



# Independent Stock Idea

May 6, 2009

rating: buy  
s&p 500: 913 intraday

## XTO Energy (XTO) Restore Buy on New Price Trend

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	3,070
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	70
<i>Price (US\$/sh)</i>	42.27	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/6/09	<i>Adjusted Reserves/Production NTM</i>	11.5
<i>Shares (mm)</i>	578	<i>EV/Ebitda</i>	11.6
<i>Market Capitalization (US\$m)</i>	24,400	<i>PV/Ebitda</i>	14.9
<i>Debt (US\$m)</i>	11,100	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$m)</i>	35,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	18.47
<i>Present Value (PV) (US\$m)</i>	45,800	<i>Present Value Proven Reserves(US\$/boe)</i>	19.83
<i>Net Present Value (US\$/share)</i>	60	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.30
<i>Debt/Present Value</i>	0.24	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.29
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	18
<i>Dividend Yield (%/year)</i>	1.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.50
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\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of XTO since 2002 see <a href="http://www.mcdep.com/4xto.htm">www.mcdep.com/4xto.htm</a>			

### Summary and Recommendation

The stock of buy-recommended **XTO Energy (XTO)** is trading above the 200-day average again for the first time in more than nine months. While stock price is the catalyst for us to restore our buy recommendation, a low McDep Ratio provides the fundamental rationale. By our analysis XTO stock offers unlevered appreciation potential of 29% to a McDep Ratio of 1.0 and levered appreciation potential of 42% to Net Present Value (NPV) of \$60 a share. During the first quarter, according to results released today, the company generated cash from oil and gas production of about \$14 a barrel of oil equivalent as the difference between price of about \$27 and cash operating costs of about \$13. While unlevered cash flow (Ebitda) at market prices was less than our expectations from three months ago, XTO realized a 200% price premium on its oil and a 150% price premium on its natural gas as a result of hedging. We project gradual increases in Ebitda in the next few quarters (see table Next Twelve Months Operating and Financial Estimates). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table Functional Cash Flow and Present Value). Pointing to expected oil price recovery, futures prices for the next six years averaged near \$71 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures).

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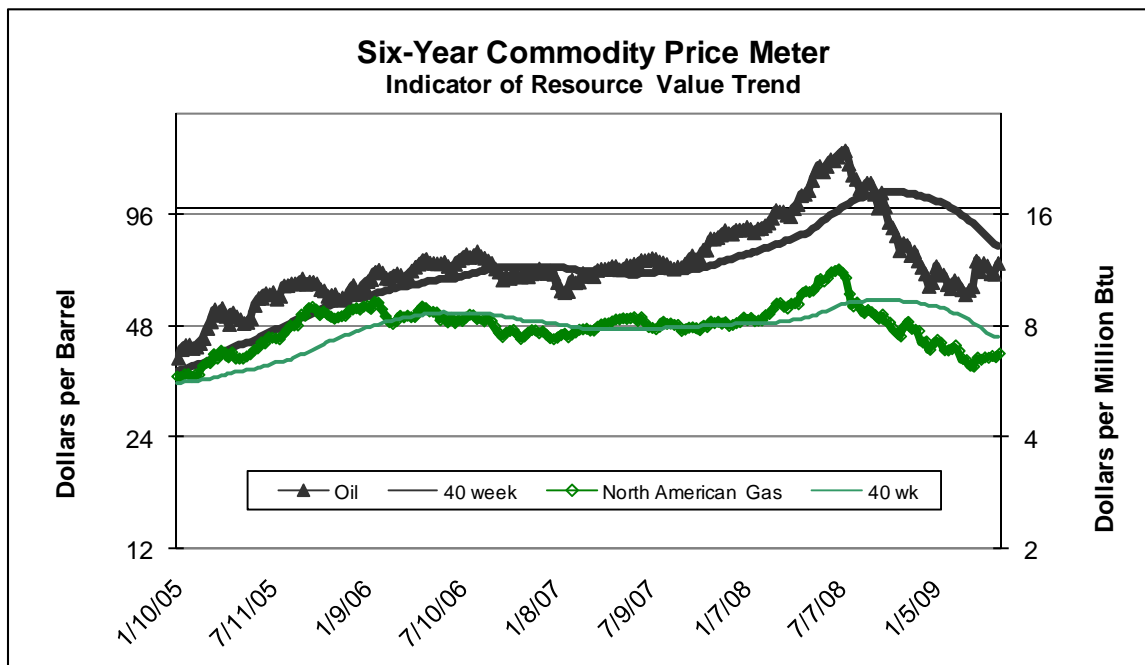
XTO Energy Inc.									
Next Twelve Months Operating and Financial Estimates									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next Twelve Months
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10
<b>Volume</b>									
Natural Gas (mmcf)	1,708	2,166	<b>1,905</b>	2,228	2,228	2,228	2,228	<b>2,228</b>	<b>2,228</b>
Days	91	92	<b>366</b>	90	91	92	92	<b>365</b>	<b>365</b>
Oil (mmb)	6	7	<b>26</b>	8	8	8	8	<b>31</b>	<b>31</b>
Oil (mbd)	68	79	<b>72</b>	84	84	84	84	<b>84</b>	<b>84</b>
Total gas & oil (bcf)	192	243	<b>855</b>	246	249	251	251	<b>997</b>	<b>997</b>
Total gas & oil (mmcf)	2,113	2,639	<b>2,335</b>	2,731	2,731	2,731	2,731	<b>2,731</b>	<b>2,731</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.02	6.95	<b>9.04</b>	4.90	3.56	3.96	4.84	<b>4.31</b>	<b>4.54</b>
Company (\$/mcf)	7.59	5.48	<b>8.04</b>	4.21	3.20	3.41	4.36	<b>3.79</b>	<b>4.04</b>
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	<b>99.59</b>	42.96	52.92	57.55	60.64	<b>53.52</b>	<b>58.51</b>
Company (\$/bbl)	85.65	47.20	<b>84.47</b>	34.37	42.33	46.04	48.51	<b>42.86</b>	<b>46.80</b>
Total gas & oil (\$/mcf)	8.87	5.91	<b>9.15</b>	4.49	3.91	4.19	5.04	<b>4.41</b>	<b>4.74</b>
<b>Revenue (\$mm)</b>									
Natural Gas	1,180	1,092	<b>5,607</b>	844	649	698	893	<b>3,085</b>	<b>3,289</b>
Oil	526	343	<b>2,215</b>	259	323	355	374	<b>1,313</b>	<b>1,433</b>
Other									
Total	1,706	1,435	<b>7,822</b>	1,104	973	1,054	1,267	<b>4,397</b>	<b>4,722</b>
<b>Expense</b>									
Production	346	421	<b>1,669</b>	417	243	272	347	<b>1,279</b>	<b>1,288</b>
Overhead	89	121	<b>382</b>	97	97	97	97	<b>388</b>	<b>365</b>
<b>Ebitda (\$mm)</b>	1,271	893	<b>5,771</b>	590	632	685	824	<b>2,731</b>	<b>3,070</b>
Exploration	18	26	<b>88</b>	34	34	34	34	<b>136</b>	<b>136</b>
Deprec., Deplet., & Amort.	389	741	<b>2,048</b>	709	709	709	709	<b>2,836</b>	<b>2,836</b>
Hedging and other	67	(635)	<b>152</b>	(1,088)	(725)	(670)	(575)	<b>(3,059)</b>	<b>(2,444)</b>
<b>Ebit</b>	797	761	<b>3,483</b>	935	614	612	656	<b>2,817</b>	<b>2,541</b>
Interest	91	157	<b>482</b>	126	126	126	126	<b>504</b>	<b>504</b>
<b>Ebt</b>	706	604	<b>3,001</b>	809	488	486	530	<b>2,313</b>	<b>2,037</b>
Income Tax	247	211	<b>1,050</b>	283	171	170	185	<b>810</b>	<b>713</b>
<b>Net Income (\$mm)</b>	459	392	<b>1,951</b>	526	317	316	344	<b>1,504</b>	<b>1,324</b>
<b>Shares (millions)</b>	504	577	<b>534</b>	578	578	578	578	<b>578</b>	<b>578</b>
Per share (\$)	0.91	0.68	<b>3.65</b>	0.91	0.55	0.55	0.60	<b>2.60</b>	<b>2.29</b>
Ebitda Margin - O&G	75%	62%	<b>74%</b>	53%	65%	65%	65%	<b>62%</b>	<b>65%</b>
Tax Rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>



