



Independent Stock Idea

May 5, 2009

rating: buy
s&p 500: 907

Cimarex Energy (XEC) Ready to Drill Shale

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	568
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	53
<i>Price (\$/sh)</i>	24.83	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/4/09	<i>Adjusted Reserves/Production NTM</i>	7.1
<i>Shares (mm)</i>	82	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (\$mm)</i>	2,450	<i>PV/Ebitda</i>	9.4
<i>Debt (\$mm)</i>	870	<i>Undeveloped Reserves (%)</i>	17
<i>Enterprise Value (EV) (\$mm)</i>	3,320	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	19.90
<i>Present Value (PV) (\$mm)</i>	5,360	<i>Present Value Proven Reserves(\$/boe)</i>	24.10
<i>Net Present Value (\$/share)</i>	55	<i>Oil and Gas Ebitda Margin (%)</i>	63
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.43
<i>McDep Ratio - EV/PV</i>	0.62	<i>Price/Earnings Next Twelve Months</i>	21
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.24
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, \$10 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 62% to a McDep Ratio of 1.0 and levered appreciation potential of 122% to Net Present Value (NPV) of \$55 a share. During the first quarter, according to results released today, the company generated cash from oil and gas production of about \$15 a barrel of oil equivalent as the difference between price of about \$27 and cash operating costs of about \$12. Unlevered cash flow (Ebitda) met our expectations from three months ago. We project gradual increases in Ebitda in the second half of 2009 (see table Next Twelve Months Operating and Financial Estimates). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table Functional Cash Flow and Present Value). Pointing to expected oil price recovery, futures prices for the next six years averaged near \$71 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures). Low-debt, well managed Cimarex has weathered the storm and is ready to drill for more natural gas in its new Cana shale play in Western Oklahoma when the supply is needed.

