EOG Resources, Inc.

Equity Valuation & Investment Thesis

NYSE: EOG | Moderately Bearish | Briggs Advisory Group | May 28, 2026

Recommendation: Tactical Bearish — Defined-Risk Put Spread

EOG is a best-in-class operator; this is not a fundamental short. It is a catalyst-driven trade on oil-price normalization, expressed with capped downside. Base-case fair value ~$123 vs. $134 is ~8% — within DCF margin of error — so the edge is the trade structure and the catalyst, not the equity call alone.

- **The bull case is in the price.** DCF fair value ~$123 (bull $186 / bear-stress $57); at $134 the market is paying up for sustained elevated oil.
- **The catalyst, not the gap, is the trade.** The ~8% gap is thin on its own; the edge is ~$2/bbl oil normalization (implied ~$84 vs. curve ~$82) plus a possible deal break.
- **Macro model corroborates direction.** A regime detector (not a trading system) shows energy equities mean-revert after oil shocks — it supports the DCF, not the basis for the trade.
- **Track record.** +48% on the closed spread; +22% on the live re-entry (mark-to-market).
- **Expression: defined-risk put spread.** Long $140 / short $115 (Sep) — capped loss, no solvency exposure. A price call, not a fundamental short.

Valuation Range — Scenario Fair Value vs. Current Price ($/share)

Company Highlights

- **History & Profile:** Founded 1985, HQ Houston. Premier U.S. shale operator with a multi-basin portfolio anchored by the Permian (Delaware) and the emerging Utica play; ~548M shares outstanding.
- **Operating Strength:** Among the lowest finding & development costs in U.S. shale; deep inventory of high-return drilling locations and disciplined capital allocation through the cycle.
- **Strategy:** Returns-focused model — a sustainable, growing dividend ($4.08/sh) plus opportunistic buybacks, capex held flat (~$6.5B), oil volumes +5% in 2026.
- **Recent Activity:** Closed the Encino acquisition (Aug 2025), extending the Utica position; $20B total buyback authorization, ~$12.9B remaining post-May 2026.
- **Investment View:** High-quality operator, but the stock ($134) trades ~8% above our base-case fair value ($123) — the market is pricing a temporary oil war premium I expect to fade.

Peer Multiples	FY26e
EOG Resources	
EV/EBITDA	4.4x
EV/Revenue	2.4x
P/E	8.2x
U.S. E&P Peer Avg*	
EV/EBITDA	5.0x
EV/Revenue	2.8x
P/E	12.0x

Revenue Mix	%	Gross ($mm)
Crude Oil	60%	$17,712
NGLs	18%	$5,314
Natural Gas	22%	$6,494

Key Metrics	Unit
Total Production	1.40 MMBoe/d
2026 Oil Growth	+5%
Capex (FY26e)	$6.5B
FCF (FY26e)	$6.9B
Net Income (FY26e)	$9.0B
Net Debt / EBITDA	0.1x

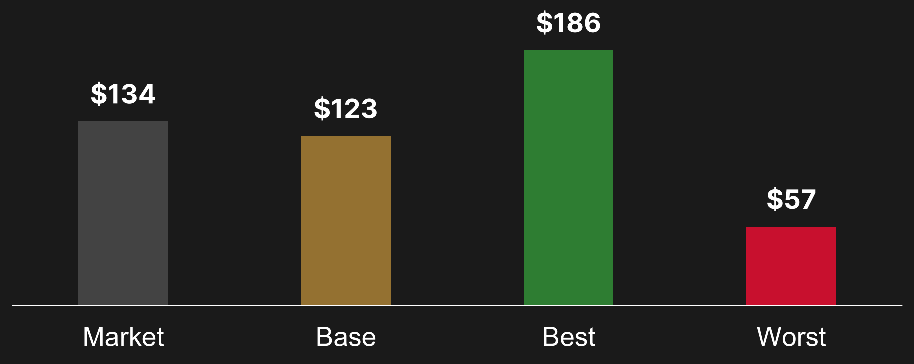
Valuation & Share Performance

Key Valuation Statistics ($mm)

Enterprise Value	**$71,642**	**Revenue (FY26e)**	**$29,520**
Market Cap	$73,432	EBITDA (FY26e)	$16,345
P/E*	8.2x	EBITDA Margin	55%
EV/EBITDA*	4.4x	Net Debt	$4,082
Cash	$5,084	Total Debt	$7,436

*P/E and EV/EBITDA based on FY26(e). Net Debt $4,082M is Q1 2026 actual (3/31/26, per 8-K filed 5/5/26); FY26E year-end estimate is $2,352M.

