

Rating: Buy
 S&P 500: 1280

Cimarex Energy Eyed by Icahn

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 12/31/06 (US\$m)</i>	1,084
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	71
<i>Price (\$/sh)</i>	43.00	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/15/06	<i>Adjusted Reserves/Production NTM</i>	7.3
<i>Shares (mm)</i>	85	<i>EV/Ebitda</i>	3.8
<i>Market Capitalization (\$mm)</i>	3,660	<i>PV/Ebitda</i>	5.5
<i>Debt (\$mm)</i>	500	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	4,160	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	37.10
<i>Present Value (PV) (\$mm)</i>	5,950	<i>Present Value Proven Reserves(\$/boe)</i>	25.00
<i>Net Present Value (\$/share)</i>	64	<i>Present Value Proven Reserves(\$/mcf)</i>	4.20
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.08
<i>McDep Ratio - EV/PV</i>	0.70	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.37

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

Strong reserve additions and lower debt for buy-recommended **Cimarex (XEC)** strengthen the comparison of our ongoing estimate of present value with a simplified correlation of 30 producers. Apparently investor Carl Icahn has purchased 1.4 million shares of Cimarex for \$60 million according to press reports of disclosures as of year-end. Occasionally a past client, Mr. Icahn has amassed a fortune reputed to be \$7 billion by investing and sometimes taking an active role in undervalued stocks including Phillips Petroleum, predecessor of buy-recommended **ConocoPhillips (COP)**, and USX, when it owned buy-recommended **Marathon Oil (MRO)**, in our experience. Our analysis confirms undervaluation as we see it in Cimarex. We have long-time confidence in the capability and integrity of XEC Chairman Mick Merelli whom we believe wants the best for Cimarex and its stockholders.

Kurt H. Wulff, CFA

Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
			<i>15-Feb</i>	<i>(mm)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
			<i>2006</i>		<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY	B	67.17	23	1,510	65.00	0.11	1.03
Encore Acquisition Company	EAC	B	31.10	50	1,540	50.00	0.21	0.70
Cimarex Energy Company	XEC	B	43.00	85	3,660	64.00	0.08	0.70
Energy Partners Ltd.	EPL	B	23.29	41	950	38.00	0.19	0.68
					<i>Total or Median</i>	<i>7,700</i>	<i>0.15</i>	<i>0.70</i>

Please see disclosures on the final page.

Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

			<i>Price (\$/sh)</i>	<i>Adjstd Resrvs/ Prod</i>	<i>PV/ Ebitda</i>	<i>EV/ Ebitda</i>	<i>P/E</i>	<i>Divd or Distrib NTM</i>
	<i>Symbol/ Rating</i>		<i>15-Feb 2006</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
Independent Natural Gas and Oil - Small Cap								
Berry Petroleum Company	BRY B		67.17	10.1	5.8	6.0	12	0.9
Encore Acquisition Company	EAC B		31.10	14.3	7.2	5.1	11	-
Cimarex Energy Company	XEC B		43.00	7.3	5.5	3.8	8	0.4
Energy Partners Ltd.	EPL B		23.29	5.7	5.0	3.4	12	-
	<i>Median</i>			<i>8.7</i>	<i>5.6</i>	<i>4.5</i>	<i>11</i>	<i>0.2</i>

Home Country and Business Segments

			<i>North Amer. Natural Gas</i>	<i>Rest of World Natural Gas</i>	<i>Oil Prod'n</i>	<i>Down- stream</i>	<i>Total Present Value (US\$mm)</i>
	<i>Symbol/ Rating</i>	<i>Non- U.S. Domicile</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	
Independent Natural Gas and Oil - Small Cap							
Cimarex Energy Company	XEC B		73	-	27	-	5,900
Encore Acquisition Company	EAC B		25	-	75	-	3,150
Berry Petroleum Company	BRY B		15	-	85	-	1,950
Energy Partners Ltd.	EPL B		54	-	46	-	1,930
	<i>Median</i>		<i>40</i>	<i>-</i>	<i>60</i>	<i>-</i>	<i>12,930</i>

