

Rating: Buy
 S&P 500: 1235

XTO Energy

Raise Net Present Value to \$48 a Share

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	2,960
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	76
<i>Price (US\$/sh)</i>	35.58	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	11.5
<i>Shares (mm)</i>	370	<i>EV/Ebitda</i>	5.7
<i>Market Capitalization (US\$mm)</i>	13,200	<i>PV/Ebitda</i>	7.2
<i>Debt (US\$mm)</i>	3,700	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (US\$mm)</i>	16,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	36.78
<i>Present Value (PV) (US\$mm)</i>	21,400	<i>Present Value Proven Reserves(US\$/boe)</i>	19.83
<i>Net Present Value (US\$/share)</i>	48	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.30
<i>Debt/Present Value</i>	0.17	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.41
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	0.6	<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

We raise our estimated net present value of buy-recommended **XTO Energy (XTO)** to \$48 a share from \$36 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. The stock has 35% appreciation potential to net present value. The main risk in independent producer stocks is commodity price, the flip side of the opportunity.

Kurt H. Wulff, CFA

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	2,240	11.8	7.9	17,600	82%
Oil	720	10.5	5.3	3,800	18%
	2,960	11.5	7.2	21,400	100%
Debt (US\$mm)				3,700	
Net Present Value (US\$mm)				17,700	
Shares (mm)				370	
Net Present Value (US\$/sh)				48	

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XTO Energy Inc.
 Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
Volume										
Natural Gas (mmcf)	916	835	922	1,019	1,050	1,060	1,013	1,060	1,000	1,043
Oil (mbd)	42	30	46	47	47	47	47	47	43	46
Total gas & oil (bcf)	108	372	109	119	123	124	474	122	114	483
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	7.60	8.69	7.33	9.44	8.04	8.44
Company (\$/mcf)	5.91	5.52	5.65	6.08	6.84	7.82	6.64	8.49	7.24	7.60
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	60.62	63.32	56.66	64.52	63.88	63.09
Company (\$/bbl)	42.96	37.41	41.65	46.69	53.35	55.72	49.42	56.78	56.22	55.49
Total gas & oil (\$/mcf)	6.18	5.64	5.95	6.45	7.27	8.13	6.99	8.70	7.67	7.95
Revenue (\$mm)										
Natural Gas	498	1,685	474	564	660	763	2,461	819	658	2,901
Oil	166	413	175	201	232	243	851	245	220	939
Other										
Total	665	2,098	649	765	893	1,005	3,312	1,064	878	3,840
Expense										
Production	134	424	144	164	178	189	674	194	177	738
Overhead	15	79	50	35	35	35	155	35	35	140
Ebitda (\$mm)	516	1,595	456	566	680	781	2,483	834	666	2,962
Exploration	5	11	1	6	6	6	19	6	6	24
Deprec., Deplet., & Amort.	128	410	129	155	172	173	629	171	160	676
Hedging and other	80	282	42	28	69	98	237	1	0	168
Ebit	302	893	284	377	434	504	1,598	656	499	2,093
Interest	28	93	29	38	38	38	143	38	38	152
Ebt	274	800	255	339	396	466	1,455	618	461	1,941
Income Tax	96	288	89	119	138	163	509	216	162	679
Net Income (\$mm)	178	512	165	220	257	303	946	401	300	1,262
Shares (millions)	349	338	352	367	367	367	364	367	379	370
Per share (\$)	0.51	1.52	0.47	0.60	0.70	0.83	2.60	1.09	0.79	3.41
Ebitda Margin - O&G	78%	76%	70%	74%	76%	78%	75%	78%	76%	77%
Tax Rate	35%	36%	35%	35%	35%	35%	35%	35%	35%	35%

Oil and Gas Producers

Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>	<i>Rating</i>	<i>Price (\$/sh)</i>	<i>Shares</i>	<i>Market Cap</i>	<i>Net Present Value</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
			<i>1-Aug 2005</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>		
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	41.86	892	37,300	51.00	0.16	0.85
CNOOC Limited (29%)	CEO	B	69.33	119	8,270	84.00	0.01	0.83
Unocal Corporation	UCL	B	64.39	275	17,700	85.00	0.15	0.79
XTO Energy Inc.	XTO	B	35.58	370	13,150	48.00	0.17	0.79
Burlington Resources	BR	B	65.03	385	25,000	86.00	0.09	0.78
Devon Energy Corporation	DVN	B	56.63	496	28,100	82.00	0.13	0.73
Occidental Petroleum Corp.	OXY	B	82.78	406	33,600	120.00	0.11	0.72
Anadarko Petroleum Corp.	APC	B	88.72	238	21,100	140.00	0.11	0.67
	<i>Total or Median</i>				<i>184,000</i>		<i>0.12</i>	<i>0.78</i>

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