

Rating: Buy
S&P 500: 1460
Intraday

EOG Resources Inc. **Natural Gas with North Dakota Oil**

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$m)</i>	3,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	72
<i>Price (\$/sh)</i>	72.44	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/3/07	<i>Adjusted Reserves/Production NTM</i>	9.3
<i>Shares (mm)</i>	247	<i>EV/Ebitda</i>	5.9
<i>Market Capitalization (\$mm)</i>	17,900	<i>PV/Ebitda</i>	8.1
<i>Debt (\$mm)</i>	1,500	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (\$mm)</i>	19,400	<i>Natural Gas and Oil Ebitda (\$/mcf)</i>	5.30
<i>Present Value (PV) (\$mm)</i>	26,700	<i>Present Value Proven Reserves(\$/boe)</i>	23.50
<i>Net Present Value (\$/share)</i>	102	<i>Present Value Proven Reserves(\$/mcf)</i>	3.90
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.91
<i>McDep Ratio - EV/PV</i>	0.73	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	0.5	<i>Indicated Annual Dividend (US\$/sh)</i>	0.36

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\$66 a barrel and natural gas, \$11 a million btu.

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 38% to estimated net present value (NPV) of \$102 a share revised up from \$92 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. Second quarter results reported on the night of August 2 disclosed rising unlevered cash flow (Ebitda) in line with increasing production volume (see table Next Twelve Months Operating and Financial Estimates). Concentrated 79% on natural gas, NPV for the large cap producer is supported by comparison to our estimates for other stocks in our coverage (see table Functional Cash Flow and Present Value). Chairman Mark Papa thinks that EOG's most profitable near-term drilling prospects are now for oil in the Bakken Shale in North Dakota where the company may have scored an economic breakthrough applying the technology it refined as a leader in the Barnett Shale natural gas development in Texas. Usually upbeat on the natural gas outlook, Mr. Papa acknowledges that better than expected natural gas supply has been holding natural gas price low. Nonetheless, we see that from a wide gap compared to oil, long-term natural gas price appears to be in an uptrend (see chart Six-Year Commodity Price Meter). EOG stock also has positive momentum as it trades above its 200-day average.

Kurt H. Wulff, CFA

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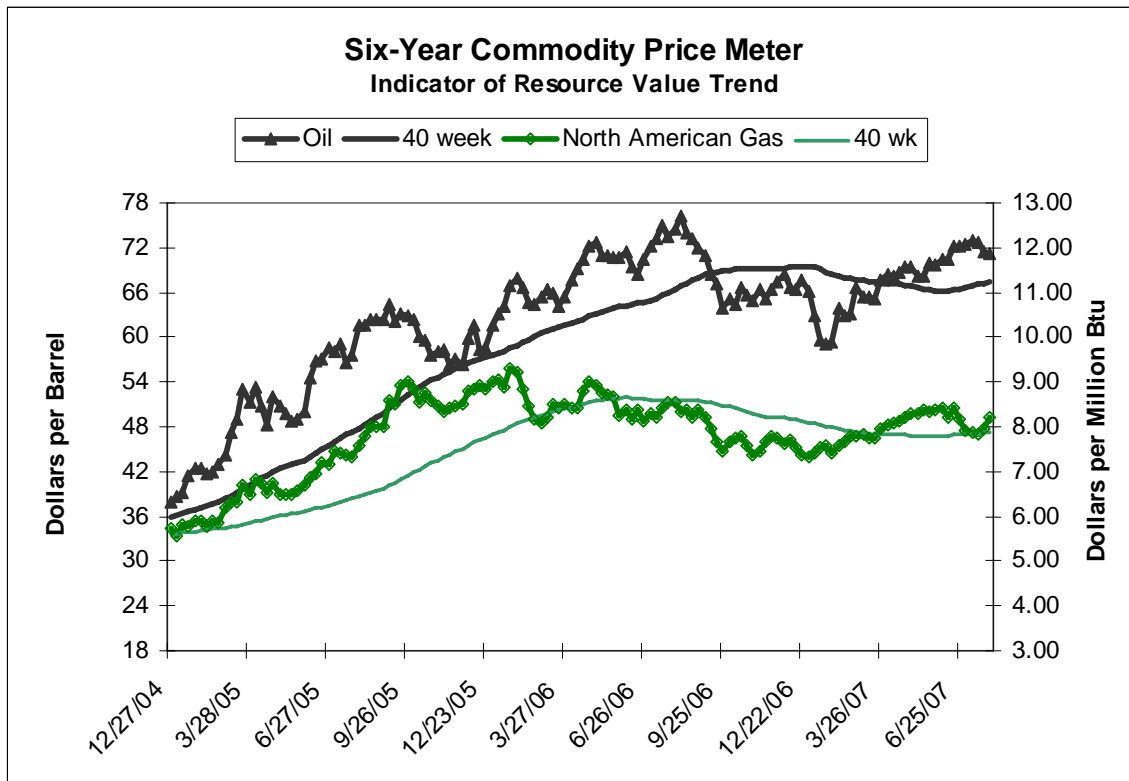
EOG Resources Inc.
Operating and Financial Results

