



Fueling Up on Quality Assets

We first made EOG Resources (EOG: \$135/share) a [Long Idea](#) in [November 2023](#) and reiterated our thesis on the stock in [October 2024](#). Since our original report, the market has failed to recognize the strength of the company's business and its strong shareholder return.

As the company expands its asset base to capture future growth opportunities, it continues to provide Attractive Risk/Reward in a market dominated by overvalued equities. In addition, the current geopolitical environment, namely the U.S. – Iran war and the resulting upheaval in global energy markets, looks likely to drive higher oil prices and restrict supply for the foreseeable future, which further boosts EOG's profit growth potential.

EOG offers favorable Risk/Reward based on the company's:

- position to profit from persistent demand for oil and gas amid higher prices,
- plant and well investments to lower costs, expand margins, and increase capacity,
- industry-leading profitability,
- quality yield supported by strong cash flows, and
- cheap valuation.

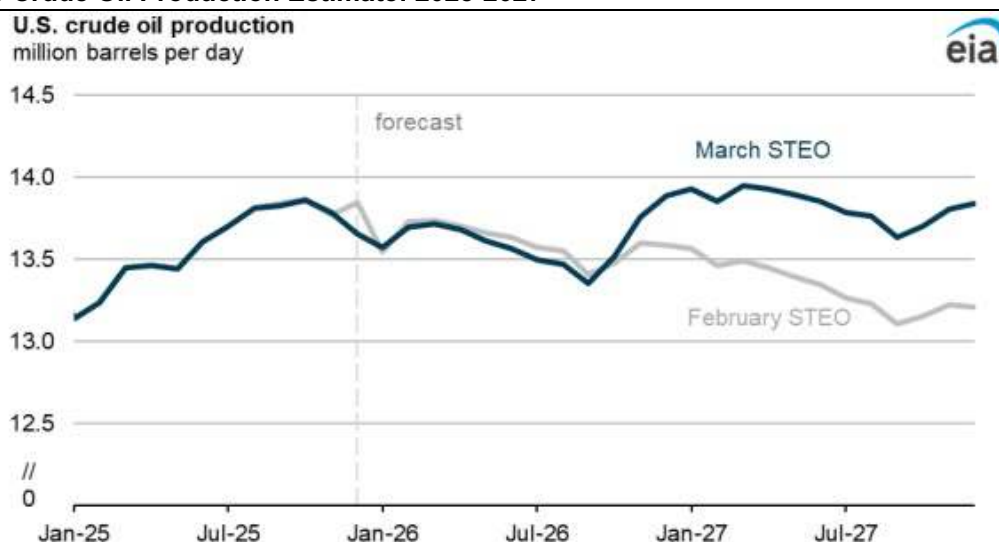
What's Working

Oil & Gas Pumped Up by Geopolitical Risk

It's no secret that countries across the globe are producing more oil and gas – a point we've highlighted in recent reports such as [Energy Demand Isn't Going Away, But This Opportunity Might](#). The U.S. Energy Information Administration (EIA), in its [March 2026 Short-Term Energy Outlook](#), projects U.S. crude oil production to continue expanding to an average of 13.6 million barrels per day (b/d) in 2026 and 13.8 million b/d in 2027. See Figure 1.

In the most notable departure from past projections, the outlook now projects higher crude prices moving forward due to the U.S. – Iran war. In the latest update, the EIA projects Brent Crude oil will remain above \$95/barrel over the next two months before falling below \$80/barrel in third quarter and ~\$70/barrel by the end of the year. The EIA projects prices will average \$64/barrel in 2027.

Figure 1: U.S Crude Oil Production Estimate: 2025-2027



Sources: [U.S. Energy Information Administration](#)



The EIA's forecast could prove conservative if the geopolitical volatility continues. Goldman Sachs recently [raised](#) its projected WTI oil prices for the year and noted that prices could exceed their 2008 peak of \$147 if oil flows through the Strait of Hormuz remained depressed through March.

