



Rating: Buy  
 S&P 500: 1409

## EOG Resources Inc. Stock Outperforms

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	5,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	68
<i>Price (\$/sh)</i>	126.85	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/1/08	<i>Adjusted Reserves/Production NTM</i>	10.0
<i>Shares (mm)</i>	250	<i>EV/Ebitda</i>	6.3
<i>Market Capitalization (\$mm)</i>	31,700	<i>PV/Ebitda</i>	5.7
<i>Debt (\$mm)</i>	1,900	<i>Undeveloped Reserves (%)</i>	23
<i>Enterprise Value (EV) (\$mm)</i>	33,600	<i>Natural Gas and Oil Ebitda (\$/mcf)</i>	7.80
<i>Present Value (PV) (\$mm)</i>	30,700	<i>Present Value Proven Reserves(\$/boe)</i>	23.80
<i>Net Present Value (\$/share)</i>	115	<i>Present Value Proven Reserves(\$/mcf)</i>	4.00
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.83
<i>McDep Ratio - EV/PV</i>	1.10	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.48
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\$80 a barrel and natural gas, \$11 a million bt			
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

Gaining 42% in price in 2008 the stock of buy-recommended **EOG Resources (EOG)** has surged past estimated net present value (NPV) of \$115 a share. That prompted us to scale back to a one-and-a-half unlevered weight from a double weight in the illustrative McDep Energy Portfolio. First quarter results released after the market close on May 1 scored higher volume, cash flow and earnings than in our estimates of three months ago. Hedging losses left out of ongoing cash flow and earnings diminish the results somewhat. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). Finally, oil price continues in an uptrend and there is catch up potential for natural gas (see chart Six-Year Commodity Price Meter).

