



Independent Stock Idea

August 5, 2008

rating: buy
s&p 500: 1270 intraday

Cimarex Energy (XEC) Ten Percent a Year Volume Growth

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$m)</i>	1,574
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	55
<i>Price (\$/sh)</i>	49.90	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/5/08	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	86	<i>EV/Ebitda</i>	3.1
<i>Market Capitalization (\$mm)</i>	4,270	<i>PV/Ebitda</i>	5.8
<i>Debt (\$mm)</i>	590	<i>Undeveloped Reserves (%)</i>	22
<i>Enterprise Value (EV) (\$mm)</i>	4,860	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	53.00
<i>Present Value (PV) (\$mm)</i>	9,150	<i>Present Value Proven Reserves(\$/boe)</i>	37.30
<i>Net Present Value (\$/share)</i>	100	<i>Present Value Proven Reserves(\$/mcf)</i>	6.20
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.00
<i>McDep Ratio - EV/PV</i>	0.53	<i>Price/Earnings Next Twelve Months</i>	6
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.32
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\$100 a barrel and natural gas, \$14 a million btu			
For historical analysis of XEC since 2003 see www.mcdep.com/4xec.htm			

Summary and Recommendation

Buy-recommended **Cimarex Energy (XEC)**, with estimated net present value (NPV) of \$100 a share, offers portfolio representation about two-thirds in U.S. natural gas and one-third in crude oil production at a low McDep Ratio. On May 13 we raised NPV from \$85 a share on the basis of a long-term oil price assumption of \$100 a barrel, up from \$80. Released today, second quarter results scored 10% a year volume growth, restrained costs and higher earnings than estimated three months ago. Projected volumes along with current futures prices promise a high level of unlevered cash flow (Ebitda) (see table [Next Twelve Months Operating and Financial Estimates](#)). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table [Functional Cash Flow and Present Value](#)). Meanwhile long-term crude oil price remains in an uptrend where the latest quote of \$119 a barrel for delivery over the next six years is above the 40-week average of \$104 (see chart [Six-Year Commodity Price Meter](#)). With favorable production results in hand, Chief Financial Officer Paul Korus tells investors on the quarterly call that ten percent growth is sustainable. The company's expansion in the new and exciting Woodford Shale play in Oklahoma should help that trend. Thus, despite a one-third decline in stock price from the recent high, the company is performing well and offers attractive appreciation potential.

