

CIMAREX ENERGY CO
Form S-4/A
August 15, 2002

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As filed with the Securities and Exchange Commission on August 15, 2002

Registration No. 333-87948

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 3

to

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CIMAREX ENERGY CO.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)

45-0466694
(I.R.S. Employer
Identification Number)

Cimarex Energy Co.
1579 East 21st Street
Tulsa, Oklahoma 74114
(918) 742-5531

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Steven R. Mackey, Esq.
Cimarex Energy Co.
Vice President and Secretary
1579 East 21st Street
Tulsa, Oklahoma 74114
(918) 742-5531

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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C. Kevin Barnette, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005
(202) 371-7000

Bonnie Greaves, Esq.
Shearman & Sterling
Broadgate West
9 Appold Street
London, EC2A 2AP
United Kingdom
(011 44) 20 7655-5000

Thomas A. Richardson, Esq.
Holme Roberts & Owen LLP
1700 Lincoln Street,
Suite 4100
Denver, Colorado 80203
(303) 861-7000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon consummation of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

The information contained in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer of sale is not permitted.

August 19, 2002

Fellow Stockholder:

We invite you to attend a special meeting of stockholders of Key Production Company, Inc. to be held on September 20, 2002 at 10:00 a.m., Mountain Daylight Time, at The University Club of Denver, 1673 Sherman Street, Denver, Colorado 80203. At the special meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement entered into among Key, Helmerich & Payne and Cimarex.

If the merger agreement is adopted and the merger consummated, the combined company, named Cimarex Energy Co., will be a new publicly traded exploration and production company. Cimarex will apply to list its common stock on the New York Stock Exchange. As a Key stockholder, you will be entitled to receive one share of common stock of Cimarex in exchange for each share of Key common stock that you own and cash instead of any fractional shares you would otherwise receive in the merger.

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The Key board of directors has determined the merger is fair and in the best interests of Key and its stockholders and the merger agreement is advisable. The Key board of directors has unanimously approved the merger agreement and recommends that the Key stockholders vote "for" the adoption of the merger agreement.

All stockholders are invited to attend the special meeting. **Your participation at the special meeting, in person or in proxy, is important.** Even if you only own a few shares, we want your shares to be represented at the meeting. The merger of Key with Cimarex cannot be completed without the approval of the holders of a majority of the outstanding shares of common stock of Key. Whether or not you expect to attend the special meeting in person, please complete, sign, date and promptly return the enclosed proxy card in the enclosed postage-prepaid envelope. Stockholders of record also have the option of voting via the Internet or by telephone. Specific instructions on how to vote via the Internet or by telephone are included on the proxy card. Each proxy is revocable and will not affect your right to vote in person in the event you attend the special meeting.

The proxy statement/prospectus that accompanies this letter contains detailed information about the proposed merger and we urge you to read it carefully. **In particular, you should read the "Risk Factors" section beginning on page 16 for a description of various risks you should consider in evaluating the proposed merger.** You may also obtain additional information about Key, Helmerich & Payne and Cimarex from documents that each has filed with the Securities and Exchange Commission.

Thank you and we look forward to seeing you at the meeting.

Sincerely yours,

/s/ F.H. Merelli
F.H. Merelli

Chairman, President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the new shares of Cimarex Energy Co. common stock to be issued in the merger or determined that this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated August 19, 2002, and is first being mailed to stockholders on or about August 21, 2002.

Denver, Colorado
August 19, 2002

Notice of Special Meeting of Stockholders

To the Stockholders of Key Production Company, Inc.

A special meeting of holders of common stock of Key Production Company, Inc. will be held on Friday, September 20, 2002 at 10:00 a.m., Mountain Daylight Time, at The University Club of Denver, 1673 Sherman Street, Denver, Colorado 80203 to consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of February 23, 2002, among Helmerich & Payne, Inc., Helmerich & Payne Exploration and Production Co., Mountain Acquisition Co. and Key Production Company, Inc., which provides for the merger of Key with Helmerich & Payne's oil and gas exploration and production and gas marketing business and to transact any other business that may properly come before the special meeting.

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The board of directors of Key has determined that owners of record of Key's common stock at the close of business on August 5, 2002 are entitled to notice of, and have the right to vote at, the Key special meeting and any adjournment or postponement of the meeting.

The Key board of directors has determined the merger is fair and in the best interests of Key and its stockholders and the merger agreement is advisable. The Key board of directors has unanimously approved the merger agreement and recommends that the Key stockholders vote "for" the adoption of the merger agreement.