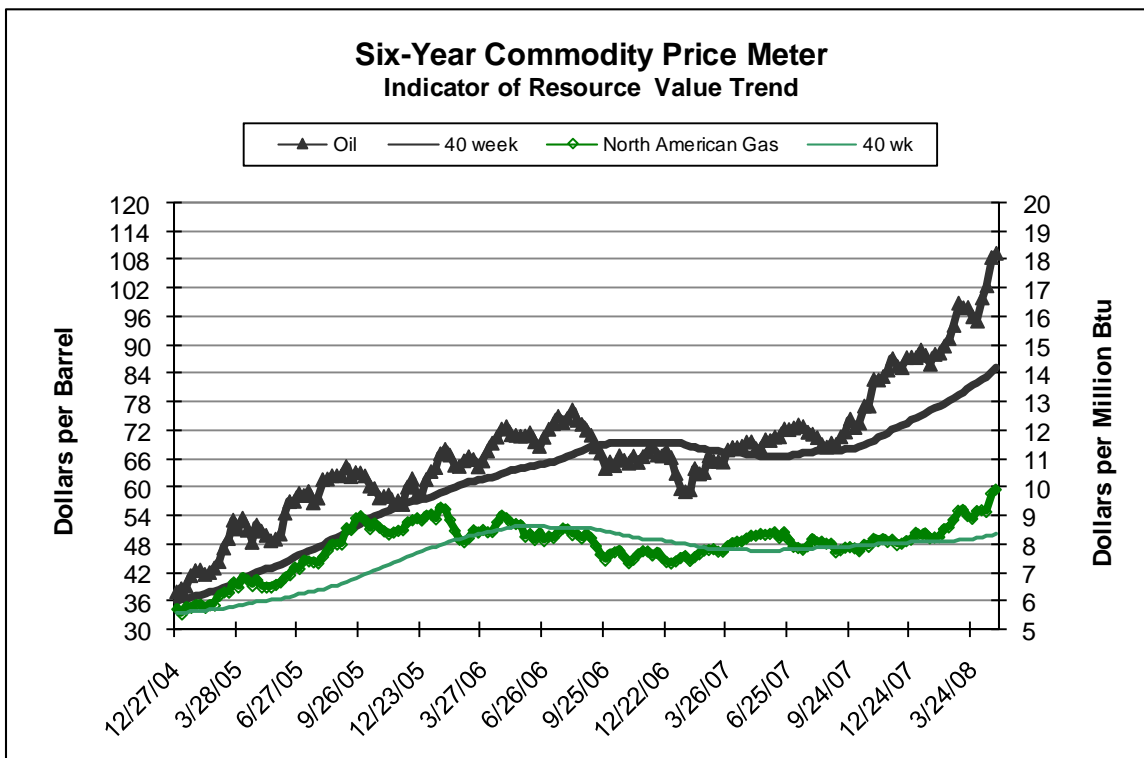
Kurt H. Wulff, CFA



EOG Resources Inc.									
Operating and Financial Results									
									Next
									Twelve
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Months
	3/31/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09
<b>Volume</b>									
Natural Gas (mmcf)									
U.S.	915	1,010	<b>971</b>	1,085	1,085	1,085	1,085	<b>1,088</b>	<b>1,085</b>
Canada	222	225	<b>224</b>	216	216	216	216	<b>217</b>	<b>216</b>
Overseas	283	261	<b>275</b>	248	248	248	248	<b>249</b>	<b>248</b>
Total	1,420	1,496	<b>1,470</b>	1,549	1,549	1,549	1,549	<b>1,553</b>	<b>1,549</b>
Days	90	92	<b>365</b>	91	91	92	92	<b>366</b>	<b>365</b>
Oil (mbd)	39	49	<b>43</b>	54	54	54	54	<b>54</b>	<b>54</b>
Total gas & oil (bcf)	149	164	<b>630</b>	171	171	173	173	<b>686</b>	<b>685</b>
Total gas & oil (mmcf)	1,656	1,788	<b>1,726</b>	1,875	1,875	1,875	1,875	<b>1,880</b>	<b>1,875</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.97	<b>6.87</b>	8.02	10.75	11.49	11.85	<b>10.52</b>	<b>11.58</b>
U.S.	6.42	6.52	<b>6.32</b>	8.05	10.45	11.17	11.51	<b>10.30</b>	<b>11.04</b>
Canada	6.43	6.36	<b>6.25</b>	7.44	9.65	10.32	11.51	<b>9.74</b>	<b>10.33</b>
Overseas	3.10	4.31	<b>3.01</b>	4.27	4.27	4.27	4.27	<b>4.27</b>	<b>4.27</b>
Total	5.76	6.11	<b>5.69</b>	7.36	9.35	9.95	10.36	<b>9.26</b>	<b>9.86</b>
Oil (\$/bbl)									
WTI Cushing	58.08	90.67	<b>72.28</b>	97.94	116.85	116.98	115.03	<b>111.70</b>	<b>115.57</b>
Worldwide	53.50	81.19	<b>66.11</b>	89.58	106.87	106.99	105.20	<b>102.18</b>	<b>105.71</b>
Total gas & oil (\$/mcf)	5.87	7.61	<b>6.62</b>	8.68	10.82	11.32	11.60	<b>10.61</b>	<b>11.21</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	529	606	<b>2,239</b>	795	1,031	1,115	1,149	<b>4,091</b>	<b>4,371</b>
Canada	128	132	<b>511</b>	146	190	205	229	<b>770</b>	<b>814</b>
Overseas	79	103	<b>302</b>	96	96	97	97	<b>388</b>	<b>387</b>
Total	736	841	<b>3,052</b>	1,037	1,318	1,418	1,476	<b>5,248</b>	<b>5,572</b>
Oil	190	363	<b>1,033</b>	443	529	535	527	<b>2,034</b>	<b>2,099</b>
Other	(51)	47	<b>87</b>					<b>-</b>	<b>-</b>
Total	875	1,251	<b>4,171</b>	1,481	1,847	1,953	2,002	<b>7,283</b>	<b>7,671</b>
<b>Expense</b>									
Cash costs	164	336	<b>1,016</b>	482	573	600	612	<b>2,267</b>	<b>2,364</b>
<b>Ebitda (\$mm)</b>	711	915	<b>3,155</b>	999	1,293	1,367	1,402	<b>5,060</b>	<b>5,370</b>
Exploration	67	146	<b>414</b>	89	89	89	89	<b>356</b>	<b>357</b>
Deprec., Deplet., & Amort.	244	282	<b>1,065</b>	297	297	297	297	<b>1,188</b>	<b>1,188</b>
<b>Ebit</b>	400	487	<b>1,677</b>	613	907	981	1,016	<b>3,516</b>	<b>3,825</b>
Interest	8	16	<b>48</b>	12	12	12	12	<b>48</b>	<b>48</b>
<b>Ebt</b>	392	471	<b>1,629</b>	601	895	969	1,004	<b>3,468</b>	<b>3,777</b>
Income Tax	118	150	<b>542</b>	129	313	339	351	<b>1,133</b>	<b>1,322</b>
<b>Net Income (\$mm)</b>	274	321	<b>1,087</b>	472	581	630	652	<b>2,336</b>	<b>2,455</b>
<b>Shares (millions)</b>	247	249	<b>248</b>	250	250	250	250	<b>250</b>	<b>250</b>
Per Share (\$)	1.11	1.29	<b>4.39</b>	1.89	2.33	2.52	2.61	<b>9.35</b>	<b>9.83</b>
Ebitda Margin	77%	76%	<b>77%</b>	67%	70%	70%	70%	<b>69%</b>	<b>70%</b>
Tax Rate	30%	32%	<b>33%</b>	21%	35%	35%	35%	<b>33%</b>	<b>35%</b>



EOG Resources Inc.					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	3,650	10.2	5.9	21,500	70%
Rest of World Natural Gas	270	11.9	7.4	2,000	7%
Oil	1,480	8.0	4.8	7,100	23%
	5,400	10.0	5.7	30,600	100%
Debt (US\$mm)					1,900
Net Present Value (US\$mm)					28,700
Shares (mm)					250
Net Present Value - Standard Estimate (US\$/sh)					115
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					123



**McDep LLC**  
**Independent Stock Idea**  
May 2, 2008



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