



Rating: Buy
 S&P 500: 1360

XTO Energy Inc. Beating a Tax Deadline

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$m)</i>	8,660
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	67
<i>Price (US\$/sh)</i>	68.47	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/16/08	<i>Adjusted Reserves/Production NTM</i>	12.2
<i>Shares (mm)</i>	549	<i>EV/Ebitda</i>	5.6
<i>Market Capitalization (US\$m)</i>	37,600	<i>PV/Ebitda</i>	6.9
<i>Debt (US\$m)</i>	11,300	<i>Undeveloped Reserves (%)</i>	35
<i>Enterprise Value (EV) (US\$m)</i>	48,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	60.02
<i>Present Value (PV) (US\$m)</i>	59,600	<i>Present Value Proven Reserves(US\$/boe)</i>	28.05
<i>Net Present Value (US\$/share)</i>	88	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.67
<i>Debt/Present Value</i>	0.19	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.43
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	0.7	<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\$100 a barrel and natural gas, \$14 a million btu.			
For historical analysis of XTO since 2002 see www.mcdep.com/4xto.htm			

Summary and Recommendation

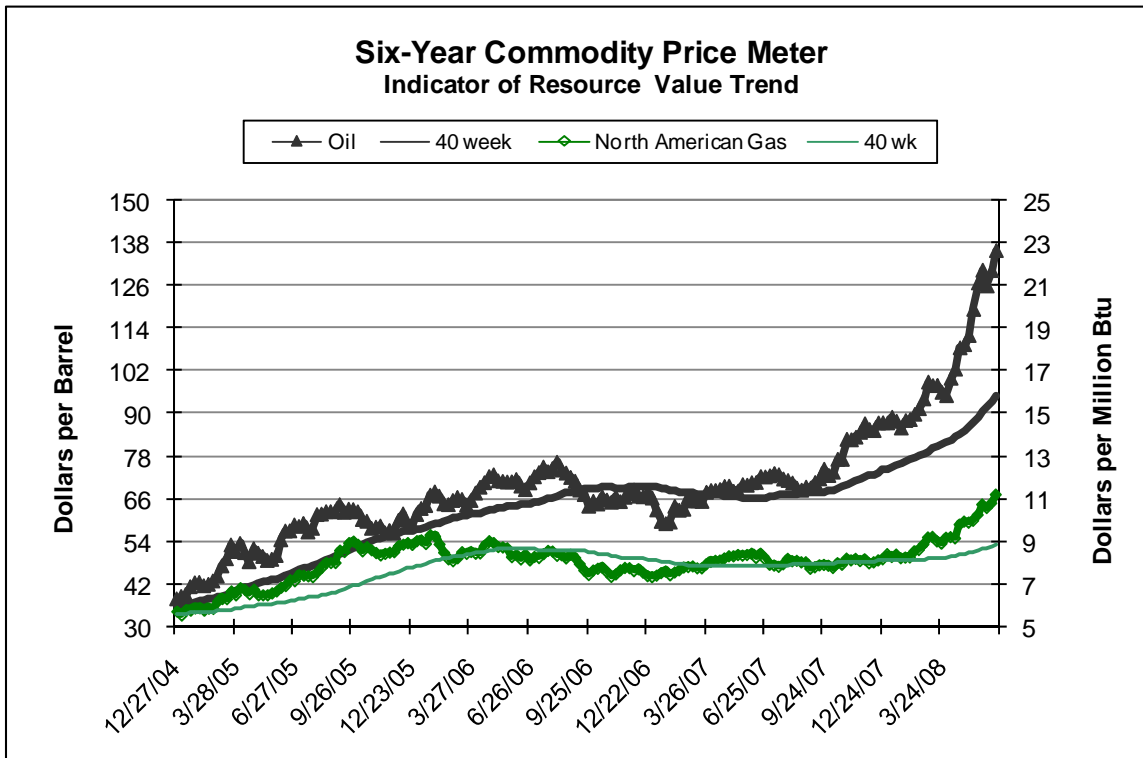
Buy-recommended **XTO Energy (XTO)** offers unlevered appreciation potential of 22% to estimated net present value (NPV) of \$88 a share. Happy to accommodate sellers who may want to act before the capital gains tax rate may be increased in 2009, Chairman Bob Simpson announced a \$4.2 billion acquisition on June 10 following soon after the May 28 announcement of a \$1.8 billion acquisition. Both deals appear to have growth potential and contribute to updated projections of cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table Functional Cash Flow and Present Value). Oil price remains in a long-term uptrend while natural gas is underpriced relative to oil (see chart Six-Year Commodity Price Meter). Sixty-seven percent concentrated on natural gas and trading at a low McDep Ratio, XTO is a top choice for boosting portfolio participation in the growing production of U.S. natural gas as a positive consequence of rising energy price.