Higher for longer oil prices provide additional profit growth opportunity for EOG Resources that are not accounted for in its current valuation, as we'll show below.

Demand is Here to Stay

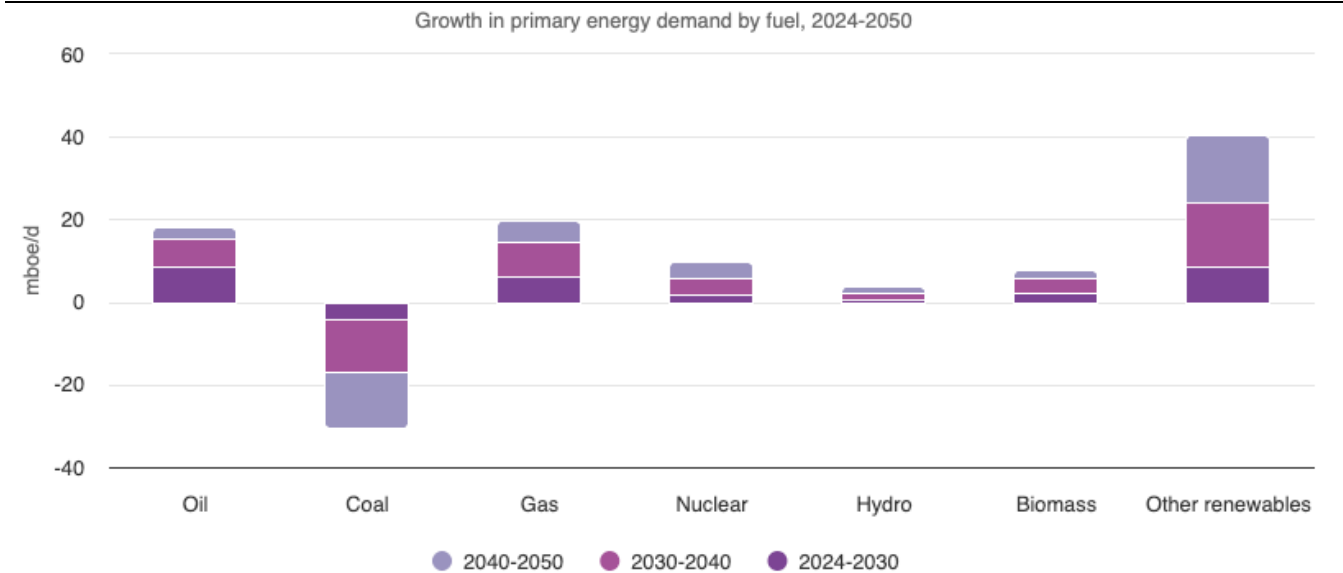
Despite best efforts around the world to minimize fossil fuel use, the latest projections show oil and liquid fuel demand will persist for years into the future.

In the short-term, the EIA [projects](#) global oil and liquid fuel consumption will grow 1% YoY in both 2026 and 2027.

Longer-term, OPEC's [World Oil Outlook](#) projects global primary energy demand will rise from 308 million barrels of oil equivalent per day (mboe/d) in 2024 to 378 mboe/d by 2050, or an increase of 23%.

This growth is spread across all fuel types, except coal, the only fuel type projected to see a drop in demand through 2050. Oil demand is expected to rise by 18 mboe/d, and natural gas demand is expected to grow by 20 mboe/d through 2050. See Figure 2.

Figure 2: Growth in Global Energy Demand by Fuel Type: 2024 – 2050



Sources: [OPEC](#)

Expanding Its Resource Base

EOG Resources is making strategic investments to expand its resource base and strengthen its position in high-return shale plays.

The acquisition of Encino Acquisition Partners significantly expands the company's footprint in the Utica Shale.

The transaction increases EOG's position in the basin by 675,000 acres, which brings its total net acres in the region to approximately 1.1 million net acres.

