

Rating: Buy
S&P 500: 1495

XTO Energy **Buy for Natural Gas**

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	3,450
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	75
<i>Price (US\$/sh)</i>	56.58	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/24/07	<i>Adjusted Reserves/Production NTM</i>	12.2
<i>Shares (mm)</i>	372	<i>EV/Ebitda</i>	7.0
<i>Market Capitalization (US\$mm)</i>	20,500	<i>PV/Ebitda</i>	7.5
<i>Debt (US\$mm)</i>	3,600	<i>Undeveloped Reserves (%)</i>	33
<i>Enterprise Value (EV) (US\$mm)</i>	24,100	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	35.33
<i>Present Value (PV) (US\$mm)</i>	25,900	<i>Present Value Proven Reserves(US\$/boe)</i>	18.18
<i>Net Present Value (US\$/share)</i>	60	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.03
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.38
<i>McDep Ratio - EV/PV</i>	0.93	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	0.9	<i>Indicated Annual Dividend (US\$/sh)</i>	0.48

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

Reporting first quarter 2007 results on April 25, buy-recommended **XTO Energy (XTO)** delivered progress that justifies our estimate of Net Present Value (NPV) of US\$60 a share. The single most important characteristic may be 71% concentration on the clean fuel (see table [Functional Cash Flow and Present Value](#)). No New York Stock Exchange energy stock has a better record than XTO's 50-fold gain since 1993 when it started trading. For the politically risk-averse it can be consoling that XTO is domiciled in the U.S. and has all of its assets in the same country. Environmentalists can take heart that every btu from coal displaced with one from natural gas cuts the related carbon dioxide emissions by a half. Momentum investors can be encouraged that stock price and six-year natural gas price look like they have formed bases and embarked on new advances with current quotes above the 200-day or 40-week average. For extra potential, natural gas as a commodity could appreciate 70% relative to oil in a strong demand situation (see chart [Oil/Natural Gas Futures Ratio](#)). Liking the strategic appeal, the valuation and the performance, we favor XTO stock at a full weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean energy for global growth.

Kurt H. Wulff, CFA

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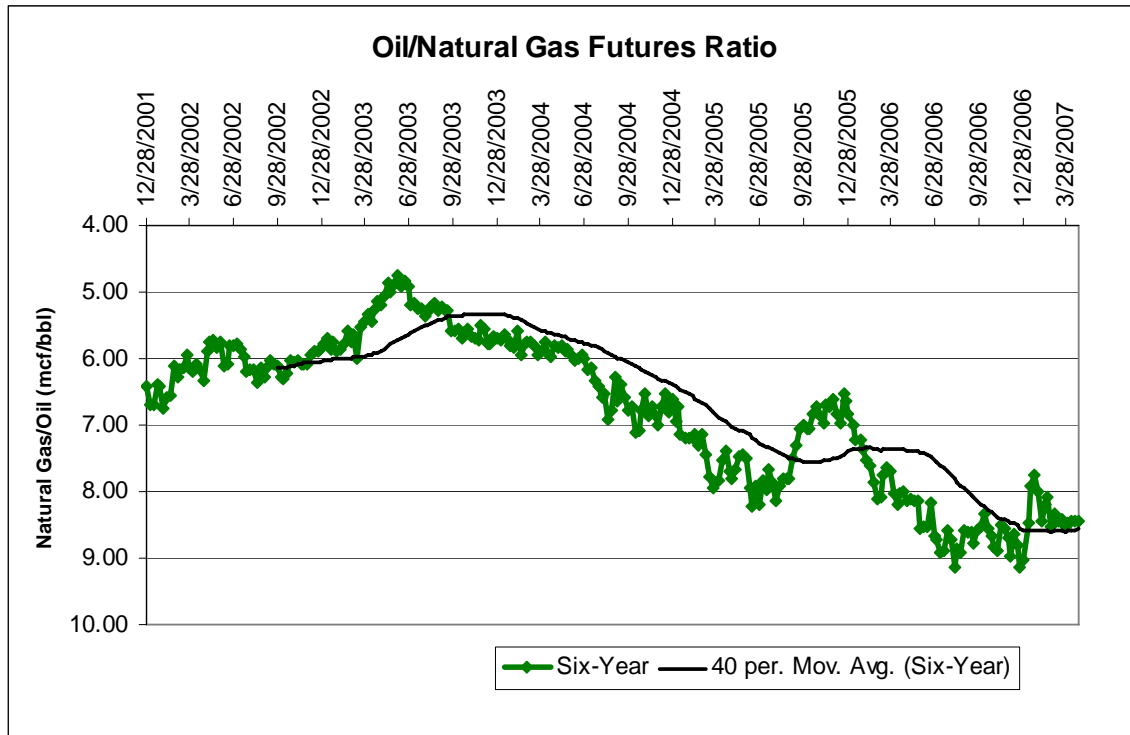
XTO Energy Inc.
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	2,580	12.3	7.2	18,500	71%
Oil	870	11.5	8.5	7,400	29%
	3,450	12.2	7.5	25,900	100%
Debt (US\$mm)					3,600
Net Present Value (US\$mm)					22,300
Shares (mm)					372
Net Present Value - Standard Estimate (US\$/sh)					60
Net Present Value - Approximation by Correlation (US\$/sh)					70

