

Rating: Buy
S&P 500: 1269

XTO Energy **Growth Standout**

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	3,210
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	69
<i>Price (US\$/sh)</i>	44.40	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/25/06	<i>Adjusted Reserves/Production NTM</i>	11.6
<i>Shares (mm)</i>	369	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (US\$mm)</i>	16,400	<i>PV/Ebitda</i>	7.3
<i>Debt (US\$mm)</i>	4,100	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (US\$mm)</i>	20,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.67
<i>Present Value (PV) (US\$mm)</i>	23,300	<i>Present Value Proven Reserves(US\$/boe)</i>	18.34
<i>Net Present Value (US\$/share)</i>	52	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.06
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.04
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.5	<i>Indicated Annual Dividend (US\$/sh)</i>	0.20

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

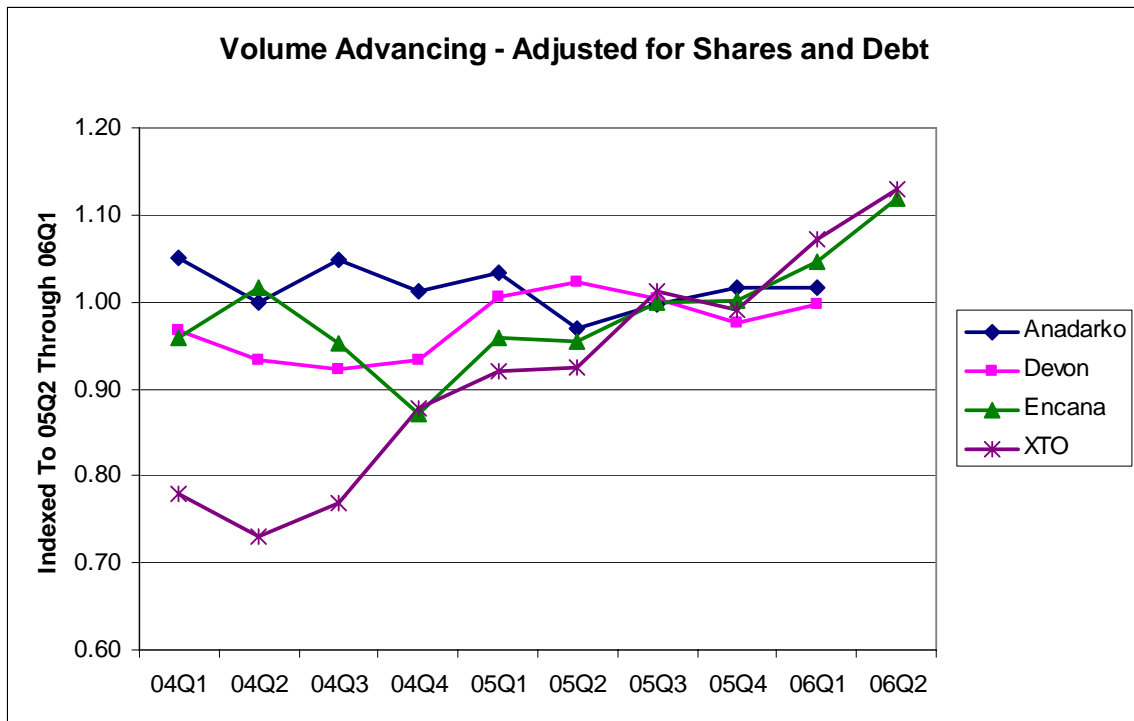
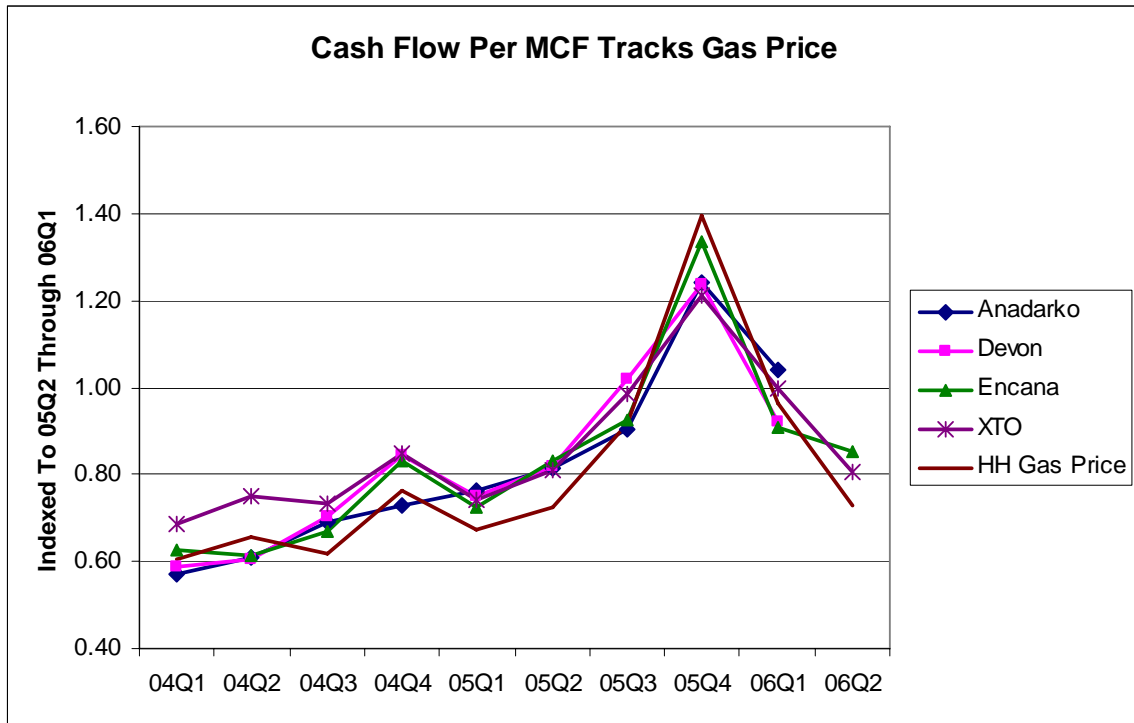
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Shares of buy-recommended **XTO Energy (XTO)** offer appreciation potential of 17% to estimated net present value (NPV) of \$52 a share. NPV presumes a long-term natural gas price of \$10 a million btu compared to the current six-year quote of about \$8.50. The clean heating natural gas equivalent of current six-year oil futures is more than \$14 a million btu. To no surprise, XTO's cash flow per unit of production tracks natural gas price in a chart that takes account of second quarter 2006 results released on July 25. More impressive, XTO continues to deliver volume growth adjusted for debt and shares of more than 4% a quarter. Present value analysis characteristically understates the worth of the superior performance management has achieved.

