SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Form 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9743

ENRON OIL & GAS COMPANY

(Exact name of registrant as specified in its charter)

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

1400 Smith Street, Houston, Texas 77002-7369
(Address of principal executive offices) (zip code)
Registrant's telephone number, including area code: 713-853-6161

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 X No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 1997.

Common Stock, $.01 Par Value 157,003,955 shares Class Number of Shares

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ENRON OIL & GAS COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
ENRON OIL & GAS COMPANY

CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30, 1997	Three Months Ended June 30, 1996	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
NET OPERATING REVENUES				
Natural Gas				
Associated Companies	$ 21,247	$ 54,507	$ 18,648	$ 82,639
Trade	111,689	89,556	252,860	180,051
Crude Oil, Condensate and Natural Gas Liquids				
Associated Companies	9,900	8,627	19,581	21,253
Trade	20,499	25,459	51,710	49,683
Gains on Sales of Reserves and Related Assets	7,286	17,661	7,492	19,521
Other	1,132	1,303	2,113	2,992
Total	171,753	197,113	352,404	356,139
OPERATING EXPENSES				
Lease and Well	25,973	19,974	49,442	38,730
Exploration	15,019	11,489	30,502	23,407
Dry Hole	1,586	2,579	2,570	5,090
Impairment of Unproved Oil and Gas Properties	6,900	4,980	12,913	9,843
Depreciation, Depletion and Amortization	69,183	58,965	131,822	122,286
General and Administrative	12,114	14,298	25,721	28,487
Taxes Other Than Income	12,359	11,185	29,645	22,656
Total	143,134	123,470	282,615	250,499
OPERATING INCOME	28,619	73,643	69,789	105,640
OTHER INCOME (EXPENSE), NET	956	(8)	2,212	(523)
INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES	29,575	73,635	72,001	105,117
INTEREST EXPENSE, NET	5,464	3,303	10,579	7,447
INCOME BEFORE INCOME TAXES	24,111	70,332	61,422	97,670
INCOME TAX PROVISION (BENEFIT)	(460)	22,750	13,786	24,165
NET INCOME	$ 24,571	$ 47,582	$ 47,636	$ 73,505
EARNINGS PER SHARE OF COMMON STOCK	$ .16	$ .30	$ .30	$ .46
AVERAGE NUMBER OF COMMON SHARES	157,489	159,910	158,177	159,922

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

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ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON OIL & GAS COMPANY

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	June 30, 1997 (Unaudited)	December 31, 1996
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 16,531	$ 7,644
Accounts Receivable		
Associated Companies	44,141	82,059
Trade	162,911	195,239
Inventories	29,473	20,746
Other	16,951	20,222
Total	270,007	325,910
OIL AND GAS PROPERTIES (SUCCESSFUL EFFORTS METHOD)	4,016,705	3,753,199
Less: Accumulated Depreciation, Depletion and Amortization	(1,779,499)	(1,653,610)
Net Oil and Gas Properties	2,237,206	2,099,589
OTHER ASSETS	28,659	32,854
Total Assets	$ 2,535,872	$ 2,458,353
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable		
Associated Companies	$ 26,561	$ 77,522
Trade	165,639	200,069
Accrued Taxes Payable	9,730	18,554
Dividends Payable	4,765	4,818
Other	12,271	16,397
Total	218,966	317,360
LONG-TERM DEBT	633,604	466,089
OTHER LIABILITIES	38,434	44,483
DEFERRED INCOME TAXES	315,116	308,948
DEFERRED REVENUE	74,753	56,383
SHAREHOLDERS' EQUITY		
Preferred Stock, $.01 Par,10,000,000 Shares Authorized and No Shares Issued and Outstanding	-	-
Common Stock, $.01 Par, 320,000,000 Shares Authorized and 160,000,000 Shares Issued	201,600	201,600
Additional Paid In Capital	388,153	388,212
Unearned Compensation	(5,211)	(5,727)
Cumulative Foreign Currency Translation Adjustment	(11,665)	(10,179)
Retained Earnings	735,734	697,564
Common Stock Held in Treasury, 2,572,583 shares at June 30, 1997 and 242,882 shares at December 31, 1996	(53,612)	(6,380)
Total Shareholders' Equity	1,254,999	1,265,090
Total Liabilities And Shareholders' Equity	$ 2,535,872	$ 2,458,353

