

Rating: Buy  
S&P 500: 1466

## **Cimarex Energy Company**

### **Stable Volume**

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$m)</i>	1,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	63
<i>Price (\$/sh)</i>	37.35	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/07	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Shares (mm)</i>	85	<i>EV/Ebitda</i>	3.8
<i>Market Capitalization (\$mm)</i>	3,170	<i>PV/Ebitda</i>	7.1
<i>Debt (\$mm)</i>	630	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	3,800	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	37.10
<i>Present Value (PV) (\$mm)</i>	7,070	<i>Present Value Proven Reserves(\$/boe)</i>	29.10
<i>Net Present Value (\$/share)</i>	76	<i>Present Value Proven Reserves(\$/mcf)</i>	4.90
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.98
<i>McDep Ratio - EV/PV</i>	0.54	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.43

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](http://www.mcdep.com/4xec.htm)

### **Summary and Recommendation**

Buy-recommended **Cimarex (XEC)** offers unlevered appreciation potential of 86% to estimated net present value (NPV) of \$76 a share revised up from \$68 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. Second quarter results reported on August 1 disclosed unlevered cash flow (Ebitda) in line with stable production volume (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV for the low McDep Ratio recommendation is supported by comparison to our estimates for other stocks in our coverage (see table [Functional Cash Flow and Present Value](#)). The likelihood of a surprise volume gain may be improving with new emphasis on more high-flow horizontal wells, stepped up drilling in the Gulf Coast after a restorative lull, and eventually from a new Woodford shale play building in Arkansas and Oklahoma. With NPV concentrated 68% on natural gas, Cimarex stock should respond to an uptrend in long-term natural gas price (see chart [Six-Year Commodity Price Meter](#)). For now, XEC stock has neither positive nor negative momentum as it trades near its 200-day average.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

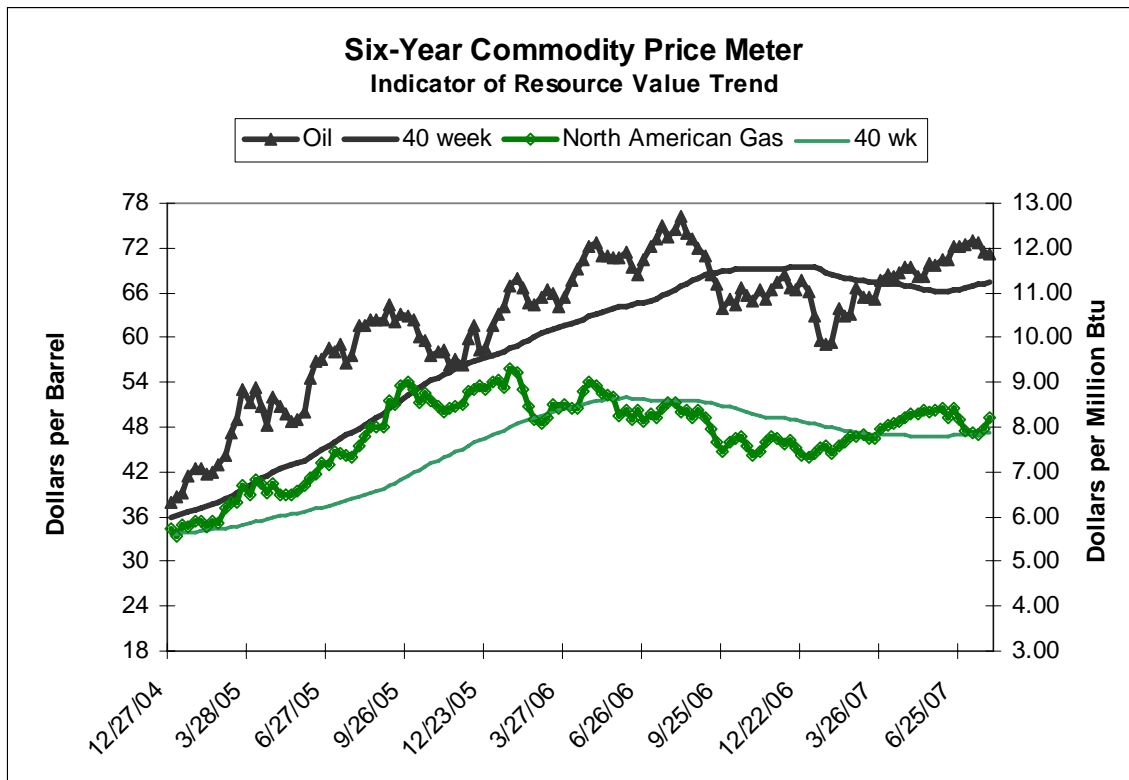
**Cimarex Energy Company**  
**Next Twelve Months Operating and Financial Performance**

