



Independent Stock Idea

February 22, 2010

rating: buy
s&p 500: 1109

XTO Energy (XTO) **Merger on Track for Second Quarter Completion**

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 12/31/10 (US\$mm)</i>	3,790
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	69
<i>Price (US\$/sh)</i>	46.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/19/10	<i>Adjusted Reserves/Production NTM</i>	11.3
<i>Shares (mm)</i>	580	<i>EV/Ebitda</i>	9.9
<i>Market Capitalization (US\$mm)</i>	26,700	<i>PV/Ebitda</i>	10.0
<i>Debt (US\$mm)</i>	10,800	<i>Undeveloped Reserves (%)</i>	39
<i>Enterprise Value (EV) (US\$mm)</i>	37,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	21.65
<i>Present Value (PV) (US\$mm)</i>	38,100	<i>Present Value Proven Reserves(US\$/boe)</i>	15.42
<i>Net Present Value (US\$/share)</i>	47	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.57
<i>Debt/Present Value</i>	0.28	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.32
<i>McDep Ratio - EV/PV</i>	0.99	<i>Price/Earnings Next Twelve Months</i>	20
<i>Dividend Yield (%/year)</i>	1.1	<i>Indicated Annual Dividend (US\$/sh)</i>	0.50
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\$75 a barrel and natural gas, \$8 a million btu.			
For historical analysis of XTO since 2002 see www.mcdep.com/4xto.htm			

Summary and Recommendation

Owners of buy-recommended **XTO Energy (XTO)** wait for a date to be set for a special meeting to approve the merger with contrarian buy-recommended **ExxonMobil (XOM)**. A registration statement containing a preliminary proxy statement was filed on February 1 with the Securities and Exchange Commission. If the filing is cleared in the next few weeks by the SEC, a meeting could likely occur in the first half of April. Since the deal is likely to be completed at the proposed exchange ratio of 0.7098, purchase of a share of XTO is essentially the purchase of 0.7098 share of XOM. That implies a price for a full share of XOM of \$46.10 divided by 0.7098, or \$64.95, which compares to XOM's simultaneous closing price of \$65.87. The latest discount of 1.4% is half the 3% discount just after the deal was announced in mid December. Meanwhile, for the record, we issue what are likely to be our last models for XTO as we take account of the company's results reported on February 17 (see tables Next Twelve Months Operating and Financial Estimates and Functional Cash Flow and Present Value). Finally, we like XTO successor XOM as a low risk long-term investment whose value is enhanced with its out-of-favor stock priced below its 200-day average.