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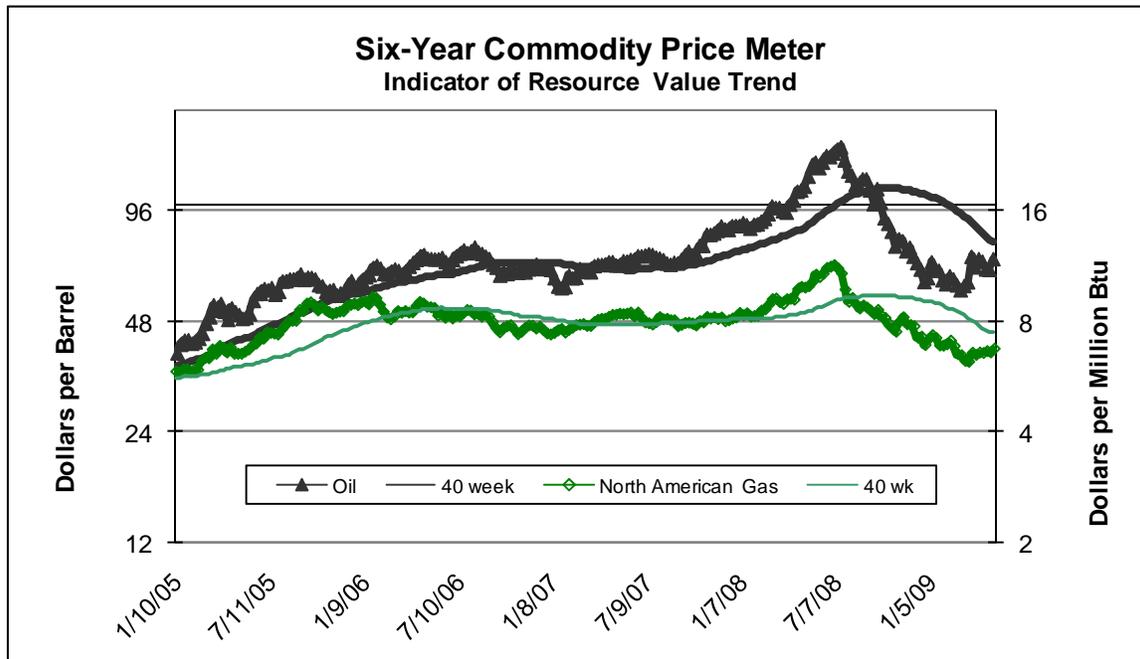
Cimarex Energy Company									
Next Twelve Months Operating and Financial Performance									
									<i>Next</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>3/31/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>Months</i>
									<i>3/31/10</i>
Volume									
Natural Gas (bcf)	30.9	32.2	127	30.5	30.2	29.9	29.3	120	118
Natural Gas (mmcf)	340	350	348	339	332	325	319	328	324
Days	91	92	366	90	91	92	92	365	365
Oil (mmb)	2.1	2.2	8.4	2.3	2.2	2.2	2.2	8.9	8.8
Oil (mbd)	22.8	23.9	22.9	25.1	24.6	24.1	23.6	24.3	24.0
Total (bcfe)	43.4	45.4	178	44.0	43.6	43.2	42.3	173	171
Total (mmcf)	476	494	486	489	479	470	470	474	469
Price									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.56	3.96	4.84	4.31	4.54
Differential (\$/mmbtu)	(0.33)	2.26	0.69	1.07	0.36	0.40	0.48	0.58	0.47
Company (\$/mcf)	8.35	4.69	8.35	3.83	3.20	3.57	4.36	3.73	4.08
WTI Cushing (\$/bbl)	97.94	58.45	99.59	42.96	52.92	57.55	60.64	53.52	58.51
Differential	3.56	2.49	3.56	7.26	8.94	9.84	10.37	9.17	10.03
Company (\$/bbl)	94.38	55.96	96.03	35.70	43.98	47.71	50.27	44.34	48.48
Total (\$/bbl)	62.80	36.22	63.10	26.90	26.84	29.49	33.56	29.16	31.85
Revenue (\$mm)									
Natural Gas	258	151	1,064	117	97	107	128	448	483
Oil	196	123	806	81	98	106	109	394	425
Other									
Total	454	274	1,870	197	195	212	237	842	908
Expense									
Operating	60	62	260	59	59	59	59	236	236
Production taxes	31	21	131	16	14	15	17	61	64
General and administrative	14	9	54	10	10	10	10	40	40
Total	105	92	445	85	83	84	86	337	340
Ebitda	349	182	1,426	113	112	128	151	505	568
Deprec., Deplet., & Amort	126	141	551	92	92	92	92	368	381
Other Non Cash	(11)	(1)	(44)	7				7	-
Ebit	234	42	918	13	20	36	59	129	187
Interest	3	1	9	2	2	2	2	8	8
Ebt	231	41	909	11	18	34	57	121	179
Income Tax	81	14	318	4	6	12	20	42	63
Net Income (\$mm)	150	27	591	7	12	22	37	79	117
Per Share (\$)	1.76	0.32	6.95	0.09	0.15	0.27	0.45	0.96	1.43
Shares (millions)	85	83	83	82	82	82	82	82	82
Operating (\$/mcf)	1.38	1.36	1.46	1.34	1.36	1.37	1.40	1.37	1.38
Production taxes (% rev)	6.8	7.7	7.0	7.9	7.0	7.0	7.0	7.2	7.0
General and admin (\$/mcf)	0.32	0.20	0.30	0.23	0.23	0.23	0.24	0.23	0.23
Deprec., D, & A (\$/mcf)	2.91	3.10	3.10	2.09	2.11	2.13	2.17	2.13	2.23
Ebitda Margin	77%	66%	76%	57%	58%	60%	64%	60%	63%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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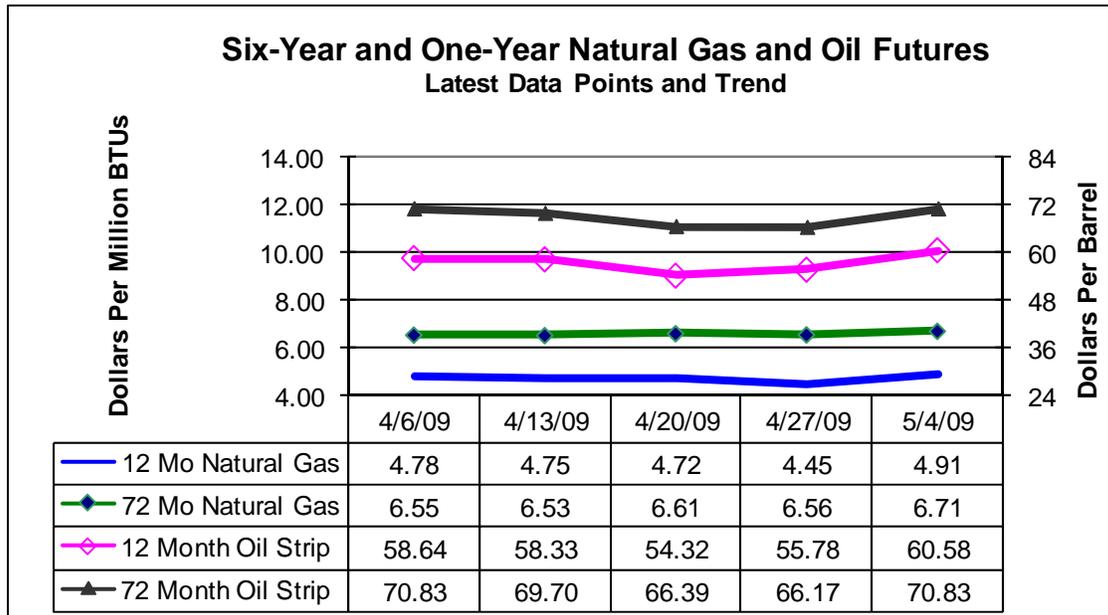
Cimarex Energy Company					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	300	8.0	12.0	3,600	67%
Oil	268	5.1	6.6	1,770	33%
	568	7.1	9.5	5,370	100%
Debt (US\$mm)					870
Net Present Value (US\$mm)					4,500
Shares (mm)					82
Net Present Value - Standard Estimate (US\$/sh)					55
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					60





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