



Overall, XEC is well positioned for the current situation driven by strong financial profile, quality assets, solid operating momentum and conservative management. The only negative in the overall positive picture is XEC's unhedged nature; that being said this hedging approach is not new to management and in the medium term this is largely offset by positive operating momentum. Also worth noting, given its extremely deep inventory in the highest IRR play in the US (Permian), Cimarex is the rare company that remains on the M&A radar for large integrations despite the drop in commodity prices – this is observed by looking at XEC's strong stock performance other oily BB names (NFX, CXO, SM and DNR) over the last six months. We also believe this strong profile does not preclude XEC from still being upgraded to IG despite the commodity backdrop. On the whole we like XEC's positioning in the current situation and possible catalysts in the form of either IG upgrade or possible M&A. We believe it could still see tightening from current levels on a probability weighted basis (4.375% Sr Notes +320 STM). We maintain our BUY rating on both the bonds. Downside risks include possible leveraging acquisitions.