



Rating: Buy  
 S&P 500: 1376  
 Intraday

**XTO Energy Inc.**  
**Positioned for Natural Gas Gain**

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$mm)</i>	6,360
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	70
<i>Price (US\$/sh)</i>	66.44	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/23/08	<i>Adjusted Reserves/Production NTM</i>	12.2
<i>Shares (mm)</i>	504	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (US\$mm)</i>	33,500	<i>PV/Ebitda</i>	6.5
<i>Debt (US\$mm)</i>	7,000	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$mm)</i>	40,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	49.45
<i>Present Value (PV) (US\$mm)</i>	41,300	<i>Present Value Proven Reserves(US\$/boe)</i>	21.95
<i>Net Present Value (US\$/share)</i>	68	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.66
<i>Debt/Present Value</i>	0.17	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.65
<i>McDep Ratio - EV/PV</i>	0.98	<i>Price/Earnings Next Twelve Months</i>	14
<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\$80 a barrel and natural gas, \$11 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**

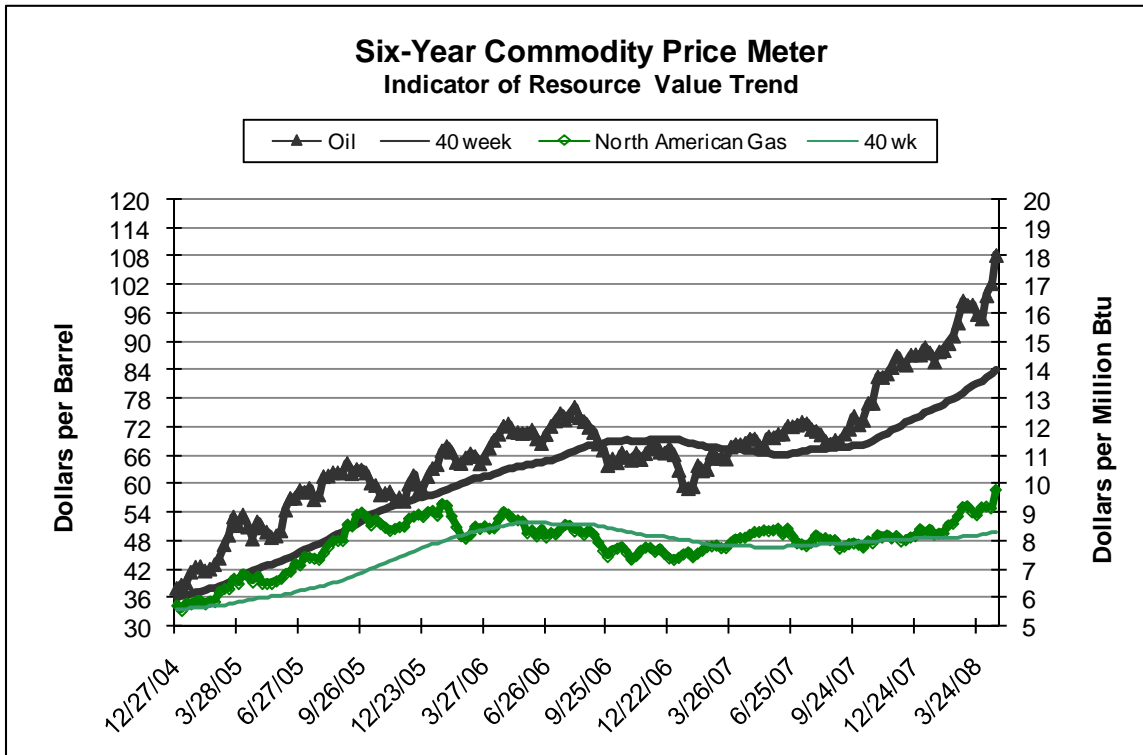
While stock price of buy-recommended **XTO Energy (XTO)** nears estimated net present value (NPV) of \$68 a share, the industry outlook and the company's prospects offer further profit. First quarter results released today exceeded our expectations from three months ago for production, oil and gas price, cash flow and earnings. 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). Before the next adjustment for higher long-term oil and gas price expectations, 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). Recent success by China in outbidding the U.S. and Europe for the last uncommitted block of Qatari liquefied natural gas may catalyze a potential double in natural gas price to the oil equivalent. XTO would be a prime stock market beneficiary with its 75% concentration on the clean fuel by value. At the same time, to control the risk of unexpected negative surprise, investors can limit the size of an XTO position. We carry the stock at an unlevered weight of 4.8% in the illustrative McDep Energy Portfolio of 27 buy recommendations.

