

Rating: Buy
S&P 500: 1380

Cimarex Energy **Steady Operations**

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	905
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	68
<i>Price (\$/sh)</i>	36.65	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/6/06	<i>Adjusted Reserves/Production NTM</i>	7.8
<i>Shares (mm)</i>	84	<i>EV/Ebitda</i>	4.0
<i>Market Capitalization (\$mm)</i>	3,090	<i>PV/Ebitda</i>	6.9
<i>Debt (\$mm)</i>	520	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	3,610	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	33.20
<i>Present Value (PV) (\$mm)</i>	6,250	<i>Present Value Proven Reserves(\$/boe)</i>	26.20
<i>Net Present Value (\$/share)</i>	68	<i>Present Value Proven Reserves(\$/mcfe)</i>	4.40
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.53
<i>McDep Ratio - EV/PV</i>	0.58	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.44

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.

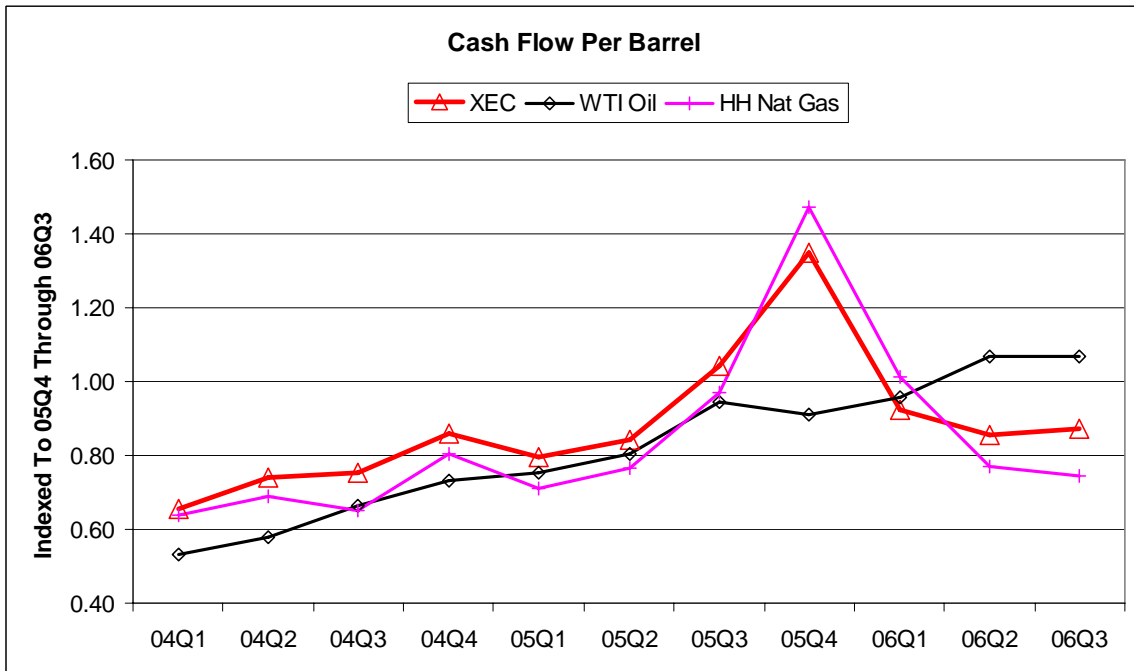
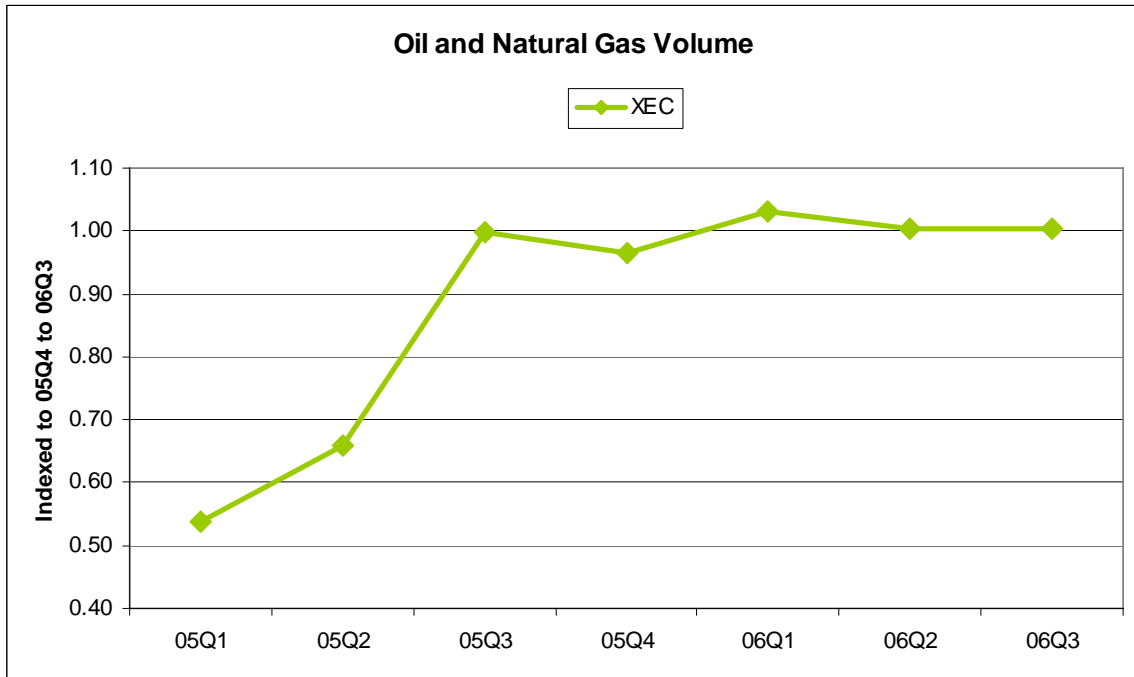
For historical analysis of XEC since 2003 see www.mcdep.com/4xec.htm

