

Rating: Buy
S&P 500: 1513

Cimarex Energy **Lowest McDep Ratio**

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	1,023
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	69
<i>Price (\$/sh)</i>	39.52	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/9/07	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Shares (mm)</i>	84	<i>EV/Ebitda</i>	3.9
<i>Market Capitalization (\$mm)</i>	3,340	<i>PV/Ebitda</i>	6.2
<i>Debt (\$mm)</i>	630	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	3,970	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	38.10
<i>Present Value (PV) (\$mm)</i>	6,370	<i>Present Value Proven Reserves(\$/boe)</i>	26.30
<i>Net Present Value (\$/share)</i>	68	<i>Present Value Proven Reserves(\$/mcfe)</i>	4.40
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.43
<i>McDep Ratio - EV/PV</i>	0.62	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.40

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\$60 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

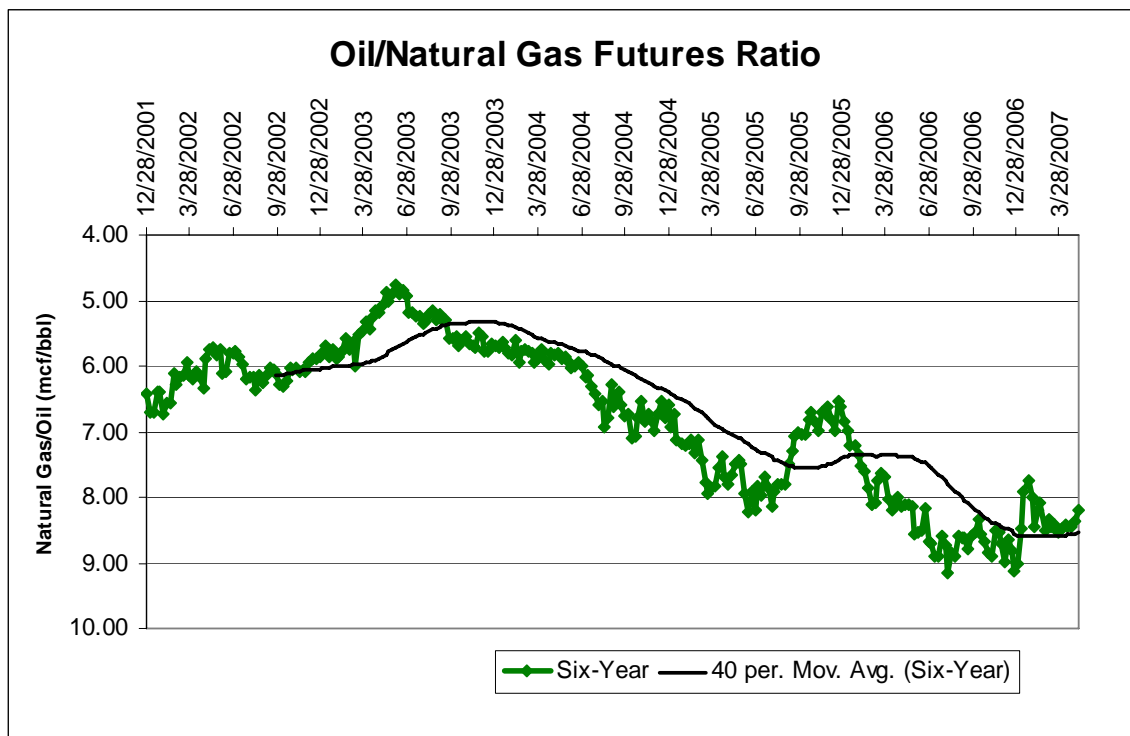
Lowest McDep Ratio of all stocks in our coverage, concentration on natural gas and capable management make buy-recommended **Cimarex (XEC)** an appealing small cap opportunity in our investment framework. First quarter 2007 results reported on May 9 provide a base for our projection of a 16% increase in cash flow (Ebitda) in 2007. Estimated Net Present Value (NPV) of \$68 a share looks low by a correlation with reserve life and cash flow for some thirty natural gas and oil producers (see table [Functional Cash Flow and Present Value](#)). In contrast to small cap peers that may also have low stock price compared to NPV, Cimarex has low debt that increases its attractiveness by the unlevered McDep Ratio. Concentration on natural gas of 68% by value has special appeal because the underrated fuel is currently priced at an unusually steep discount to oil (see chart [Oil/Natural Gas Futures Ratio](#)). While we hope Chairman Mick Merelli and his team can grow volume in 2007, simply meeting the challenge of replacing production with new reserves, as Cimarex did in 2006, maintains real value and is likely to be quite profitable as long-term natural gas and oil price appear to be in a new uptrend (see chart [Six-Year Commodity Price Meter](#)). Cimarex stock has a full weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA

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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	700	8.2	6.1	4,300	68%
Oil	323	7.7	6.3	2,030	32%
	1,023	8.1	6.2	6,330	100%
Debt (US\$mm)					630
Net Present Value (US\$mm)					5,700
Shares (mm)					84
Net Present Value - Standard Estimate (US\$/sh)					68
Net Present Value - Approximation by Correlation (US\$/sh)					74