It also adds more than 2 billion barrels of undeveloped net resources. The acquisition not only increases the company's oil assets but also increases its natural gas production capacity to premium markets. The company aims to increase drilling efficiency and drive down well costs to drive additional profit potential, just as it has done across its portfolio for years.

Industry Leading Efficiency

EOG Resources continues to demonstrate that operational excellence can drive increased efficiency, materially lower costs, and sustain strong profitability.



The company reduced average well costs and operating costs by 7% and 4%, respectively, in 2025.

More specifically, in the Delaware Basin, the company reduced well costs 20% from 2023 to 2025 and increased average lateral length 30%, which provides increased efficiency and productivity.

The company notes in its [4Q25 earnings presentation](#) that, in the Delaware Basin, it operates with the lowest per-well capex, operating costs, days to drill, days to complete, and breakeven price amongst its peers, which include APA Corp (APA), Chevron (CVX), ConocoPhillips (COP), Exxon Mobil (XOM) and more.

In the Eagle Ford region, EOG Resources cut well costs by 15% from 2023-2025 and increased completed lateral feet per day by 30% over the same time. The company notes it has the second lowest breakeven price amongst peers operating in the region.

Breakeven Well Below Oil Prices

The increased efficiency and lowered well costs showcase how EOG Resources' investments in infrastructure, when coupled with operational expertise, lower costs and improve profitability. Ultimately, these investments drive breakeven prices well below the current and projected prices of oil.

Management noted in the 4Q25 earnings call that the company's West Texas Intermediate (WTI) breakeven price for 2026 is \$50 per barrel. Importantly, the company includes its 2026 capital program and regular dividend commitment when calculating this breakeven, so at \$50/barrel WTI, the company can cover both.

This breakeven price is well below the EIA's projected average WTI price of \$74/barrel in 2026 and \$61/barrel in 2027. Should geopolitical tensions remain high and the flow of oil around the globe remain restricted, realized oil prices could quickly surpass projections, which would only increase EOG's already leading profitability.

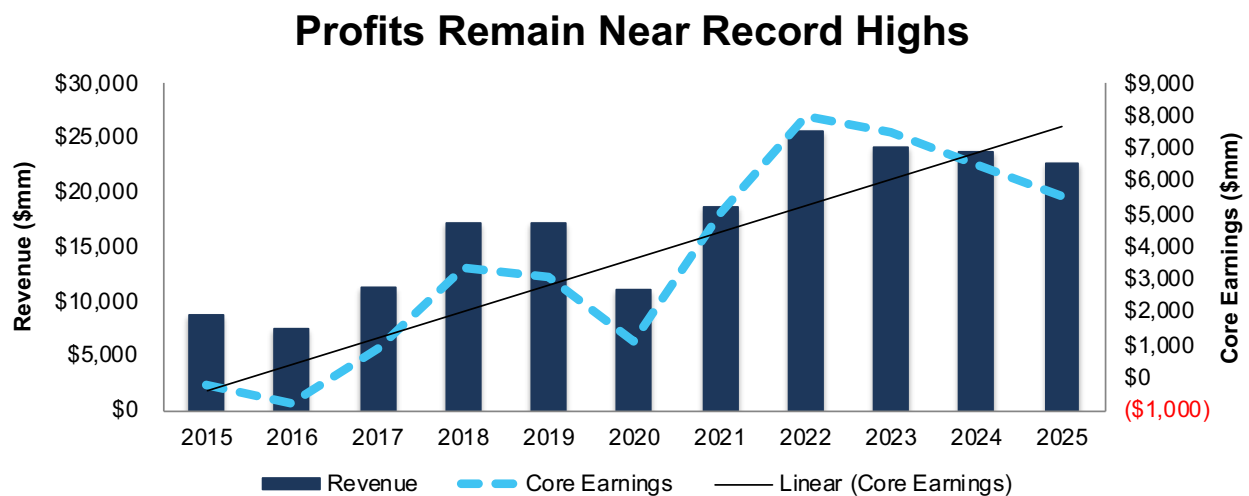
Profits Still Near Records

While profits are down from record 2022 levels, EOG Resources continues to generate strong [Core Earnings](#). In 2025, EOG Resources' Core Earnings were \$5.5 billion, down from 2022 levels, but still nearly five times higher than 2020.

