



# Independent Stock Idea

Intraday March 1, 2018

## EOG Resources (EOG) Raise NPV to \$130 on Production

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 3/31/19 (US\$m)</i>	8,500
<i>Rating</i>		<i>Natural Gas/Ebitda (%)</i>	9
<i>Price (\$/sh)</i>	100.82	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/1/18	<i>Developed Reserves/Production NTM</i>	4.0
<i>Shares (mm)</i>	579	<i>EV/Ebitda</i>	7.7
<i>Market Capitalization (\$mm)</i>	58,400	<i>PV/Ebitda</i>	9.7
<i>Debt (\$mm)</i>	7,100	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (\$mm)</i>	65,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	31.20
<i>Present Value (PV) (\$mm)</i>	82,300	<i>Downstream Uplift (US\$/boe)</i>	0
<i>Net Present Value (\$/share)</i>	130	<i>Oil and Gas Ebitda Margin (%)</i>	71
<i>Ebitda/Market Cap</i>	1.12	<i>Top Line/Ebitda (%)</i>	0
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	20
<i>Dividend Yield (%/year)</i>	0.7	<i>Indicated Annual Dividend (US\$/sh)</i>	0.74
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.			
For historical research on EOG since 2006 see <a href="http://www.mcdep.com/3eog.htm">http://www.mcdep.com/3eog.htm</a>			

### Summary and Recommendation

We raise estimated Net Present Value (NPV) for top performer **EOG Resources (EOG)** to \$130 a share from \$110 at the beginning of 2018 and \$85 at the end of 2017. On the quarterly call on February 28, management discussed volume guidance for 2018 that is 9% higher than our estimate at the beginning of the year. Growth would continue into 2019 as we roll forward our estimate for the Next Twelve Months to end on March 31, 2019 (see table Operating and Financial Estimates on page 2 and chart Volume on page 3). The latest increase in NPV is the continuation of a pattern of EOG out performing larger peers (see chart NPV on page 3). Oil and gas price is recovering from a 70% drop 2014-2016 (see chart Price on page 4). Expense dropped with price and remains at low levels (see chart Operating Expense on page 4). As a result, margin has widened and unit cash flow is up more than price (see chart Ebitda – Production on page 5). Applying those margins to higher volume, we see that EOG's total cash flow is nearly back to the level four years ago when price was 50% higher (see chart Ebitda – Total on page 5). At the new McDep Ratio of 0.79, we like the prospects for EOG and other stocks in our coverage to contribute positively to the long-term performance of a diversified portfolio (see Tables 1-4 on pages 6-9).