Share Price Current: **$134.00** High/Low: **$151.00** / **$103.00**



Revenue Drivers

Crude Oil (~60% of revenue)

- Volumes +5% in 2026 per EOG guidance, tapering to ~0.5% by 2030 as the basin matures.
- Realized $82.25/bbl in 2026 (WTI $79 + $3.25 basis), declining to ~$61 by 2030 as the war premium fades.
- Largest valuation swing factor: ~$4.5/share per $1/bbl of WTI.

NGLs (~18% of revenue)

- Priced at ~29.5% of WTI per FY26 guidance; grows with total Boe volumes (+13% in 2026).
- Permian takeaway expansions (BANGL, EPIC) support realizations into 2027–28.
- Stable, lower-volatility contributor relative to crude.

Natural Gas (~22% of revenue)

- Realized $3.37/Mcf in 2026 (Henry Hub $3.67 less $0.30 basis), easing toward ~$2.95 by 2030.
- Encino (closed Aug 2025) adds Utica gas/condensate volume and inventory depth.
- Modest margin contributor; upside if HH strengthens above the EIA STEO path.

Revenue & EBITDA Forecast

(in millions of U.S. dollars)	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Crude Oil	13,966	14,086	13,594	**17,712**	**16,558**	**14,869**	**14,687**	**14,479**
NGLs	4,190	4,226	4,078	**5,314**	**4,967**	**4,461**	**4,406**	**4,344**
Natural Gas	5,121	5,165	4,984	**6,494**	**6,071**	**5,452**	**5,385**	**5,309**
Total Revenues	**23,276**	**23,477**	**22,656**	**29,520**	**27,596**	**24,782**	**24,479**	**24,131**
Crude Oil Growth, %	—	+0.9%	-3.5%	**+30.3%**	**-6.5%**	**-10.2%**	**-1.2%**	**-1.4%**
NGLs Growth, %	—	+0.9%	-3.5%	**+30.3%**	**-6.5%**	**-10.2%**	**-1.2%**	**-1.4%**
Natural Gas Growth, %	—	+0.9%	-3.5%	**+30.3%**	**-6.5%**	**-10.2%**	**-1.2%**	**-1.4%**
Total Revenues Growth, %	**—**	**+0.9%**	**-3.5%**	**+30.3%**	**-6.5%**	**-10.2%**	**-1.2%**	**-1.4%**
Total Adjusted EBITDA	12,564	12,564	11,098	**16,345**	**14,770**	**12,594**	**12,378**	**12,168**
EBITDA Margin, %	54.0%	53.5%	49.0%	**55.4%**	**53.5%**	**50.8%**	**50.6%**	**50.4%**

EOG is effectively debt-free on a net basis — Q1 net debt of $4.08B falls to a net cash position by 2027, with interest coverage above 40x; the balance sheet is a fortress, not a risk.

Capital Adequacy & Credit Profile

- **De-levering to net cash:** FY26E net debt of $2.4B (0.14x EBITDA); Q1 actual was $4.08B (3/31/26, 8-K filed 5/5/26). De-levers to net cash by 2027, reaching ~$6.6B net cash by 2030 as FCF compounds.
- **Ample coverage:** EBITDA covers interest >40x and FCF covers total debt ~0.9x — far inside typical E&P covenant thresholds (Debt/EBITDA <2.5–3.0x, coverage >3–4x).
- **Self-funding capital returns:** $6.9B 2026 FCF comfortably funds the $4.08/sh dividend and a $2.0B buyback, with ~$4.2B post-dividend cushion — no need to draw on debt.