EOG Resources has grown revenue and Core Earnings by 15% and 37% compounded annually, respectively, over the past five years. Longer-term, the company has grown revenue by 10% compounded annually since 2015 and Core Earnings from -\$180 million to \$5.5 billion over the same time. See Figure 3.

The company has also improved its net operating profit after-tax (NOPAT) margin from 12% in 2020 to 25% in 2025, while [invested capital turns](#) improved from 0.3 to 0.4 over the same time. Rising NOPAT margins and IC turns drive return on invested capital (ROIC) from 3% in 2020 to 11% in 2025.

Figure 3: EOG Resources Revenue and Core Earnings: 2015 – 2025



Sources: New Constructs, LLC and company filings

**Industry Leading Profitability**

EOG Resources' location in some of the most cost-effective regions, along with sustained improvement in lateral lengths (which leads to fewer vertical wells to drill), allows it to build a more profitable operation compared to peers.

EOG Resources generates the highest ROIC of its peer group, which includes the company's competitors across the Eagle Ford and Delaware Basin, such as Permian Resources (PR), Exxon Mobil (XOM), BP (BP), Chevron (CVX), Murphy Oil (MUR), and more.

The company has the fourth highest NOPAT margin and invested capital turns, a measure of balance sheet efficiency, which, when combined, drive leading ROIC.

Figure 4: EOG Resources' Profitability Vs. Peers: TTM

Company Name	Ticker	NOPAT Margin	IC Turns	ROIC
EOG Resources, Inc.	EOG	26%	0.4	11%
Magnolia Oil Gas Corp	MGY	27%	0.4	10%
Matador Resources Co	MTDR	31%	0.3	9%
Coterra Energy Inc.	CTRA	26%	0.3	8%
Permian Resources Corp	PR	24%	0.3	7%
SM Energy Company	SM	23%	0.3	6%
Exxon Mobil Corp	XOM	9%	0.7	6%
ConocoPhillips	COP	15%	0.3	5%
Baytex Energy Corp	BTE	13%	0.4	5%
Devon Energy Corp	DVN	18%	0.3	5%
BP, PLC	BP	6%	0.7	4%
Chevron Corporation	CVX	7%	0.6	4%
Crescent Energy Co.	CRGY	11%	0.4	4%
Occidental Petroleum Corp	OXY	17%	0.2	4%
APA Corp	APA	22%	0.1	3%
Murphy Oil Corp	MUR	13%	0.2	2%

Sources: New Constructs, LLC and company filings

High Efficiency and ROIC Are Part of the Culture

EOG Resources didn't just luck into a highly efficient and productive operation. Instead, industry leading ROIC is a result of quality corporate governance and, in particular, the company's focus on improving its return on capital employed (ROCE), a variant of ROIC.

Quality corporate governance holds executives accountable to shareholders by incentivizing prudent capital allocation. There is also a [strong correlation](#) between improving ROIC and increasing shareholder value. By evaluating executive compensation plans, investors can find the few companies, such as EOG Resources, that align executives' interests with shareholders' interests.

EOG Resources' performance compensation includes a return on capital employed modifier. The modifier can adjust the performance unit payouts by anywhere from -70% to +70% based on EOG's three-year average ROCE. ROCE is similar to our measure of ROIC, in that EOG adjusts for items such as impairments, gains on asset sales, short and long-term debt, and cash on hand, to derive a return metric more reliable than a traditional return on capital employed.

The company's primary performance metric remains total shareholder return. Ideally, ROCE or ROIC would replace total shareholder return altogether, not just modify it. However, including the ROCE modifier places EOG's executive compensation plan above many others that fail to properly align executives' interests.