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

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ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON OIL & GAS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)
(Unaudited)

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	Six Months Ended June 30, 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Reconciliation of Net Income to Net Operating Cash Inflows:		
Net Income	$ 47,636	$ 73,505
Items Not Requiring Cash		
Depreciation, Depletion and Amortization	131,822	122,286
Impairment of Unproved Oil and Gas Properties	12,913	9,843
Deferred Income Taxes	6,372	4,814
Other, Net	983	761
Exploration Expenses	30,502	23,407
Dry Hole Expenses	2,570	5,090
Gains on Sales of Reserves and Related Assets	(7,492)	(19,521)
Other, Net	(4,141)	(2,693)
Changes in Components of Working Capital and Other Liabilities		
Accounts Receivable	73,389	(16,165)
Inventories	(8,727)	(4,063)
Accounts Payable	(42,861)	15,534
Accrued Taxes Payable	(8,824)	(3,537)
Other Liabilities	1,350	3,809
Other, Net	(611)	(3,016)
Amortization of Deferred Revenue	(21,494)	(21,613)
Changes in Components of Working Capital Associated with Investing and Financing Activities	29,456	(4,093)
NET OPERATING CASH INFLOWS	242,843	184,348
INVESTING CASH FLOWS		
Additions to Oil and Gas Properties	(297,069)	(177,425)
Exploration Expenses	(30,502)	(23,407)
Dry Hole Expenses	(2,570)	(5,090)
Proceeds from Sales of Reserves and Related Assets	15,822	60,688
Changes in Components of Working Capital Associated with Investing Activities	(30,187)	4,093
Other, Net	(1,971)	(5,245)
NET INVESTING CASH OUTFLOWS	(346,477)	(146,386)
FINANCING CASH FLOWS		
Long-Term Debt		
Affiliate	-	(113,520)
Other	168,600	114,000
Dividends Paid	(9,519)	(9,585)
Treasury Stock Purchased	(49,194)	(24,486)
Proceeds from Sales of Treasury Stock	1,546	10,652
Other, Net	1,088	-
NET FINANCING CASH INFLOWS (OUTFLOWS)	112,521	(22,939)
INCREASE IN CASH AND CASH EQUIVALENTS	8,887	15,023
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,644	23,039
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 16,531	$ 38,062

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

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ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON OIL & GAS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements of Enron Oil & Gas Company and subsidiaries (the "Company") included herein have been prepared by management without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Certain reclassifications have been made to prior period financial statements to conform with the current presentation.

As more fully discussed in notes 1 and 12 to the consolidated financial statements included in the Company's 1996 Annual Report on Form 10-K, the Company engages in price risk management activities primarily for non-trading and to a lesser extent for trading purposes. Derivatives are utilized for non-trading purposes to hedge the impact of market fluctuations on natural gas and crude oil market prices. Hedge accounting is utilized in non-trading activities when there is a high degree of correlation between price movements in the derivative and the item designated as being hedged. Gains and losses on derivative financial instruments used for hedging purposes are recognized as revenue in the same period as the hedged item. Gains and losses on hedging instruments that are closed prior to maturity are deferred in the consolidated balance sheets. In instances where the anticipated correlation of price movements does not occur, hedge accounting is terminated and future changes in the value of the derivative are recognized as gains or losses using the mark-to-market method of accounting. Derivative and other financial instruments utilized in connection with trading activities, primarily price swaps and call options, are accounted for using the mark-to-market method, under which changes in the market value of outstanding financial instruments are recognized as gains or losses in the period of change. The cash flow impact of derivative and other financial instruments used for non-trading and trading purposes is reflected as cash flows from operating activities in the consolidated statements of cash flows.