XTO Energy Inc.
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i> <i>3/31/06</i>	<i>Q4</i> <i>12/31/06</i>	<i>Q1</i> <i>3/31/07</i>	<i>Q2E</i> <i>6/30/07</i>	<i>Q3E</i> <i>9/30/07</i>	<i>Q4E</i> <i>12/31/07</i>	<i>Year</i> <i>2007E</i>	<i>Q1E</i> <i>3/31/08</i>	<i>Next</i> <i>Twelve</i> <i>Months</i> <i>3/31/08</i>
Volume									
Natural Gas (mmcf)	1,126	1,230	1,264	1,264	1,264	1,264	1,264	1,264	1,264
Oil (mbd)	56	58	56	56	56	56	56	56	56
Total gas & oil (bcf)	133	145	146	146	147	147	587	146	587
Total gas & oil (mmcf)	1,460	1,580	1,603	1,603	1,603	1,603	1,603	1,603	1,603
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	6.81	7.60	7.95	8.80	7.79	9.71	8.52
Company (\$/mcf)	7.31	5.70	6.13	6.84	7.15	7.92	7.01	8.74	7.66
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	58.08	65.07	67.85	69.47	65.12	70.42	68.20
Company (\$/bbl)	52.54	54.84	49.37	55.31	57.67	59.05	55.37	59.85	57.97
Total gas & oil (\$/mcf)	7.64	6.46	6.57	7.34	7.67	8.33	7.48	9.00	8.09
Revenue (\$mm)									
Natural Gas	749	645	705	787	832	921	3,245	1,005	3,546
Oil	266	295	254	284	300	307	1,144	308	1,198
Other									
Total	1,016	940	959	1,071	1,131	1,228	4,389	1,313	4,744
Expense									
Production	228	233	210	239	255	280	984	302	1,076
Overhead	40	35	56	56	56	56	224	45	213
Ebitda (\$mm)	748	672	693	776	821	892	3,181	966	3,454
Exploration	6	4	4	4	4	4	16	6	18
Deprec., Deplet., & Amort.	196	243	245	245	245	245	980	245	980
Hedging and other	(213)	(272)	(227)	(120)	(93)	(34)	(474)	11	(236)
Ebit	758	697	671	647	664	677	2,659	704	2,692
Interest	41	46	47	46	46	46	185	46	184
Ebt	717	651	624	601	618	631	2,474	658	2,508
Income Tax	251	228	218	210	216	221	866	230	878
Net Income (\$mm)	466	423	405	391	402	410	1,608	428	1,630
Shares (millions)	370	371	372	372	372	372	372	372	372
Per share (\$)	1.26	1.14	1.09	1.05	1.08	1.10	4.32	1.15	4.38
Ebitda Margin - O&G	74%	71%	72%	72%	73%	73%	72%	74%	73%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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