Kurt H. Wulff, CFA



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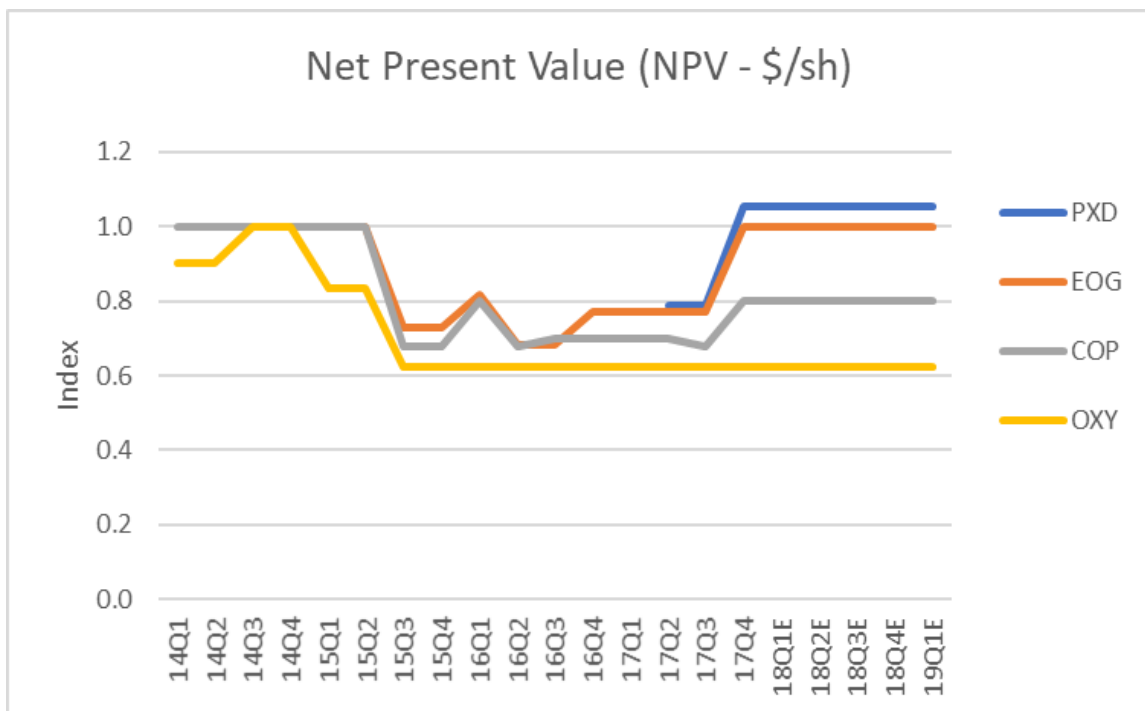
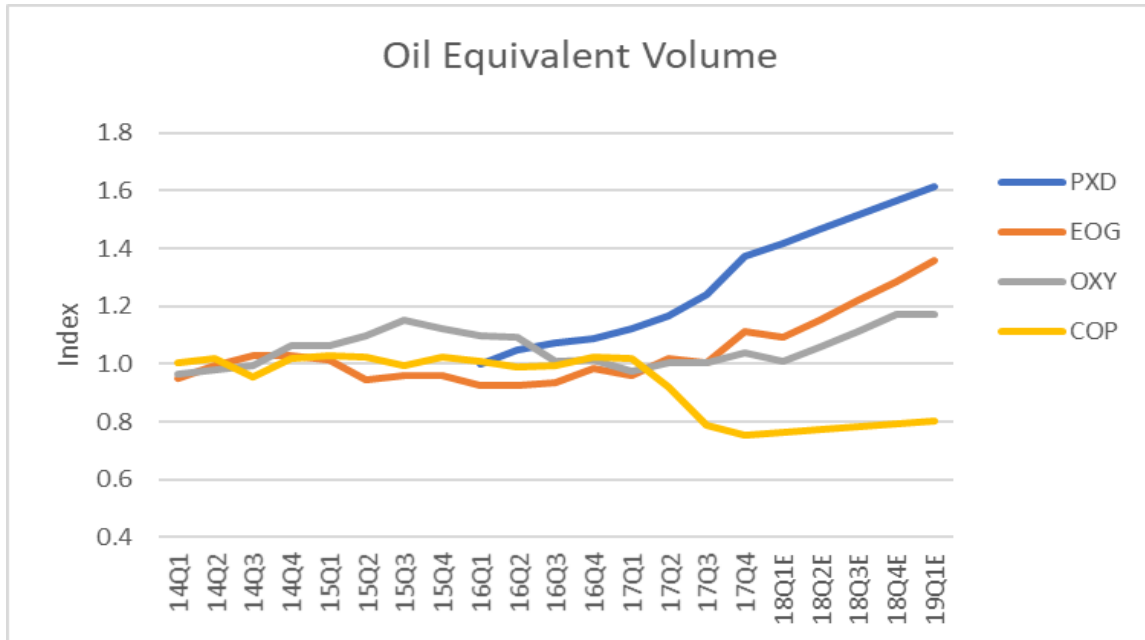
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EOG Resources Inc.										
Next Twelve Months Operating and Financial Estimates										
	Q4	Year	Q3	Q4	Year	Q1E	Q2E	Year	Q1E	Next Twelve Months
	12/31/16	2016	9/30/17	12/31/17	2017	3/31/18	6/30/18	2018	3/31/19	3/31/19
<b>Volume</b>										
Natural Gas (mmcf)										
U.S.	800	<b>810</b>	748	829	<b>765</b>	845	896	<b>925</b>	1,067	<b>979</b>
Overseas	345	<b>364</b>	348	331	<b>338</b>	320	309	<b>303</b>	277	<b>293</b>
Total	1,145	<b>1,178</b>	1,096	1,160	<b>1,103</b>	1,165	1,205	<b>1,228</b>	1,344	<b>1,272</b>
Oil (mbd)	393	<b>364</b>	415	469	<b>425</b>	456	485	<b>502</b>	584	<b>534</b>
Total gas & oil (bcf)	322	<b>1,230</b>	330	366	<b>1,334</b>	351	375	<b>1,548</b>	437	<b>1,633</b>
Total gas & oil (mmcf)	3,503	<b>3,364</b>	3,586	3,974	<b>3,655</b>	3,901	4,116	<b>4,240</b>	4,851	<b>4,474</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	2.98	<b>2.46</b>	2.99	2.93	<b>3.11</b>	3.00	2.69	<b>2.83</b>	2.99	<b>2.82</b>
U.S.	2.05	<b>1.61</b>	2.20	2.17	<b>2.21</b>	2.22	1.99	<b>2.09</b>	2.21	<b>2.09</b>
Overseas	2.02	<b>2.00</b>	2.17	2.66	<b>2.49</b>	2.66	2.66	<b>2.66</b>	2.66	<b>2.66</b>
Total	2.04	<b>1.73</b>	2.19	2.31	<b>2.29</b>	2.34	2.16	<b>2.23</b>	2.30	<b>2.22</b>
Oil (\$/bbl)										
WTI Cushing	49.21	<b>43.31</b>	48.20	55.40	<b>50.94</b>	63.17	63.35	<b>62.31</b>	59.27	<b>61.34</b>
Worldwide	41.73	<b>36.24</b>	42.72	50.50	<b>45.01</b>	57.58	57.75	<b>56.73</b>	54.03	<b>55.82</b>
Total gas & oil (\$/mcf)	5.35	<b>4.53</b>	5.61	6.63	<b>5.93</b>	7.43	7.44	<b>7.36</b>	7.15	<b>7.29</b>
