

CIMAREX ENERGY CO
Form 10-Q
May 06, 2011
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period ended March 31, 2011

Commission File No. 001-31446

CIMAREX ENERGY CO.

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**Incorporated in the
State of Delaware**

**Employer Identification
No. 45-0466694**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The number of shares of Cimarex Energy Co. common stock outstanding as of March 31, 2011 was 85,539,995.

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GLOSSARY

Bbl/d Barrels (of oil or natural gas liquids) per day

Bbls Barrels (of oil or natural gas liquids)

Bcf Billion cubic feet

Bcfe Billion cubic feet equivalent

Btu British thermal unit

MBbls Thousand barrels

Mcf Thousand cubic feet (of natural gas)

Mcfe Thousand cubic feet equivalent

MMBbls Million barrels

MMBtu Million British Thermal Units

MMcf Million cubic feet

MMcf/d Million cubic feet per day

MMcfe Million cubic feet equivalent

MMcfe/d Million cubic feet equivalent per day

Net Acres Gross acreage multiplied by Cimarex's working interest percentage

Net Production Gross production multiplied by Cimarex's net revenue interest

NGL Natural gas liquids

Tcf Trillion cubic feet

Tcfe Trillion cubic feet equivalent

WTI West Texas Intermediate

One barrel of oil or NGL is the energy equivalent of six Mcf of natural gas

CAUTIONARY INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

Throughout this Form 10-Q, we make statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These forward-looking statements include, among others, statements concerning our outlook with regard to timing and amount of future production of oil and gas, price realizations, amounts, nature and timing of capital expenditures for exploration and development, plans for funding operations and capital expenditures, drilling of wells, operating costs and other expenses, marketing of oil and gas and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements.

These risks and uncertainties include, but are not limited to, fluctuations in the price we receive for our oil and gas production, reductions in the quantity of oil and gas sold due to decreased industry-wide demand and/or curtailments in production from specific properties due to mechanical, marketing or other problems, operating and capital expenditures that are either significantly higher or lower than anticipated because the actual cost of identified projects varied from original estimates and/or from the number of exploration and development opportunities being greater or fewer than currently anticipated, and increased financing costs due to a significant increase in interest rates. In addition, exploration and development opportunities that we pursue may not result in productive oil and gas properties. There are also numerous uncertainties inherent in estimating quantities of proved reserves, projecting future rates of production and the timing of development expenditures. These and other risks and uncertainties affecting us are discussed in greater detail in this report and in our other filings with the Securities and Exchange Commission.

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Condensed Consolidated Balance Sheets

	March 31, 2011 (Unaudited)	December 31, 2010
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 54,146	\$ 114,126
Receivables, net	308,946	310,968
Oil and gas well equipment and supplies	79,599	81,871
Deferred income taxes	9,848	4,293
Derivative instruments	3,975	5,731
Other current assets	49,356	44,778
Total current assets	505,870	561,767
Oil and gas properties at cost, using the full cost method of accounting:		
Proved properties	8,698,442	8,421,768
Unproved properties and properties under development, not being amortized	598,656	547,609
	9,297,098	8,969,377
Less accumulated depreciation, depletion and amortization	(6,126,581)	(6,047,019)
Net oil and gas properties	3,170,517	2,922,358
Fixed assets, net	167,546	156,579
Goodwill	691,432	691,432
Other assets, net	34,406	26,111
	\$ 4,569,771	\$ 4,358,247
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 47,322	\$ 47,242
Accrued liabilities	328,271	320,989
Derivative instruments	28,109	9,587
Revenue payable	136,000	134,495
Total current liabilities	539,702	512,313
Long-term debt	350,000	350,000
Deferred income taxes	694,384	619,040
Other liabilities	264,138	267,062
Stockholders' equity:		
Preferred stock, \$0.01 par value, 15,000,000 shares authorized, no shares issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 85,539,995 and 85,234,721 shares issued, respectively	855	852
Paid-in capital	1,885,036	1,883,065

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Retained earnings	835,233	725,651
Accumulated other comprehensive income	423	264
	2,721,547	2,609,832
	\$ 4,569,771	\$ 4,358,247

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands, except per share data)	
Revenues:		
Gas sales	\$ 131,323	\$ 225,637
Oil sales	220,499	191,560
NGL sales	62,190	15,209
Gas gathering, processing and other	12,517	15,850
Gas marketing, net	67	314
	426,596	448,570
Costs and expenses:		
Depreciation, depletion and amortization	85,026	