owns in excess of 5% of the Company s Common Stock except as set forth in the table below:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership: Sole Voting and Investment Power	Percent of Class
Common	Davis Selected Advisors, LP 609 Fifth Ave New York, NY 10017	10,282,043	9.0%
Common	Capital Research & Management 333 South Hope St Los Angeles, CA 90071-1447	9,175,000	8.0%
Common	Fidelity Management & Research Co. 82 Devonshire St. Boston, MA 02109	6,041,985	5.3%

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Security Ownership of the Board of Directors and Management on February 14, 2003

Title of Class	Name	Shares Beneficially Owned (1)	Options Exercisable by 4-15-03	Phantom Shares (2)	Total Ownership (3)
EOG Resources, Inc.	George A. Alcorn	2,650	10,500	0	13,150
Common Stock	Charles R. Crisp (4)	0	0	0	0
	Barry Hunsaker, Jr.	21,134	105,720	7,694	134,548
	Loren M. Leiker	57,685	113,500	10,470	181,655
	Mark G. Papa	144,506	590,565	77,280	812,351
	Edward Randall, III	87,500	7,000	16,837	111,337
	Edmund P. Segner, III	56,493	197,000	21,524	275,017
	Donald F. Textor	10,000	10,500	2,411	22,911
	Gary L. Thomas	102,508	349,050	10,470	462,028
	Frank G. Wisner	0	44,000	2,460	46,460
	All directors and executive officers as a Group (11 in number)	486,092	1,442,210	151,544	2,079,846

(1) Includes shares for which the person directly or indirectly has sole or shared voting and investment power, shares held under the EOG Resources, Inc. Savings Plan (the Savings Plan) for which the participant has sole voting power and limited investment power, and restricted shares held under the EOG Resources, Inc. 1992 Stock Plan (the 1992 Stock Plan) for which the participant has sole voting power and no investment power until such shares vest in accordance with plan provisions.

(2) Includes restricted stock units held under the 1992 Stock Plan for which the participant has no voting or investment power until such units vest and are released as shares in accordance with plan provisions. Also includes shares held in the Phantom Stock Account of the EOG Resources, Inc. 1996 Deferral Plan (the 1996 Deferral Plan) for which the participant has a vested right, but has no voting or investment power until such shares are released in accordance with plan provisions and the participant s deferral election.

(3) No director or officer of the Company owns or has the right to acquire more than 1% of the outstanding Common Stock.

(4) Mr. Crisp purchased 1,400 shares on March 4, 2003.

Board of Directors and Committees

The Board of Directors uses working committees with functional responsibility in the more complex recurring areas where disinterested oversight is required. The Audit Committee is the communication link between the Board of Directors and independent auditors of the Company. The Audit Committee recommends to the Board of Directors the appointment of independent public accountants as auditors for the Company and reviews, as deemed appropriate, the scope of the audit, the accounting policies and reporting practices, the system of internal controls, compliance with policies regarding business conduct and other matters. The Audit Committee met seven times during the year ended December 31, 2002, and is currently composed of Messrs. Textor (Chairman), Alcorn, Crisp, Randall and Wisner.

The Compensation Committee is responsible for administration of the Company stock plans and approval of compensation arrangements of senior management. The Compensation Committee met four times during the year ended December 31, 2002, and is currently composed of Messrs. Randall (Chairman), Alcorn, Crisp, Textor and Wisner.

The International Strategy Committee, which was abolished by the Board of Directors on February 20, 2003, provided a forum for the consideration of international business opportunities and for the discussion of international business and political developments that could affect project operations and development. The International Strategy Committee met once during the year ended December 31, 2002, and was composed of Messrs. Wisner (Chairman), Alcorn, Crisp, Randall and Textor.

The Nominating Committee is responsible for proposing qualified candidates to fill vacancies on the Board of Directors without regard to race, sex, age, religion or physical disability. The Nominating Committee met once during the year ended December 31, 2002. The Nominating Committee will consider nominees recommended by shareholders in accordance with the procedures outlined on page 17 in this Proxy Statement. The Nominating Committee is composed of Messrs. Alcorn (Chairman), Crisp, Randall, Textor and Wisner.

The Corporate Governance Committee is responsible for developing and recommending corporate governance principles applicable to the Company and for oversight of the evaluation of the Board of Directors and management. The Corporate Governance Committee was created by the Board of Directors on September 10, 2002, did not meet during the year ended December 31, 2002, and is currently composed of Messrs. Wisner (Chairman), Alcorn, Crisp, Randall and Textor.

The Board of Directors held eight regularly scheduled meetings during the year ended December 31, 2002. Each director attended at least 75% of the total number of meetings of the Board of Directors and the committees on which the director served.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Director Compensation

Each director who was not an employee of the Company or its affiliates (nonemployee director), received director fees of $11,250 for each of the first two quarters in 2002, based on an annual fee of $45,000, other than Mr. Crisp who was elected to the Board of Directors in May 2002 and received a director fee of $7,500 for the last two months of the second quarter. In the third quarter of 2002, the annual fee was increased to $60,000, and each nonemployee director received director fees of $15,000 for each of the last two quarters of 2002. Total director fees earned in 2002 were $247,500.

