

Rating: Buy
S&P 500: 1490
Intraday

Cimarex Energy Company

Timely Turn to Oil

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$m)</i>	1,096
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	59
<i>Price (\$/sh)</i>	41.09	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/7/07	<i>Adjusted Reserves/Production NTM</i>	7.9
<i>Shares (mm)</i>	84	<i>EV/Ebitda</i>	3.7
<i>Market Capitalization (\$mm)</i>	3,450	<i>PV/Ebitda</i>	6.4
<i>Debt (\$mm)</i>	630	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	4,080	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	40.10
<i>Present Value (PV) (\$mm)</i>	7,010	<i>Present Value Proven Reserves(\$/boe)</i>	28.90
<i>Net Present Value (\$/share)</i>	76	<i>Present Value Proven Reserves(\$/mcf)</i>	4.80
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.74
<i>McDep Ratio - EV/PV</i>	0.58	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.39

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\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of XEC since 2003 see www.mcdep.com/4xec.htm

Summary and Recommendation

An improving volume trend, especially for oil, may rekindle investor interest in what we see as unlevered appreciation potential of 72% in buy-recommended **Cimarex (XEC)** to estimated net present value (NPV) of \$76 a share. Third quarter results reported today show how the company is positioned for record unlevered cash flow (Ebitda) in the quarters ahead (see table [Next Twelve Months Operating and Financial Estimates](#)). Stable overall volume masks a surprise upward trend in oil volume for a company mostly concentrated on natural gas (see chart [Volume Trend by Fuel](#)). At the same time, positive trends in the longer life Midcontinent and Permian areas have been masked by a lessening emphasis on the shorter life Gulf Coast and Gulf of Mexico areas (see chart [Volume Trend by Area](#)). Meanwhile, NPV is well 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](#)). Accentuating the timely emphasis on oil, a renewed rise in oil price may take six-year futures to another double as was the case from the end of 2004 to mid 2006, subject to short declines from time to time (see chart [Six-Year Commodity Price Meter](#)). Natural gas, the best alternative clean fuel selling at a discount, ought to respond as well, eventually.

