

Rating: Buy
S&P 500: 1279

Cimarex Energy **Volume Slippage**

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$m)</i>	1,142
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	68
<i>Price (\$/sh)</i>	41.48	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/2/06	<i>Adjusted Reserves/Production NTM</i>	7.8
<i>Shares (mm)</i>	85	<i>EV/Ebitda</i>	3.6
<i>Market Capitalization (\$mm)</i>	3,530	<i>PV/Ebitda</i>	5.6
<i>Debt (\$mm)</i>	570	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	4,100	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	41.90
<i>Present Value (PV) (\$mm)</i>	6,350	<i>Present Value Proven Reserves(\$/boe)</i>	26.70
<i>Net Present Value (\$/share)</i>	68	<i>Present Value Proven Reserves(\$/mcfe)</i>	4.40
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.63
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	7
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.39

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 64% stock price appreciation potential to estimated net present value (NPV) of \$68 a share that presumes a long-term natural gas price of \$10 a million btu and oil price of \$60 a barrel. NPV increased to \$68 from \$64 when we raised our price from \$50 a barrel on June 6. Lower second quarter volume was confirmed in a press release on July 25 and management lowered its volume guidance for the year by 5%. Predictable Mid-continent and Permian Basin areas produced as expected while there were downward surprises in the more volatile Gulf Coast area. Despite the volume change NPV correlates closely with adjusted reserve life and next twelve months cash flow taking account of latest financial results disclosed on August 2. Meanwhile NPV depends 68% on natural gas, the clean fuel with price appreciation potential relative to oil. 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.

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Cimarex Energy Company
Next Twelve Months Operating and Financial Performance

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>6/30/05</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>3/31/07</i>	<i>Twelve</i>
									<i>Months</i>
									<i>6/30/07</i>
Volume									
Natural Gas (bcf)	21.1	100	32.5	30.8	31.2	31.2	126	30.5	124
Natural Gas (mmcf)	232	275	361	339	339	339	344	339	339
Days	91	365	90	91	92	92	365	90	365
Oil (mmb)	0.9	5	1.5	1.7	1.7	1.7	6	1.6	7
Oil (mbd)	10.4	13.2	16.5	18.2	18.2	18.2	17.8	18.2	18.2
Total (bcfe)	26.8	129	41.4	40.8	41.2	41.2	165	40.3	164
Total (mmcf)	295	354	460	448	448	448	451	448	448
Price									
Henry Hub (\$/mmbtu)	6.76	8.65	8.97	6.81	7.44	9.79	8.25	11.62	9.40
Differential (\$/mmbtu)	0.27	0.60	1.78	0.59	1.00	1.32	1.17	1.65	1.31
Company (\$/mcf)	6.49	8.05	7.19	6.22	6.44	8.47	7.08	9.97	8.09
WTI Cushing (\$/bbl)	53.05	56.31	63.33	70.47	74.40	76.40	71.15	77.82	76.74
Differential	2.49	1.06	3.76	4.80	5.18	5.32	4.57	5.42	5.36
Company (\$/bbl)	50.56	55.25	59.57	65.67	69.22	71.07	66.58	72.40	71.39
Revenue (\$mm)									
Natural Gas	137	807	234	192	201	264	891	304	1,001
Oil	48	265	88	109	116	119	432	119	474
Other	(0)	0	(0)	(1)	(1)	(1)	(2)	-	(1)
Total	185	1,072	322	300	316	383	1,321	423	1,474
Expense									
Operating	21	114	46	49	45	45	186	44	180
Production taxes	14	73	24	22	22	27	95	30	103
General and administrative	9	37	13	12	12	12	50	12	49
Total	44	224	83	83	80	85	330	86	332
Ebitda	141	848	239	217	236	298	990	337	1,142
Deprec., Deplet., & Amort.	52	262	92	96	91	91	369	89	360
Other Non Cash	5	(19)	(8)	(8)	7	11	2	14	41
Ebit	84	605	155	129	139	196	619	234	741
Interest	4	13	-	1	1	1	3	1	4
Ebt	80	592	155	128	138	195	616	233	737
Income Tax	28	207	54	45	48	68	216	81	258
Net Income (\$mm)	52	385	101	83	90	127	400	151	479
Per Share (\$)	1.08	5.48	1.18	0.98	1.05	1.49	4.71	1.78	5.63
Shares (millions)	48	85	85	85	85	85	85	85	85
Operating (\$/mcf)	0.78	0.88	1.11	1.20	1.10	1.10	1.13	1.10	1.10
Production taxes (%rev)	7.6	6.8	7.5	7.3	7.0	7.0	7.2	7.0	7.0
General and admin (\$/mcf)	0.34	0.29	0.31	0.29	0.30	0.30	0.30	0.30	0.30
Deprec., D,& A (\$/mcf)	1.94	2.03	2.22	2.35	2.20	2.20	2.24	2.20	2.20
Ebitda Margin	76%	79%	74%	72%	75%	78%	75%	80%	77%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Cimarex Energy Company
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	770	7.4	5.6	4,300	68%
Oil	372	9.0	5.6	2,070	32%
	1,142	7.8	5.6	6,370	100%
Debt (US\$mm)					570
Net Present Value (US\$mm)					5,800
Shares (mm)					85
Net Present Value - Standard Estimate (US\$/sh)					68
Net Present Value - Approximation by Correlation (US\$/sh)					68

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