Potential for 6.6%+ Yield

EOG Resources' management is committed to returning at least 70% of annual free cash flow to shareholders and does so through dividends and share repurchases.

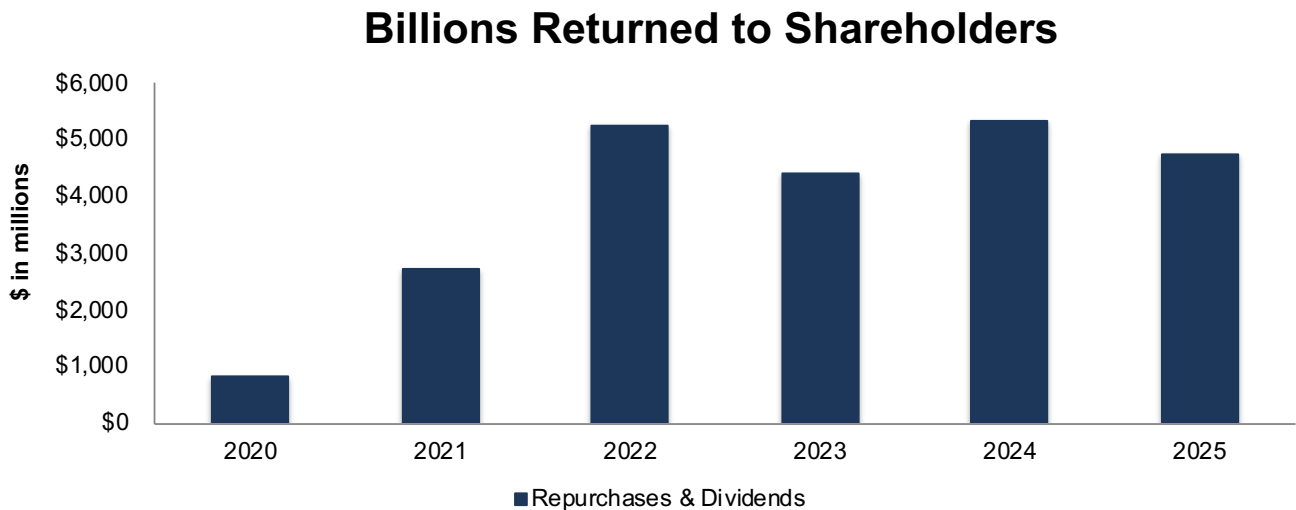
The company has paid a dividend in each of the past 26 years and increased its regular dividend from \$0.38/share in 1Q21 to \$1.02/share in 1Q26. When annualized, the current regular dividend gives investors a 3.0% yield. The company has paid special dividends, most recently in 2023, which could increase the yield even further.

EOG Resources also repurchases shares and has accelerated repurchase activity in recent years. From 2023-2025, the company repurchased \$6.8 billion worth of shares. As of December 31, 2025, EOG Resources has \$3.3 billion remaining under its current board repurchase authorization.

Should the company repurchase shares at the 2025 pace in 2026, it would repurchase shares worth 3.6% of the current market cap.

When combined with regular dividends, the share repurchases would provide investors a 6.6% yield.

Figure 5: EOG Resources' Repurchases & Dividends: 2020 – 2025



Sources: New Constructs, LLC and company filings

Strong and Rising Cash Flows Support Dividends

EOG Resources free cash flow ([FCF](#)) helps supports the increasing level of capital return to shareholders highlighted above.