By Order of the Board of Directors
of Key Production Company, Inc.

/s/ Barbara L. Schaller
Barbara L. Schaller
Corporate Secretary

**Your Vote is Important.
Whether or Not You Plan to Attend the Special Meeting,
Please Complete, Sign, Date and Return Your Proxy Card**

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Key Production Company, Inc. that it has filed with the Securities and Exchange Commission and that is not included in or delivered with this proxy statement/prospectus. This information is available at the Internet web site that the SEC maintains at <http://www.sec.gov>, as well as from other sources. See "Where You Can Find More Information" on page 105.

You may obtain, without charge, copies of these documents by requesting them in writing or by telephone as follows:

Strategic Stock Surveillance, LLC
331 Madison Avenue
New York, New York 10017
Toll Free: 1-866-KEYVOTE
(1-866-539-8683)

Or alternatively from:

Key Production Company, Inc.
Attention: Sharon M. Pope, Assistant Corporate Secretary
707 Seventeenth Street, Suite 3300
Denver, Colorado 80202
Facsimile: (303) 295-3494
Telephone: (303) 295-3995

In order for you to receive timely delivery of the documents in advance of the Key Production Company, Inc. special meeting, we should receive your request no later than September 13, 2002.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Please briefly describe the proposed merger and related transactions.

A: Helmerich & Payne will consolidate its oil and gas exploration and production and gas marketing business under one company and will spin off that company to Helmerich & Payne's stockholders. The company to be spun off is named Cimarex Energy Co. Key will merge with a newly formed subsidiary of Cimarex and become a new wholly owned subsidiary of Cimarex. When the merger is complete, approximately 34.75% of the Cimarex common stock will be held by former stockholders of Key and approximately 65.25% of Cimarex common stock will be held by stockholders of Helmerich & Payne, each on a diluted basis.

Q: What am I being asked to vote upon?

A: You are being asked to adopt the merger agreement entered into among Key, Helmerich & Payne and Cimarex.

Q: What will I receive in the merger for my Key stock?

A: If the merger is completed, as a Key stockholder, you will receive one share of common stock of Cimarex in exchange for each share of Key common stock that you own. You will receive only whole shares of Cimarex common stock. You will receive cash instead of any fractional shares you would otherwise receive in the merger.

Q: Does the Key board of directors support the merger?

A: Yes. The Key board of directors has determined the merger is fair and in the best interests of Key and its stockholders and the merger agreement is advisable. The Key board of directors has unanimously approved the merger agreement and recommends that the Key stockholders vote "for" the adoption of the merger agreement.

A more detailed description of the background and reasons for the merger is described under "The Merger" beginning on page 20.

Q: Are there risks that I should consider in deciding whether to vote on the merger?

A: Yes. In evaluating the merger, you should read the "Risk Factors" beginning on page 16 for a description of various risks you should carefully consider in evaluating the proposed merger.

Q: Can I dissent and require appraisal of my shares of Key common stock?

A: No. Stockholders are not entitled to dissenters' rights or appraisal rights in connection with the merger.

Q: What vote is required to adopt the merger agreement?

A: For the merger to occur, the holders of a majority of outstanding Key common stock must adopt the merger agreement. Key stockholders will have one vote for each share of Key common stock owned by them. Helmerich & Payne stockholders are not required to approve the spin-off or the merger.

Q: Will Key's shares of common stock continue to be traded on the New York Stock Exchange after the merger is completed?

A: No. If the merger is completed, Key's shares of common stock will no longer be listed for trading on the New York Stock Exchange.

Q: Where will the Cimarex common stock be listed?

A: We will apply to list the shares of Cimarex common stock on the New York Stock Exchange.

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Q: Who will be the senior executive officers of Cimarex?

A: Mr. F.H. Merelli, the current Chairman, President and Chief Executive Officer of Key, will become the Chairman, Chief Executive Officer and President of Cimarex. Steven R. Shaw, the current Vice President of Exploration and Production of Helmerich & Payne, will be the Executive Vice President of Cimarex. Paul Korus, the current Chief Financial Officer of Key, will be Vice President and Chief Financial Officer of Cimarex.

Q: Who will be the directors of Cimarex?

A: If the merger is completed, Key will designate four directors and Helmerich & Payne will designate five directors to the Cimarex board. The Chairman of the Cimarex board will be Mr. F.H. Merelli, the current Chairman, President and Chief Executive Officer of Key.

