

Rating: Buy
S&P 500: 1326

Cimarex Energy

Seasonality Exaggerated

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	1,122
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	68
<i>Price (\$/sh)</i>	44.08	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/5/06	<i>Adjusted Reserves/Production NTM</i>	7.2
<i>Shares (mm)</i>	85	<i>EV/Ebitda</i>	3.8
<i>Market Capitalization (\$mm)</i>	3,750	<i>PV/Ebitda</i>	5.3
<i>Debt (\$mm)</i>	530	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	4,280	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	38.10
<i>Present Value (PV) (\$mm)</i>	5,970	<i>Present Value Proven Reserves(\$/boe)</i>	25.10
<i>Net Present Value (\$/share)</i>	64	<i>Present Value Proven Reserves(\$/mcf)</i>	4.20
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.33
<i>McDep Ratio - EV/PV</i>	0.72	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.36

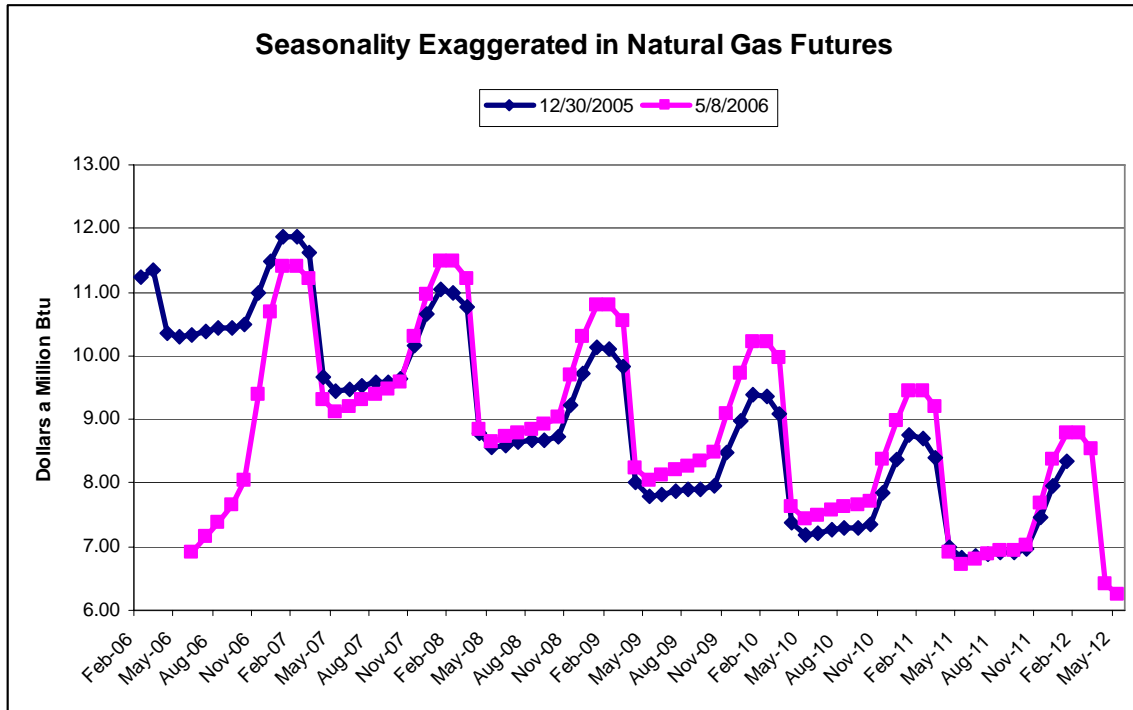
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **Cimarex (XEC)** offers 45% stock price appreciation potential to estimated net present value (NPV) of \$64 a share. With NPV depending 73% on natural gas, Cimarex stock has been lagging that of oil producers as the short-term seasonal discount of \$5 a million btu, some 40%, for June compared to next January is near the widest on record. It looks like a classic “buy natural gas in the summertime” scenario shaping up. The current quote for oil for delivery over the next six years implies a natural gas price of \$14, about twice what appears to be in Cimarex stock. Meanwhile progress is steady and rewarding onshore Oklahoma, Texas and New Mexico as reported in quarterly results disclosed on May 5. Gulf coast activity may lead to accelerated growth for the remainder of 2006. Having low debt, minimal hedges and a favorable long-term record, Cimarex is a high-quality, small cap investment in natural gas drilling and production.

