



Rating: Buy
 S&P 500: 1349

Cimarex Energy Company

Strong Performance in 2007

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	1,283
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	60
<i>Price (\$/sh)</i>	46.41	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/19/08	<i>Adjusted Reserves/Production NTM</i>	7.6
<i>Shares (mm)</i>	84	<i>EV/Ebitda</i>	3.6
<i>Market Capitalization (\$mm)</i>	3,910	<i>PV/Ebitda</i>	5.5
<i>Debt (\$mm)</i>	690	<i>Undeveloped Reserves (%)</i>	22
<i>Enterprise Value (EV) (\$mm)</i>	4,590	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	44.60
<i>Present Value (PV) (\$mm)</i>	7,090	<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>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.99
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.34
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 XEC since 2003 see www.mcdep.com/4xec.htm			

Summary and Recommendation

Buy-recommended **Cimarex (XEC)** offers unlevered appreciation potential of 54% to estimated net present value (NPV) of \$76 a share, concentrated 65% on natural gas and 35% on oil. Fourth quarter results released on February 20 exceeded expectations with positive surprise in oil volume. In addition, the company apparently received a natural gas price premium rather than a discount to the industry benchmark. Reserves grew 10% in 2007 after replacing production and before a property sale thereby demonstrating profitable real growth. 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). NPV is more than 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). Meanwhile, the industry backdrop continues to be positive with an uptrend for oil price and catch up potential for natural gas (see chart Six-Year Commodity Price Meter).

