

Rating: Buy
S&P 500: 1446

EOG Resources Inc.

Reserves up Ten Percent in 2006

<i>Symbol</i>	EOG	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$m)</i>	3,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	72
<i>Price (\$/sh)</i>	69.59	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/1/07	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	247	<i>EV/Ebitda</i>	6.0
<i>Market Capitalization (\$mm)</i>	17,200	<i>PV/Ebitda</i>	7.9
<i>Debt (\$mm)</i>	1,200	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (\$mm)</i>	18,300	<i>Natural Gas and Oil Ebitda (\$/mcfe)</i>	5.10
<i>Present Value (PV) (\$mm)</i>	23,800	<i>Present Value Proven Reserves(\$/boe)</i>	21.00
<i>Net Present Value (\$/share)</i>	92	<i>Present Value Proven Reserves(\$/mcfe)</i>	3.50
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.54
<i>McDep Ratio - EV/PV</i>	0.77	<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\$60 a barrel and natural gas, \$10 a million btu.

For historical research on EOG since 2006 see <http://www.mcdep.com/3eog.htm>

Summary and Recommendation

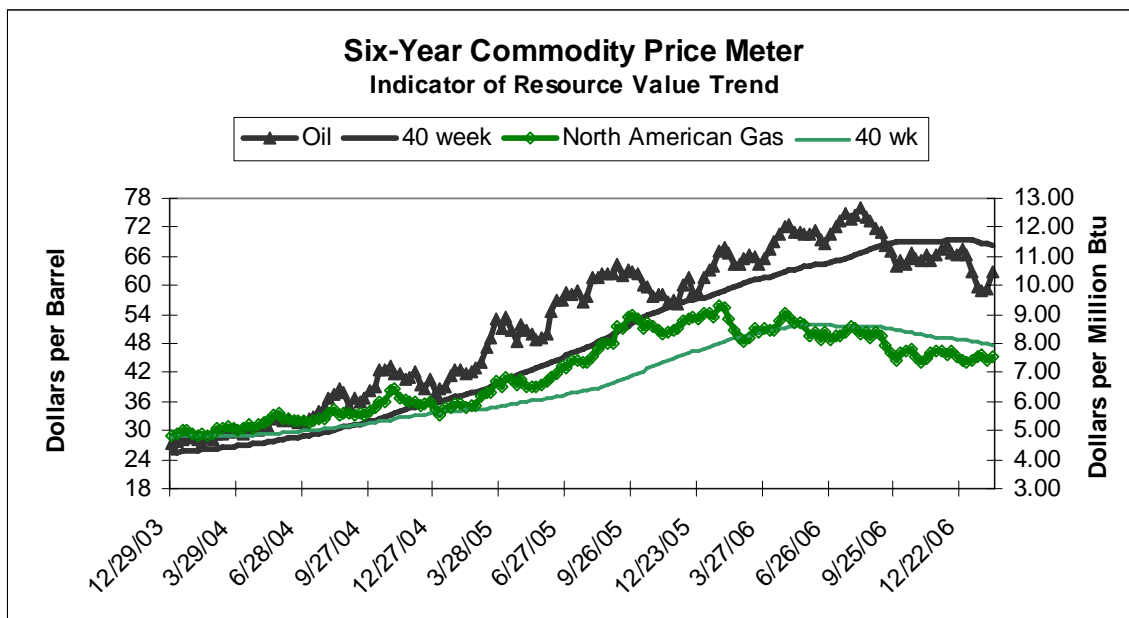
A ten percent increase in proven reserves and a nine percent increase in production volume in 2006 lend confidence to estimated net present value (NPV) of \$92 a share for buy-recommended **EOG Resources (EOG)**. Cash flow projections and reserve life take into account fourth quarter 2006 results and latest year end reserves reported on February 1 (see table, Functional Cash Flow and Present Value). A gap between estimated NPV and that from a correlation for some thirty natural gas and oil producers has narrowed. Conservative reporting of reserves and unrecognized potential in the Fort Worth Barnett Shale seem to justify the difference. Prospects for the company could be strengthened if natural gas for delivery over the next six years, priced currently at \$7.54 a million Btu, resumes an uptrend by crossing above the 40-week average in the next few months (see chart, Six-Year Commodity Price Meter). Increasing interest in EOG stock is evident with the current price trend crossing above the 200-day average. EOG has a double weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

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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	2,150	10.3	8.4	18,000	75%
Rest of World Natural Gas	260	9.3	6.2	1,600	7%
Oil	590	7.1	7.3	4,300	18%
	3,000	9.7	8.0	23,900	100%
Debt (US\$mm)					1,200
Net Present Value (US\$mm)					22,700
Shares (mm)					247
Net Present Value - Standard Estimate (US\$/sh)					92
Net Present Value - Approximation by Correlation (US\$/sh)					88



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EOG Resources Inc.
Operating and Financial Results

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S.	749	837	894	817	894	894	894	894	894
Canada	225	224	227	226	227	227	227	227	227
Overseas	338	283	286	294	286	286	286	286	286
Total	1,312	1,344	1,407	1,337	1,407	1,407	1,407	1,407	1,407
Oil (mbd)	36	37	39	37	39	39	39	39	39
Total gas & oil (bcf)	141	144	151	570	148	149	151	151	599
Total gas & oil (mmcf)	1,530	1,567	1,640	1,561	1,640	1,640	1,640	1,640	1,640
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	7.06	7.70	7.90	8.56	7.81
U.S.	10.38	6.21	6.09	6.56	6.35	6.93	7.11	7.70	7.03
Canada	9.73	5.65	5.85	6.41	5.65	6.16	6.32	7.70	6.46
Overseas	3.28	2.57	3.28	2.95	3.28	3.28	3.28	3.28	3.28
Total	8.44	5.35	5.48	5.74	5.61	6.07	6.21	6.80	6.18
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	56.84	59.51	61.14	62.33	59.95
Worldwide	55.29	64.87	55.27	60.77	52.36	54.82	56.32	57.42	55.25
Total gas & oil (\$/mcf)	8.63	6.71	6.18	6.85	6.06	6.50	6.66	7.20	6.61
Revenue (\$mm)									
Natural Gas									
U.S.	715	478	501	1,956	511	564	585	634	2,294
Canada	201	116	122	529	115	127	132	161	536
Overseas	102	67	86	317	84	85	86	86	342
Total	1,019	662	709	2,802	711	777	803	881	3,172
Oil	185	222	197	830	183	194	201	205	782
Other	11	84	26	273					-
Total	1,214	968	933	3,905	894	970	1,005	1,086	3,954
Expense									
Cash costs	179	210	210	864	206	225	234	254	920
Ebitda (\$mm)	1,035	758	723	3,041	687	745	770	831	3,034
Exploration	70	74	124	344	90	90	90	90	360
Deprec., Deplet., & Amort.	177	216	230	817	230	230	230	230	920
Ebit	788	468	369	1,880	367	425	450	511	1,754
Interest	20	10	8	43	8	8	8	8	32
Ebt	768	458	361	1,837	359	417	442	503	1,722
Income Tax	285	160	110	627	126	146	155	176	603
Net Income (\$mm)	483	298	251	1,211	234	271	288	327	1,119
Shares (millions)	245	246	247	246	247	247	247	247	247
Per Share (\$)	1.97	1.21	1.02	4.92	0.95	1.10	1.17	1.33	4.54
Ebitda Margin	85%	78%	78%	78%	77%	77%	77%	77%	77%
Tax Rate	37%	35%	30%	34%	35%	35%	35%	35%	35%

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