

Rating: Buy
S&P 500: 1444

XTO Energy **The Trend Goes On**

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	2,940
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	74
<i>Price (US\$/sh)</i>	50.09	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/13/07	<i>Adjusted Reserves/Production NTM</i>	12.3
<i>Shares (mm)</i>	371	<i>EV/Ebitda</i>	7.4
<i>Market Capitalization (US\$mm)</i>	18,300	<i>PV/Ebitda</i>	8.8
<i>Debt (US\$mm)</i>	3,600	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (US\$mm)</i>	21,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	30.54
<i>Present Value (PV) (US\$mm)</i>	25,900	<i>Present Value Proven Reserves(US\$/boe)</i>	18.50
<i>Net Present Value (US\$/share)</i>	60	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.08
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.03
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	0.7	<i>Indicated Annual Dividend (US\$/sh)</i>	0.36

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\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of XTO since 2002 see www.mcdep.com/4xto.htm

Summary and Recommendation

Buy-recommended **XTO Energy (XTO)** continues its industry leading growth record with another quarterly gain in volume reported on February 13 without new shares or increased debt ratio (see table Next Twelve Months Operating and Financial Estimates). Despite a reversal in the natural gas commodity price trend last year, XTO stock had a gain bringing its 5-year total return to 49% a year according to Bloomberg. Trading above its 200-day average, the stock remains in favor in 2007, justifiably so, considering our estimate of net present value (NPV) of \$60 a share (see table Functional Cash Flow and Present Value). Management believes it has the drilling inventory for 10% growth in annual volume in 2007 and reserve additions equal to currently proven reserves over the next several years. Chairman Bob Simpson is proud of XTO's "free cash flow" model that can keep production flat indefinitely by reinvesting 30% of cash flow. In our discounted cash flow framework with projected cash flow for 2007 as a base, Mr. Simpson's model implies NPV of \$70 a share.

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Please see disclosures on the final page.

XTO Energy Inc.
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)	1,102	1,213	1,230	1,186	1,230	1,230	1,230	1,230	1,230
Oil (mbd)	53	57	58	57	58	58	58	58	58
Total gas & oil (bcf)	130	143	145	559	144	144	145	145	578
Total gas & oil (mmcf)	1,418	1,553	1,580	1,528	1,580	1,580	1,580	1,580	1,580
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	6.70	7.42	7.71	8.46	7.57
Company (\$/mcf)	9.09	6.01	5.91	6.31	6.03	6.68	6.94	7.61	6.82
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	56.73	59.33	60.97	62.13	59.79
Company (\$/bbl)	47.52	60.50	50.99	55.96	48.22	50.43	51.83	52.81	50.83
Total gas & oil (\$/mcf)	8.83	6.90	6.48	6.99	6.48	7.06	7.32	7.88	7.18
Revenue (\$mm)									
Natural Gas	922	671	669	2,741	675	748	785	861	3,069
Oil	230	315	274	1,165	256	268	278	284	1,086
Other									
Total	1,152	986	943	3,907	931	1,016	1,064	1,145	4,156
Expense									
Production	223	224	233	900	230	252	264	286	1,032
Overhead	39	39	35	189	45	45	45	45	180
Ebitda (\$mm)	890	723	675	2,818	656	719	754	815	2,944
Exploration	4	9	4	22	6	6	6	6	24
Deprec., Deplet., & Amort.	192	233	243	883	243	243	243	243	972
Hedging and other	(24)	(109)	(269)	(671)	(204)	(142)	(120)	(69)	(535)
Ebit	717	589	697	2,584	611	612	625	634	2,482
Interest	42	47	46	180	46	46	46	46	184
Ebt	675	542	651	2,404	565	566	579	588	2,298
Income Tax	236	190	228	841	198	198	203	206	804
Net Income (\$mm)	439	352	423	1,563	368	368	377	382	1,494
Shares (millions)	372	371	371	370	371	371	371	371	371
Per share (\$)	1.18	0.95	1.14	4.22	0.99	0.99	1.01	1.03	4.03
Ebitda Margin - O&G	77%	73%	72%	72%	70%	71%	71%	71%	71%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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	2,170	12.4	8.5	18,500	71%
Oil	770	11.9	9.6	7,400	29%
	2,940	12.3	8.8	25,900	100%
Debt (US\$mm)					3,600
Net Present Value (US\$mm)					22,300
Shares (mm)					371
Net Present Value - Standard Estimate (US\$/sh)					60
Net Present Value - Approximation by Correlation (US\$/sh)					63

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