Nonemployee directors can defer fees to a later specified date by participating in the 1996 Deferral Plan. Under the 1996 Deferral Plan, deferrals are invested into either a Flexible Deferral Account in which deferrals are treated as if they had been invested into various investment funds or into a Phantom Stock Account in which deferrals are treated as if they had purchased Company Common Stock including reinvestment of dividends. In 2002 four of the nonemployee directors participated in the 1996 Deferral Plan.

Nonemployee directors also participate in the Amended and Restated EOG Resources, Inc. 1993 Nonemployee Directors Stock Option Plan (the Directors Stock Option Plan), which was approved by Company shareholders at the 2002 annual meeting. Under the terms of the Directors Stock Option Plan, each nonemployee director receives on the date of each annual meeting options to purchase 7,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant. In addition, each nonemployee director who is elected or appointed to the Board of Directors for the first time after an annual meeting is granted on the date of such election or appointment, options to purchase 7,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant. Options granted under the Directors Stock Option Plan vest 50% after one year and 100% after two years of service as a director following the date of grant. All options expire ten years from the date of grant. During 2002, Messrs. Alcorn, Crisp, Randall, Textor and Wisner were each granted 7,000 options at an exercise price of $42.38 per share.

REPORT FROM THE COMPENSATION COMMITTEE REGARDING EXECUTIVE COMPENSATION

Compensation for Company officers is administered by the Compensation Committee of the Board of Directors (the Committee), which is composed exclusively of outside directors. It is the responsibility of the Committee to develop compensation philosophy, authorize salary increases, annual bonuses and long-term incentive grants for executive officers, and approve other incentive programs, including stock-based programs, consistent with the stated philosophy.

The Committee believes that appropriately balanced compensation components contribute to the success of the Company and that the best compensation philosophy is to put a substantial portion of the total compensation package at risk, tied to both the financial results achieved by the Company and the performance of the Common Stock of the Company. The Committee reviews an annual analysis of executive base salaries, annual bonuses and long-term incentives paid by the industry peer companies included in the Comparative Stock Performance section, based on data reported in current proxy statements. The Committee supports a practice of paying base salaries that approximate the median of the competitive market, and bonuses and long term incentives which deliver above average compensation if financial results and/or shareholder return exceed the average achieved by peer companies.

The Committee also believes that it is in the best interest of shareholders for executive officers to maintain a certain level of ownership in the Company. Therefore, stock ownership guidelines have been established ranging from one times base salary for Vice Presidents up to five times base salary for the Chief Executive Officer. Each executive officer currently meets the stated ownership guideline.

Annual Bonuses. Annual bonuses are paid to executive officers under the Company s Executive Officer Annual Bonus Plan, which was approved by shareholders in 2001. The performance goal necessary for payment of bonuses is the achievement of positive Net Income Available to Common, excluding nonrecurring or extraordinary items, as reported in the Company s year-end earnings release. This performance goal was met in 2002. The maximum individual bonus for any calendar year is $2,000,000. The Committee may reduce the bonus payable to an executive officer below the maximum amount based on objective or subjective criteria in its sole discretion. The criteria currently considered by the Committee are reinvestment rate of return, production volume growth, reserve replacement, finding costs, stock price performance relative to peer companies and the level of cash flow and net income. These goals are designed to address both current financial performance and the long-term development of the Company. No specific formula is used for weighting these performance criteria. For bonuses paid in 2003 for 2002 performance, the Committee approved delivery of 20% of any bonus of $5,000 or greater in restricted stock units that vest after five years, at a 50% premium to cash. In addition, executives can choose to receive the cash portion of their annual bonus in a combination of cash, stock options at a 50% premium to cash, and/or restricted stock units with a premium to cash of between 5% and 25%, depending on the vesting schedule chosen.

Stock Plan. The Company's 1992 Stock Plan is the long-term incentive component for executive officers of the Company. Under the 1992 Stock Plan, the Committee is authorized to grant awards of stock options, restricted stock and restricted stock units. Stock options are normally granted to executive officers on an annual basis. Stock options normally vest over four years, are exercisable for ten years and are granted at an option price equal to the fair market value of Common Stock on the date of grant. Stock options granted in lieu of bonus cash vest immediately and are exercisable for seven years. Stock option awards are made at levels that are not anticipated to generate significant benefits relative to the industry peer group unless the Common Stock performs correspondingly well during the life of the grant. With the success of the Company (and the resulting benefits to its shareholders), this component becomes a larger part of the total compensation package. Occasionally, the Committee grants restricted stock or restricted stock units for specific reasons such as retention or to address external market pressures or in lieu of cash bonuses, as discussed previously.