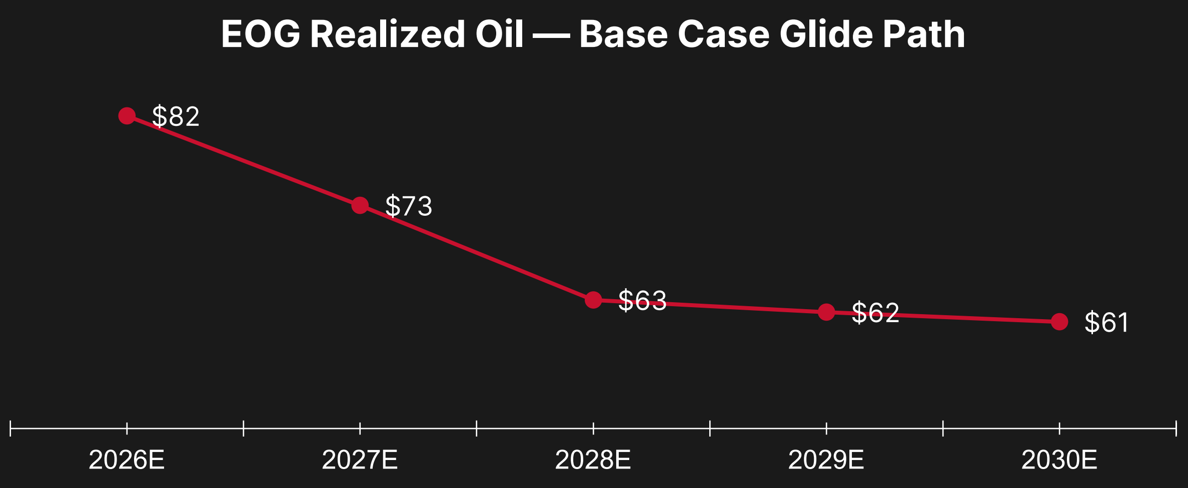
(in $mm unless noted)	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Net Debt	(1,479)	(2,340)	4,540	2,352	(515)	(2,608)	(4,640)	(6,617)
Net Debt / EBITDA	(0.1x)	(0.2x)	0.4x	0.1x	(0.0x)	(0.2x)	(0.4x)	(0.5x)
Interest Coverage (x)	85x	91x	47x	43x	40x	36x	36x	35x

Debt Facility	Outs. *($mm)*	Avail. *($mm)*	Maturity	Interest rate	Notes
Senior Notes	$7,436	—	2025–2048	~5.0% avg	Investment grade (A-/A3); laddered
Revolving Credit Facility	—	$2,000	2028	SOFR + spread	Undrawn; full liquidity backstop

Oil Macro & War-Premium Thesis

Oil Price Deck — Realized ($/bbl)	
2026E	**$82.25**
2027E	**$73.00**
2028E	**$63.25**
2030E	**$61.00**
Key Macro Assumptions	
WTI Dec '26 curve	**$79.00**
EOG basis (2026→2030)	**$3.25 → $1.00**
Henry Hub gas (2026E)	**$3.37**
NGL realization (% WTI)	**29.5%**
Terminal growth	**1.0%**
WACC	**7.7%**
War-Premium Signal	
Market-implied oil	**~$84/bbl**
Residual war premium	**~$2/bbl**

WTI Price Path — Curve vs. Mean Reversion



Macro factor model — a regime detector

- WTI log return ($p=0.0002$) flags extreme oil-equity dislocations that historically mean-revert within ~1 month. 7 walk-forward signals, 71.4% hit rate — but longs carried it; shorts were 2 of 4.
- Prior Live read (March 23) +2.33σ — below the ±2.5σ trigger. Not a standalone signal; it corroborates the DCF gap, which is what the trade rests on.