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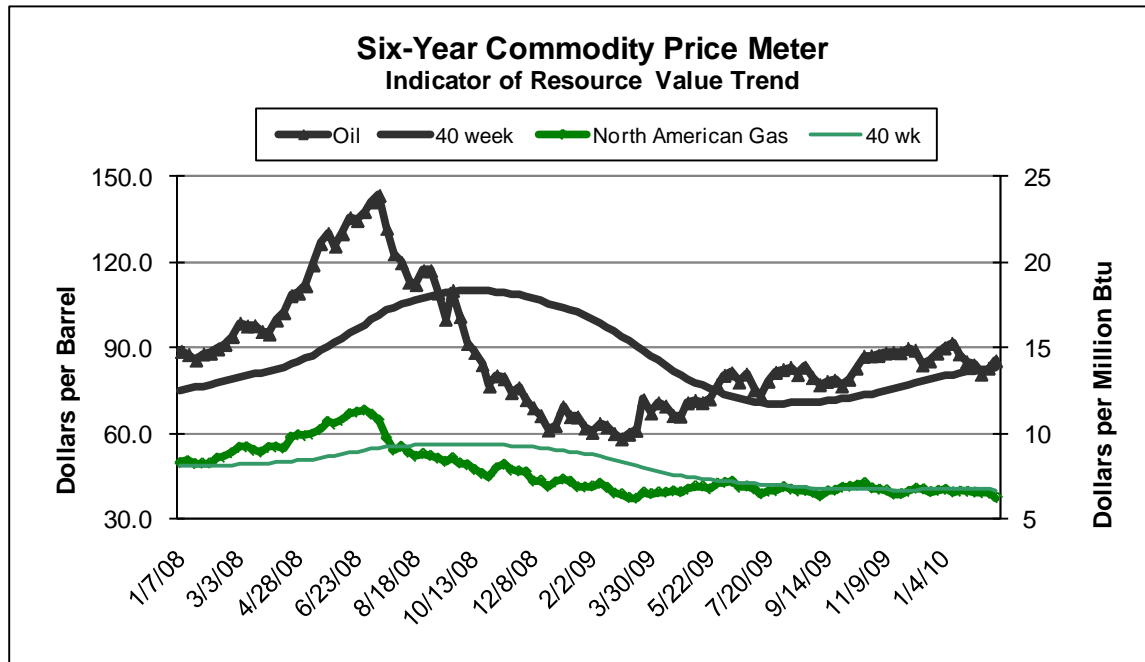
XTO Energy Inc.									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	#####	9/30/09	12/31/09	2009	3/31/10	6/30/10	9/30/10	12/31/10	12/31/10
Volume									
Natural Gas (mmcf)	2,166	2,421	2,367	2,343	2,367	2,367	2,367	2,367	2,367
Days	92	92	92	365	90	91	92	92	365
Oil (mmb)	7.3	8.1	7.9	31	7.7	7.8	7.9	7.9	31
Oil (mbd)	79	88	86	85	86	86	86	86	86
Total gas & oil (bcf)	243	271	265	1,041	259	262	265	265	1,052
Total gas & oil (mmcf)	2,639	2,948	2,881	2,853	2,881	2,881	2,881	2,881	2,881
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.95	3.39	4.16	3.99	5.54	5.50	5.69	6.12	5.71
Company (\$/mcf)	5.48	3.22	3.75	3.58	4.99	4.95	4.89	5.51	5.09
Oil (\$/bbl)									
WTI Cushing	58.45	68.22	76.09	61.70	76.00	74.80	76.25	77.71	76.19
Company (\$/bbl)	47.20	55.24	61.61	51.18	61.54	60.57	61.74	62.92	61.70
Total gas & oil (\$/mcf)	5.91	4.29	4.91	4.46	5.93	5.87	5.86	6.40	6.01
Revenue (\$mm)									
Natural Gas	1,092	717	816	3,059	1,062	1,066	1,065	1,200	4,394
Oil	343	446	486	1,589	475	472	487	496	1,930
Other									
Total	1,435	1,163	1,302	4,648	1,537	1,539	1,552	1,696	6,323
Expense									
Production	421	422	424	1,677	538	539	543	594	2,213
Overhead	121	80	81	356	77	77	78	85	316
Ebitda (\$mm)	893	661	797	2,615	922	923	931	1,018	3,794
Exploration	26	10	13	77	13	13	13	13	52
Deprec., Deplet., & Amort.	741	821	796	3,119	796	796	796	796	3,184
Hedging and other	(635)	(1,082)	(978)	(4,295)	(520)	(531)	(544)	(463)	(2,058)
Ebit	761	912	966	3,714	634	645	667	671	2,616
Interest	157	136	136	524	136	136	136	136	544
Ebt	604	776	830	3,190	498	509	531	535	2,072
Income Tax	211	272	290	1,117	174	178	186	187	725
Net Income (\$mm)	392	505	539	2,074	323	331	345	348	1,347
Shares (millions)	577	580	580	579	580	580	580	580	580
Per share (\$)	0.68	0.87	0.93	3.58	0.56	0.57	0.59	0.60	2.32
Ebitda Margin - O&G	62%	57%	61%	56%	60%	60%	60%	60%	60%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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XTO Energy Inc.					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	2,630	11.5	10.6	27,800	73%
Oil	1,160	10.6	8.9	10,300	27%
	3,790	11.3	10.1	38,100	100%
Debt (US\$mm)					10,800
Net Present Value (US\$mm)					27,300
Shares (mm)					580
Net Present Value - Standard Estimate (US\$/sh)					47
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					44





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