Q: When do you expect to complete the spin-off and the merger?

A: If the merger agreement is adopted by the stockholders of Key, then Key, Helmerich & Payne and Cimarex expect to complete the spin-off and the merger as soon as possible after the satisfaction (or waiver, where permissible) of the conditions to the spin-off and the merger. We currently anticipate that the merger will be completed during the third calendar quarter of 2002.

Q: What should I do now?

A: You should mail your signed and dated proxy card(s) in the enclosed envelope or vote via telephone or via the Internet by following the instructions on your proxy card as soon as possible so that your shares of Key common stock will be represented and voted at the Key special meeting. If you plan to attend the special meeting, please be sure to obtain an admission card.

Q: Do I need to send in my share certificate(s) now?

A: No. Do not send in your share certificate(s) now. Do not send in your share certificate(s) with your proxy card(s). If the merger is completed, Key will send you a letter describing how to exchange your share certificate(s).

Q: If I am not going to attend the special meeting, should I return my proxy card(s)?

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A: Yes. Returning your proxy card(s) ensures that your shares of Key common stock will be represented at the Key special meeting, even if you are unable to or do not attend.

Q: How do I vote my shares of Key common stock if they are held in the name of a bank, broker or other fiduciary?

A: Your bank, broker or other fiduciary will vote your shares of Key common stock with respect to the merger only if you provide written instructions to them on how to vote, so it is important that you provide them with instructions. If you do not provide them with instructions, under the rules of the New York Stock Exchange, they will not be authorized to vote with respect to the merger. If you wish to vote in person at the meeting and hold your shares of Key common stock in the name of a bank, broker or other fiduciary, you must contact your bank, broker or other fiduciary and request a legal proxy. You must bring this legal proxy to the meeting in order to vote in person. Shares of Key common stock held by a broker, bank or other fiduciary that are not voted because the customer has not provided instructions to the broker, bank or other fiduciary will have the same effect as a vote "against" the proposal.

Q: Can I change my vote after I mail my proxy card(s)?

A: Yes. If you are a record holder, you can change your vote by:

completing, signing and dating a new proxy card and returning it by mail to our proxy solicitor so that it is received prior to the special meeting;

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voting via telephone or via the Internet by following the instructions provided on your proxy card;

sending a written notice to the Assistant Corporate Secretary of Key that is received prior to the special meeting stating that you revoke your proxy; or

obtaining an admission card, attending the special meeting and voting in person or by legal proxy, if appropriate.

If your shares of Key common stock are held in the name of a bank, broker or other fiduciary and you have directed such person(s) to vote your shares of Key common stock, you should instruct such person(s) to change your vote or obtain a legal proxy to do so yourself.

Q: What if I do not vote, or abstain from voting, or do not instruct my broker to vote my shares of Key common stock?

A: If you do not vote, it will have the same effect as a vote against the merger. Abstentions and broker non-votes will also have the effect of votes against the merger.

If you sign your proxy card but do not indicate how you want to vote, your shares of Key common stock will be voted for the merger.

Q: Who can answer my questions?

A: If you have any questions regarding the special meeting or need assistance in voting your shares of Key common stock, please contact our proxy solicitor:

Strategic Stock Surveillance, LLC
331 Madison Avenue
New York, New York 10017
Toll Free: 1-866-KEYVOTE
(1-866-539-8683)

All other questions should be directed to:

Key Production Company, Inc.
Attention: Sharon M. Pope, Assistant Corporate Secretary

707 Seventeenth Street
Suite 3300
Denver, Colorado 80202
Facsimile: (303) 295-3494
Telephone: (303) 295-3995

Q: Where can I find more information about Key?

A: You can find more information about Key from various sources described under "Where You Can Find More Information" on page 105.

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SUMMARY

This summary highlights material information from this proxy statement/prospectus. To better understand the proposed merger, you should read this entire proxy statement/prospectus carefully, as well as those additional documents to which we refer you. In addition, we incorporate by reference important information about Key into this proxy statement/prospectus. You may obtain the information incorporated by reference into this proxy statement/prospectus by following the instructions under "Where You Can Find More Information" on page 105. We have included page references in parentheses at various points in this summary to direct you to a more detailed description of the topics presented.

For an explanation of oil and gas abbreviations and terms used in this proxy statement/prospectus, see "Glossary of Oil and Natural Gas Terms" on page 104.