<b>Revenue (\$mm)</b>										
Natural Gas										
U.S.	151	<b>476</b>	151	166	<b>616</b>	169	162	<b>705</b>	212	<b>749</b>
Overseas	64	<b>267</b>	69	81	<b>306</b>	77	75	<b>295</b>	66	<b>285</b>
Total	215	<b>742</b>	221	247	<b>922</b>	246	237	<b>1,000</b>	279	<b>1,033</b>
Oil	1,509	<b>4,832</b>	1,631	2,179	<b>6,990</b>	2,363	2,550	<b>10,395</b>	2,842	<b>10,873</b>
Total	1,724	<b>5,575</b>	1,852	2,425	<b>7,912</b>	2,609	2,787	<b>11,395</b>	3,121	<b>11,906</b>
Expense	698	<b>2,678</b>	718	794	<b>2,954</b>	731	780	<b>3,224</b>	910	<b>3,402</b>
<b>Ebitda (\$mm)</b>	1,026	<b>2,897</b>	1,134	1,631	<b>4,958</b>	1,878	2,007	<b>8,170</b>	2,211	<b>8,504</b>
Exploration	39	<b>135</b>	31	27	<b>150</b>	27	27	<b>108</b>	27	<b>108</b>
Deprec., Deplet., & Amort.	863	<b>3,544</b>	846	882	<b>3,409</b>	930	992	<b>4,101</b>	1,157	<b>4,328</b>
Hedging and other	62	<b>301</b>	19	44	<b>136</b>	44	44	<b>89</b>	-	<b>44</b>
<b>Ebit</b>	62	<b>(1,083)</b>	238	678	<b>1,263</b>	876	943	<b>3,873</b>	1,027	<b>4,024</b>
Interest	71	<b>281</b>	69	63	<b>274</b>	63	63	<b>252</b>	63	<b>252</b>
<b>Ebt</b>	(9)	<b>(1,364)</b>	169	615	<b>989</b>	813	880	<b>3,621</b>	964	<b>3,772</b>
Income Tax	(3)	<b>(477)</b>	59	215	<b>346</b>	171	185	<b>760</b>	203	<b>792</b>
<b>Net Income (\$mm)</b>	(6)	<b>(887)</b>	110	400	<b>643</b>	642	695	<b>2,860</b>	762	<b>2,980</b>
<b>Shares (millions)</b>	567	<b>547</b>	579	579	<b>579</b>	579	579	<b>579</b>	579	<b>579</b>
Per Share (\$)	(0.01)	<b>(1.62)</b>	0.19	0.69	<b>1.11</b>	1.11	1.20	<b>4.94</b>	1.32	<b>5.15</b>
Ebitda Margin	60%	<b>52%</b>	61%	67%	<b>63%</b>	72%	72%	<b>72%</b>	71%	<b>71%</b>
Tax Rate	35%	<b>35%</b>	35%	35%	<b>35%</b>	21%	21%	<b>21%</b>	21%	<b>21%</b>



