



Independent Stock Idea

August 5, 2009

rating: buy
s&p 500: 1000 intraday

XTO Energy (XTO) Cutting Edge Natural Gas Producer

<i>Symbol</i>	XTO	<i>Ebitda Next Twelve Months ending 6/30/10 (US\$mm)</i>	3,680
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	69
<i>Price (US\$/sh)</i>	42.24	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/4/09	<i>Adjusted Reserves/Production NTM</i>	11.0
<i>Shares (mm)</i>	579	<i>EV/Ebitda</i>	9.7
<i>Market Capitalization (US\$mm)</i>	24,500	<i>PV/Ebitda</i>	10.4
<i>Debt (US\$mm)</i>	11,200	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$mm)</i>	35,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	21.25
<i>Present Value (PV) (US\$mm)</i>	38,400	<i>Present Value Proven Reserves(US\$/boe)</i>	16.62
<i>Net Present Value (US\$/share)</i>	47	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.77
<i>Debt/Present Value</i>	0.29	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.63
<i>McDep Ratio - EV/PV</i>	0.93	<i>Price/Earnings Next Twelve Months</i>	26
<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, \$8 a million btu.			
For historical analysis of XTO since 2002 see www.mcdep.com/4xto.htm			

Summary and Recommendation

Buy-recommended **XTO Energy (XTO)** offers unlevered appreciation potential of 8% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$47 a share. On July 14 we reduced NPV from \$60 when we reduced estimated Present Value of North American Natural Gas by 20%. In the second quarter conference call today, Chairman Bob Simpson emphasized XTO's record cash flow despite low natural gas price, thanks to hedging. Addressing skepticism that the results can be reproduced, Mr. Simpson declares that the outlook for XTO's 2010 cash flow starts to exceed 2009 when natural gas price exceeds \$7 a million btu. The futures market currently prices 2010 deliveries at \$6.20. Record short interest in natural gas futures may contribute to a sharp rebound when sellers start to cover, he suggests. Longer-term the XTO founder believes that natural gas will trade at \$7-8 and not spike to \$15 while some of the best new supply may be profitable at perhaps \$4. Companies like XTO, on the cutting edge with experience and ability to develop unconventional gas at low cost, will differentiate themselves in profitability. More broadly, Mr. Simpson believes that this is the first time in his career that the natural gas industry can say that supply is bountiful. As a result, XTO has become uncharacteristically active in meeting with legislative leaders, including during the Senate recess this month, to communicate the powerful advantage the U.S. has in natural gas. Natural gas growth at a reasonable price is good for all.