Kurt H. Wulff, CFA



<b>XTO Energy Inc.</b>										
<b>Next Twelve Months Operating and Financial Estimates</b>										
										<i>Next Twelve Months</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Year</i>	<i>2008E</i>
	<i>3/31/07</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>2008E</i>	<i>2008E</i>	<i>3/31/09</i>
<b>Volume</b>										
Natural Gas (mmcf)	1,264	1,671	<b>1,458</b>	1,708	1,708	1,708	1,708	<b>1,708</b>	<b>1,708</b>	<b>1,708</b>
Days	90	92	<b>365</b>	91	91	92	92	<b>366</b>	<b>366</b>	<b>365</b>
Oil (mmb)	5	6	<b>22</b>	6	6	6	6	<b>25</b>	<b>25</b>	<b>25</b>
Oil (mbd)	56	63	<b>61</b>	68	68	68	68	<b>68</b>	<b>68</b>	<b>68</b>
Total gas & oil (bcf)	144	189	<b>665</b>	192	192	194	194	<b>773</b>	<b>773</b>	<b>771</b>
Total gas & oil (mmcf)	1,603	2,051	<b>1,822</b>	2,113	2,113	2,113	2,113	<b>2,113</b>	<b>2,113</b>	<b>2,113</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	6.81	6.97	<b>6.87</b>	8.02	10.40	11.07	11.47	<b>10.24</b>	<b>11.21</b>	<b>11.21</b>
Company (\$/mcf)	6.36	6.20	<b>6.26</b>	7.13	9.25	9.85	10.21	<b>9.12</b>	<b>9.97</b>	<b>9.97</b>
Oil (\$/bbl)										
WTI Cushing	58.08	90.67	<b>72.28</b>	97.94	115.46	115.06	113.29	<b>110.44</b>	<b>113.91</b>	<b>113.91</b>
Company (\$/bbl)	50.83	81.71	<b>63.47</b>	91.09	107.38	107.00	105.36	<b>102.73</b>	<b>105.94</b>	<b>105.94</b>
Total gas & oil (\$/mcf)	6.81	7.57	<b>7.12</b>	8.68	10.91	11.38	11.62	<b>10.65</b>	<b>11.45</b>	<b>11.45</b>
<b>Revenue (\$mm)</b>										
Natural Gas	724	953	<b>3,332</b>	1,109	1,438	1,548	1,604	<b>5,699</b>	<b>6,218</b>	<b>6,218</b>
Oil	258	476	<b>1,404</b>	560	660	665	654	<b>2,538</b>	<b>2,611</b>	<b>2,611</b>
Other										
Total	982	1,429	<b>4,736</b>	1,669	2,098	2,213	2,258	<b>8,237</b>	<b>8,829</b>	<b>8,829</b>
<b>Expense</b>										
Production	210	326	<b>1,099</b>	346	498	531	543	<b>1,918</b>	<b>2,145</b>	<b>2,145</b>
Overhead	56	75	<b>231</b>	89	89	89	89	<b>356</b>	<b>327</b>	<b>327</b>
<b>Ebitda (\$mm)</b>	<b>716</b>	<b>1,028</b>	<b>3,406</b>	<b>1,234</b>	<b>1,510</b>	<b>1,593</b>	<b>1,626</b>	<b>5,963</b>	<b>6,357</b>	<b>6,357</b>
Exploration	4	19	<b>52</b>	18	18	18	18	<b>72</b>	<b>64</b>	<b>64</b>
Deprec., Deplet., & Amort.	245	362	<b>1,203</b>	389	389	389	389	<b>1,556</b>	<b>1,556</b>	<b>1,556</b>
Hedging and other	(204)	(168)	<b>(749)</b>	9	206	250	273	<b>738</b>	<b>770</b>	<b>770</b>
<b>Ebit</b>	<b>671</b>	<b>815</b>	<b>2,899</b>	<b>818</b>	<b>898</b>	<b>936</b>	<b>946</b>	<b>3,597</b>	<b>3,967</b>	<b>3,967</b>
Interest	47	92	<b>250</b>	91	91	91	91	<b>364</b>	<b>364</b>	<b>364</b>
<b>Ebt</b>	<b>624</b>	<b>723</b>	<b>2,649</b>	<b>727</b>	<b>807</b>	<b>845</b>	<b>855</b>	<b>3,233</b>	<b>3,603</b>	<b>3,603</b>
Income Tax	218	257	<b>931</b>	268	282	296	299	<b>1,145</b>	<b>1,261</b>	<b>1,261</b>
<b>Net Income (\$mm)</b>	<b>405</b>	<b>466</b>	<b>1,718</b>	<b>459</b>	<b>524</b>	<b>549</b>	<b>556</b>	<b>2,088</b>	<b>2,342</b>	<b>2,342</b>
<b>Shares (millions)</b>										
Per share (\$)	0.87	0.95	<b>3.58</b>	0.91	1.04	1.09	1.10	<b>4.14</b>	<b>4.65</b>	<b>4.65</b>
Ebitda Margin - O&G	73%	72%	<b>72%</b>	74%	72%	72%	72%	<b>72%</b>	<b>72%</b>	<b>72%</b>
Tax Rate	35%	36%	<b>35%</b>	37%	35%	35%	35%	<b>35%</b>	<b>35%</b>	<b>35%</b>

<b>XTO Energy Inc.</b>					
<b>Functional Cash Flow and Present Value</b>					
				<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	4,480	12.4	6.9	31,000	75%
Oil	1,880	11.1	5.5	10,300	25%
	6,360	12.2	6.5	41,300	100%
Debt (US\$mm)					7,000
Net Present Value (US\$mm)					34,300
Shares (mm)					504
Net Present Value - Standard Estimate (US\$/sh)					68
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					75



**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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