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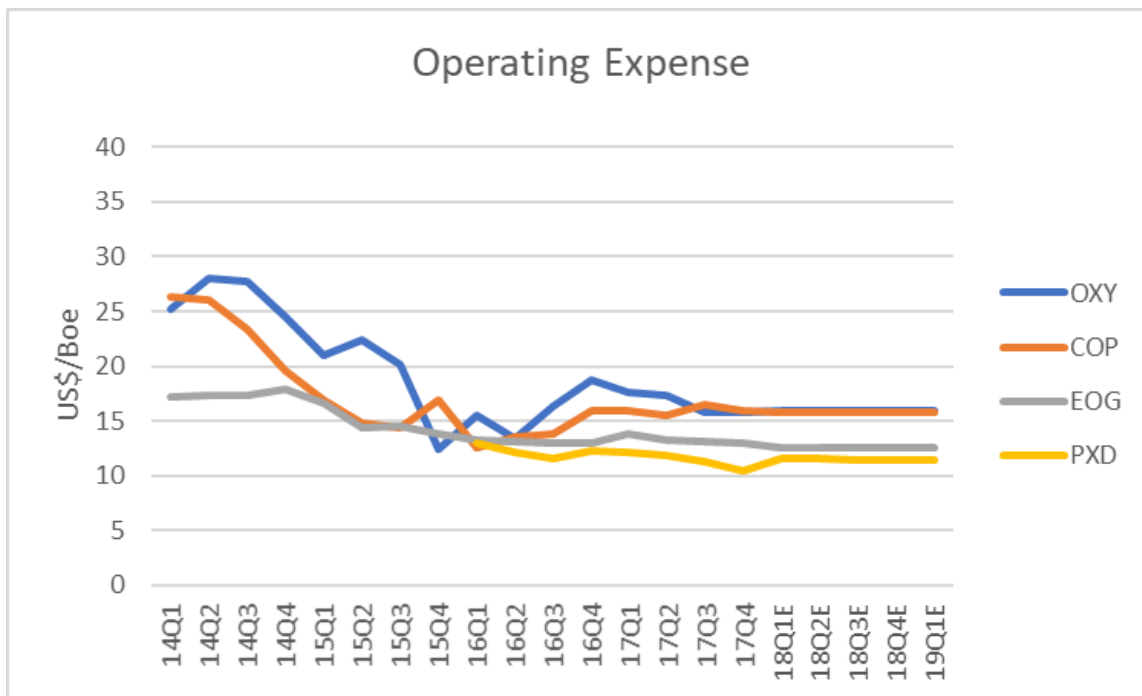
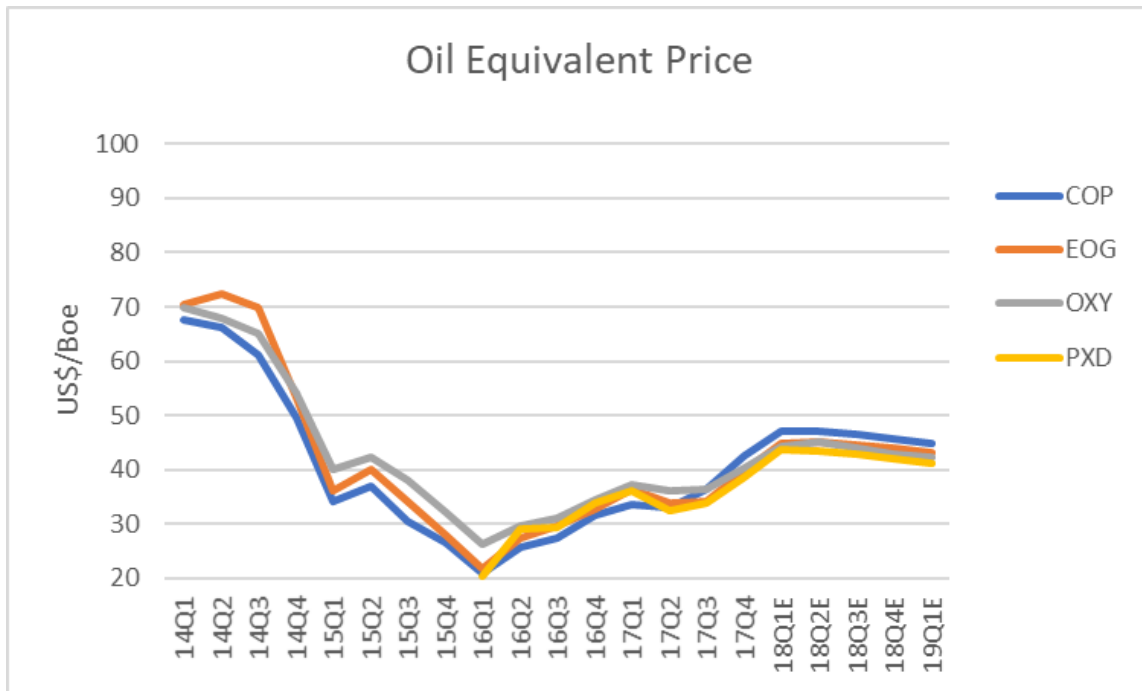
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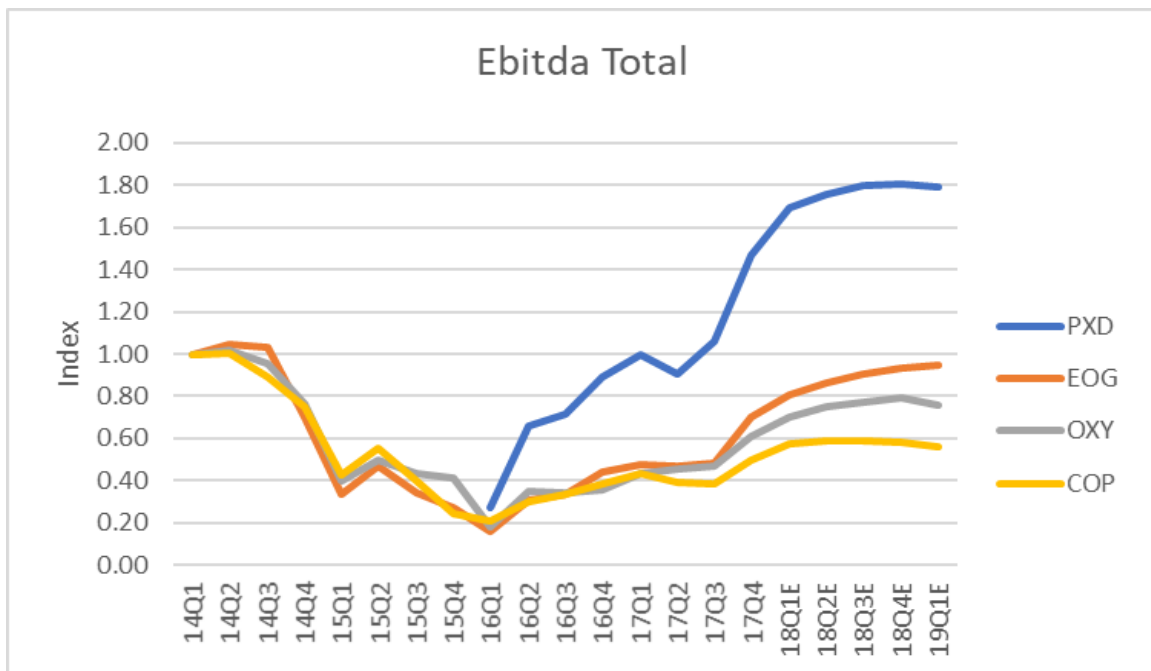
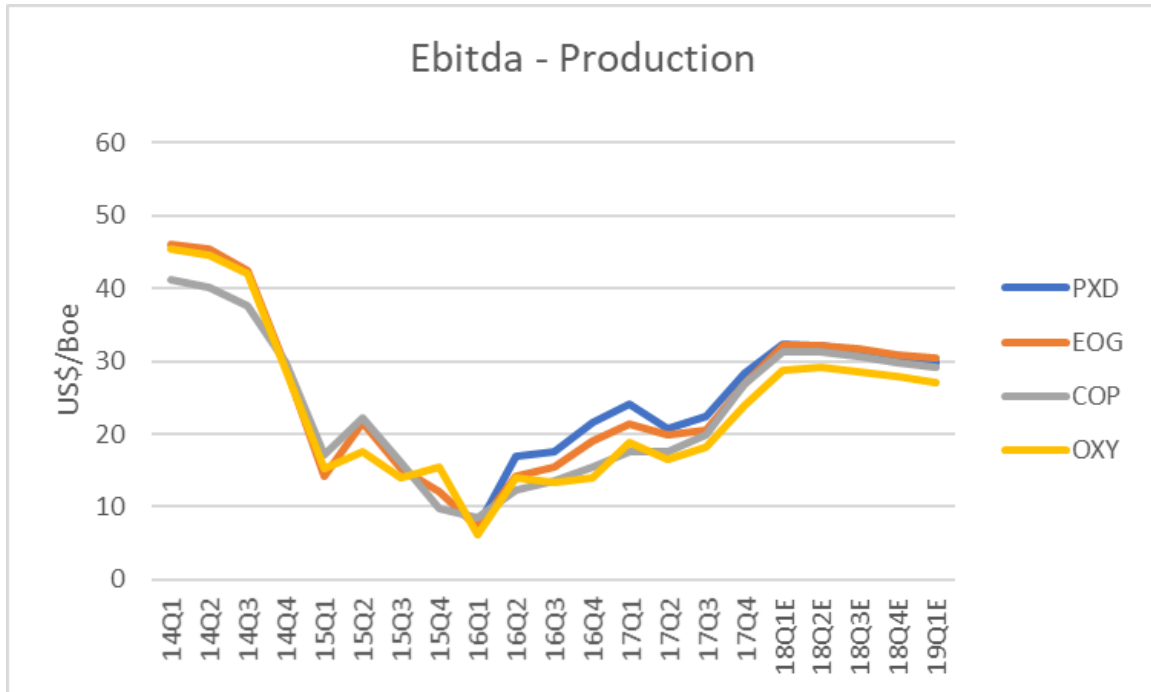
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**Table 1**  
**McDep Energy Stocks**  
**Ranked by McDep Ratio**

