



Independent Stock Idea

May 5, 2009

rating: buy
s&p 500: 907

EOG Resources (EOG) Ready to Develop More Oil and Gas

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$mm)</i>	2,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	63
<i>Price (\$/sh)</i>	72.04	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/4/09	<i>Adjusted Reserves/Production NTM</i>	9.8
<i>Shares (mm)</i>	250	<i>EV/Ebitda</i>	9.4
<i>Market Capitalization (\$mm)</i>	18,000	<i>PV/Ebitda</i>	13.8
<i>Debt (\$mm)</i>	2,300	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (\$mm)</i>	20,400	<i>Natural Gas and Oil Ebitda (\$/mcfe)</i>	2.80
<i>Present Value (PV) (\$mm)</i>	29,900	<i>Present Value Proven Reserves(\$/boe)</i>	20.60
<i>Net Present Value (\$/share)</i>	110	<i>Present Value Proven Reserves(\$/mcfe)</i>	3.40
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.25
<i>McDep Ratio - EV/PV</i>	0.68	<i>Price/Earnings Next Twelve Months</i>	283
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.58
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\$75 a barrel and natural gas, \$10 a million bu.			
For historical research on EOG since 2006 see http://www.mcdep.com/3eog.htm			

Summary and Recommendation

Buy-recommended **EOG Resources (EOG)** offers unlevered appreciation potential of 47% to a McDep Ratio of 1.0 and levered appreciation potential of 53% to Net Present Value (NPV) of \$110 a share. During the first quarter, according to results released on the evening of May 4, the company generated cash from oil and gas production of about \$15 a barrel of oil equivalent as the difference between price of about \$24 and cash operating costs of about \$9. Unlevered cash flow (Ebitda) was less than our expectations from three months ago, but reasonable under industry circumstances. We project gradual increases in Ebitda in the next few quarters (see table Next Twelve Months Operating and Financial Estimates). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table Functional Cash Flow and Present Value). Pointing to expected oil price recovery, futures prices for the next six years averaged near \$71 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures). EOG is an efficient, low-debt, oil and gas finder and developer ready to go when more supply is needed again.

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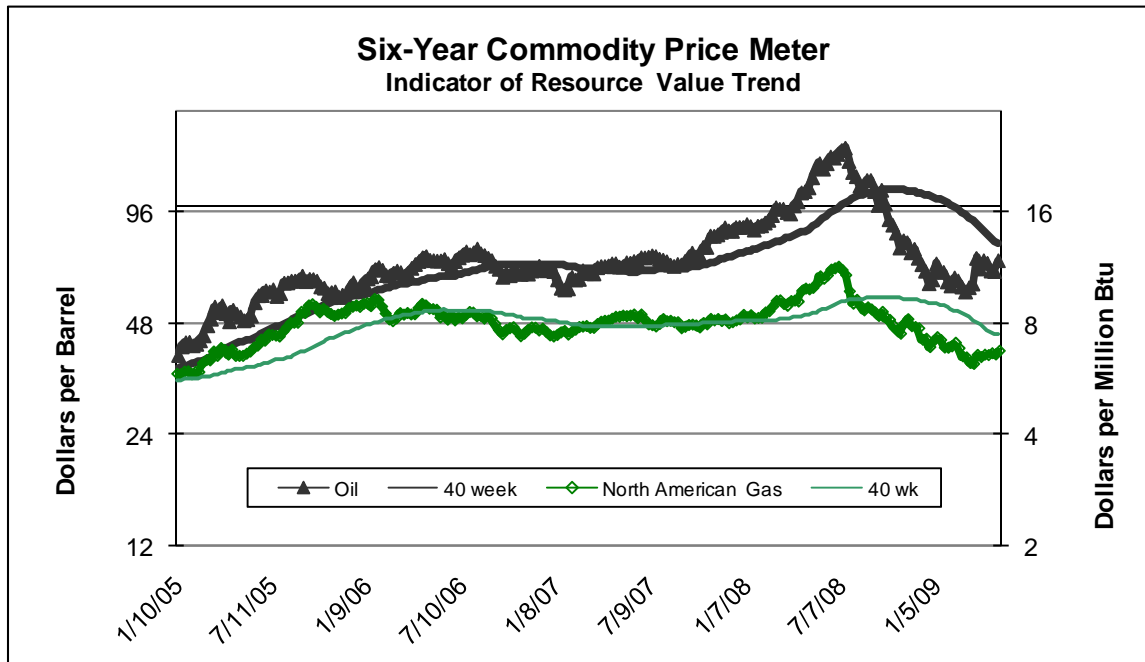
EOG Resources Inc.									
Operating and Financial Results									
									Next
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Twelve
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	Months
									3/31/10
Volume									
Natural Gas (mmcf)									
U.S.	1,085	1,231	1,166	1,193	1,193	1,193	1,193	1,193	1,193
Canada	216	231	222	230	230	230	230	230	230
Overseas	248	202	235	279	279	279	279	279	279
Total	1,549	1,664	1,623	1,702	1,702	1,702	1,702	1,702	1,702
Days	91	92	366	90	91	92	92	365	365
Oil (mbd)	54	73	61	74	73	73	73	73	73
Total gas & oil (bcf)	171	193	728	193	194	197	197	781	780
Total gas & oil (mmcf)	1,875	2,099	1,992	2,146	2,137	2,137	2,137	2,139	2,138
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.56	3.96	4.84	4.31	4.54
U.S.	8.05	5.65	8.22	4.06	3.20	3.57	4.36	3.80	4.08
Canada	7.44	5.71	7.64	4.43	3.49	3.89	4.36	4.04	4.10
Overseas	4.27	2.86	3.90	1.62	1.62	1.62	1.62	1.62	1.62
Total	7.36	5.32	7.51	3.71	2.98	3.29	3.91	3.47	3.68
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	99.59	42.96	52.92	57.55	60.64	53.52	58.51
Worldwide	80.33	41.61	79.15	30.58	37.67	40.97	43.17	38.10	41.65
Total gas & oil (\$/mcf)	8.41	5.65	8.57	4.00	3.65	4.01	4.58	4.06	4.35
Revenue (\$mm)									
Natural Gas									
U.S.	795	640	3,498	436	348	391	478	1,653	1,779
Canada	146	121	620	92	73	82	92	339	344
Overseas	96	53	334	41	41	42	42	165	165
Total	1,037	814	4,452	568	462	515	612	2,157	2,288
Oil	398	278	1,781	204	249	273	288	1,013	1,103
Other			-					-	-
Total	1,435	1,092	6,233	772	710	788	900	3,171	3,391
Expense	436	367	1,752	278	256	284	324	1,141	1,221
Ebitda (\$mm)	999	725	4,481	494	455	505	576	2,029	2,170
Exploration	89	154	441	118	118	118	118	472	444
Deprec., Deplet., & Amort.	297	368	1,326	389	389	389	389	1,556	1,556
Hedging and other	-	-	-	(235)					-
Ebit	613	203	2,714	222	(52)	(2)	69	236	170
Interest	12	18	51	18	18	18	18	72	72
Ebt	601	185	2,663	204	(70)	(20)	51	164	98
Income Tax	129	65	851	71	(25)	(7)	18	57	34
Net Income (\$mm)	472	120	1,812	133	(46)	(13)	33	107	64
Shares (millions)	250	250	251	250	250	250	250	250	250
Per Share (\$)	1.89	0.48	7.23	0.53	(0.18)	(0.05)	0.13	0.43	0.25
Ebitda Margin	70%	66%	72%	64%	64%	64%	64%	64%	64%
Tax Rate	21%	35%	32%	35%	35%	35%	35%	35%	35%
Cash costs (\$/mcf)	2.55	1.90	2.41	1.44	1.32	1.44	1.65	1.46	1.56
D.D.&A. (\$/mcf)	1.74	1.91	1.82	2.01	2.00	1.98	1.98	1.99	1.99



