



Rating
Buy

Company
EOG Resources

Date
4 May 2015

North America
United States

Industrials
Oil & Gas Exploration &
Production

Reuters EOG.N Bloomberg EOG UN Exchange NYS Ticker EOG

Results

Price at 4 May 2015 (USD)	99.39
Price Target	101.00
52-week range	117.98 - 83.68

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Sticking to the Script

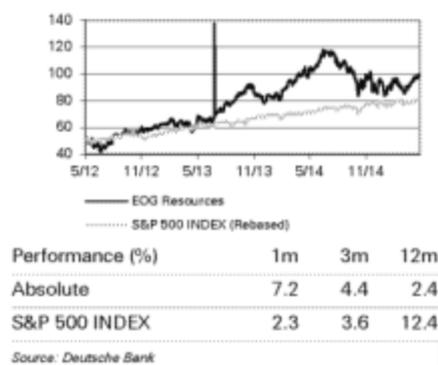
No surprises, but improvements at the margin
While EOG's result largely stuck to the emerging script thus far amongst E&P reports (volume beat, lower costs, poor realizations), incremental improvements to both asset performance and cost structure continue to add to what has been peer-leading performance. Although guidance (cost and volume) remains unchanged for the year, capital is clearly under downward pressure (updated well costs are targeting 10% below 2015 plan assumptions), and well performance is exceeding expectations, further supporting the potential for attractive growth within cash flow in 2016. Buy.

Investment Thesis - \$101/shr PT BUY
EOG continues to expand its competitive advantage relative to peers from a dominant position in domestic oil assets. The company is delivering superior wells, while capturing more value from the wellhead via sustainably lower well costs and a leading position in crude logistics.

What to look for on the call?

- **Capital Outlook:** Although the FY15 budget remains unchanged, look for guidance on the potential for either a downward revision to FY budget or incremental activity in 2H15. Well costs are currently averaging 4.5% below 2015 plan assumptions, with confidence in updated targets of 10% average decline from FY15 plan, led by the Permian, with declines of 8%/12%, captured/targeted.
- **Asset performance:** High density completions in the Eagle Ford are tracking ~23% ahead of prior (2014 vintage) completions, with the 2015 EF program shifting to 95% high density wells. Look for thoughts around potential for further incremental improvements from here, as well as the impact of high density completions in both the Bakken and Permian.
- **Decision Points for Growth:** The key question around a pick-up in activity remains at what combination of price and service cost deflation would see EOG put rigs back to work. The recent run-up in crude prices will likely trigger significant discussion on the roadmap for a pick-up in rig activity. With the strip near \$65/bbl for 2016 and flat prices ~\$59/bbl, look for management to speak to a sooner than anticipated (early 3Q) pick-up in well completions, as well as thoughts around whether operating cash flow will set the limit of incremental activity.

Price/price relative



Valuation and Risks

Our \$101 PT is derived from an equal weighting between our NAV at LT prices of \$80/\$4.50 and a 9.0x target 2016 DACF multiple. A downside risk includes operational missteps in the Eagle Ford, which will negatively affect growth projection.

Conference Call: May 5, 11AM EST Dial-in: 877.852.6576 Passcode: 7018032

Forecasts And Ratios

Year End Dec 31	2014A	2015E
FY EPS (USD)	4.95	-0.70
Dividend yield (%)	0.6	0.7

Source: Deutsche Bank estimates, company data

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