

XTO Energy Inc. Initiate Buy Recommendation

<i>Symbol</i>	<i>Price (\$/sh) 15-Mar 2002</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net</i>		<i>McDep Ratio</i>	<i>EV/ Sales 2001E</i>	<i>EV/ Ebitda NTM</i>	<i>P/E NTM</i>	<i>Div'd NTM (%)</i>	<i>PV/ Ebitda NTM</i>
				<i>Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>						
XTO	19.55	124	2,420	26.00	0.21	0.80	3.5	7.5	18	0.2	9.4

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

EV = Enterprise Value = Market Cap and Debt: \$mm 3,300

Ebitda = Earnings before interest, tax, depreciation and amortization: \$mm 440

NTM = Next Twelve Months Ended March 31, 2003; P/E = Stock Price to Earnings

PV = Present Value of energy businesses: \$mm 4,100

Present Value of Equity: \$mm 3,220

Summary and Recommendation

We recommend current purchase of the common stock of XTO Energy as a leading independent producer of natural gas in North America priced at an attractive McDep Ratio and having a reasonable ratio of debt. Concentrated more than 80% on natural gas the company comes close to resembling the asset mix of the three natural gas royalty trusts with attractive prospects that we analyze weekly. In fact, XTO, formerly known as Cross Timbers Oil Company, and its predecessor company, Southland Royalty, originated the three trusts. Higher projected cash flow lowers XTO's ratio of Enterprise Value to Next Twelve Months Ebitda to 7.5 times. At the same time favorable new disclosures of reserves raises adjusted life index to 10.8 years. That seems to justify an estimate of present value that leads to a McDep Ratio at the low end of the range for peer companies. While we have always been enthusiastic about the company's strategy to acquire and exploit natural gas in North America, we have been concerned from time to time about the chief executive officer's aggressive use of leverage. Thus we are reassured that the current ratio of debt is moderate at 0.21. Finally, though we believe that our recommendation is timely, it is also subject to political, economic, business and financial risk.

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McDep Associates

Stock Idea

March 18, 2002

XTO Energy Inc. Next Twelve Months Operating and Financial Estimates

	<i>Q3</i>	<i>Q4</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>9/30/01</i>	<i>12/31/01</i>	<i>3/31/02</i>	<i>6/30/02</i>	<i>9/30/02</i>	<i>12/31/02</i>	<i>2002E</i>	<i>3/31/03</i>	<i>3/31/03</i>
Volume									
Natural Gas (mmcf)	426	455	455	455	455	455	455	455	455
Oil (mbd)	18	18	18	18	18	18	18	18	18
Total gas & oil (bcf)	49	52	51	51	52	52	206	51	206
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	2.75	2.22	2.76	2.80	2.91	3.45	3.06	3.69	3.36
Total	2.55	2.06	2.56	2.60	2.91	3.45	2.88	3.69	3.16
Oil (\$/bbl)									
WTI Cushing	26.69	20.40	21.50	24.76	24.65	24.14	23.76	23.69	24.31
Worldwide	21.46	15.94	16.79	19.34	19.25	18.86	18.57	18.51	18.99
Total gas & oil (\$/mcf)	2.75	2.18	2.61	2.72	2.97	3.39	4.28	3.57	4.51
Revenue (\$mm)									
Natural Gas	100	86	105	108	122	144	479	151	525
Oil	35	27	28	32	33	32	125	31	128
Other	62	70	70	70	70	70	279	70	279
Total	197	183	202	210	224	246	883	252	932
Expense									
Production	41	38	41	43	45	48	176	49	184
Overhead	7	13	8	8	8	8	32	8	32
Other	4	(4)	70	70	70	70	279	70	279
Ebitda (\$mm)	146	136	83	89	102	121	395	125	437
Exploration	3	2	2	2	2	2	8	2	8
Deprec., Deplet., & Amort.	40	43	43	43	43	43	172	43	172
Ebit	103	91	38	44	57	76	215	80	257
Interest	13	11	11	11	11	11	44	11	44
Ebt	90	80	27	33	46	65	171	69	213
Income Tax	31	28	10	12	16	23	60	24	74
Net Income (\$mm)	58	52	18	22	30	42	111	45	138
Shares (millions)	124	124	124	124	124	124	124	124	124
Per share (\$)	0.47	0.42	0.14	0.18	0.24	0.34	0.90	0.36	1.12
Ebitda Margin - O&G	65%	55%	63%	64%	66%	68%	65%	69%	67%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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**XTO Energy
Natural Gas and Oil Reserves**

	<i>Natural Gas</i>	<i>Oil</i>	<i>Total</i>	
	<i>(bcf)</i>	<i>(mmb)</i>	<i>(bcf)</i>	<i>(mmb)</i>
<i>Reserves (bcf or mmb)</i>				
Proven (P)	2235	74	2679	447
Proven Developed (PD)	1452	56	1788	298
Proven Undeveloped (PUD)	783	18	891	149
<i>Production, Next Twelve Months</i>	166	6.7	206	34
<i>Reserve Life Index (years)</i>				
R/P P	13.5	11.0	13.0	13.0
R/P PD	8.7	8.3	8.7	8.7
R/P PUD	4.7	2.7	4.3	4.3
R/P PD+.5PUD	11.1	9.7	10.8	10.8

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