		Price (US\$/sh)	Market Cap (US\$m)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ Ebitda (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
	Symbol/Rating	1-Mar 2018								
<b>Integrated</b>										
	XOM	76.04	325,000	416,000	1.28	7.7	9.6	49	4.1	0.80
	CVX	112.85	215,000	280,000	1.30	7.0	8.8	63	3.8	0.80
	RDS-B	64.05	268,000	386,000	1.44	6.3	8.8	49	5.9	0.72
	SU	32.76	54,000	73,000	1.35	6.1	8.5	81	3.5	0.72
	<i>Total or Median</i>		862,000	1,155,000	1.32	6.7	8.8	56	3.9	0.76
<b>Large Independent</b>										
	OXY	65.81	50,400	64,000	1.27	7.5	8.3	77	4.7	0.90
	PXD	170.06	28,900	31,200	1.08	8.1	9.4	93	0.0	0.86
	EOG	100.82	58,400	65,400	1.12	7.7	9.7	91	0.7	0.79
	COP	54.54	65,000	89,000	1.36	6.5	8.8	76	2.1	0.74
	<i>Total or Median</i>		202,700	249,600	1.20	7.6	9.1	84	1.4	0.83
<b>Mid-Size Independent</b>										
	HES	46.17	14,500	22,600	1.56	10.6	11.9	88	2.2	0.89
	CLR	48.90	18,300	24,800	1.35	7.1	9.4	83	-	0.76
	XEC	95.86	9,200	10,700	1.17	6.3	8.8	79	0.5	0.72
	DVN	31.21	16,500	24,400	1.48	6.4	10.3	73	0.8	0.62
	MRO	14.70	12,500	19,600	1.57	5.3	8.9	88	1.4	0.60
	<i>Total or Median</i>		71,000	102,100	1.48	6.4	9.4	83	0.8	0.72
<b>Small Independent</b>										
	CRC	13.73	600	6,700	11.3	6.0	9.3	93	-	0.65
	RRC	13.76	3,400	8,100	2.40	6.0	10.8	46	0.6	0.56
	WLL	27.81	2,500	5,900	2.33	4.2	9.0	97	-	0.47
	BIREF	2.35	600	1,200	1.93	4.6	11.2	46	3.3	0.41
	<i>Total or Median</i>		7,100	21,900	2.36	5.3	10.1	69	0.3	0.51
<b>Income</b>										
	SJT	8.70	410	410	1.00	14.7	13.5	-	6.7	1.09
	PBT	9.09	420	420	1.00	12.2	13.5	80	7.7	0.91
	SBR	42.85	630	630	1.00	14.6	17.0	67	6.9	0.86
	DMLP	15.40	500	500	1.00	9.4	14.6	82	10.2	0.64
	CRT	15.22	90	90	1.00	9.6	15.8	40	8.2	0.61
	<i>Total or Median</i>		2,100	2,100	1.00	12.2	14.6	67	7.7	0.86

