

Rating: Buy
S&P 500: 1457

Cimarex Energy **Dry Spell**

<i>Symbol</i>	XEC	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	872
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	68
<i>Price (\$/sh)</i>	36.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/15/07	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Shares (mm)</i>	84	<i>EV/Ebitda</i>	4.1
<i>Market Capitalization (\$mm)</i>	3,040	<i>PV/Ebitda</i>	7.2
<i>Debt (\$mm)</i>	570	<i>Undeveloped Reserves (%)</i>	21
<i>Enterprise Value (EV) (\$mm)</i>	3,610	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	32.50
<i>Present Value (PV) (\$mm)</i>	6,290	<i>Present Value Proven Reserves(\$/boe)</i>	26.00
<i>Net Present Value (\$/share)</i>	68	<i>Present Value Proven Reserves(\$/mcfe)</i>	4.30
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.33
<i>McDep Ratio - EV/PV</i>	0.57	<i>Price/Earnings Next Twelve Months</i>	11
<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)** had more dry holes than normal in its higher risk Gulf Coast drilling in 2006 limiting its real return for the year to 4% as measured by increase in reserves. Considering that the company reinvested all of its cash flow, growth of 7% real would have been more normal. One year does not a trend make and XEC appears to have the financial strength and management ability to do what is necessary to get back on course. Improved Gulf Coast operations and continued success in predictable, low risk Mid-continent and Permian drilling should help XEC beat the volumes in our base projection for 2007, updated to take account of latest quarterly results reported on February 15 (see table Next Twelve Months Operating and Financial Estimates). Exceeding stock price by a wide margin, estimated Net Present Value (NPV) of \$68 a share matches that from a correlation with reserve life and cash flow for some thirty natural gas and oil producers (see table Functional Cash Flow and Present Value). XEC is a concentrated play on natural gas whose price appears to be in a renewed uptrend from a low value relative to oil. Below the 200-day average price signifying an out-of-favor stock, Cimarex 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>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</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>12/31/07</i>
Volume									
Natural Gas (bcf)	30.4	31.1	30.3	125	29.6	30.0	30.3	30.3	120
Natural Gas (mmcf)	331	338	329	342	329	329	329	329	329
Days	92	92	92	365	90	91	92	92	365
Oil (mmb)	1.5	1.7	1.7	7	1.7	1.7	1.7	1.7	7
Oil (mbd)	16.7	18.3	18.6	17.9	18.6	18.6	18.6	18.6	18.6
Total (bcfe)	39.6	41.2	40.6	164	39.7	40.1	40.6	40.6	161
Total (mmcf)	431	448	448	449	441	441	441	441	441
Price									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	6.70	7.42	7.71	8.46	7.57
Differential (\$/mmbtu)	2.51	0.23	0.36	0.73	0.68	0.75	0.78	0.85	0.76
Company (\$/mcf)	10.49	6.35	6.21	6.50	6.03	6.67	6.93	7.60	6.81
WTI Cushing (\$/bbl)	60.02	70.42	59.99	66.05	56.73	59.33	60.97	62.13	59.79
Differential	2.96	3.85	4.08	4.09	3.86	4.04	4.27	4.35	4.11
Company (\$/bbl)	57.06	66.57	55.91	61.96	52.87	55.29	56.70	57.78	55.68
Revenue (\$mm)									
Natural Gas	319	197	188	811	179	200	210	230	819
Oil	88	112	96	405	89	94	97	99	378
Other	0			(1)	-	-	-	-	-
Total	407	310	284	1,215	267	294	307	329	1,197
Expense									
Operating	36	49	49	193	48	48	49	49	193
Production taxes	27	23	23	92	19	21	21	23	84
General and administrative	11	13	13	51	12	12	12	12	48
Total	74	85	85	336	78	81	82	84	325
Ebitda									
Deprec., Deplet., & Amort.	88	107	108	403	103	104	105	105	419
Other Non Cash	(15)	(3)	0	(18)	4	5	6	7	22
Ebit									
Interest	1	-	-	1	-	-	-	-	-
Ebt									
Income Tax	91	42	32	173	29	36	40	46	151
Net Income (\$mm)									
Per Share (\$)	1.98	0.93	0.70	3.79	0.63	0.80	0.88	1.02	3.33
Shares (millions)									
Operating (\$/mcfe)	0.91	1.19	1.21	1.18	1.20	1.20	1.20	1.20	1.20
Production taxes (%rev)	6.6	7.4	8.1	7.6	7.0	7.0	7.0	7.0	7.0
General and admin (\$/mcfe)	0.28	0.32	0.32	0.31	0.30	0.30	0.30	0.30	0.30
Deprec., D, & A (\$/mcfe)	2.22	2.60	2.66	2.46	2.60	2.60	2.60	2.60	2.60
Ebitda Margin	82%	73%	70%	72%	71%	72%	73%	75%	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	600	8.1	7.2	4,300	69%
Oil	272	8.1	7.2	1,970	31%
	872	8.1	7.2	6,270	100%
Debt (US\$mm)					570
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)					68

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