Kurt H. Wulff, CFA



XTO Energy Inc.									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q2</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Months</i>
	<i>6/30/07</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008E</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>6/30/09</i>
Volume									
Natural Gas (mmcf)	1,331	1,708	1,708	1,708	1,905	1,758	1,905	1,905	1,855
Days	91	91	91	92	92	366	90	91	365
Oil (mmb)	6	6	7	7	8	29	8	8	31
Oil (mbd)	61	68	78	78	89	78	89	89	86
Total gas & oil (bcf)	155	192	198	200	224	815	219	222	866
Total gas & oil (mmcf)	1,698	2,113	2,176	2,176	2,438	2,226	2,438	2,438	2,372
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	7.56	8.02	10.93	13.01	13.42	11.35	13.80	13.20	13.36
Company (\$/mcf)	6.95	7.59	10.35	11.58	11.94	10.42	12.28	11.75	11.89
Oil (\$/bbl)									
WTI Cushing	64.91	97.94	123.70	135.28	136.42	123.33	136.64	136.18	136.13
Company (\$/bbl)	55.20	85.65	116.82	130.70	126.87	116.48	127.08	121.56	126.43
Total gas & oil (\$/mcf)	7.44	8.87	12.31	13.78	13.95	12.31	14.22	13.61	13.89
Revenue (\$mm)									
Natural Gas	842	1,180	1,609	1,820	2,093	6,702	2,105	2,036	8,055
Oil	308	526	829	938	1,036	3,330	1,016	982	3,972
Other									
Total	1,149	1,706	2,438	2,758	3,130	10,031	3,121	3,019	12,027
Expense									
Production	253	346	594	683	787	2,410	785	756	3,012
Overhead	52	89	89	89	89	356	89	89	356
Ebitda (\$mm)	844	1,271	1,755	1,986	2,253	7,265	2,247	2,174	8,660
Exploration	7	18	18	18	18	72	18	18	72
Deprec., Deplet., & Amort.	265	389	436	460	538	1,823	538	538	2,075
Hedging and other	(139)	46	255	412	441	1,154	83	426	1,361
Ebit	712	818	1,047	1,095	1,256	4,216	1,608	1,191	5,151
Interest	47	91	109	142	142	483	142	142	566
Ebt	665	727	938	954	1,115	3,732	1,467	1,050	4,585
Income Tax	233	268	328	334	390	1,320	513	367	1,605
Net Income (\$mm)	432	459	609	620	725	2,412	953	682	2,980
Shares (millions)	474	504	530	530	554	532	554	554	549
Per share (\$)	0.91	0.91	1.15	1.17	1.31	4.54	1.72	1.23	5.43
Ebitda Margin - O&G	73%	75%	72%	72%	72%	72%	72%	72%	72%
Tax Rate	35%	37%	35%	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	5,800	12.4	7.4	43,000	72%
Oil	2,860	11.2	5.8	16,600	28%
	8,660	12.2	6.9	59,600	100%
Debt (US\$mm)					11,300
Net Present Value (US\$mm)					48,300
Shares (mm)					549
Net Present Value - Standard Estimate (US\$/sh)					88
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					89



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.

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