2. Income tax provision (benefit) for the three-month and six-month periods ended June 30, 1997 and 1996 includes tax benefits of $2.0 million, $4.9 million, $5.2 million and $6.2 million, respectively, related to tight gas sand federal income tax credit utilization. Income tax provision (benefit) for the six-month period ended June 30, 1997 includes benefits of $9.7 million related to the sales of certain international assets and subsidiaries and the refiling of certain Canadian tax returns. Income tax provision (benefit) for the six-month period ended June 30, 1996 includes a reduction of $8.5 million primarily associated with a reassessment of deferred tax requirements and the successful resolution on audit of Canadian income taxes for certain prior years.

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ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON OIL & GAS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Natural Gas Net Operating Revenues are comprised of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Wellhead Natural Gas Revenues				
Associated Companies (1)(2)	$ 42.5	$ 49.1	$ 95.9	$106.0
Trade	96.4	73.0	225.3	141.6
Total	$138.9	$122.1	$321.2	$247.6
Other Natural Gas Marketing Activities				
Gross Revenues from:				
Associated Companies	$ 19.1	$ 17.2	$ 49.0	$ 36.1
Trade (3)	31.5	33.1	67.4	72.6
Total	50.6	50.3	116.4	108.7
Associated Costs from:				
Associated Companies (1)(4)	36.6	25.6	85.3	58.6
Trade	16.3	16.6	39.4	34.2
Total	52.9	42.2	124.7	92.8
Net	(2.3)	8.1	(8.3)	15.9
Commodity Price Transaction Revenue (Reductions)				
Trading	2.5	-	.5	(1.2)
Non-Trading (5)	(6.2)	13.8	(41.9)	.4
Total	(3.7)	13.8	(41.4)	(.8)
Total	$ (6.0)	$ 21.9	$(49.7)	$ 15.1

Crude Oil, Condensate and Natural Gas Liquids Net Operating Revenues are comprised of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Wellhead Crude Oil, Condensate and Natural Gas Liquids Revenues				
Associated Companies	$ 10.7	$ 11.5	$ 23.0	$ 25.1
Trade	20.5	25.5	51.7	49.7
Total	$ 31.2	$ 37.0	$ 74.7	$ 74.8
Other Crude Oil and Condensate Marketing Activities				
Commodity Price Hedging Revenue Reductions(5)	$ (.8)	$ (2.9)	$ (3.4)	$ (3.9)

1) Wellhead Natural Gas Revenues include $25.1 million, $24.7 million, $62.1 million and $57.5 million for the three-month and six-month periods ended June 30, 1997 and 1996, respectively, associated with deliveries by Enron Oil & Gas Company to Enron Oil & Gas Marketing, Inc., a wholly-owned subsidiary, reflected as a cost in Other Natural Gas Marketing Activities - Associated Costs.
2) Includes $5.4 million, $3.4 million, $16.2 million and $7.3 million for the three-month and six-month periods ended June 30, 1997 and 1996, respectively, associated with the equivalent wellhead value of volumes delivered under the terms of a volumetric production payment agreement

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effective October 1, 1992, as amended, net of transportation.

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ITEM 1. FINANCIAL STATEMENTS - (Concluded)
ENRON OIL & GAS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3) Includes $10.8 million, $10.8 million, $21.5 million and $21.6 million for the three-month and six-month periods ended June 30, 1997 and 1996, respectively, associated with the amortization of deferred revenues under the terms of a volumetric production payment agreement effective October 1, 1992, as amended.
4) Includes $9.0 million, $7.8 million, $21.7 million and $16.1 million for the three-month and six-month periods ended June 30, 1997 and 1996, respectively, for volumes delivered under the terms of a volumetric production payment agreement effective October 1, 1992, as amended, including equivalent wellhead value, any applicable transportation costs and exchange differentials.
5) Represents revenue increases or reductions associated with commodity price swap transactions primarily with Enron Corp. affiliated companies based on NYMEX-related commodity prices in effect on dates of execution, less customary transaction fees. These transactions were originally entered into as price hedges for a portion of wellhead sales.