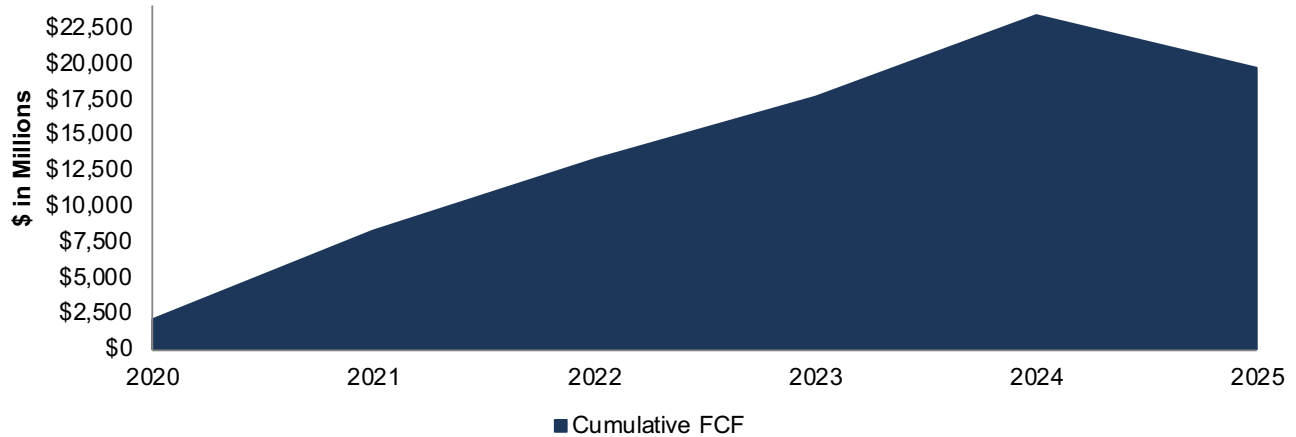
Even after acquiring Encino in 2025, EOG Resources generated a cumulative \$19.6 billion (23% of [enterprise value](#)) in FCF from 2020 through 2025. See Figure 6.

It's worth noting that since 2020, EOG Resources has repurchased slightly more shares than its current FCF can fund. However, substantial cash on the balance sheet, including \$2.9 billion in [excess cash](#) in 2025, enables the company to continue to return large amounts of capital to shareholders.



Figure 6: EOG Resources' Free Cash Flow: 2020 – 2025

\$19.6 Billion in Cumulative FCF Since 2020



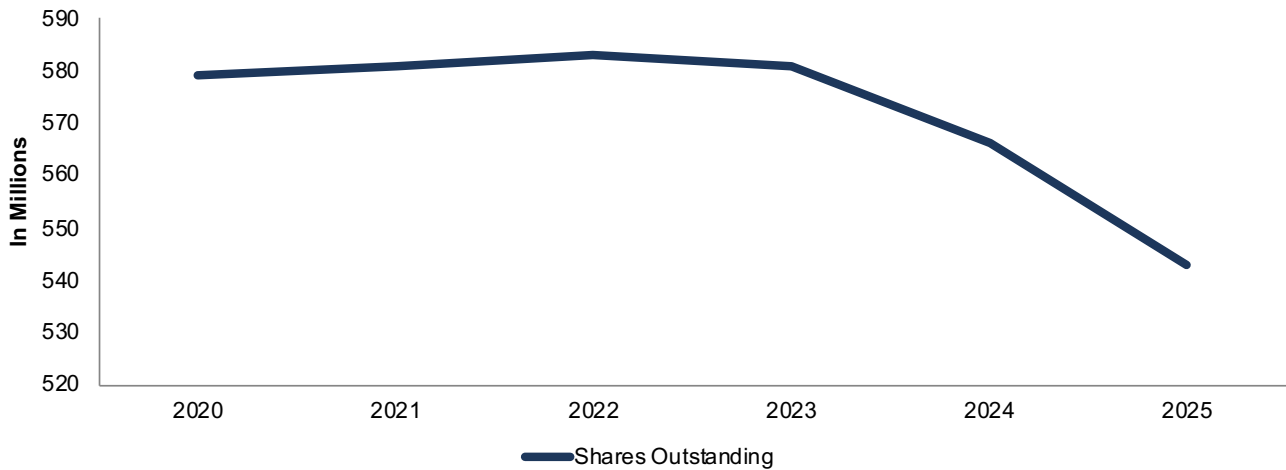
Sources: New Constructs, LLC and company filings

Reducing Shares Outstanding

EOG Resources' share repurchase activity has meaningfully reduced its shares outstanding from 580 million in 2020 to 543 million in 2025. See Figure 7.