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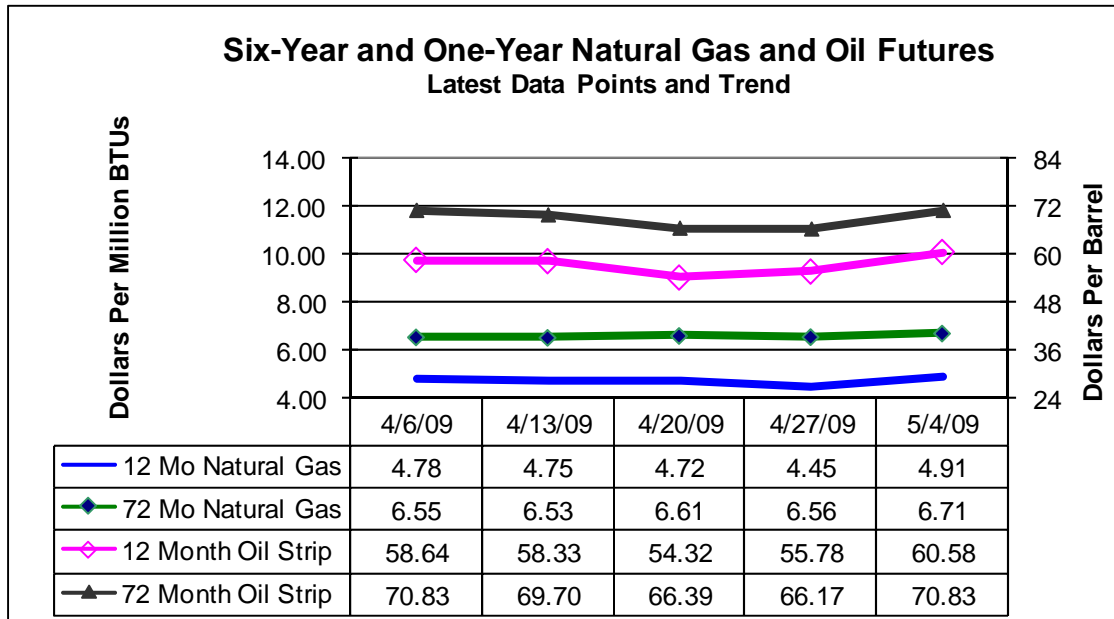
EOG Resources Inc.					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	1,380	10.4	16.7	23,000	77%
Rest of World Natural Gas	110	10.4	9.1	1,000	3%
Oil	710	7.5	8.2	5,800	19%
	2,200	9.8	13.5	29,800	100%
Debt (US\$mm)					2,300
Net Present Value (US\$mm)					27,500
Shares (mm)					250
Net Present Value - Standard Estimate (US\$/sh)					110
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					103





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