	Q2	Q3	Year	Q1	Q2	Q3E	Q4E	Year	Next Twelve Months
	6/30/06	9/30/06	2006	3/31/07	6/30/07	9/30/07	12/31/07	2007E	6/30/08
Volume									
Natural Gas (mmcf)									
U.S.	776	837	817	915	960	960	960	949	960
Canada	225	224	226	222	232	232	232	230	232
Overseas	290	283	294	283	272	272	272	275	272
Total	1,291	1,344	1,337	1,420	1,464	1,464	1,464	1,453	1,464
Oil (mbd)	36	37	37	39	39	39	39	39	39
Total gas & oil (bcf)	137	144	570	149	155	156	156	617	621
Total gas & oil (mmcf)	1,509	1,567	1,561	1,656	1,700	1,700	1,700	1,690	1,700
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.64	7.64	7.16	7.83
U.S.	6.33	6.21	6.56	6.42	6.80	5.98	6.87	6.52	7.04
Canada	6.28	5.65	6.41	6.43	6.70	5.89	6.87	6.47	6.60
Overseas	2.54	2.57	2.95	3.10	2.20	2.20	2.20	2.43	2.20
Total	5.47	5.35	5.74	5.76	5.93	5.26	6.01	5.74	6.07
Oil (\$/bbl)									
WTI Cushing	70.47	70.42	66.05	58.08	64.91	75.91	75.47	68.59	74.50
Worldwide	64.91	64.87	60.77	53.50	58.12	67.98	67.58	61.85	66.72
Total gas & oil (\$/mcf)	6.69	6.71	6.85	5.87	6.82	6.11	6.74	6.39	6.77
Revenue (\$mm)									
Natural Gas									
U.S.	447	478	1,956	529	594	528	607	2,258	2,468
Canada	129	116	529	128	141	126	147	542	559
Overseas	67	67	317	79	55	55	55	244	219
Total	643	662	2,802	736	790	709	809	3,044	3,245
Oil	215	222	830	190	208	246	245	889	960
Other	61	84	273	(51)	57			6	-
Total	919	968	3,905	875	1,055	955	1,054	3,939	4,204
Expense									
Cash costs	202	210	864	164	262	251	276	953	1,100
Ebitda (\$mm)	717	758	3,041	711	793	745	822	3,071	3,279
Exploration	73	74	344	67	74	74	74	289	328
Deprec., Deplet., & Amort.	193	216	817	244	260	260	260	1,024	1,040
Ebit	451	468	1,880	400	459	411	488	1,759	1,912
Interest	12	10	43	8	11	11	11	41	44
Ebt	439	458	1,837	392	448	400	477	1,718	1,868
Income Tax	154	160	627	118	159	140	167	584	654
Net Income (\$mm)	285	298	1,211	274	289	260	310	1,134	1,214
Shares (millions)	246	246	246	247	247	247	247	247	247
Per Share (\$)	1.16	1.21	4.92	1.11	1.17	1.05	1.25	4.59	4.91
Ebitda Margin	78%	78%	78%	81%	75%	78%	78%	78%	78%
Tax Rate	35%	35%	34%	30%	35%	35%	35%	34%	35%
Cash costs (\$/mcfe)	1.47	1.46	1.52	1.10	1.69	1.60	1.76	1.54	1.77
D.D.&A. (\$/mcfe)	1.41	1.50	1.43	1.64	1.68	1.66	1.66	1.66	1.68

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EOG Resources Inc.
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	2,380	9.7	8.8	21,000	79%
Rest of World Natural Gas	170	9.8	5.9	1,000	4%
Oil	750	7.0	6.3	4,700	18%
	3,300	9.3	8.1	26,700	100%
Debt (US\$mm)					1,500
Net Present Value (US\$mm)					25,200
Shares (mm)					247
Net Present Value - Standard Estimate (US\$/sh)					102
Net Present Value - Approximation by Correlation (US\$/sh)					103



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