4. As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, the Company has been named as a potentially responsible party in certain Comprehensive Environmental Response Compensation and Liability Act proceedings. However, management does not believe that any potential assessments resulting from such proceedings will individually or in the aggregate have a materially adverse effect on the financial condition or results of operations of the Company.

5. In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128 - "Earnings per Share" effective for interim and annual periods after December 15, 1997. This statement replaces primary earnings per share ("EPS") with a newly defined basic EPS and modifies the computation of diluted EPS. The Company does not anticipate that implementation of SFAS 128 will have a material impact on its computation of EPS.

6. In February 1997, the FASB issued SFAS No. 129 - "Disclosures of Information about Capital Structures" which is applicable to all entities that issue securities other than ordinary common stock and is effective for all periods ending after December 15, 1997. There are no additional disclosures required of the Company at this time relating to the issuance of SFAS No. 129.

7. In June 1997, the Company canceled an existing revolving credit agreement and replaced it with two new revolving credit agreements entered into with a group of banks (the "Credit Agreements"). The Credit Agreements provide for current aggregate borrowings of up to $400 million, with provisions for increases up to $800 million at the option of the Company and subject to lender approval. The Credit Agreements consist of a $100 million, 364-day credit agreement which matures on June 25, 1998 and is renewable annually by mutual consent, and a $300 million five-year agreement that matures on June 27, 2002. Advances under the agreements bear interest, at the option of the Company, based on a base rate or a Eurodollar rate. There were no advances outstanding under the agreements at June 30, 1997.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ENRON OIL & GAS COMPANY

The following review of operations for the three-month and six-month periods ended June 30, 1997 and 1996 should be read in conjunction with the consolidated financial statements of Enron Oil & Gas Company (the "Company") and notes thereto.

Results of Operations

Three Months Ended June 30, 1997
vs. Three Months Ended June 30, 1996

In the second quarter of 1997, the Company generated net income of $25 million compared to net income of $48 million for the second quarter of 1996. Net operating revenues for the second quarter of 1997 were $172 million as compared to $197 million for the second quarter of 1996. Wellhead volume and price statistics are as follows:

	1997	1996
Natural Gas Volumes (MMcf/d)(1)		
United States (2)	689	597
Canada	92	103
North America	781	700
Trinidad	114	140
India	1	-
Total	896	840
Average Natural Gas Prices ($/Mcf)(3)		
United States (4)	$ 1.87	$ 1.83
Canada	1.25	1.07
North America Composite	1.80	1.72
Trinidad	1.04	1.00
India	2.97	-
Total Composite	1.70	1.60
Crude Oil/Condensate Volumes (MBbl/d)(1)		
United States	11.2	8.7
Canada	2.4	2.3
North America	13.6	11.0
Trinidad	3.5	5.4
India	-	2.7
Total	17.1	19.1
Average Crude Oil/Condensate Prices ($/Bbl)(3)		
United States	$19.42	$21.18
Canada	16.49	18.54
North America Composite	18.89	20.62
Trinidad	16.09	19.61
India	-	20.56
Total Composite	18.31	20.33

(1) Million cubic feet per day or thousand barrels per day, as applicable.
(2) Includes 48 MMcf per day for the three-month periods ended June 30, 1997 and 1996 delivered under the terms of a volumetric production payment agreement effective October 1, 1992, as amended.
(3) Dollars per thousand cubic feet or per barrel, as applicable.
(4) Includes an average equivalent wellhead value of $1.24/Mcf and $.76/Mcf for the three-month periods ended June 30, 1997 and 1996, respectively, for the volumes described in note (2), net of transportation costs.