Chief Executive Officer Compensation. Under the provisions of Mr. Papa's employment agreement with the Company, which was amended on June 20, 2001, Mr. Papa's annual salary will be no less than $650,000. In July 2002, based on competitive market data, Mr. Papa's salary was increased to $800,000. In August

2002, Mr. Papa was granted 180,000 stock options that were priced at the fair market value of Common Stock on the date of grant, consistent with the stated long-term incentive objectives. The options vest over four years, and are exercisable for ten years. In February 2003, Mr. Papa was paid a bonus for 2002 performance under the Company's Executive Officer Annual Bonus Plan consisting of 6,717 restricted stock units that vest after five years and 25,075 restricted stock units that vest in one-third increments after three, four and five years. Mr. Papa's bonus did not have a cash component. In determining the level of Mr. Papa's bonus, the Committee considered the criteria previously discussed.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code, as amended, generally disallows a tax deduction to public companies for compensation over $1 million paid to the Chief Executive Officer and the four other most highly compensated executive officers of a company, as reported in that company's proxy statement. Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. The Company has structured the key component of its long-term incentives in the form of stock option grants that comply with the statute. The Company's Executive Officer Annual Bonus Plan also complies with the statute. The Committee is committed to preserving the deductibility of compensation under Section 162(m) whenever possible, but may grant awards that are non-deductible, such as restricted stock and restricted stock units, if it feels such grants are in the best interest of the Company. All compensation paid in 2002 was deductible.

COMPENSATION COMMITTEE

Edward Randall, III (Chairman)
George A. Alcorn
Charles R. Crisp
Donald F. Textor
Frank G. Wisner

Comparative Stock Performance

The performance graph shown below was prepared by Value Line, Inc., for use in this proxy statement. As required by applicable rules of the Securities and Exchange Commission (the SEC), the graph was prepared based upon the following assumptions:

1. $100 was invested on December 31, 1997 in Common Stock of EOG, the Standard & Poors 500 and a peer group of independent exploration and production companies (the Peer Group).
2. The investments in the Peer Group are weighted based on the market capitalization of each individual company within the Peer Group at the beginning of each year.
3. Dividends are reinvested on the ex-dividend dates.

The companies that comprise the Peer Group are as follows: Anadarko Petroleum Corporation, Apache Corporation, Burlington Resources Inc., Noble Affiliates, Inc., Oryx Energy Company (acquired by Kerr-McGee in February 1999), Pioneer Natural Resources Company, Santa Fe Snyder Corp. (acquired by Devon Energy Corporation in August 2000), Ocean Energy, Inc. (formerly Seagull Energy Corporation), Union Pacific Resources Company (acquired by Anadarko Petroleum Corporation in July 2000), Union Texas Petroleum Holdings Inc. (acquired by Atlantic Richfield Company in June 1998, which was acquired by BP Amoco PLC in April 2000) and Vastar Resources, Inc. (acquired by BP Amoco PLC in September 2000).

COMPARATIVE TOTAL RETURNS
Comparison of Five-Year Cumulative Total Return
EOG Resources Inc., Standard & Poors 500 and Peer Group
(Performance Results Through December 31, 2002)

1997	1998	1999	2000	2001	2002

EOG Resources, Inc.	100.00	81.93	83.95	266.90	191.88	196.71
Standard & Poors 500	100.00	126.71	151.56	136.20	118.43	90.76
Peer Group	100.00	70.22	81.63	103.26	84.09	86.24

Executive Compensation

The following table summarizes certain information regarding compensation paid or accrued during each of the last three fiscal years to the Chief Executive Officer and each of the four other most highly compensated executive officers of the Company (the Named Officers):

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation			
Name & Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation (1)**	**Restricted Stock Awards (2)**	**Securities Underlying Options**	**LTIP Payouts**	**All Other Compensation (3)**
Mark G. Papa	2002	$733,654	$ 0(4)	$20,827	$ 883,678	257,065	$ 0	$204,106
Chairman and Chief	2001	$664,808	$ 0(4)	$37,227	$3,750,930	150,000	$ 0	$ 99,721
Executive Officer	2000	$592,319	$408,200	$22,201	$ 242,017	125,000	$ 0	$ 25,500
Edmund P. Segner, III	2002	$459,239	$380,000	$12,986	$ 157,529	60,000	$ 0	$116,078
President and Chief of Staff	2001	$449,239	$420,000	$13,999	$1,343,105	75,000	$ 0	$ 71,686
	2000	$433,467	$540,000	$13,204	$ 139,500	75,000	$ 0	$ 22,100
Loren M. Leiker	2002	$340,385	$288,000	$ 9,542	$ 112,525	60,000	$ 0	$ 84,462
Executive Vice President,	2001	$297,692	$300,000	$16,079	$1,165,822	50,000	$ 0	$ 38,700
Exploration & Development	2000	$272,310	$320,000	$ 8,369	$ 69,006	40,000	$ 0	$ 22,100
Gary L. Thomas	2002	$340,385	$288,000	$ 9,812	$ 112,525	60,000	$ 0	$ 84,462
Executive Vice President,	2001	$297,692	$300,000	$23,567	$1,165,822	50,000	$ 0	$ 44,618
Operations	2000	$272,310	$320,000	$38,716	$ 69,006	40,000	$ 0	$ 25,500
Barry Hunsaker, Jr.	2002	$305,577						