Kurt H. Wulff, CFA



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	760	6.8	5.7	4,300	73%
Oil	362	8.7	4.5	1,630	27%
	1,122	7.2	5.3	5,930	100%
Debt (US\$mm)					530
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)					65

Please see disclosures on the final page.

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>3/31/05</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>2006E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
Volume									
Natural Gas (bcf)	17.6	30.4	100	32.5	33.7	34.0	34.0	134	135
Natural Gas (mmcf)	196	331	275	361	370	370	370	368	370
Days	90	92	365	90	91	92	92	365	365
Oil (mmb)	0.7	1.5	5	1.5	1.7	1.7	1.7	7	7
Oil (mbd)	7.4	16.7	13.2	16.5	19.0	19.0	19.0	18.4	19.0
Total (bcfe)	21.6	39.6	129	41.4	44.0	44.5	44.5	175	177
Total (mmcf)	240	431	354	460	484	484	484	478	484
Price									
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	7.13	7.40	9.38	8.22	8.81
Differential (\$/mmbtu)	0.27	2.51	0.60	1.78	1.42	1.00	1.27	1.37	1.40
Company (\$/mcf)	6.00	10.49	8.05	7.19	5.71	6.40	8.11	6.85	7.41
WTI Cushing (\$/bbl)	49.65	60.02	56.31	63.33	69.81	72.44	73.80	69.84	72.53
Differential	2.37	2.96	1.06	3.76	4.14	4.42	4.50	3.97	4.40
Company (\$/bbl)	47.28	57.06	55.25	59.57	65.66	68.02	69.30	65.87	68.13
Revenue (\$mm)									
Natural Gas	106	319	807	234	192	218	276	920	1,001
Oil	32	88	265	88	114	119	121	442	472
Other	0	0	0	(0)	(0)	(0)	(0)	(1)	(1)
Total	137	407	1,072	322	306	336	397	1,361	1,473
Expense									
Operating	10	36	114	46	48	49	49	192	194
Production taxes	11	27	73	24	21	24	28	97	103
General and administrative	9	11	37	13	13	13	13	53	53
Total	30	74	224	83	83	86	90	342	350
Ebitda	107	333	848	239	223	251	307	1,019	1,122
Deprec., Deplet., & Amort.	38	88	262	92	97	98	98	385	389
Other Non Cash	3	(15)	(19)	(8)	6	6	10	14	36
Ebit	66	260	605	155	120	146	199	620	698
Interest	-	1	13	-	-	-	-	-	-
Ebt	66	259	592	155	120	146	199	620	698
Income Tax	23	91	207	54	42	51	70	217	244
Net Income (\$mm)	43	168	385	101	78	95	129	403	454
Per Share (\$)	1.00	1.98	5.48	1.18	0.92	1.12	1.52	4.73	5.33
Shares (millions)									
Operating (\$/mcfe)	0.47	0.91	0.88	1.11	1.10	1.10	1.10	1.10	1.10
Production taxes (%rev)	7.9	6.6	6.8	7.5	7.0	7.0	7.0	7.1	7.0
General and admin (\$/mcfe)	0.42	0.28	0.29	0.31	0.30	0.30	0.30	0.30	0.30
Deprec., D, & A (\$/mcfe)	1.76	2.22	2.03	2.22	2.20	2.20	2.20	2.20	2.20
Ebitda Margin	78%	82%	79%	74%	73%	74%	77%	75%	76%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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