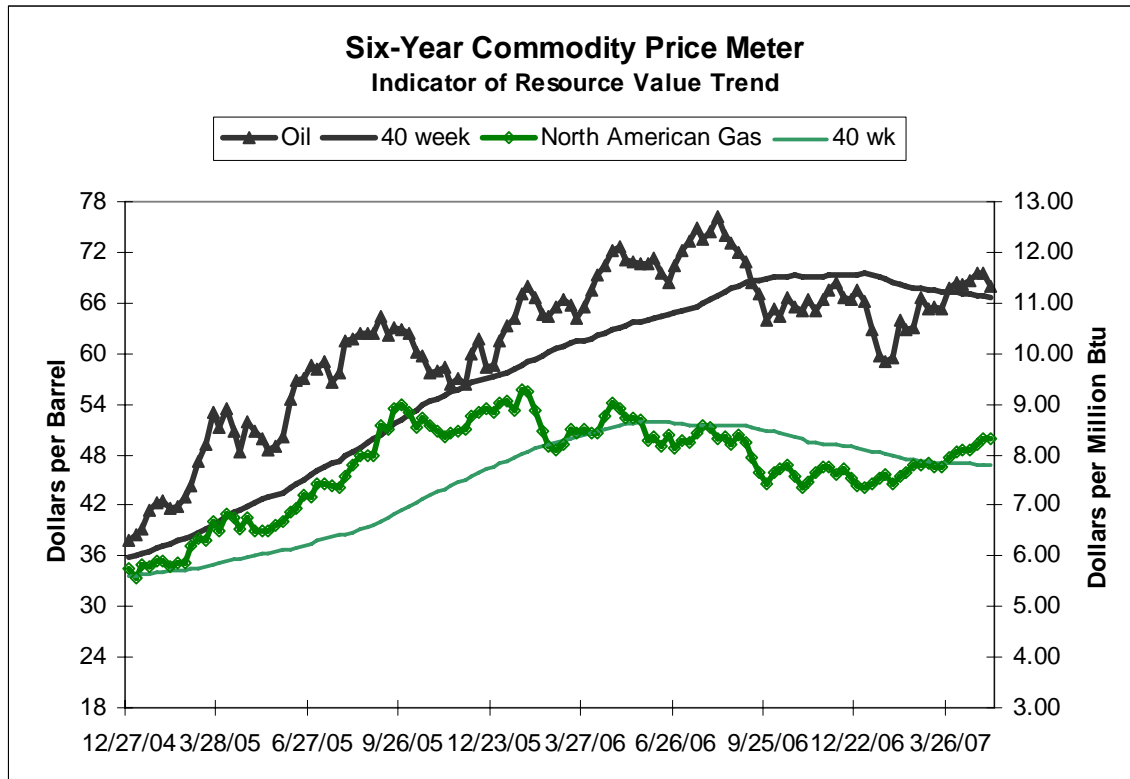


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Cimarex Energy Company
Next Twelve Months Operating and Financial Performance

	<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>Next</i>
	<i>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/08</i>
Volume									
Natural Gas (bcf)	32.5	30.3	125	29.2	29.5	29.8	29.8	118	118
Natural Gas (mmcf)	361	329	342	324	324	324	324	324	324
Days	90	92	365	90	91	92	92	365	365
Oil (mmb)	1.5	1.7	7	1.8	1.8	1.8	1.8	7	7
Oil (mbd)	16.5	18.6	17.9	19.6	19.6	19.6	19.6	19.6	19.6
Total (bcfe)	41.4	40.6	164	39.7	40.2	40.6	40.6	161	161
Total (mmcf)	460	441	449	442	442	442	442	442	442
Price									
Henry Hub (\$/mmbtu)	8.97	6.57	7.23	6.81	7.62	8.04	8.90	7.84	8.60
Differential (\$/mmbtu)	1.78	0.36	0.73	0.26	0.29	0.31	0.34	0.29	0.33
Company (\$/mcf)	7.19	6.21	6.50	6.55	7.33	7.73	8.56	7.55	8.26
WTI Cushing (\$/bbl)	63.33	59.99	66.05	58.08	62.29	64.45	66.72	62.88	65.39
Differential	3.76	4.08	4.09	2.86	3.06	3.29	3.41	3.13	3.31
Company (\$/bbl)	59.57	55.91	61.96	55.22	59.23	61.16	63.31	59.76	62.07
Revenue (\$mm)									
Natural Gas	234	188	811	191	216	231	255	893	978
Oil	88	96	405	97	105	110	114	426	443
Other	(0)		(1)						
Total	322	284	1,215	288	322	341	369	1,320	1,421
Expense									
Operating	46	49	193	51	53	56	61	221	234
Production taxes	24	23	92	21	21	23	25	89	95
General and administrative	13	13	51	15	16	17	18	65	69
Total	83	85	336	87	90	95	103	375	398
Ebitda	239	199	879	202	232	245	266	944	1,023
Deprec., Deplet., & Amort.	92	108	403	109	109	109	109	436	436
Other Non Cash	(8)	0	(18)	(10)				(10)	-
Ebit	155	91	495	103	123	136	157	519	587
Interest	-	-	1	3	3	3	3	12	12
Ebt	155	91	494	100	120	133	154	507	575
Income Tax	54	32	173	35	42	47	54	177	201
Net Income (\$mm)	101	59	321	65	78	87	100	329	374
Per Share (\$)	1.18	0.70	3.79	0.77	0.92	1.03	1.18	3.90	4.43
Shares (millions)									
Operating (\$/mcfe)	1.11	1.21	1.18	1.28	1.32	1.38	1.50	1.37	1.45
Production taxes (%rev)	7.5	8.1	7.6	7.1	6.7	6.7	6.7	6.8	6.7
General and admin (\$/mcfe)	0.31	0.32	0.31	0.38	0.39	0.41	0.44	0.40	0.43
Deprec., D, & A (\$/mcfe)	2.22	2.66	2.46	2.74	2.71	2.68	2.68	2.71	2.71
Ebitda Margin	74%	70%	72%	70%	72%	72%	72%	72%	72%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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