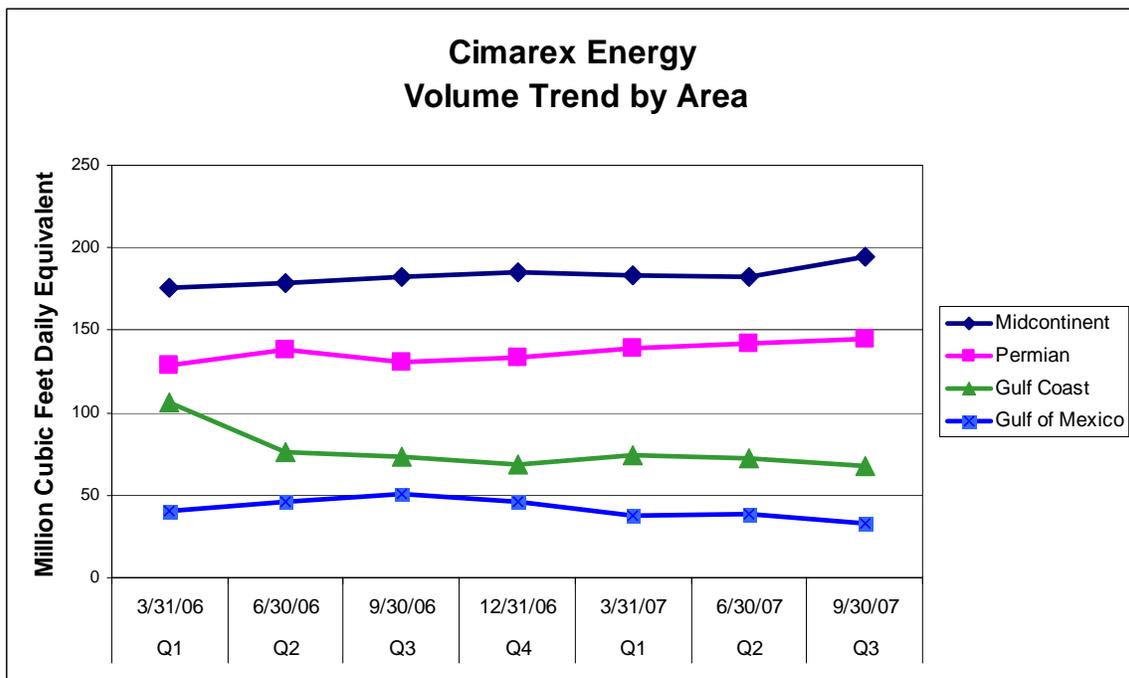
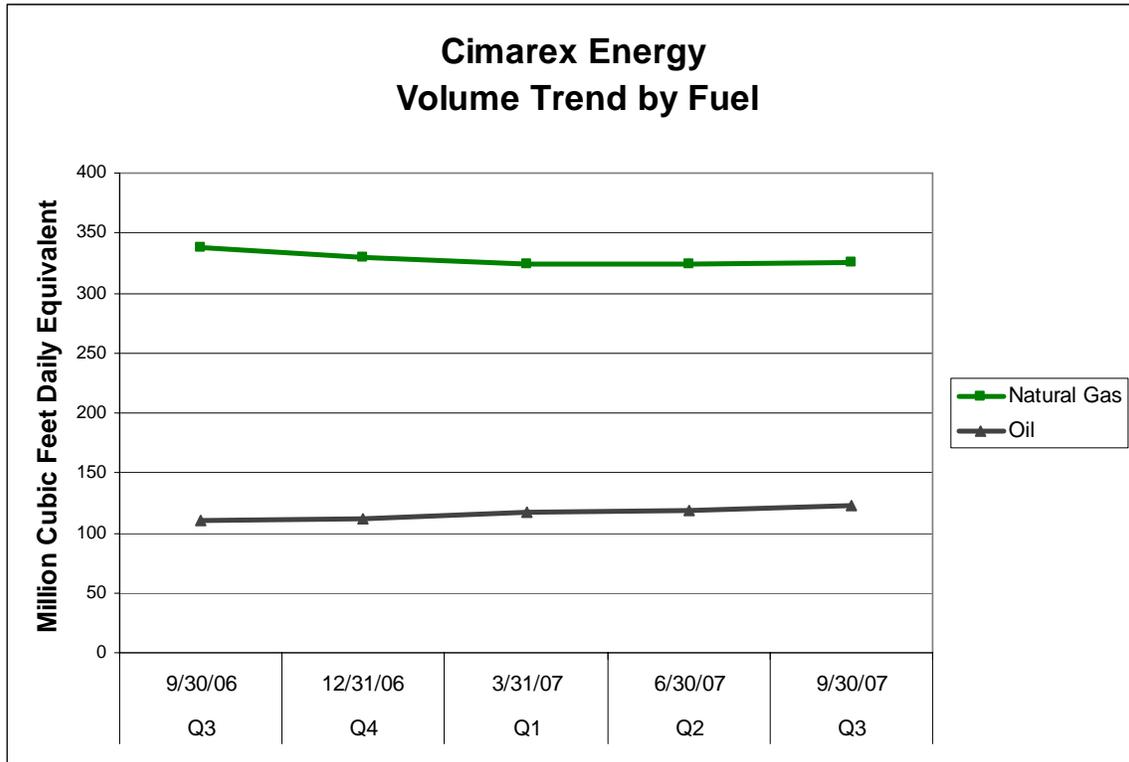
Kurt H. Wulff, CFA

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Cimarex Energy Company
Next Twelve Months Operating and Financial Performance

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/06</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>9/30/08</i>
Volume									
Natural Gas (bcf)	31.1	29.5	29.9	29.9	118	29.6	29.6	29.9	119
Natural Gas (mmcf)	338	324	325	325	325	325	325	325	325
Days	92	91	92	92	365	91	91	92	366
Oil (mmb)	1.7	1.8	1.9	1.9	7	1.9	1.9	1.9	8
Oil (mbd)	18.3	19.8	20.5	20.5	20.1	20.5	20.5	20.5	20.5
Total (bcfe)	41.2	40.3	41.3	41.3	163	40.8	40.8	41.3	164
Total (mmcf)	448	443	448	448	445	448	448	448	448
Price									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	7.24	6.94	8.38	7.97	8.15	7.93
Differential (\$/mmbtu)	0.23	0.37	0.12	0.14	0.22	0.27	0.25	0.26	0.23
Company (\$/mcf)	6.35	7.19	6.04	7.10	6.72	8.11	7.72	7.89	7.70
WTI Cushing (\$/bbl)	70.42	64.91	75.48	91.29	72.44	92.23	89.70	87.47	90.17
Differential	3.85	3.40	3.85	4.65	3.36	4.70	4.57	4.58	4.63
Company (\$/bbl)	66.57	61.51	71.63	86.63	69.07	87.53	85.13	82.89	85.54
Revenue (\$mm)									
Natural Gas	197	212	181	212	796	240	228	236	917
Oil	112	111	135	164	507	164	159	157	643
Other									
Total	310	323	316	376	1,303	404	388	393	1,560
Expense									
Operating	49	57	67	68	243	75	73	74	291
Production taxes	23	24	22	28	95	30	29	29	117
General and administrative	13	9	14	14	53	15	14	13	56
Total	85	90	103	111	391	121	115	117	464
Ebitda	225	232	213	265	912	283	272	276	1,096
Deprec., Deplet., & Amort	107	113	120	118	460	116	116	118	468
Other Non Cash	(3)	(3)	(26)		(39)				-
Ebit	121	122	119	147	492	166	156	158	628
Interest	-	5	4	4	16	4	4	4	16
Ebt	121	117	115	143	476	162	152	154	612
Income Tax	42	41	40	50	167	57	53	54	214
Net Income (\$mm)	78	76	75	93	309	106	99	100	398
Per Share (\$)	0.93	0.90	0.89	1.11	3.67	1.26	1.18	1.19	4.74
Shares (millions)									
Operating (\$/mcf)	1.19	1.42	1.62	1.66	1.50	1.85	1.78	1.80	1.77
Production taxes (% rev)	7.4	7.4	7.0	7.5	7.3	7.5	7.5	7.5	7.5
General and admin (\$/mcf)	0.32	0.23	0.34	0.35	0.32	0.37	0.33	0.32	0.34
Deprec., D, & A (\$/mcf)	2.60	2.81	2.91	2.85	2.83	2.85	2.85	2.85	2.85
Ebitda Margin	73%	72%	67%	70%	70%	70%	70%	70%	70%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