Kurt H. Wulff, CFA



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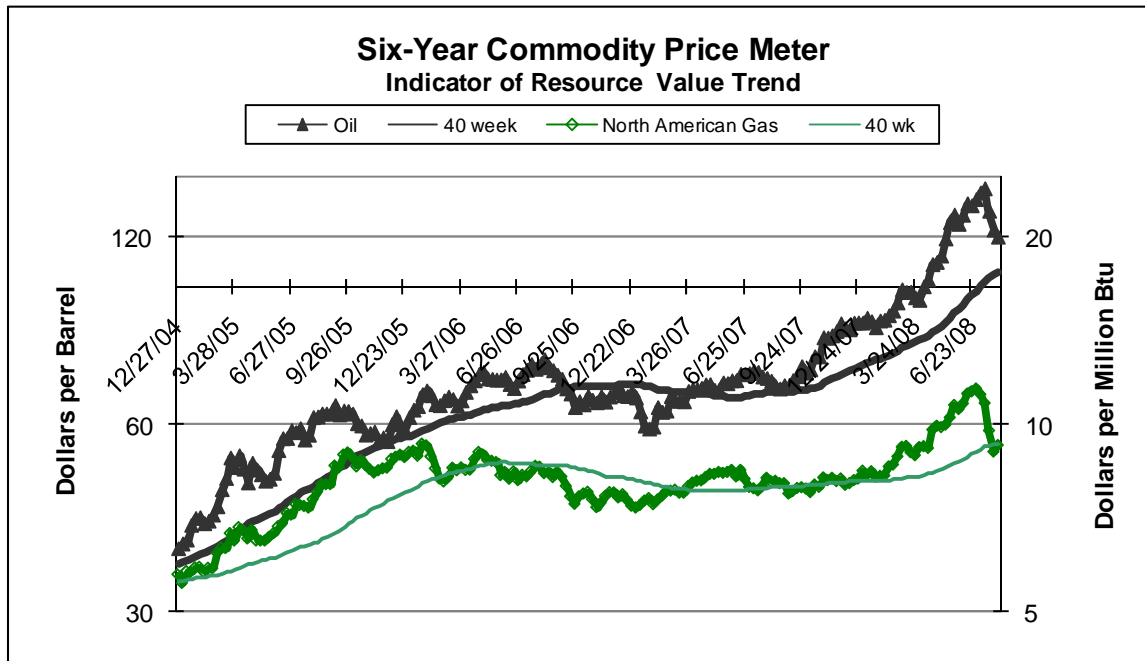
Cimarex Energy Company									
Next Twelve Months Operating and Financial Performance									
									Next
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Twelve
	6/30/07	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	Months
									6/30/09
Volume									
Natural Gas (bcf)	29.5	30.9	32.2	32.5	32.5	128	31.8	32.2	129
Natural Gas (mmcf)	324	340	354	354	354	350	354	354	354
Days	91	91	91	92	92	366	90	91	365
Oil (mmb)	1.8	2.1	2.0	2.1	2.1	8	2.0	2.0	8
Oil (mbd)	19.8	22.8	22.5	22.5	22.5	22.5	22.5	22.5	22.5
Total (bcfe)	40.3	43.4	44.4	44.9	44.9	178	43.9	44.4	178
Total (mmcf)	443	476	488	488	488	485	488	488	488
Price									
Henry Hub (\$/mmbtu)	7.56	8.02	10.93	10.36	9.25	9.64	9.87	8.94	9.60
Differential (\$/mmbtu)	0.37	(0.33)	0.36	0.34	0.31	0.16	0.33	0.30	0.32
Company (\$/mcf)	7.19	8.35	10.57	10.01	8.95	9.48	9.54	8.64	9.28
WTI Cushing (\$/bbl)	64.91	97.94	123.97	125.40	122.05	117.34	122.70	121.73	122.97
Differential	3.40	3.56	2.33	2.48	2.41	2.73	2.43	2.41	2.43
Company (\$/bbl)	61.51	94.38	121.64	122.92	119.64	114.61	120.27	119.32	120.54
Revenue (\$mm)									
Natural Gas	212	258	340	326	291	1,215	303	278	1,198
Oil	111	196	249	254	247	946	243	244	989
Other									
Total	323	454	589	580	538	2,161	547	522	2,187
Expense									
Operating	57	60	60	90	87	296	93	93	363
Production taxes	24	31	40	43	40	155	41	39	164
General and administrative	9	14	16	22	22	74	22	20	86
Total	90	105	116	156	149	525	155	153	613
Ebitda	232	349	473	424	389	1,635	392	369	1,574
Deprec., Deplet., & Amort	113	126	135	128	128	517	125	127	508
Other Non Cash	(3)	(11)	(18)			(29)			-
Ebit	122	234	356	296	261	1,147	266	242	1,066
Interest	5	3	3	3	3	12	3	3	12
Ebt	117	231	353	293	258	1,135	263	239	1,054
Income Tax	41	81	124	103	90	397	92	84	369
Net Income (\$mm)	76	150	229	190	168	738	171	156	685
Per Share (\$)	0.90	1.76	2.68	2.22	1.96	8.63	2.00	1.82	8.00
Shares (millions)									
Operating (\$/mcf)	1.42	1.38	1.34	2.00	1.93	1.67	2.10	2.10	2.03
Production taxes (%rev)	7.4	6.8	6.8	7.5	7.5	7.2	7.5	7.5	7.5
General and admin (\$/mcf)	0.23	0.32	0.36	0.50	0.48	0.42	0.49	0.46	0.48
Deprec., D.& A (\$/mcf)	2.81	2.91	3.04	2.85	2.85	2.91	2.85	2.85	2.85
Ebitda Margin	72%	77%	80%	73%	72%	76%	72%	71%	72%
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	860	7.6	6.7	5,800	63%
Oil	714	6.6	4.7	3,390	37%
	1,574	7.4	5.8	9,190	100%
Debt (US\$mm)					590
Net Present Value (US\$mm)					8,600
Shares (mm)					86
Net Present Value - Standard Estimate (US\$/sh)					100
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					113





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