

Rating: Buy  
 S&P 500: 1541

## EOG Resources Inc. Natural Gas Sleeper

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	3,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	67
<i>Price (\$/sh)</i>	82.51	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/29/07	<i>Adjusted Reserves/Production NTM</i>	9.0
<i>Shares (mm)</i>	247	<i>EV/Ebitda</i>	6.1
<i>Market Capitalization (\$mm)</i>	20,400	<i>PV/Ebitda</i>	7.4
<i>Debt (\$mm)</i>	1,800	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (\$mm)</i>	22,200	<i>Natural Gas and Oil Ebitda (\$/mcf)</i>	5.70
<i>Present Value (PV) (\$mm)</i>	27,000	<i>Present Value Proven Reserves(\$/boe)</i>	23.80
<i>Net Present Value (\$/share)</i>	102	<i>Present Value Proven Reserves(\$/mcf)</i>	4.00
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.46
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	0.4	<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 22% to estimated net present value (NPV) of \$102 a share concentrated 82% on natural gas. Third quarter results reported after the close today met or slightly exceeded our projections for cash flow (Ebitda) taking account of low natural gas price (see table Next Twelve Months Operating and Financial Estimates). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports estimated NPV (see table Functional Cash Flow and Present Value). Among our large-cap-producer buy recommendations, EOG Resources has the highest representation in natural gas and near the lowest McDep Ratio. Offering better long-term supply than oil and cleaner burning than coal, natural gas is the most promising major energy source for the next few decades, we believe. Logically, natural gas users should be bidding up long-term natural gas price that lags behind oil (see chart Six-Year Commodity Price Meter). Regulators discourage large users from doing so, thus contributing to an opportunity for investors in EOG stock.

Kurt H. Wulff, CFA

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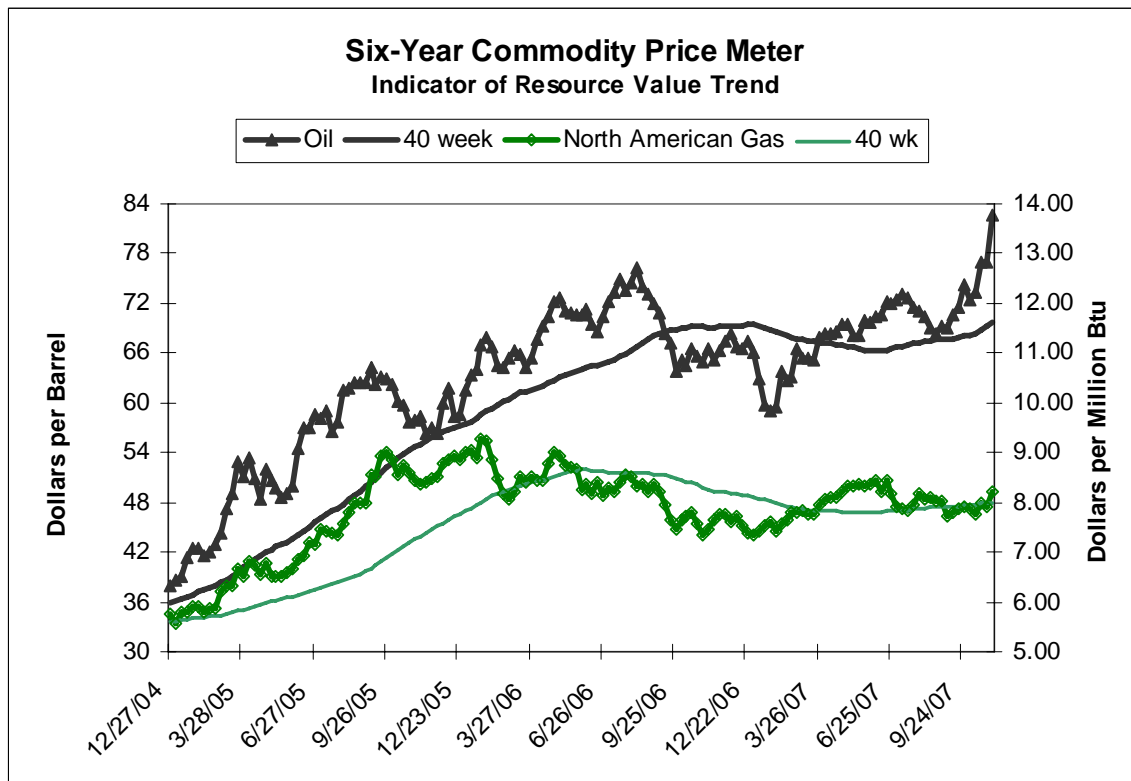
**EOG Resources Inc.**  
**Operating and Financial Results**

