



Rating: Buy
 S&P 500: 1357
 Intraday

XTO Energy Inc.
Raise Net Present Value to \$68 a Share

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	4,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	72
<i>Price (US\$/sh)</i>	56.52	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/12/08	<i>Adjusted Reserves/Production NTM</i>	12.6
<i>Shares (mm)</i>	491	<i>EV/Ebitda</i>	7.3
<i>Market Capitalization (US\$m)</i>	27,700	<i>PV/Ebitda</i>	8.5
<i>Debt (US\$m)</i>	6,500	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$m)</i>	34,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	37.88
<i>Present Value (PV) (US\$m)</i>	39,800	<i>Present Value Proven Reserves(US\$/boe)</i>	21.15
<i>Net Present Value (US\$/share)</i>	68	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.53
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.58
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	16
<i>Dividend Yield (%/year)</i>	0.8	<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\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of XTO since 2002 see www.mcdep.com/4xto.htm			

Summary and Recommendation

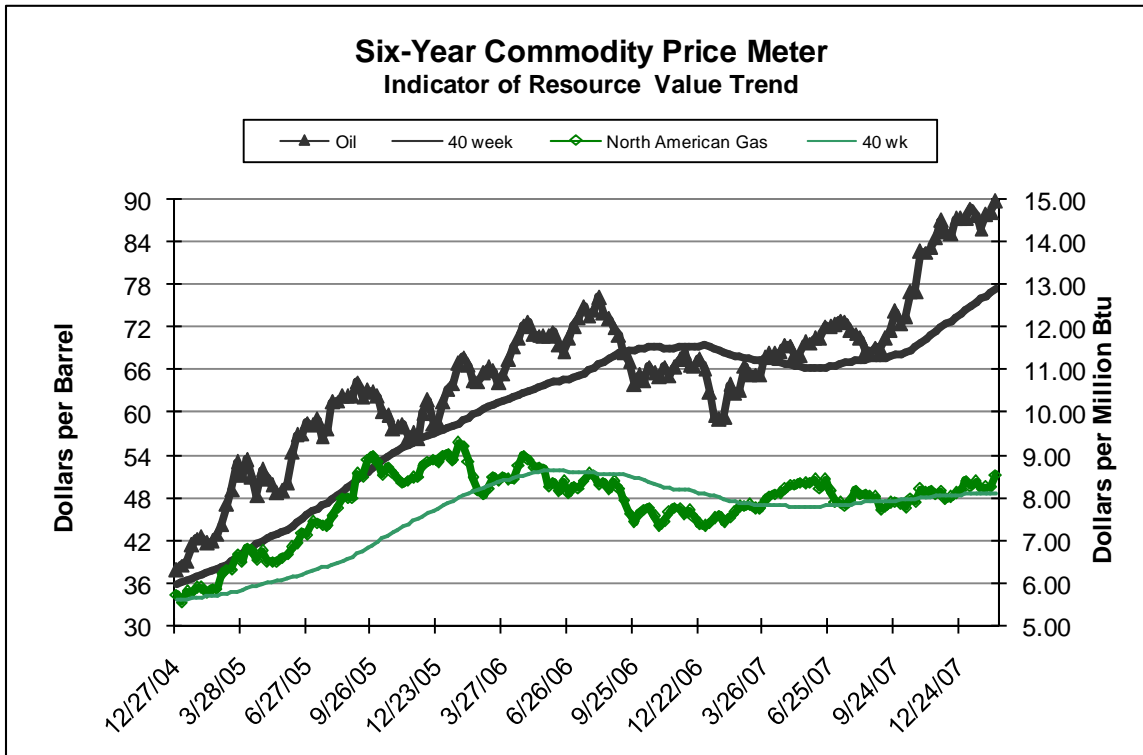
Buy-recommended **XTO Energy (XTO)** offers unlevered appreciation potential of 16% to estimated net present value (NPV) of \$68 a share, concentrated 78% on natural gas. Fourth quarter results released today scored a 32% gain in proven oil and gas reserves in addition to replacing 2007 production. Today's increase in NPV comes on top of a previous increase to \$63 a share from \$60 on December 18 when we increased long-term oil price for calculating present value to \$80 from \$66 a barrel. NPV was increased from \$48 a share on October 23 when third quarter results were released. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table [Functional Cash Flow and Present Value](#)). Finally, oil price continues in an uptrend and there is catch up potential for natural gas (see chart [Six-Year Commodity Price Meter](#)).

Kurt H. Wulff, CFA



XTO Energy Inc.										
Next Twelve Months Operating and Financial Estimates										
										<i>Next Twelve Months</i>
	<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>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>		<i>12/31/08</i>
Volume										
Natural Gas (mmcf)	1,230	1,561	1,671	1,458	1,671	1,671	1,671	1,600		1,653
Days	92	92	92	365	91	91	92	92		366
Oil (mmb)	5	6	6	22	6	6	6	6		23
Oil (mbd)	58	61	63	61	63	63	63	63		63
Total gas & oil (bcf)	145	177	189	665	187	187	189	182		744
Total gas & oil (mmcf)	1,580	1,929	2,051	1,822	2,051	2,051	2,051	1,980		2,033
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.88	8.62	8.81	9.20		8.63
Company (\$/mcf)	5.70	5.66	6.28	6.28	7.10	7.76	7.92	8.28		7.76
Oil (\$/bbl)										
WTI Cushing	59.99	75.48	90.67	72.28	93.39	93.39	92.61	91.93		92.83
Company (\$/bbl)	54.84	64.19	77.07	62.25	79.38	79.38	78.72	78.14		78.90
Total gas & oil (\$/mcf)	6.46	6.62	7.49	7.10	8.23	8.77	8.89	9.19		8.77
Revenue (\$mm)										
Natural Gas	645	813	965	3,343	1,079	1,180	1,218	1,219		4,696
Oil	295	362	449	1,377	457	457	458	455		1,828
Other										
Total	940	1,175	1,414	4,720	1,536	1,637	1,677	1,674		6,524
Expense										
Production	233	310	326	1,099	370	398	409	409		1,587
Overhead	35	48	75	231	60	60	60	60		240
Ebitda (\$mm)	672	817	1,013	3,390	1,106	1,179	1,207	1,205		4,697
Exploration	4	22	19	52	10	10	10	10		40
Deprec., Deplet., & Amort.	243	331	362	1,203	362	362	321	310		1,354
Hedging and other	(272)	(237)	(183)	(764)	9	70	83	73		236
Ebit	697	702	815	2,899	725	737	793	812		3,067
Interest	46	64	92	250	92	92	92	92		368
Ebt	651	638	723	2,649	633	645	701	720		2,699
Income Tax	228	223	257	931	222	226	245	252		945
Net Income (\$mm)	423	414	466	1,718	411	419	456	468		1,754
Shares (millions)	464	489	491	480	491	491	491	491		491
Per share (\$)	0.91	0.85	0.95	3.58	0.84	0.85	0.93	0.95		3.58
Ebitda Margin - O&G	71%	70%	72%	72%	72%	72%	72%	72%		72%
Tax Rate	35%	35%	36%	35%	35%	35%	35%	35%		35%

XTO Energy Inc.					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	3,380	12.8	9.2	31,000	78%
Oil	1,320	11.8	6.7	8,900	22%
	4,700	12.6	8.5	39,900	100%
Debt (US\$mm)					6,500
Net Present Value (US\$mm)					33,400
Shares (mm)					491
Net Present Value - Standard Estimate (US\$/sh)					68
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					73



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.