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.  
 Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/19.  
 Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.  
 McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses. For historical research see [www.mcdep.com](http://www.mcdep.com)



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Table 2										
McDep Energy Stocks										
Unlevered Cash Flow (Ebitda)										
Ranked by Total Ebitda										
Symbol/Rating	Price (US\$/sh)	Upstream NTM		Down- stream Uplift (\$/boe)	Total Ebitda NTM (\$mm)	Distrib./ Ebitda (%)	Distrib. NTM (\$/sh)			
		1-Mar 2018	Volume (mmboe)					Equiv. Price (\$/boe)	Ebitda Margin (%)	Ebitda (\$/boe)
<b>Integrated</b>										
Royal Dutch Shell	RDS-B	64.05	1352	43.55	73	31.60	13.61	42,715	26	3.76
Exxon Mobil Corporation	XOM	76.04	1477	45.61	54	24.60	11.91	36,344	24	3.08
Chevron Corporation	CVX	112.85	1032	47.96	64	30.90	7.75	31,897	21	4.32
Suncor Energy	SU	32.76	277	58.66	59	34.89	7.99	9,678	16	1.14
<i>Total or Median</i>			<i>4139</i>	<i>46.79</i>	<i>62</i>	<i>31.25</i>	<i>9.95</i>	<i>120,634</i>	<i>23</i>	
<b>Large Independent</b>										
ConocoPhillips	COP	54.54	449	46.04	66	30.20	0.00	13,559	10	1.14
EOG Resources, Inc.	EOG	100.82	272	43.75	71	31.25	0.00	8,504	5	0.74
Occidental Petroleum Corp.	OXY	65.81	247	44.14	64	28.10	6.48	6,942	28	3.08
Pioneer Natural Resources	PXD	170.06	125	42.39	73	30.90	0.00	3,859	0	0.08
<i>Total or Median</i>			<i>1093</i>	<i>43.94</i>	<i>69</i>	<i>30.55</i>	<i>0.00</i>	<i>32,865</i>	<i>8</i>	
<b>Mid-Size Independent</b>										
Marathon Oil Corporation	MRO	14.70	156	36.35	64	23.40	0.00	3,661	5	0.20
Continental Resources	CLR	48.90	108	40.20	80	32.10	0.00	3,480	-	-
Devon Energy Corporation	DVN	31.21	177	29.73	63	18.80	2.82	3,331	3	0.24
Hess Corporation	HES	46.17	94	42.76	53	22.80	0.00	2,135	15	1.00
Cimarex Energy Company	XEC	95.86	81	31.27	67	21.00	0.00	1,699	3	0.48
<i>Total or Median</i>			<i>617</i>	<i>36.35</i>	<i>64</i>	<i>22.80</i>	<i>0.00</i>	<i>14,306</i>	<i>3</i>	
<b>Small Independent</b>										
Whiting Petroleum Corporation	WLL	27.81	47	45.14	66	29.60	0.00	1,388	-	-
Range Resources	RRC	13.76	137	18.83	52	9.80	0.00	1,347	1	0.08
California Resources	CRC	13.73	46	50.59	48	24.20	0.00	1,112	-	-
Birchcliff Energy Ltd.	BIREF	2.35	22	17.44	68	11.90	0.00	267	8	0.08
<i>Total or Median</i>			<i>253</i>	<i>31.98</i>	<i>59</i>	<i>18.05</i>	<i>0.00</i>	<i>4,114</i>	<i>1</i>	
<b>Income</b>										
Dorchester Minerals, L.P.	DMLP	15.40	2.15	34.58	72	24.73	0.00	53	96	1.57
Sabine Royalty Trust	SBR	42.85	1.56	32.48	85	27.47	0.00	43	100	2.94
Permian Basin RT	PBT	9.09	1.26	42.10	65	27.47	0.00	35	95	0.70
San Juan Basin Royalty Trust	SJT	8.70	3.27	15.45	54	8.42	0.00	28	99	0.58
Cross Timbers Royalty Trust	CRT	15.22	0.47	35.23	58	20.36	0.00	10	79	1.25
<i>Total or Median</i>			<i>9</i>	<i>34.58</i>	<i>65</i>	<i>24.73</i>	<i>0.00</i>	<i>168</i>	<i>96</i>	