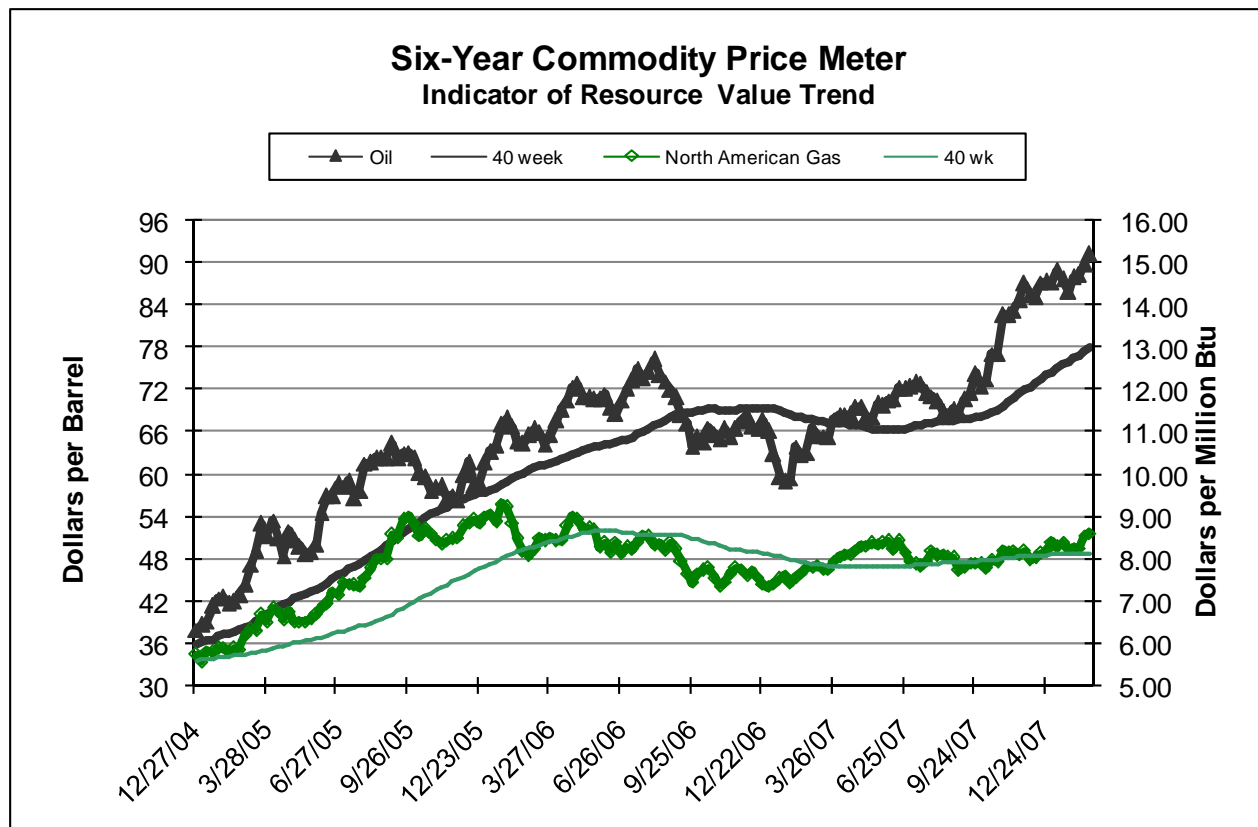
Kurt H. Wulff, CFA



Cimarex Energy Company									
Next Twelve Months Operating and Financial Performance									
									<i>Next</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Twelve</i>
	<i>12/31/06</i>	<i>9/30/07</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>Months</i>
									<i>12/31/08</i>
Volume									
Natural Gas (bcf)	30.3	29.9	31.4	120	31.0	31.0	31.4	31.4	125
Natural Gas (mmcf)	329	325	341	329	341	341	341	341	341
Days	92	92	92	365	91	91	92	92	366
Oil (mmb)	1.7	1.9	2.0	7	2.0	2.0	2.0	2.0	8
Oil (mbd)	18.6	20.5	21.7	20.4	21.7	21.7	21.7	21.7	21.7
Total (bcfe)	40.6	41.3	43.3	165	42.9	42.9	43.3	43.3	172
Total (mmcf)	441	448	448	451	471	471	471	471	471
Price									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.97	8.81	8.95	9.40	8.78
Differential (\$/mmbtu)	0.36	0.12	(0.49)	0.06	0.06	0.07	0.07	0.08	0.07
Company (\$/mcf)	6.21	6.04	7.46	6.82	7.90	8.73	8.88	9.33	8.71
WTI Cushing (\$/bbl)	59.99	75.48	90.67	72.28	94.12	95.63	94.63	93.60	94.50
Differential	4.08	3.85	2.60	2.58	2.70	2.75	2.84	2.81	2.78
Company (\$/bbl)	55.91	71.63	88.07	69.71	91.41	92.89	91.80	90.79	91.72
Revenue (\$mm)									
Natural Gas	188	181	234	818	245	271	279	293	1,088
Oil	96	135	176	519	180	183	183	181	728
Other									
Total	284	316	410	1,337	426	454	462	474	1,816
Expense									
Operating	49	67	50	225	77	83	85	83	328
Production taxes	23	22	27	94	32	34	35	36	136
General and administrative	13	14	16	55	17	18	17	16	68
Total	85	103	93	373	126	135	137	135	533
Ebitda	199	213	316	964	299	320	325	339	1,283
Deprec., Deplet., & Amort.	108	120	122	464	122	122	124	124	491
Other Non Cash	0	(26)	(9)	(48)					-
Ebit	91	119	203	548	177	197	201	216	791
Interest	-	4	4	16	4	4	4	4	16
Ebt	91	115	199	532	173	193	197	212	775
Income Tax	32	40	70	186	61	68	69	74	271
Net Income (\$mm)	59	75	130	346	113	126	128	138	504
Per Share (\$)	0.70	0.89	1.54	4.10	1.34	1.49	1.52	1.63	5.99
Shares (millions)	84	84	84	84	84	84	84	84	84
Operating (\$/mcf)	1.21	1.62	1.15	1.37	1.80	1.94	1.97	1.91	1.90
Production taxes (%rev)	8.1	7.0	6.6	7.0	7.5	7.5	7.5	7.5	7.5
General and admin (\$/mcf)	0.32	0.34	0.38	0.33	0.41	0.41	0.39	0.38	0.40
Deprec., D, & A (\$/mcf)	2.66	2.91	2.81	2.82	2.85	2.85	2.85	2.85	2.85
Ebitda Margin	70%	67%	77%	72%	70%	70%	70%	72%	71%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Cimarex Energy Company					
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	770	7.9	6.0	4,600	65%
Oil	513	6.9	4.9	2,490	35%
	1,283	7.6	5.5	7,090	100%
Debt (US\$mm)					690
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)					88



McDep LLC
Independent Stock Idea
February 20, 2008



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