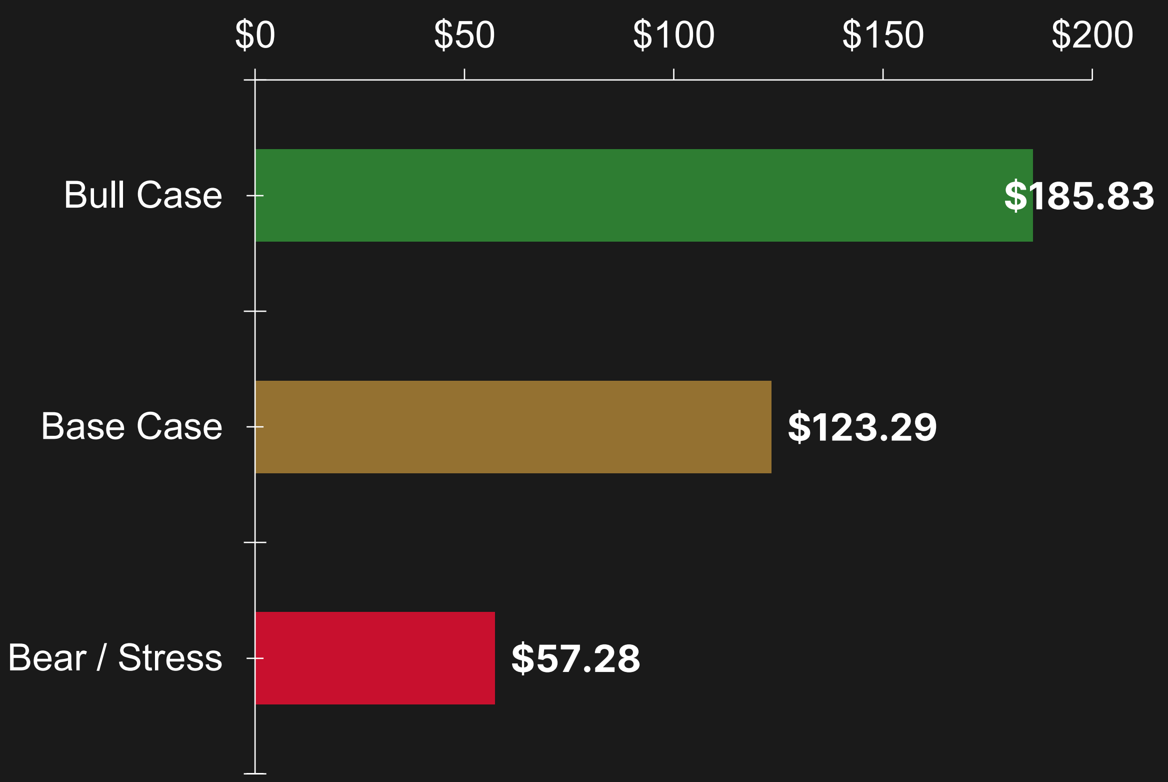
Valuation Summary

- EOG trades at **$134** vs. a base-case DCF fair value of **$123.29** — implying ~8.0% downside.
- The ~$11 gap reflects a residual war premium in oil; the market implicitly prices ~$84/bbl realized vs. our $82.25 base.
- Scenario range: bull case **$185.83**; bear / stress case **$57.28** — a multi-factor tail (oil, costs, buybacks all break together), not a base downside.

Stock Price	Current: $134.00	Base Fair Value: $123.29 (8.0% downside)

DCF Key Inputs	Base	Bull	Bear/Stress
WACC	7.7%	7.7%	7.7%
Terminal Growth	1.0%	1.0%	1.0%
Equity Value / Share	$123.29	$185.83	$57.28

DCF Scenario Range



Category	Assumptions		Comments
	Base 2026E	2030E (Term.)	
WACC	**7.7%**	7.7%	• Reasoned override of a low 6.56% bottom-up (cyclically depressed peer betas). Damodaran Jan-2026 E&P cost of equity 7.17% (β 0.72 ≈ our 0.73 back-solve) and GuruFocus 7.45% bracket the 7.7%.
Terminal Growth	**1.0%**	1.0%	• Below long-run inflation — reflects depleting reserves and finite inventory life. Conservative vs. GDP.
Realized Oil ($/bbl)	**$82.25**	**$61.00**	• WTI Dec-26 strip $79 + EOG basis. Glides down as the Hormuz premium fades and basis compresses to $1.00.
Realized Gas ($/Mcf)	$3.37	$2.95	• EIA April STEO HH avg less $0.30 basis; gradual decline through the forecast.
Oil Production Growth	**+5%**	+0.5%	• Per EOG FY26 plan; tapers as the basin matures. Total Boe growth ~+13% in 2026 incl. Encino.
EBITDA Margin	55.4%	50.4%	• FY26e vs. Q1 2026 actuals; compresses modestly as prices normalize from elevated levels.
Tax Rate	22.0%	22.0%	• Q1 2026 effective rate; matches 5-yr historical. Flat across the forecast.
Capex ($B)	$6.5	**$6.4**	• Matches EOG FY26 guided midpoint ($6.3–6.7B). Flat, disciplined reinvestment.