For historical research see [www.mcdep.com](http://www.mcdep.com)



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**Table 3**  
**McDep Energy Stocks**  
**Net Present Value Per Share**

		Price (US\$/sh)					Devel. Resrvs/ Prod	Undev/ Devel. Resrvs	Nat Gas/ Ebitda	Top Line/ Ebitda	Net Present Value
	Symbol/Rating	1-Mar 2018	Shares (mm)	Debt (\$mm)	P/E NTM		NTM	(%)	(%)	(%)	(US\$/sh)
<b>Integrated</b>											
	Chevron Corporation	CVX	112.85	1,906	65,059	14	7.3	48	21		150.00
	Exxon Mobil Corporation	XOM	76.04	4,270	91,771	13	9.3	45	27		100.00
	Royal Dutch Shell	RDS-B	64.05	4,177	118,194	11	7.2	34	31		100.00
	Suncor Energy	SU	32.76	1,655	18,823	10	9.9	80			50.00
	<i>Median</i>						8.3				
<b>Large Independent</b>											
	Pioneer Natural Resources	PXD	170.06	170	2,300	23	5.4	8	7		200.00
	EOG Resources, Inc.	EOG	100.82	579	7,071	20	4.0	43	9		130.00
	ConocoPhillips	COP	54.54	1,198	23,215	14	9.1	25	24		80.00
	Occidental Petroleum Corp.	OXY	65.81	766	13,600	17	7.8	35	5		75.00
	<i>Median</i>						6.6				
<b>Mid-Size Independent</b>											
	Cimarex Energy Company	XEC	95.86	95	1,552	10	5.1	35	21		140.00
	Continental Resources	CLR	48.90	374	6,480	21	4.8	146	17		70.00
	Devon Energy Corporation	DVN	31.21	528	7,944	13	8.5	24	16		60.00
	Hess Corporation	HES	46.17	314	8,078		8.5	39	12		55.00
	Marathon Oil Corporation	MRO	14.70	850	7,073	18	5.4	65	12		30.00
	<i>Median</i>						5.4				
<b>Small Independent</b>											
	Whiting Petroleum Corporation	WLL	27.81	91	3,367	63	7.6	111	3		100.00
	California Resources	CRC	13.73	43	6,100		8.8	40	7		100.00
	Range Resources	RRC	13.76	246	4,720	13	8.2	78	54		40.00
	Birchcliff Energy Ltd.	BIREF	2.35	268	587	14	7.2	228	54		9.00
	<i>Median</i>						7.9				
<b>Income</b>											
	Sabine Royalty Trust	SBR	42.85	15	-	15	10.5	4	33	100	50.00
	Cross Timbers Royalty Trust	CRT	15.22	6	-	12	8.1	-	60	79	25.00
	Dorchester Minerals, L.P.	DMLP	15.40	32	-	13	6.5	-	18	86	24.00
	Permian Basin RT	PBT	9.09	47	-	13	8.8	14	20	40	10.00
	San Juan Basin Royalty Trust	SJT	8.70	47	-	15	9.5	-	102	-	8.00
	<i>Median</i>						8.8				