Wellhead revenues increased 7% to $170 million in the second quarter of 1997 compared to $159 million in the second quarter of 1996. This increase reflects increased North America volumes and increased average wellhead prices for natural gas which is partially offset by lower

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volumes in Trinidad and India and lower overall crude oil and condensate average wellhead prices.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ENRON OIL & GAS COMPANY

Second quarter 1997 wellhead natural gas volumes were up approximately 7% from the comparable period in 1996 increasing net operating revenues by approximately $8 million. This is primarily attributable to a 12% increase in North America wellhead natural gas volumes in the second quarter 1997 compared to the second quarter a year ago. The increases in North America wellhead natural gas volumes in the second quarter of 1997 were partially offset by a reduction in Trinidad wellhead natural gas volumes. The higher Trinidad natural gas volumes in the second quarter of 1996 reflected higher purchaser nominations to meet market requirements which exceeded base contract levels. Wellhead natural gas prices in the second quarter of 1997 were 6% higher than the comparable period a year ago adding approximately $9 million to net operating revenues. A 10% decrease in both wellhead crude oil and condensate volumes and average prices in the second quarter of 1997 as compared to second quarter of 1996 decreased net operating revenues by approximately $7 million. A 24% increase in North America wellhead crude oil and condensate volumes was more than offset by lower condensate volumes from the Kiskadee field offshore Trinidad associated with lower natural gas deliveries, a decline in crude oil production from the Ibis field offshore Trinidad and no crude oil deliveries from the Panna and Mukta fields offshore India as a result of a planned shut-down to allow for equipment change out from temporary to permanent production facilities.

Other marketing activities associated with sales and purchases of natural gas, natural gas and crude oil price hedging and trading transactions and margins related to the volumetric production payment reduced net operating revenue by $7 million during the second quarter of 1997, compared to a $19 million increase in the second quarter of 1996. A $6 million revenue reduction related to natural gas commodity price hedging activities utilizing NYMEX-related commodity market transactions in the second quarter of 1997 compares to a $14 million increase associated with similar transactions a year ago. A decrease in margins associated with sales and purchases of natural gas and the volumetric production payment reduced net operating revenues by approximately $2 million as compared to an $8 million addition in the second quarter of 1996, primarily resulting from the higher costs of natural gas delivered in 1997. Deferred revenue reductions of approximately $15 million related to the early closing of 1997 natural gas price hedging transactions will be recognized during the remainder of 1997.

During the second quarter of 1997, operating expenses of $143 million were approximately $20 million higher than in the second quarter of 1996. Lease and well expenses increased $6 million primarily due to expanded operations and additional workover expenses in North America in the second quarter of 1997. Worldwide increases in exploration activities in the second quarter of 1997 over the second quarter of 1996 increased exploration expenses by approximately $4 million. Impairment of unproved oil and gas properties of $7 million was $2 million higher in the second quarter of 1997 compared to the comparable period in 1996 due to increased unproved lease acquisitions in North America. Depreciation, depletion and amortization ("DD&A") expense increased approximately $10 million primarily reflecting an increase in North America production volumes. The average DD&A rate in the second quarter of 1997 was $.75 per thousand cubic feet equivalent ("Mcfe") compared to $.67 per Mcfe in the second quarter of 1996 primarily reflecting the impact of a change in production mix.

The per unit operating costs of the Company for lease and well, DD&A, general and administrative, interest expense, and taxes other than income averaged $1.35 per Mcfe during the second quarter of 1997 compared to $1.22 per Mcfe during the second quarter of 1996. This increase is primarily due to the increases in lease and well expenses and DD&A expense discussed above.

