



FEATURED OPTIONS RADAR REPORT



Large Bull Spread Opens in Oil Cost Leader as Energy Environment Toughens

Ticker/Price: EOG (\$142)

Analysis:

EOG Resources (EOG) massive trade on 11/30 sold 6500 April \$115 puts for \$4.70 and bought the \$160/\$180 call spreads 6500X at \$5.18, so a net debit for the package showing confidence in the upside. EOG has minimal notable open interest outside of some short January 2023 upside calls and 1000 April \$168.50 short calls from 11/7. EOG shares recently pulled back off the June high level and flagging needing to clear \$145 for further upside momentum. The weekly looks compelling with a consolidation above resistance and the next Fibonacci extension targets \$170 which aligns with these spreads. EOG is a large cap Oil & Gas producer with assets in the US, Trinidad & Tobago, China, and Oman. At December 31, 2020, EOG's total estimated net proved reserves were 3,220 million barrels of oil equivalent (MMBoe), of which 1,514 million barrels (MMBbl) were crude oil and condensate reserves, 813 MMBbl were NGLs reserves and 5,360 billion cubic feet (Bcf), or 893 MMBoe, were natural gas reserves with 98% located in the US. EOG's main operations are South Texas with the Eagle Ford shale and Delaware Basin. EOG has a market cap of \$84B and trades 5.5X EBITDA with a 10% FCF yield and 2.34% dividend yield. Forecasts see EBITDA growing 5% in 2023, rare for an Oil & Gas name, and follows 57.7% growth in 2022 and 87.8% growth in 2021. EOG's operational execution and changes in capital efficiency continue to be positive. EOG has peer leading cost control with FCF tailwinds from exposure to international gas pricing. EOG's premium drilling program demonstrates the company's ability to enhance returns on legacy assets through optimization as a leader in shale technology. EOG has often been the first entrant for the lowest price in emerging plays, and has earned a reputation for finding and exploiting sweet spots before competitors. Analysts have an average target of \$156 and short interest is low at 1% of the float. Piper raised its target to \$179 this month while Ray-Jay to \$171 on strong operations. Stifel started shares Buy with a \$151 target as a pioneer of US horizontal Oil.

Hawk Vision:



Hawk's Perspective: EOG looks great if the Energy plays come back into favor, 146 alert set, and overall one of the better quality names that should do well in a tough backdrop in 2023 for Energy.

Confidence Ranking: \$\$