Sensitivity — Equity Value per Share ($)

Equity $/sh	g = 0.5%	g = 1.0%	g = 1.5%
WACC 7.5%	120.23	126.98	134.87
WACC 7.7%	116.96	**123.29**	130.63
WACC 8.0%	112.39	118.13	124.76

Oil price sensitivity (base WACC 7.7%): ~$4.50/share per $1/bbl WTI. At $72 → ~$77; at $82 → ~$122; at $92 → ~$167. The call is essentially a view on 2026 realized oil.

WACC 7.7% — a reasoned override, validated externally. Bottom-up CAPM gives 6.56%, but 2020–25 peer betas are cyclically depressed — too low for a crude-levered E&P. Damodaran (NYU Stern, Jan 2026) puts E&P cost of equity at 7.17% on a 0.72 levered beta — within a hair of our 0.73 back-solve — confirming 7.7% is a sane cost of equity; GuruFocus (7.45%) corroborates.

Honest caveat: the call is WACC-sensitive — at the 6.56% bottom-up, fair value rises and the discount to $134 nearly closes.

At $134, the market is implying ~$84.6/bbl realized oil — about $2.3 above our strip-consistent $82.25 base. The gap is a war premium, not a fundamentals re-rating.

EOG share price	Implied 2026 realized oil
$77 (fair @ strip −$5)	$76.92 model output*
$99	$77/bbl
$122 (base FV $123)	$82.25/bbl (our base)
$134 (current)	**~$84.6/bbl**
$145	$87/bbl

How to read it

- Our base case ($82.25 oil) values EOG at ~$123. To justify today's $134, the market needs ~$84.6 realized oil to hold.
- That ~$2.3/bbl sits above the WTI Dec-26 strip plus EOG basis — i.e. a residual war premium, the exact thing our thesis expects to fade.
- The bet is small and specific: ~$2–3/bbl of mean reversion, not an oil collapse. A defined-risk put spread expresses exactly that.

** Reverse-DCF holds WACC at 7.7% and flexes only 2026 realized oil (≈$4.50/share per $1/bbl). At a 6.56% bottom-up WACC, the implied premium shrinks further.*

Tactical bearish — a high-quality operator priced for a temporary oil war premium; expressed through a defined-risk put spread

Pillar 1

The stock trades modestly above intrinsic value

- Base-case DCF is $123 vs. $134 — ~8% downside, which sits within a DCF's own margin of error. The edge is not the gap itself; it is the catalyst and the defined-risk structure.

Pillar 2

The oil war premium should fade

- The market implicitly prices ~$84/bbl realized oil; the WTI curve and EIA STEO point to ~$82, then lower. The thesis needs only ~$2/bbl of mean reversion, not a collapse.

Pillar 3

A macro factor model corroborates the call

- An expanding walk-forward test (2006–2024, 71.4% hit rate, no look-ahead bias) shows energy equities systematically overprice during oil shocks and mean-revert. Today's signal reads +2.33σ — directional support, just below the ±2.5σ trigger.

Valuation Summary

- **Base case:** $123.29 / share (8% downside)
- **Bull case:** $185.83 / share (+39%)
- **Bear/stress case:** $57.28 (multi-factor tail)
- **Current price:** $134.00
- **WACC:** 7.7% (override) │ Terminal: 1.0%
- **Sensitivity:** a 6.56% bottom-up WACC narrows the gap to ~3% — the call is WACC-sensitive.

Expression: defined-risk bear put spread — a tactical trade on premium normalization, not an outright short.

The catalyst — a potential deal break — drives the re-entry; the DCF gap supports it, and the macro model is now neutral (vs. a 2.5σ trigger on the prior trade)

Trade 1

$135 / $115 put spread — closed +48%

- Scaled in Mar 23–31, 2026 with the stock at ~$148–150. Exited as EOG fell toward ~$127, returning roughly +48% on the spread.

Why It Worked

Both models fired together

- The DCF flagged the valuation gap while the macro factor model hit a ~2.5σ overpricing signal — a rare alignment. The May 17 deal scare ($124 low) confirmed the downside sensitivity.