P/E = Stock Price to Earnings. For historical research see [www.mcdep.com](http://www.mcdep.com).





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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2018										
Ranked by Unlevered Total Return										
		Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Debt Return (\$/sh)	Unlevered Return (%)	McDep Ratio	
	Symbol/Rati	1-Mar 2018	29-Dec 2017							
<b>Integrated</b>										
	Royal Dutch Shell	RDS-B	64.05	68.29	(6)	1	(5)	28	(3)	0.72
	Exxon Mobil Corporation	XOM	76.04	83.64	(9)	1	(8)	21	(6)	0.80
	Chevron Corporation	CVX	112.85	125.19	(10)	1	(9)	34	(7)	0.80
	Suncor Energy	SU	32.76	36.72	(11)	-	(11)	11	(8)	0.72
	<i>Median</i>				(9)		(9)		(7)	0.76
<b>Large Independent</b>										
	ConocoPhillips	COP	54.54	54.89	(1)	1	(0)	19	(0)	0.74
	Pioneer Natural Resources	PXD	170.06	172.85	(2)	-	(2)	14	(1)	0.86
	EOG Resources, Inc.	EOG	100.82	107.91	(7)	0	(6)	12	(6)	0.79
	Occidental Petroleum Corp.	OXY	65.81	73.66	(11)	-	(11)	18	(9)	0.90
	<i>Median</i>				(4)		(4)		(4)	0.83
<b>Mid-Size Independent</b>										
	Hess Corporation	HES	46.17	47.47	(3)	-	(3)	26	(2)	0.89
	Continental Resources	CLR	48.90	52.97	(8)	-	(8)	17	(6)	0.76
	Marathon Oil Corporation	MRO	14.70	16.93	(13)	0	(13)	8	(9)	0.60
	Devon Energy Corporation	DVN	31.21	41.40	(25)	-	(25)	15	(18)	0.62
	Cimarex Energy Company	XEC	95.86	122.01	(21)	0	(21)	16	(19)	0.72
	<i>Median</i>				(13)		(13)		(9)	0.72
<b>Small Independent</b>										
	Whiting Petroleum Corporation	WLL	27.81	26.48	5	-	5	37	2	0.47
	California Resources	CRC	13.73	19.44	(29)	-	(29)	143	(4)	0.65
	Range Resources	RRC	13.76	17.06	(19)	-	(19)	19	(9)	0.56
	Birchcliff Energy Ltd.	BIREF	2.35	3.50	(33)	-	(33)	2	(20)	0.41
	<i>Median</i>				(24)		(24)		(6)	0.51
<b>Income</b>										
	San Juan Basin Royalty Trust	SJT	8.70	8.24	6	2	7	-	7	1.09
	Cross Timbers Royalty Trust	CRT	15.22	14.69	4	1	5	-	5	0.61
	Dorchester Minerals, L.P.	DMLP	15.40	15.20	1	3	4	-	4	0.64
	Permian Basin RT	PBT	9.09	8.87	2	1	4	-	4	0.91
	Sabine Royalty Trust	SBR	42.85	44.60	(4)	1	(3)	-	(3)	0.86
	<i>Median</i>				2		4		4	0.86
	<i>Grand Median</i>				(7)		(8)		(5)	0.73
	Natural Gas (\$/mmbtu)		2.70	2.95	(8)					
	Oil-West Texas Intermediate (\$/bbl)		60.52	60.09	1					
	Total Stock Market - U.S.	VTI	139.10	137.25	1					
	Developed Markets - ex US	VEA	44.25	44.86	(1)					
	Emerging Markets	VWO	47.68	45.91	4					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see [www.mcdep.com](http://www.mcdep.com)



# Independent Stock Idea

Intraday March 1, 2018

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