

Rating: Buy
S&P 500: 1289

XTO Energy

Raise Net Present Value to \$52 a Share

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	3,040
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	73
<i>Price (US\$/sh)</i>	42.43	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/24/06	<i>Adjusted Reserves/Production NTM</i>	12.4
<i>Shares (mm)</i>	372	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (US\$m)</i>	15,800	<i>PV/Ebitda</i>	7.6
<i>Debt (US\$m)</i>	3,700	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (US\$m)</i>	19,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	35.15
<i>Present Value (PV) (US\$m)</i>	23,000	<i>Present Value Proven Reserves(US\$/boe)</i>	18.11
<i>Net Present Value (US\$/share)</i>	52	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.02
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.67
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	12
<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

We raise net present value for buy-recommended **XTO Energy (XTO)** to \$52 a share from the current \$48 after the company discloses details of year-end reserves today. As promised in a recent press release, total reserves exceed 7.5 trillion cubic feet equivalent. As a result our adjusted reserve life increases to 12.4 years, near highest among peers, from 10.7. Long life supports an unlevered cash flow multiple that is higher than peers, but still low as a middle single digit. Concentration on natural gas at 83% suggests that this is a good time for new long-term commitments because natural gas commodity price appears to be at the low end of its range relative to oil.

Kurt H. Wulff, CFA

XTO Energy Inc. Functional Cash Flow and Present Value

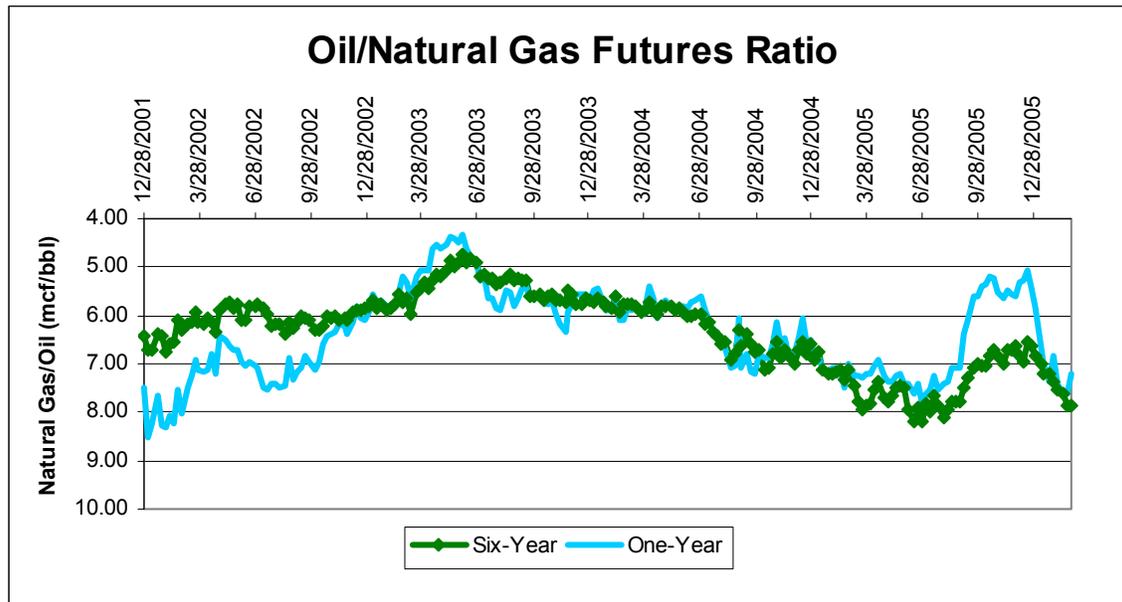
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$m)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$m)</i>	
North American Natural Gas	2,230	12.5	8.6	19,200	83%
Oil	810	12.0	4.7	3,800	17%
	3,040	12.4	7.6	23,000	100%
Debt (US\$m)				3,700	
Net Present Value (US\$m)				19,300	
Shares (mm)				372	
Net Present Value - Standard Estimate (US\$/sh)				52	
Net Present Value - Approximation by Correlation (US\$/sh)				58	

Please see disclosures on the final page.

XTO Energy Inc.
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>12/31/05</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>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
Volume									
Natural Gas (mmcf)	1,102	1,033	1,102	1,102	1,102	1,102	1,102	1,102	1,102
Oil (mbd)	53	49	53	53	53	53	53	53	53
Total gas & oil (bcf)	130	487	129	129	130	130	519	129	519
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	8.65	9.08	7.70	8.05	9.22	8.51	10.80	8.94
Company (\$/mcf)	9.09	7.05	7.27	6.54	6.84	7.84	7.12	8.64	7.46
Oil (\$/bbl)									
WTI Cushing	60.02	56.31	62.50	61.89	64.39	65.59	63.59	66.31	64.55
Company (\$/bbl)	47.52	44.90	55.00	54.46	56.67	57.72	55.97	58.36	56.80
Total gas & oil (\$/mcf)	8.83	7.15	7.69	7.11	7.42	8.23	7.61	8.88	7.91
Revenue (\$mm)									
Natural Gas	922	2,665	729	656	694	794	2,873	867	3,011
Oil	230	813	263	261	274	279	1,078	279	1,094
Other									
Total	1,152	3,478	992	917	968	1,074	3,951	1,146	4,105
Expense									
Production	223	722	223	203	217	244	887	244	909
Overhead	39	158	39	39	39	39	156	39	156
Ebitda (\$mm)	890	2,599	730	674	712	791	2,907	863	3,040
Exploration	4	24	4	4	4	4	16	4	16
Deprec., Deplet., & Amort.	192	658	192	192	192	183	759	183	749
Hedging and other	(24)	12	1	(0)	0	1	3	3	4
Ebit	717	1,905	533	478	516	603	2,130	673	2,271
Interest	42	153	42	42	42	42	168	42	168
Ebt	675	1,752	491	436	474	561	1,962	631	2,103
Income Tax	236	613	172	153	166	196	687	221	736
Net Income (\$mm)	439	1,139	319	284	308	364	1,275	410	1,367
Shares (millions)	372	367	372	372	372	372	372	372	372
Per share (\$)	1.18	3.10	0.86	0.76	0.83	0.98	3.43	1.10	3.67
Ebitda Margin - O&G	77%	75%	74%	74%	74%	74%	74%	75%	74%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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