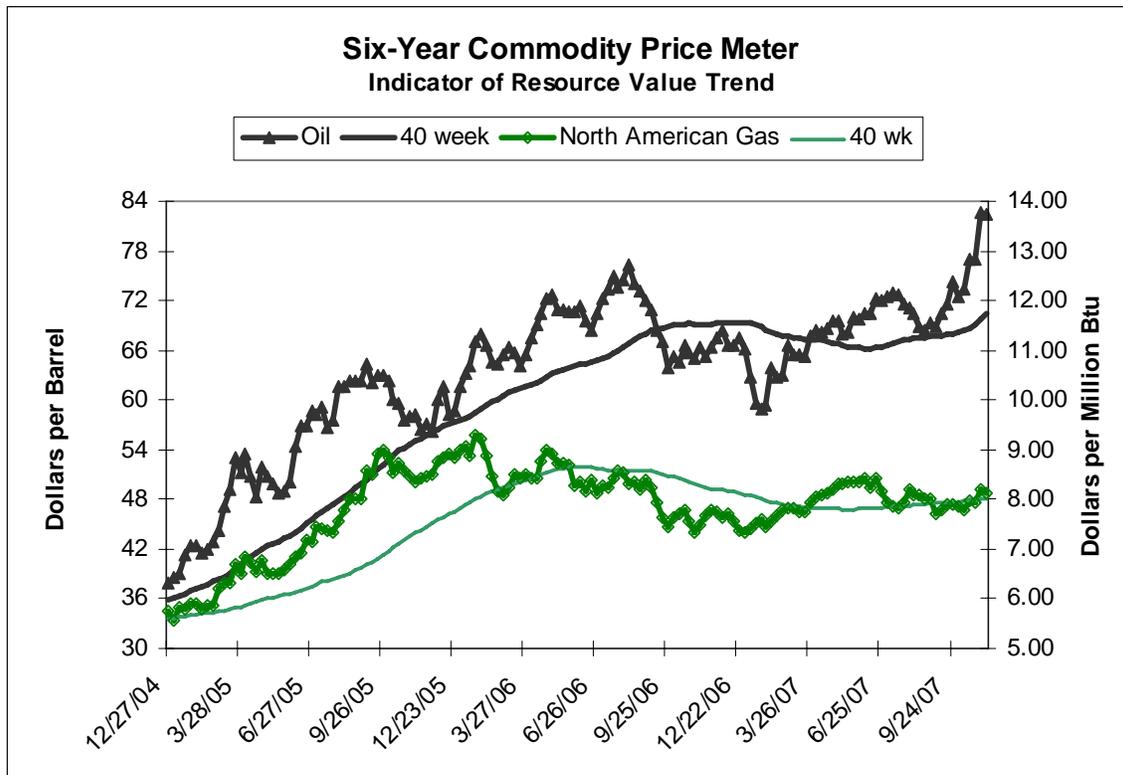
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Cimarex Energy Company
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	640	8.2	7.5	4,800	68%
Oil	456	7.3	4.9	2,230	32%
	1,096	7.9	6.4	7,030	100%
Debt (US\$mm)				630	
Net Present Value (US\$mm)				6,400	
Shares (mm)				84	
Net Present Value - Standard Estimate (US\$/sh)				76	
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)				81	



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