Kurt H. Wulff, CFA

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XTO Energy Inc.
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>6/30/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>
Volume									
Natural Gas (mmcf)	1,019	1,033	1,126	1,175	1,175	1,175	1,163	1,175	1,175
Oil (mbd)	47	49	56	57	57	57	57	57	57
Total gas & oil (bcf)	119	487	133	138	140	140	550	138	555
Total gas & oil (mmcf)	1,303	1,330	1,460	1,516	1,516	1,516	1,502	1,516	1,516
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.76	8.65	8.97	6.81	6.41	8.47	7.67	10.62	8.50
Company (\$/mcf)	6.10	7.05	7.31	5.79	5.45	7.20	6.43	9.03	7.22
Oil (\$/bbl)									
WTI Cushing	53.05	56.31	63.33	70.47	74.90	76.58	71.32	77.63	76.73
Company (\$/bbl)	40.51	44.90	52.54	57.34	65.91	67.39	60.87	68.31	67.52
Total gas & oil (\$/mcf)	6.24	7.15	7.64	6.64	6.69	8.11	7.27	9.56	8.12
Revenue (\$mm)									
Natural Gas	566	2,665	749	619	589	778	2,735	965	3,103
Oil	174	813	266	297	345	353	1,261	354	1,406
Other									
Total	740	3,478	1,016	916	934	1,131	3,996	1,319	4,509
Expense									
Production	164	722	228	215	220	271	934	271	1,033
Overhead	35	158	40	75	75	75	265	75	270
Ebitda (\$mm)	541	2,599	748	626	639	785	2,798	973	3,207
Exploration	6	24	6	3	3	3	15	3	12
Deprec., Deplet., & Amort.	155	658	196	211	211	211	829	211	843
Hedging and other	3	12	(213)	(128)	(90)	(38)	(469)		(129)
Ebit	377	1,905	758	540	515	610	2,423	759	2,480
Interest	38	153	41	46	46	46	179	46	184
Ebt	339	1,752	717	494	469	564	2,244	713	2,296
Income Tax	119	613	251	173	164	197	785	250	804
Net Income (\$mm)	220	1,139	466	321	305	366	1,458	463	1,493
Shares (millions)									
Per share (\$)	0.60	3.10	1.26	0.87	0.83	0.99	3.95	1.26	4.04
Ebitda Margin - O&G	73%	75%	74%	68%	68%	69%	70%	74%	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	2,210	11.8	8.0	17,700	76%
Oil	1,000	11.1	5.6	5,600	24%
	3,210	11.6	7.3	23,300	100%
Debt (US\$mm)					4,100
Net Present Value (US\$mm)					19,200
Shares (mm)					369
Net Present Value - Standard Estimate (US\$/sh)					52
Net Present Value - Approximation by Correlation (US\$/sh)					52

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