Income tax provision decreased $23 million for the second quarter of 1997 as compared to the second quarter of 1996 primarily due to lower income before income taxes and benefits of $10 million related to the sales of certain international assets and subsidiaries and the refiling of certain Canadian tax returns in the second quarter of 1997.

Federal income taxes accrued in interim periods are calculated using the estimated annual effective income tax rate.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ENRON OIL & GAS COMPANY

Six Months Ended June 30, 1997
vs. Six Months Ended June 30, 1996

In the first half of 1997, the Company generated net income of $48 million compared to net income of $74 million for the first half of 1996. Net operating revenues for the first half of 1997 were $352 million as compared to $356 million for the comparable period a year ago.
Wellhead volume and price statistics are as follows:

	1997	1996
Natural Gas Volumes (MMcf/d)(1)		
United States (2)	666	611
Canada	93	97
North America	759	708
Trinidad	113	136
India	1	-
Total	873	844
Average Natural Gas Prices ($/Mcf)(3)		
United States (4)	$ 2.28	$ 1.82
Canada	1.48	1.16
North America Composite	2.18	1.73
Trinidad	1.04	1.00
India	2.97	-
Total Composite	2.03	1.61
Crude Oil/Condensate Volumes (MBbl/d)(1)		
United States	10.9	8.6
Canada	2.4	2.5
North America	13.3	11.1
Trinidad	3.6	6.2
India	1.4	2.9
Total	18.3	20.2
Average Crude Oil/Condensate Prices ($/Bbl)(3)		
United States	$20.84	$20.06
Canada	17.25	17.55
North America Composite	20.19	19.50
Trinidad	18.86	18.67
India	22.99	18.88
Total Composite	20.15	19.16

(1) Million cubic feet per day or thousand barrels per day, as applicable.
(2) Includes 48 MMcf per day for the six-month periods ended June 30, 1997 and 1996 delivered under the terms of a volumetric production payment agreement effective October 1, 1992, as amended.
(3) Dollars per thousand cubic feet or per barrel, as applicable.
(4) Includes an average equivalent wellhead value of $1.85/Mcf and $.84/Mcf for the six-month periods ended June 30, 1997 and 1996, respectively, for the volumes described in note (2), net of transportation costs.

Wellhead revenues increased 23% to $396 million in the first half of 1997 compared to $322 million in the first half of 1996. This increase primarily reflects increased North America volumes and increased average wellhead prices for natural gas, crude oil and condensate and natural gas liquids.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

ENRON OIL & GAS COMPANY

Average wellhead natural gas prices were up approximately 26% from the comparable period in 1996 increasing net operating revenues by approximately $66 million. This is primarily attributable to a 26% increase in North America wellhead natural gas prices in the first half of 1997 compared to the first half a year ago. The overall 3% increase in wellhead natural gas volumes in the first half of 1997 compared to the first half of 1996 added approximately $7 million to net operating revenues. Increases in North America wellhead natural gas volumes in the first half of 1997 were partially offset by a reduction in Trinidad wellhead natural gas volumes from the comparable period a year ago. The higher Trinidad natural gas volumes in the first half of 1996 reflected higher purchaser nominations to meet market requirements which exceeded base contract levels. In the first half of 1997, wellhead crude oil and condensate volumes were 9% lower than in the first half of 1996 reducing net operating revenues by approximately $7 million. The reduction in wellhead crude oil and condensate volumes resulted primarily from lower condensate volumes from the Kiskadee field offshore Trinidad associated with lower natural gas deliveries and a decline in crude oil production from the Ibis field offshore Trinidad. Additionally, there were no second quarter 1997 crude oil deliveries from the Panna and Mukta fields offshore India as a result of a planned shut-down to allow for equipment change out from temporary to permanent production facilities. A 5% increase in wellhead crude oil and condensate average prices in the first half of 1997 as compared to first half of 1996 increased net operating revenues by approximately $3 million.