Figure 7: EOG Resources' Shares Outstanding: 2020 – 2025

Shares Outstanding Decreasing



Sources: New Constructs, LLC and company filings

Strong Balance Sheet and Credit Rating

Poor capital allocation can undermine even high-quality businesses, particularly in the oil exploration and production industry. However, EOG Resources continues to demonstrate disciplined capital management with its ROCE-focused strategy.

EOG Resources earns a Very Attractive Overall [Credit Rating](#), even after deploying capital to acquire Encino Acquisition Partners. See Figure 8.

The company earns a Very Attractive rating across three of the five metrics we use to generate our Credit Ratings and an Attractive rating in the remaining two metrics.



Even if economic conditions deteriorate, the company’s strong financial footing secures its operations for the foreseeable future.

Figure 8: EOG Resources’ Credit Rating Details

Overall Credit Rating <i>Suspended</i>	Leverage [?]	Liquidity [?]		Coverage [?]	
	Debt to Capital [?]	EBITDA to Debt [?]	Free Cash Flow (3 yr Avg.) to Debt [?]	Cash to Debt [?]	Interest Coverage [?]
Very Unattractive	> 0.7	< 0.1	< 0.0	< 0.05	< -2.0
Unattractive	0.7 > 0.5	0.1 < 0.2	0.0 < 0.02	0.05 < 0.1	-2.0 < 3.0
Neutral	0.5 > 0.45	0.2 < 0.3	0.02 < 0.15	0.1 < 0.2	3.0 < 6.0 or EBIT < 0
Attractive	0.45 > 0.4	0.3 < 0.8	0.15 < 0.3	0.2 < 0.5	6.0 < 14.0
Very Attractive	< 0.4	> 0.8	> 0.3	> 0.5	> 14.0 or EBIT ≥ 0
Actual Values	0.12	1.21	0.22	0.35	23.86

Sources: New Constructs, LLC and company filings

What's Not Working

Oil Price Volatility Weighs on Recent Results

Oil markets are volatile, and recent increases in global production, and therefore falling prices, weighed on EOG Resources’ financial results. In this environment, even highly efficient producers experienced pressure on realized prices, margins, and cash flow. For example, EOG Resources’ average crude oil and condensate price in the United States fell from \$79/barrel in 2023 to \$66/barrel in 2025.

For companies such as EOG Resources, whose profitability is closely tied to commodity prices, this decline translated into weaker year-over-year results despite increases in oil and natural gas volumes. Specifically, the company’s NOPAT margin fell from 32% to 25% from 2023 to 2025.

In the near-term, the ongoing geopolitical tension, namely the U.S. – Iran war looks to drive oil prices higher for longer, and well above the company’s breakeven price of \$50/barrel WTI. In this environment, EOG Resources is poised to grow profits even faster than previously expected.

Over the long-term, boom and bust price cycles are a long-standing feature of the oil and gas industry, and short-term price fluctuations do not eliminate the structural need for continued oil production and consumption around the globe.

Best of all for potential investors, the company’s stock price implies its profits will never grow again, despite expanding its resource base, lowering well costs, and improving the overall efficiency of its operations. See details below.

Current Price Implies No Profit Growth

At its current price of \$135/share, EOG Resources has a price-to-economic book value (PEBV) ratio of 1.0. This ratio means the market expects the company’s profits to never grow from 2025 levels over the remaining life of the corporation. For reference, the company has grown NOPAT 8% compounded annually since 2005.

Below, we use our [reverse discounted cash flow \(DCF\) model](#) to quantify the cash flow expectations for different stock price scenarios for EOG.