**Cimarex Energy Company
Functional Cash Flow and Present Value**

	<i>NTM Ebitda (US\$mm)</i>	<i>Adjusted R/P</i>	<i>PV/ Ebitda</i>	<i>Present Value (US\$mm)</i>	
North American Natural Gas	770	6.9	5.6	4,300	73%
Oil	314	8.7	5.1	1,600	27%
	1,084	7.3	5.4	5,900	100%
Debt (US\$mm)					500
Net Present Value (US\$mm)					5,400
Shares (mm)					85
Net Present Value - Standard Estimate (US\$/sh)					64
Net Present Value - Approximation by Correlation (US\$/sh)					69

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Cimarex Energy Company
Next Twelve Months Operating and Financial Performance

	<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>Next</i>
	<i>12/31/04</i>	<i>9/30/05</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>Twelve</i>
									<i>Months</i>
									<i>12/31/06</i>
Volume									
Natural Gas (mmcf)	187	338	331	275	360	370	370	370	368
Oil (mbd)	7.4	18.0	16.7	13.2	18.5	19.0	19.0	19.0	18.9
Total (bcfe)	21.3	41.0	39.6	129	42.4	44.0	44.5	44.5	175
Total (mmcf)	220	446	431	354	471	484	484	484	481
Price									
Henry Hub (\$/mmbtu)	7.10	8.56	13.00	8.65	9.01	7.57	7.91	8.92	8.35
Differential (\$/mmbtu)	0.71	0.68	2.51	0.60	0.62	0.52	1.00	1.13	0.83
Company (\$/mcf)	6.39	7.88	10.49	8.05	8.39	7.05	6.91	7.79	7.52
WTI Cushing (\$/bbl)	48.31	62.52	60.02	56.31	63.02	63.13	64.83	65.68	64.17
Differential	1.19	3.07	2.96	1.06	3.10	3.11	3.31	3.36	3.21
Company (\$/bbl)	47.12	59.45	57.06	55.25	59.92	60.02	61.51	62.33	60.96
Revenue (\$mm)									
Natural Gas	110	245	319	807	272	237	235	265	1,009
Oil	32	98	88	265	100	104	108	109	420
Other	(0)	(0)	0	0	-	-	-	-	-
Total	142	343	407	1,072	371	341	343	374	1,429
Expense									
Operating	10	47	36	114	47	48	49	49	193
Production taxes	10	21	27	73	26	24	24	26	100
General and administrative	8	8	11	37	13	13	13	13	53
Total	28	76	74	224	85	86	86	89	346
Ebitda	114	267	333	848	286	256	256	286	1,084
Deprec., Deplet., & Amort.	35	84	88	262	93	97	98	98	386
Other Non Cash	5	(11)	(15)	(19)	8	6	7	8	29
Ebit	74	194	260	605	184	153	152	179	668
Interest	-	8	1	13	1	1	1	1	4
Ebt	74	186	259	592	183	152	151	178	664
Income Tax	26	65	91	207	64	53	53	62	233
Net Income (\$mm)	48	121	168	385	119	99	98	116	432
Per Share (\$)	1.12	1.42	1.98	5.48	1.40	1.16	1.15	1.36	5.08
Shares (millions)	43	85	85	85	85	85	85	85	85
Operating (\$/mcf)	0.47	1.15	0.91	0.88	1.10	1.10	1.10	1.10	1.10
Production taxes (%rev)	7.0	6.1	6.6	6.8	7.0	7.0	7.0	7.0	7.0
General and admin (\$/mcf)	0.38	0.20	0.28	0.29	0.30	0.30	0.30	0.30	0.30
Deprec., D,& A (\$/mcf)	1.64	2.05	2.22	2.03	2.20	2.20	2.20	2.20	2.20
Ebitda Margin	80%	78%	82%	79%	77%	75%	75%	76%	76%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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