Trade 2

Re-entry on a possible deal break (live)

- This time the catalyst leads: conviction that a deal may actually fall through. The DCF still fills the valuation gap, but the macro model is neutral — a lower-confidence, catalyst-driven setup than Trade 1.
- **Position:** $140 / $115 put spread, Sep 18 expiry — currently +22% (as of May 29).

Trade Scorecard

- **Trade 1 entry:** Mar 23–31 @ ~$148–150
- **Structure:** $135 / $115 put spread
- **Peak profitability:** ~$127 (+48%)
- **Trade 2 entry:** $140 / $115, Sep 18 exp
- **Trade 2 live P/L:** +22% (May 29)
- **Signals:** T1 DCF + macro ~2.5σ; T2 DCF + catalyst, macro neutral

Proof the DCF and macro model complement each other across regimes.

Primary catalyst: normalization of the geopolitical risk premium as the 2026 conflict de-escalates — historically a 6–12 month process.

0–3 mo

Near term — the live deal-break catalyst

- The Trade 2 thesis: a potential deal break re-rates EOG toward fair value. Early signs of oil-price normalization (Hormuz premium fading) would confirm the setup.

3–6 mo

Mid term — macro pressure builds

- Weakening global manufacturing (PMI) and a stronger USD pressure oil; potential OPEC+ supply increases add to the downside as members chase share.

6–12 mo

Full normalization — premium unwinds

- If the conflict creates no lasting supply loss, oil and energy equities drift back to fair value. EOG-specific: Utica ramp costs weigh on near-term FCF without immediate production payoff.

What to Watch

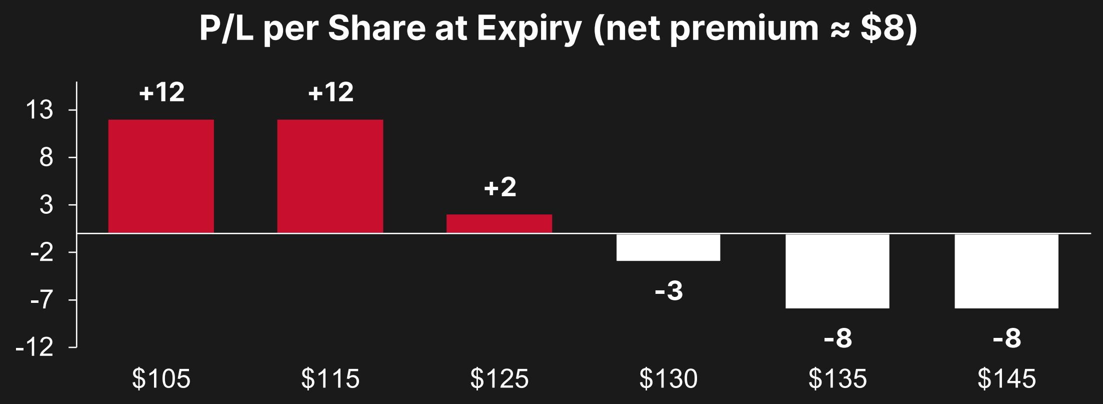
- **Oil:** WTI drifting toward the $79 strip
- **Term structure:** backwardation easing
- **Catalyst:** news flow on the deal
- **Timing risk:** a sustained shock keeps oil > $90 and defers reversion — the Sep expiry caps that risk.

The put spread is sized so timing risk is defined and capped.

Recommended Trade: Bear Put Spread

- **Long $135 put** (slightly ITM) — primary downside exposure as EOG re-rates toward fair value.
- **Short $115 put** (at base-case fair value) — recaptures ~1/3 of premium; caps profit below our own target.
- **Expiry Sep–Dec 2026** — aligns with the 6–12 month war-premium normalization window.
- **$20 spread width** — captures the gap between price ($134) and fair value ($123) at a favorable risk/reward.

Payoff Profile at Expiry



Why This Structure

- **Net seller of premium.** Energy implied vol is elevated; the short put recaptures expensive time value, making the spread far cheaper than a naked put.
- **Defined, capped risk.** Max loss is the net premium paid — appropriate for a moderate-conviction view, not a naked short.
- **Matched to a moderate correction.** Thesis is an ~8% mean reversion, not a crash — the put spread is the optimal structure for this.
- **Sizing:** risk no more than 1–2% of portfolio on premium; hold to expiry or a preset profit target, do not delta-hedge.