Summary and Recommendation

Buy-recommended **Cimarex (XEC)** at a McDep Ratio of 0.58 offers unlevered appreciation potential of 73% to estimated present value. Reported on November 6, final third quarter operations trace a steady trend in oil and gas production volume though management aims for a rising trend (see chart). Just keeping volume flat implies replacing normal decline and the Ebitda return at flat volume is 25% a year on current Enterprise Value. Concentrated 69% on natural gas by value, XEC earns a cash flow margin that tracks mostly with natural gas price rather than oil price (see chart). As a result XEC is a concentrated play on natural gas price recovering from the lows of October 2006 to likely winter highs early next year. Net Present Value is exceeded by that from correlating the rate of production relative to reserves with present value as a multiple of cash flow for some thirty natural gas and oil producers (see table [Functional Cash Flow and Present Value](#)). Below the 200-day average price signifying an out-of-favor stock, XEC has a full weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

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Cimarex Energy Company
Next Twelve Months Operating and Financial Performance

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/05</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>6/30/07</i>	<i>9/30/07</i>	<i>9/30/07</i>
Volume									
Natural Gas (bcf)	31.1	30.8	31.1	31.1	126	30.4	30.8	31.1	123
Natural Gas (mmcf)	338	339	338	338	344	338	338	338	338
Days	92	91	92	92	365	90	91	92	365
Oil (mmb)	1.7	1.7	1.7	1.7	7	1.6	1.7	1.7	7
Oil (mbd)	18.0	18.2	18.3	18.3	17.8	18.3	18.3	18.3	18.3
Total (bcfe)	41.0	40.8	41.2	41.2	165	40.3	40.7	41.2	163
Total (mmcf)	446	448	448	448	451	448	448	448	448
Price									
Henry Hub (\$/mmbtu)	8.56	6.81	6.58	6.29	7.16	8.01	7.54	7.75	7.40
Differential (\$/mmbtu)	0.68	0.59	0.23	0.22	0.70	0.78	0.74	0.76	0.63
Company (\$/mcf)	7.88	6.22	6.35	6.06	6.46	7.22	6.81	7.00	6.77
WTI Cushing (\$/bbl)	62.52	70.47	70.42	59.63	65.96	62.91	65.38	66.80	63.68
Differential	3.07	4.80	3.85	3.26	3.86	3.44	3.57	3.77	3.51
Company (\$/bbl)	59.45	65.67	66.57	56.37	62.11	59.47	61.81	63.03	60.17
Revenue (\$mm)									
Natural Gas	245	192	197	189	812	220	209	218	835
Oil	98	109	112	95	404	98	103	106	402
Other	(0)	(1)			(1)	-	-	-	-
Total	343	300	310	283	1,215	318	312	324	1,237
Expense									
Operating	47	49	49	49	193	48	49	49	196
Production taxes	21	22	23	20	89	22	22	23	87
General and administrative	8	12	13	12	50	12	12	12	49
Total	76	83	85	82	333	83	83	84	332
Ebitda	267	217	225	202	882	235	229	239	905
Deprec., Deplet., & Amort.	84	96	107	107	402	105	106	107	425
Other Non Cash	(11)	(8)	(3)	3	(16)	7	6	6	22
Ebit	194	129	121	92	496	124	117	126	458
Interest	8	1	-	-	1	-	-	-	-
Ebt	186	128	121	92	495	124	117	126	458
Income Tax	65	45	42	32	173	43	41	44	160
Net Income (\$mm)	121	83	78	59	322	80	76	82	298
Per Share (\$)	1.42	0.98	0.93	0.71	3.80	0.95	0.91	0.97	3.53
Shares (millions)	85	85	84	84	84	84	84	84	84
Operating (\$/mcf)	1.15	1.20	1.19	1.20	1.18	1.20	1.20	1.20	1.20
Production taxes (% rev)	6.1	7.3	7.4	7.0	7.3	7.0	7.0	7.0	7.0
General and admin (\$/mcf)	0.20	0.29	0.32	0.30	0.31	0.30	0.30	0.30	0.30
Deprec., D, & A (\$/mcf)	2.05	2.35	2.60	2.60	2.44	2.60	2.60	2.60	2.60
Ebitda Margin	78%	72%	73%	71%	73%	74%	73%	74%	73%
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	610	7.5	7.0	4,300	69%
Oil	295	9.0	6.5	1,920	31%
	905	7.8	6.9	6,220	100%
Debt (US\$mm)					520
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)					72

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