Kurt H. Wulff, CFA



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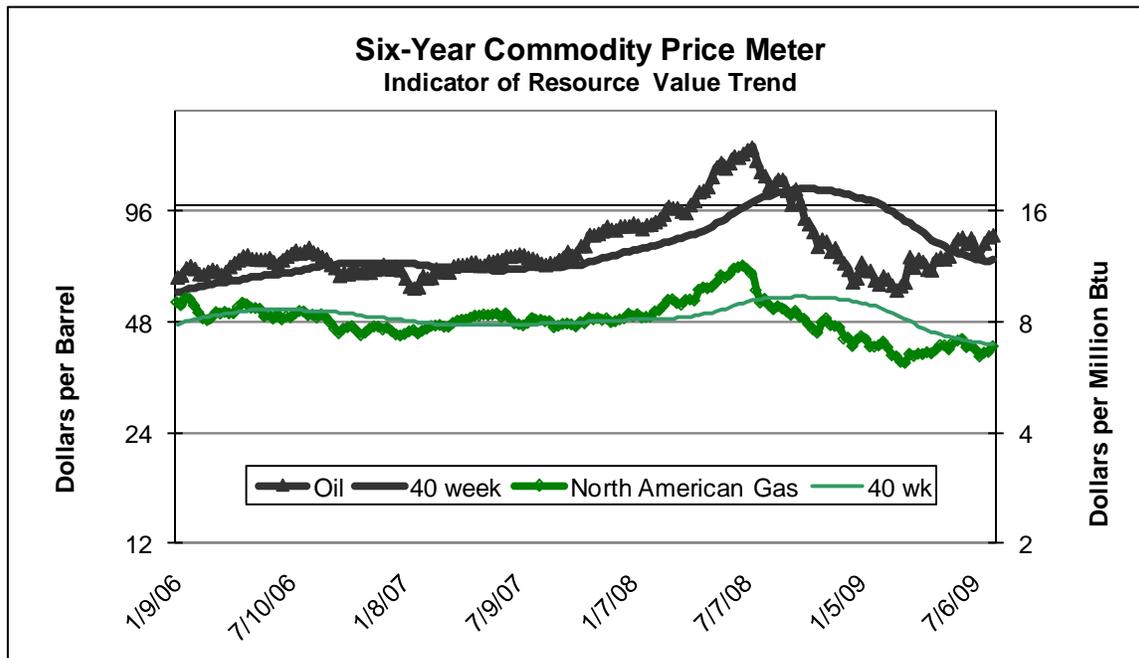
XTO Energy Inc.									
Next Twelve Months Operating and Financial Estimates									
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next
	6/30/08	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	Twelve
									Months
									6/30/10
Volume									
Natural Gas (mmcf)	1,795	2,228	2,352	2,352	2,352	2,321	2,352	2,352	2,352
Days	91	90	91	92	92	365	90	91	365
Oil (mmb)	6	8	8	8	8	30	7	8	30
Oil (mbd)	67	84	83	83	83	83	83	83	83
Total gas & oil (bcf)	200	246	259	262	262	1,029	256	259	1,040
Total gas & oil (mmcf)	2,196	2,731	2,849	2,849	2,849	2,820	2,849	2,849	2,849
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	10.93	4.90	3.50	3.79	5.00	4.30	5.95	5.89	5.16
Company (\$/mcf)	10.20	4.15	3.15	3.26	4.50	3.76	5.36	5.30	4.60
Oil (\$/bbl)									
WTI Cushing	123.97	42.96	59.52	69.09	74.17	61.44	76.50	78.25	74.50
Company (\$/bbl)	108.44	33.64	46.62	54.12	58.09	48.16	61.20	62.60	58.98
Total gas & oil (\$/mcf)	11.64	4.42	3.95	4.27	5.40	4.51	6.20	6.19	5.51
Revenue (\$mm)									
Natural Gas	1,666	832	674	705	974	3,185	1,134	1,134	3,946
Oil	660	254	352	413	443	1,462	457	472	1,785
Other									
Total	2,326	1,086	1,025	1,118	1,417	4,646	1,590	1,606	5,731
Expense									
Production	409	417	414	414	414	1,659	414	414	1,656
Overhead	89	97	98	98	98	391	98	98	392
Ebitda (\$mm)	1,828	572	513	606	905	2,596	1,078	1,094	3,683
Exploration	14	34	20	20	20	94	20	20	80
Deprec., Deplet., & Amort.	413	709	793	793	793	3,088	793	793	3,172
Hedging and other	448	(1,106)	(1,201)	(647)	(513)	(3,467)	(184)	(180)	(1,523)
Ebit	953	935	901	440	605	2,881	449	461	1,954
Interest	102	126	126	126	126	504	126	126	504
Ebt	851	809	775	314	479	2,377	323	335	1,450
Income Tax	298	283	271	110	167	832	113	117	508
Net Income (\$mm)	553	526	504	204	311	1,545	210	217	943
Shares (millions)	517	578	579	579	579	579	579	579	579
Per share (\$)	1.07	0.91	0.87	0.35	0.54	2.67	0.36	0.38	1.63
Ebitda Margin - O&G	79%	53%	50%	54%	64%	56%	68%	68%	64%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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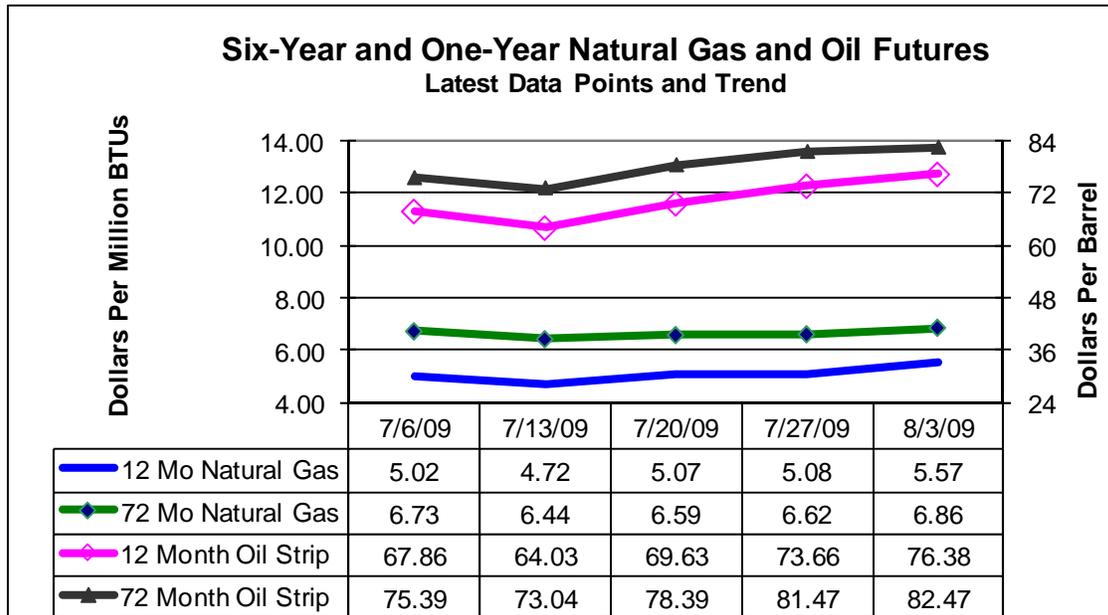
XTO Energy Inc.					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	2,530	11.1	11.4	28,900	75%
Oil	1,150	10.7	8.3	9,500	25%
	3,680	11.0	10.4	38,400	100%
Debt (US\$mm)					11,200
Net Present Value (US\$mm)					27,200
Shares (mm)					579
Net Present Value - Standard Estimate (US\$/sh)					47
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					48





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