In the first scenario, we quantify the expectations baked into the current price. If we assume:

- NOPAT margin immediately falls to 21% (below 2025 NOPAT margin of 25% and 5-year average of 29%) and
- revenue grows just 2% compounded annually through 2035 (below consensus in 2027 and 2028, and below 10% compound annual growth since 2015), then



The stock would be worth \$135/share today – equal to the current price. In this scenario, EOG Resources' NOPAT would grow less than 1% compounded annually through 2035. The company's implied NOPAT in 2035 would be just 2% higher than 2025 levels and 28% below 2022 levels. For reference, EOG Resources has grown NOPAT by 34% compounded annually over the past five years and 8% compounded annually over the past 20 years.

Shares Could Go 30%+ Higher

If we assume:

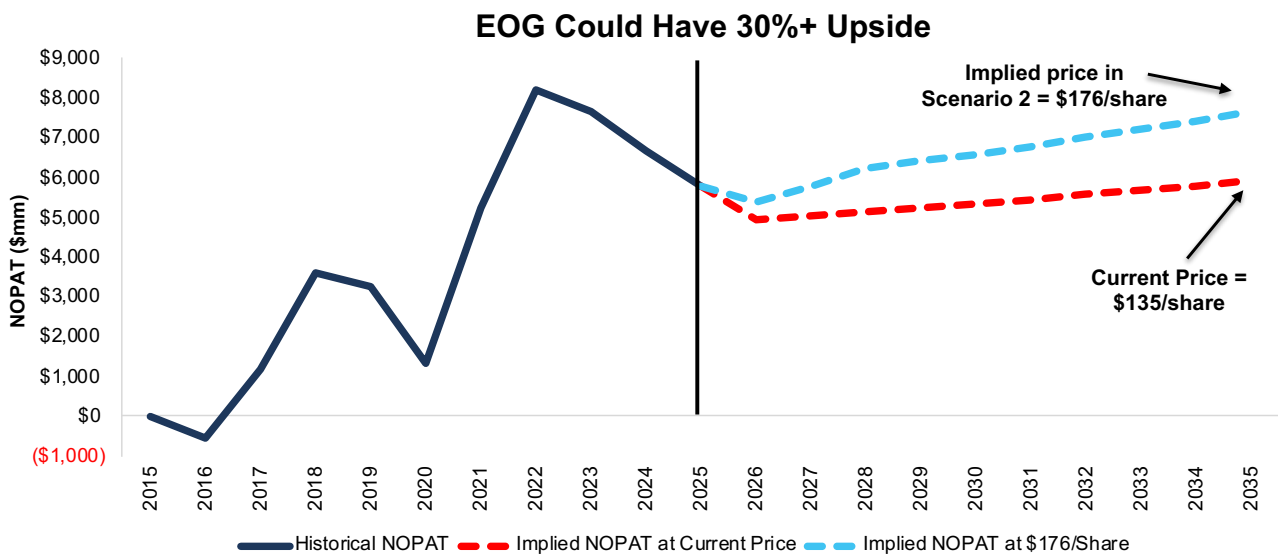
- NOPAT margin immediately falls to 24% (below 2025 margin of 25% and 5-year average of 29%),
- revenue grows at consensus estimates in 2026 (-0.7%), 2027 (7.5%) and 2028 (7.1%), and
- revenue grows 3% each year thereafter through 2035, then

the stock would be worth \$176/share today – a 30% upside to the current price. In this scenario, EOG Resources' NOPAT would grow 3% compounded annually through 2035 and, in 2035, be 7% lower than 2022 levels.

Should the company's NOPAT grow more in line with historical levels, the stock has even more upside.

Figure 9 compares EOG Resources' historical NOPAT to the NOPAT implied in each of the above scenarios.

Figure 9: EOG Resources' Historical and Implied NOPAT: DCF Valuation Scenarios



Sources: New Constructs, LLC and company filings.

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Disclosure: David Trainer, Kyle Guske II, and Daniel Oliveira receive no compensation to write about any specific stock, sector, style, or theme.

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It's Official: We Deliver the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

In [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (SPGI) *Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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