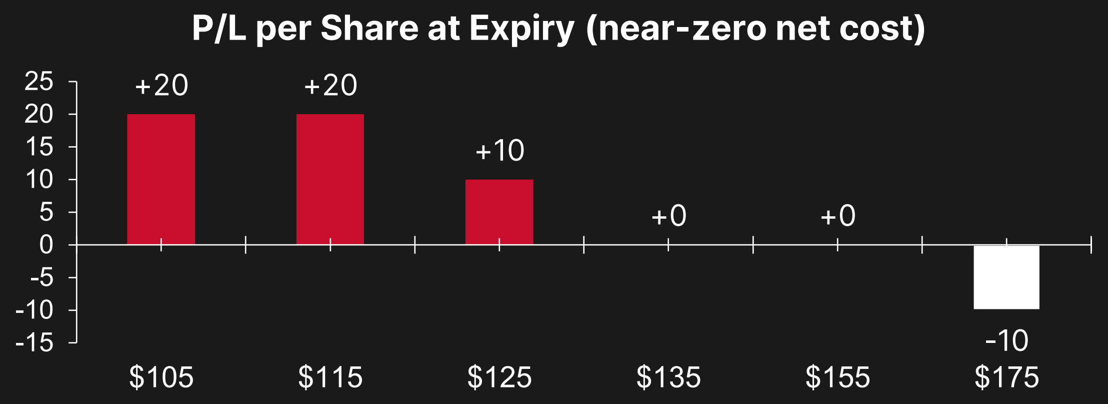
Trade Economics

Parameter	Value	Parameter	Value
Long strike	$135 put	Short strike	$115 put
Expiry	Sep–Dec 2026	Spread width	$20.00
Max loss	Net premium paid	Max profit	$20 – net premium
Breakeven	~$130–132	Conviction	Moderate

Secondary Option: Put-Spread Collar

- The put spread plus a **short $165 call** (~18% OTM), same Sep–Dec 2026 expiry.
- The call premium funds most (or all) of the put-spread cost — a near-zero-cost structure.
- Benefits from negative skew: put-side implied vol is richer than call-side, so the sold call is relatively cheap to give up.

Collar Payoff at Expiry



Trade-Offs vs. the Put Spread

- **Lower cost, but caps upside:** gains are forfeited if EOG rallies above $165.
- Acceptable trade: best case is $186, but a rally past $165 would mean the bearish thesis is decisively wrong.
- Use only if a sustained rally is judged unlikely — consistent with the war-premium normalization view.

Structure & Sizing

Leg	Strike	Action	Cost Impact
Long Put	$135	Buy	Pay premium
Short Put	$115	Sell	+ ~1/3 back
Short Call	$165	Sell	Funds spread
Net Structure	—	—	~Zero cost

Key Risks to the Bearish Thesis

- **Sustained conflict:** prolonged supply destruction could hold oil above $90, validating the current price.
- **Structural demand:** delayed energy transition or EM demand growth could lift the medium-term oil deck.
- **EOG outperformance:** stronger Utica economics or share gains could let EOG grow into its valuation.

Conviction: Moderate

The thesis rests on the DCF valuation gap (~8% downside), with the macro factor model providing corroborating directional evidence. It depends on a modest ~$2/bbl oil mean-reversion — not a price collapse. The trade is sized at 1–2% of portfolio with defined, capped risk, reflecting the moderate conviction level.

Additional Risks

- **Buyback acceleration:** aggressive repurchases above our base case lift per-share value faster than modeled.
- **Macro regime change:** ESG underinvestment or OPEC+ discipline may have permanently shifted the supply curve higher, breaking historical mean-reversion.

What Would Change My View

Trigger	Threshold	FV Impact	Verdict
Oil stays elevated	WTI > $90	+$10–15/sh	Thesis wrong
Strip re-rates up	2027 > $80	+$8–10/sh	Trim short
Buyback surge	> $3.5B/yr	+$5/sh	Monitor
Macro signal fires	WF > 2.5σ	Confirms	Add to short

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