Other marketing activities associated with sales and purchases of natural gas, natural gas and crude oil price hedging and trading transactions and margins related to the volumetric production payment reduced net operating revenue by $53 million during the first half of 1997, compared to an $11 million increase in the first half of 1996. A $42 million revenue reduction related to natural gas commodity price hedging activities utilizing NYMEX-related commodity market transactions in the first half of 1997 compares to a $400 thousand increase associated with similar transactions a year ago. A decrease in margins associated with sales and purchases of natural gas and the volumetric production payment reduced net operating revenues by approximately $8 million as compared to a $16 million addition in the first half of 1996, primarily resulting from the higher costs of natural gas delivered in 1997.

During the first half of 1997, operating expenses of $283 million were approximately $32 million higher than in the first half of 1996. Lease and well expenses increased $11 million primarily due to increased production activities at higher costs in North America to maximize the volumes delivered at the higher product prices available in the first quarter of 1997. Worldwide increases in exploration activities in the first half of 1997 over the first half of 1996 increased exploration expenses by approximately $7 million. Dry hole expenses were approximately $3 million lower and impairment of unproved oil and gas properties was $3 million higher in the first half of 1997 as compared to the same period last year. The increase in impairment of unproved oil and gas properties is primarily a result of increased unproved lease acquisitions in North America. DD&A expense increased approximately $10 million in the first half of 1997 compared to the first half of 1996, primarily reflecting an increase in North America production volumes. The average DD&A rate in the first half of 1997 was $.73 per Mcfe compared to $.69 per Mcfe which primarily reflects the impact of a change in production mix. First half 1997 taxes other than income increased approximately $7 million over the comparable period in 1996 primarily reflecting increased wellhead revenues in North America.

The per unit operating costs of the Company for lease and well, DD&A, general and administrative, interest expense, and taxes other than income averaged $1.36 per Mcfe during the first half of 1997 compared to $1.23 per Mcfe during the first half of 1996. This increase is primarily due to the increases in lease and well expenses, DD&A expense and taxes other than income discussed above.

Income tax provision decreased $10 million for the first half of 1997 as compared to the first half of 1996 primarily due to lower income before income taxes. A $10 million benefit related to the sales of certain international assets and subsidiaries and the refiling of certain Canadian tax returns was recognized in the first half of 1997. A $9 million benefit was recognized in the first half of 1996 associated with a reassessment of deferred tax requirements and the successful resolution on audit of Canadian income taxes for certain prior years.

Federal income taxes accrued in interim periods are calculated using the estimated annual effective income tax rate.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

ENRON OIL & GAS COMPANY

Capital Resources and Liquidity

The Company's primary sources of cash during the six months ended June 30, 1997 included funds generated from operations and proceeds from new borrowings. Primary cash outflows included funds used in operations, exploration and development expenditures, common stock repurchases, dividends paid to Company shareholders and the repayment of debt.

Discretionary cash flow, a frequently used measure of performance for exploration and production companies, is derived by adjusting net income to eliminate the effects of depreciation, depletion and amortization, impairment of unproved oil and gas properties, deferred income taxes, gains on sales of reserves and related assets, certain other miscellaneous non- cash amounts, except for amortization of deferred revenue, and exploration and dry hole expenses and to include proceeds from sales of reserves and related assets. The Company generated discretionary cash flow of $237 million during the first six months of 1997 compared to $278 million generated for the comparable period in 1996 primarily reflecting lower proceeds from sales of reserves and related assets.

Net operating cash flows of $243 million for the first half of 1997 increased approximately $58 million as compared to the first half of 1996 primarily reflecting changes in working capital requirements resulting from the higher 1996 end of year operating revenues collected in 1997 partially offset by the higher level of related end of year 1996 accounts payable paid in 1997. Based upon existing economic and market conditions, management believes net operating cash flow and available financing alternatives in 1997 will be sufficient to fund net investing and other cash requirements of the Company for the remainder of the year.