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/06</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>9/30/08</i>
<b>Volume</b>									
Natural Gas (mmcf)									
U.S.	837	960	997	997	<b>968</b>	997	997	997	<b>997</b>
Canada	224	232	216	216	<b>221</b>	216	216	216	<b>216</b>
Overseas	283	272	284	284	<b>281</b>	284	284	284	<b>284</b>
Total	1,344	1,464	1,497	1,497	<b>1,470</b>	1,497	1,497	1,497	<b>1,497</b>
Oil (mbd)	37	39	44	44	<b>42</b>	44	44	44	<b>44</b>
Total gas & oil (bcf)	144	155	162	162	<b>628</b>	160	160	162	<b>644</b>
Total gas & oil (mmcf)	1,567	1,700	1,759	1,759	<b>1,719</b>	1,759	1,759	1,759	<b>1,759</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	7.46	<b>7.00</b>	8.26	7.90	8.11	<b>7.93</b>
U.S.	6.21	6.80	5.56	6.74	<b>6.37</b>	7.43	7.11	7.30	<b>7.15</b>
Canada	5.65	6.70	5.49	6.74	<b>6.34</b>	6.61	6.32	6.49	<b>6.54</b>
Overseas	2.57	2.20	2.50	2.50	<b>2.58</b>	2.50	2.50	2.50	<b>2.50</b>
Total	5.35	5.93	4.97	5.93	<b>5.64</b>	6.38	6.12	6.28	<b>6.18</b>
Oil (\$/bbl)									
WTI Cushing	70.42	64.91	75.48	91.02	<b>72.37</b>	91.70	89.32	87.41	<b>89.86</b>
Worldwide	64.87	58.12	67.58	81.50	<b>65.74</b>	82.11	79.98	78.27	<b>80.46</b>
Total gas & oil (\$/mcf)	6.71	6.82	6.12	7.07	<b>6.48</b>	7.47	7.20	7.28	<b>7.26</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	478	594	510	618	<b>2,251</b>	674	645	670	<b>2,607</b>
Canada	116	141	109	134	<b>513</b>	130	124	129	<b>517</b>
Overseas	67	55	65	65	<b>264</b>	65	65	65	<b>260</b>
Total	662	790	684	817	<b>3,028</b>	869	834	864	<b>3,385</b>
Oil	222	208	272	328	<b>997</b>	327	318	315	<b>1,287</b>
Other	84	57	34		<b>40</b>				<b>-</b>
Total	968	1,055	990	1,145	<b>4,065</b>	1,195	1,152	1,179	<b>4,671</b>
<b>Expense</b>									
Cash costs	210	262	253	300	<b>980</b>	313	302	309	<b>1,225</b>
<b>Ebitda (\$mm)</b>	758	793	737	893	<b>3,134</b>	932	899	920	<b>3,644</b>
Exploration	74	74	127	127	<b>395</b>	90	90	90	<b>397</b>
Deprec., Deplet., & Amort.	216	260	279	279	<b>1,062</b>	279	279	279	<b>1,116</b>
<b>Ebit</b>	468	459	331	487	<b>1,677</b>	563	530	551	<b>2,131</b>
Interest	10	11	13	13	<b>45</b>	13	13	13	<b>52</b>
<b>Ebt</b>	458	448	318	474	<b>1,632</b>	550	517	538	<b>2,079</b>
Income Tax	160	159	115	166	<b>558</b>	193	181	188	<b>728</b>
<b>Net Income (\$mm)</b>	298	289	203	308	<b>1,074</b>	358	336	349	<b>1,351</b>
<b>Shares (millions)</b>	246	247	247	247	<b>247</b>	247	247	247	<b>247</b>
Per Share (\$)	1.21	1.17	0.82	1.25	<b>4.35</b>	1.45	1.36	1.41	<b>5.46</b>
Ebitda Margin	78%	75%	74%	78%	<b>77%</b>	78%	78%	78%	<b>78%</b>
Tax Rate	35%	35%	36%	35%	<b>34%</b>	35%	35%	35%	<b>35%</b>

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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	2,410	9.5	8.7	21,000	78%
Rest of World Natural Gas	200	9.4	5.0	1,000	4%
Oil	990	6.3	5.1	5,000	19%
	3,600	9.0	7.5	27,000	100%
Debt (US\$mm)					1,800
Net Present Value (US\$mm)					25,200
Shares (mm)					247
Net Present Value - Standard Estimate (US\$/sh)					102
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					104



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