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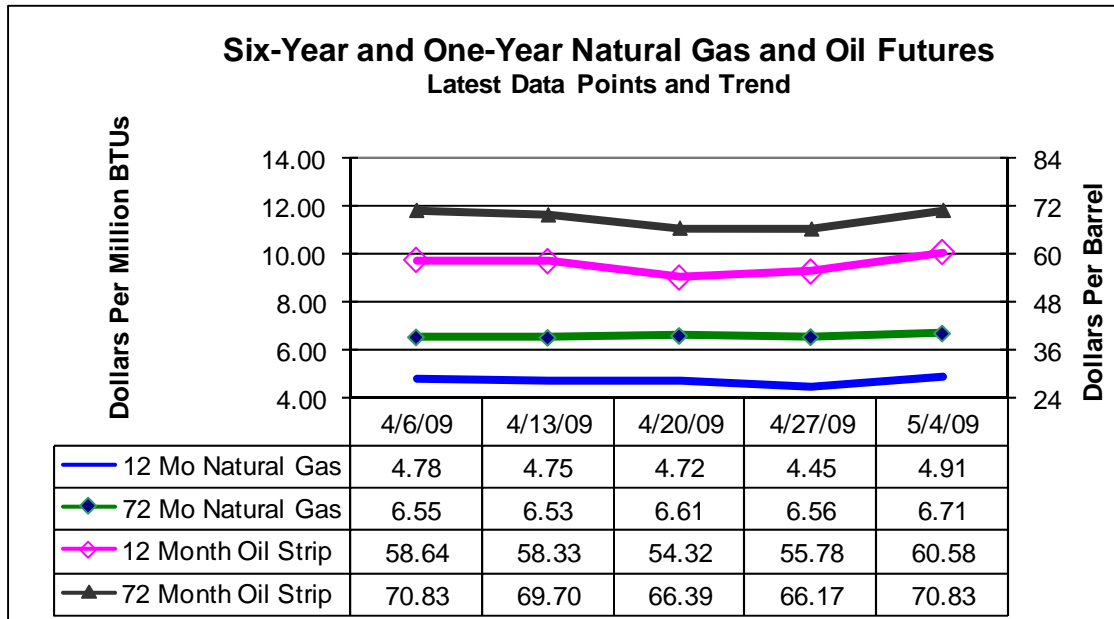
XTO Energy Inc.					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	2,140	11.7	17.0	36,300	79%
Oil	930	10.5	10.2	9,500	21%
	3,070	11.5	14.9	45,800	100%
Debt (US\$mm)					11,100
Net Present Value (US\$mm)					34,700
Shares (mm)					578
Net Present Value - Standard Estimate (US\$/sh)					60
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					59





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