Exploration and development expenditures for the first six months of 1997 and 1996 are as follows (in millions):

	1997	1996
North America	$ 271	$ 167
Outside North America		
India	44	29
Other	15	10
Total	$ 330	$ 206

Exploration and development expenditures for the first six months of 1997 were higher than expenditures in the first six months of 1996 primarily due to increased acquisitions in North America and increased developmental drilling activities in North America and offshore India.

The level of exploration and development expenditures will vary in future periods depending on energy market conditions and other related economic factors. The Company has significant flexibility with respect to financing alternatives and the ability to adjust its exploration and development expenditure budget as circumstances warrant. There are no material continuing commitments associated with expenditure plans.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Concluded)

ENRON OIL & GAS COMPANY

Information Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that such expectations will be achieved. Important factors that could cause actual results to differ materially from those in the forward looking statements herein include, but are not limited to, the timing and extent of changes in commodity prices for crude oil, natural gas and related products and interest rates, the extent of the Company's success in discovering, developing and producing reserves and in acquiring oil and gas properties, political developments around the world and conditions of the capital and equity markets during the periods covered by the forward looking statements.

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PART II. OTHER INFORMATION

ENRON OIL & GAS COMPANY

ITEM 1. Legal Proceedings

See Part I, Item 1, Note 4 to Consolidated Financial Statements which is incorporated herein by reference.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K - There were no reports on Form 8-K filed for the quarterly period ended June 30, 1997.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON OIL & GAS COMPANY
(Registrant)

Date: August 14, 1997

By /S/ W. C. WILSON
W. C. Wilson
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: August 14, 1997

By /S/ BEN B. BOYD
Ben B. Boyd
Vice President and Controller
(Principal Accounting Officer)

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Exhibit 12

Enron Oil & Gas Company

Computation of Ratio of Earnings to Fixed Charges

(In Thousands)
(Unaudited)

	Six Months Ended 6/30/97	Year Ended December 31 1996	1995	1994	1993	1992
EARNINGS AVAILABLE FOR FIXED CHARGES:						
Net Income	$ 47,636	$140,008	$142,118	$147,998	$138,025	$ 97,580
Less: Capitalized Interest Expense	(7,043)	(9,136)	(6,490)	(6,124)	(5,457)	(3,580)
Add: Fixed Charges	17,622	21,997	18,414	14,613	15,378	25,869
Income Tax Provision(Benefit)	13,786	50,954	41,936	5,937	(25,752)	(17,736)
Earnings Available	$ 72,001	$203,823	$195,978	$162,424	$122,194	$102,133
FIXED CHARGES:						
Interest Expense	10,386	12,370	11,310	8,135	9,921	22,289
Capitalized Interest	7,043	9,136	6,490	6,124	5,457	3,580
Rental Expense Representative of Interest Factor	193	491	614	354	-	-
Total Fixed Charges	$ 17,622	$ 21,997	$ 18,414	$ 14,613	$ 15,378	$ 25,869
RATIO OF EARNINGS TO FIXED CHARGES	4.09	9.27	10.64	11.12	7.95	3.95

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ARTICLE 5

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	JUN 30 1997
CASH	16,531
SECURITIES	0
RECEIVABLES	207,052
ALLOWANCES	0
INVENTORY	29,473
CURRENT ASSETS	270,007
PP&E	4,016,705
DEPRECIATION	(1,779,499)
TOTAL ASSETS	2,535,872
CURRENT LIABILITIES	218,966
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	201,600
OTHER SE	1,053,399
TOTAL LIABILITY AND EQUITY	2,535,872
SALES	342,799
TOTAL REVENUES	352,404
CGS	0
TOTAL COSTS	282,615
OTHER EXPENSES	(2,212)
LOSS PROVISION	0
INTEREST EXPENSE	10,579
INCOME PRETAX	61,422
INCOME TAX	13,786
INCOME CONTINUING	47,636
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	47,636
EPS PRIMARY	0
EPS DILUTED	0

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