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>6/30/06</i>	<i>9/30/06</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>6/30/08</i>
<b>Volume</b>									
Natural Gas (bcf)	30.8	31.1	<b>125</b>	29.2	29.5	29.8	29.8	<b>118</b>	<b>118</b>
Natural Gas (mmcf)	339	338	<b>342</b>	324	324	324	324	<b>324</b>	<b>324</b>
Days	91	92	<b>365</b>	90	91	92	92	<b>365</b>	<b>365</b>
Oil (mmb)	1.7	1.7	<b>7</b>	1.8	1.8	1.8	1.8	<b>7</b>	<b>7</b>
Oil (mbd)	18.2	18.3	<b>17.9</b>	19.6	19.8	19.8	19.8	<b>19.7</b>	<b>19.8</b>
Total (bcfe)	40.8	41.2	<b>164</b>	39.7	40.3	40.7	40.7	<b>161</b>	<b>162</b>
Total (mmcf)	448	448	<b>449</b>	442	443	443	443	<b>442</b>	<b>443</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	6.81	6.58	<b>7.23</b>	6.81	7.56	6.64	7.64	<b>7.16</b>	<b>7.83</b>
Differential (\$/mmbtu)	0.59	0.23	<b>0.73</b>	0.26	0.37	0.32	0.37	<b>0.33</b>	<b>0.38</b>
Company (\$/mcf)	6.22	6.35	<b>6.50</b>	6.55	7.19	6.32	7.27	<b>6.83</b>	<b>7.46</b>
WTI Cushing (\$/bbl)	70.47	70.42	<b>66.05</b>	58.08	64.91	75.91	75.47	<b>68.59</b>	<b>74.50</b>
Differential	4.80	3.85	<b>4.09</b>	2.86	3.40	4.09	4.07	<b>3.51</b>	<b>4.01</b>
Company (\$/bbl)	65.67	66.57	<b>61.96</b>	55.22	61.51	71.82	71.40	<b>65.08</b>	<b>70.50</b>
<b>Revenue (\$mm)</b>									
Natural Gas	192	197	<b>811</b>	191	212	188	217	<b>808</b>	<b>881</b>
Oil	109	112	<b>405</b>	97	111	131	130	<b>469</b>	<b>509</b>
Other	(1)		<b>(1)</b>						
Total	300	310	<b>1,215</b>	288	323	319	347	<b>1,277</b>	<b>1,391</b>
<b>Expense</b>									
Operating	49	49	<b>193</b>	51	57	56	61	<b>226</b>	<b>243</b>
Production taxes	22	23	<b>92</b>	21	24	24	26	<b>95</b>	<b>104</b>
General and administrative	12	13	<b>51</b>	15	9	9	10	<b>43</b>	<b>43</b>
Total	83	85	<b>336</b>	87	90	90	97	<b>363</b>	<b>391</b>
<b>Ebitda</b>	217	225	<b>879</b>	202	232	230	249	<b>913</b>	<b>1,000</b>
Deprec., Deplet., & Amort.	96	107	<b>403</b>	109	113	116	116	<b>454</b>	<b>460</b>
Other Non Cash	(8)	(3)	<b>(18)</b>	(10)	(3)			<b>(13)</b>	<b>-</b>
<b>Ebit</b>	129	121	<b>495</b>	103	122	114	133	<b>472</b>	<b>540</b>
Interest	1	-	<b>1</b>	3	5	5	5	<b>18</b>	<b>20</b>
<b>Ebt</b>	128	121	<b>494</b>	100	117	109	128	<b>454</b>	<b>520</b>
Income Tax	45	42	<b>173</b>	35	41	38	45	<b>159</b>	<b>182</b>
<b>Net Income (\$mm)</b>	83	78	<b>321</b>	65	76	71	83	<b>295</b>	<b>338</b>
Per Share (\$)	0.98	0.93	<b>3.79</b>	0.77	0.90	0.83	0.98	<b>3.49</b>	<b>3.98</b>
<b>Shares (millions)</b>									
Operating (\$/mcf)	1.20	1.19	<b>1.18</b>	1.28	1.42	1.39	1.50	<b>1.40</b>	<b>1.50</b>
Production taxes (%rev)	7.3	7.4	<b>7.6</b>	7.1	7.4	7.5	7.5	<b>7.4</b>	<b>7.5</b>
General and admin (\$/mcf)	0.29	0.32	<b>0.31</b>	0.38	0.23	0.23	0.24	<b>0.27</b>	<b>0.27</b>
Deprec., D, & A (\$/mcf)	2.35	2.60	<b>2.46</b>	2.74	2.81	2.85	2.85	<b>2.81</b>	<b>2.85</b>
Ebitda Margin	72%	73%	<b>72%</b>	70%	72%	72%	72%	<b>72%</b>	<b>72%</b>
Tax rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

Please see disclosures on the final page.

**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	630	8.2	7.6	4,800	68%
Oil	370	7.6	6.0	2,230	32%
	1,000	8.1	7.0	7,030	100%
Debt (US\$mm)					630
Net Present Value (US\$mm)					6,400
Shares (mm)					85
Net Present Value - Standard Estimate (US\$/sh)					76
Net Present Value - Approximation by Correlation (US\$/sh)					80



Please see disclosures on the final page.

**Disclaimer:** This analysis was prepared by Kurt Wulff doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.