The Companies

Cimarex Energy Co.

1579 East 21st Street
Tulsa, Oklahoma 74114
(918) 742-5531

Cimarex Energy Co. is a wholly owned subsidiary of Helmerich & Payne, Inc. that holds the assets relating to the oil and gas exploration and production and gas marketing business of Helmerich & Payne. Cimarex Energy Co. was formerly known as Helmerich & Payne Exploration and Production Co. We refer to Cimarex Energy Co. as "Cimarex" throughout this proxy statement/prospectus and the oil and gas exploration and production and gas marketing business of Helmerich & Payne as the "Cimarex business". Cimarex conducts exploration and development activities primarily in Louisiana, Oklahoma, Texas and the Hugoton Field of western Kansas. Other production operations and exploration acreage are located in the Rocky Mountain area, New Mexico, Alabama, Michigan and Mississippi. As of December 31, 2001, Cimarex had estimated proved reserves of approximately 213.2 Bcf of gas and 5.31 MMBbls of oil, or an aggregate of 245 Bcfe. More than 98% of the proved reserves of Cimarex are classified as proved developed. Cimarex owns approximately 181,903 net acres of developed leases and 146,071 net acres of undeveloped leases, the bulk of which are in Texas, Louisiana, Kansas and Oklahoma. Cimarex also owns working interests in 4,451 (655.84 net) oil and gas wells located primarily in those same states.

Key Production Company, Inc.

707 Seventeenth Street
Suite 3300
Denver, Colorado 80202
(303) 295-3995

Key Production Company, Inc. is an independent natural gas and crude oil exploration and production company engaged in the exploration, development, acquisition and production of oil and gas in the continental United States. We will refer to Key Production Company, Inc. as "Key" throughout this proxy statement/prospectus. Key conducts exploration and development activities primarily in the Anadarko Basin of Oklahoma, the Hardeman Basin of north Texas, the Laredo field in south Texas, the Mississippi Salt Basin, south Louisiana and northern California. Other production operations and exploration acreage are located in Wyoming and other Rocky Mountain states. As of December 31, 2001, Key had estimated proved reserves of approximately 92.0 Bcf of gas and 9.2 MMBbls of oil, or an aggregate of 147.3 Bcfe. Roughly 62%

of Key's proved reserves are gas and 38% are oil. More than 99% of Key's proved reserves are classified as proved developed. Key owns approximately 177,000 net acres of developed leases and 104,000 net acres of undeveloped leases, the bulk of which are in Wyoming, Mississippi, Texas, California and Oklahoma. Key also owns working interests in 2,267 (376 net) oil and gas wells located primarily in those same states.

Mountain Acquisition Co.

c/o Cimarex Energy Co.
1579 East 21st Street
Tulsa, Oklahoma 74114
(918) 742-5531

Mountain Acquisition Co. is a wholly owned subsidiary of Cimarex. Mountain Acquisition Co. was organized on February 14, 2002 for the purposes of merging with Key in the merger. It has not carried on any activities other than in connection with the merger agreement. We will refer to Mountain Acquisition Co. as "Mountain Acquisition" throughout this proxy statement/prospectus.

The Merger (page 20)

Prior to the merger, Helmerich & Payne will transfer and contribute the assets and liabilities of the Cimarex business to Cimarex pursuant to the terms of a distribution agreement. The distribution agreement is attached as Annex C to this proxy statement/prospectus. See "The Distribution Agreement" beginning on page 70. Immediately prior to the merger, Helmerich & Payne will spin off Cimarex by distributing all of the shares of Cimarex common stock to Helmerich & Payne stockholders on a pro rata basis. Mountain Acquisition will then be merged with and into Key in accordance with the terms of the merger agreement, with the result that Key will become a wholly owned subsidiary of Cimarex. The merger agreement is attached as Annex A to this proxy statement/prospectus. See "The Merger Agreement" beginning on page 58.

Following the merger, Cimarex will:

be an independent public company;

own and operate the business of Key; and

have total assets of approximately \$617.7 million and total current debt of approximately \$37.2 million (on a pro forma basis as described on page 88 and assuming the spin-off and the merger occurred on June 30, 2002.)

Conditions to the Completion of the Merger (page 66)

The merger will be completed only if certain conditions, including the following, are satisfied (or waived in certain cases):

the adoption of the merger agreement by Key stockholders holding a majority of the Key common stock;

the absence of legal restrictions that would prevent the completion of the transactions;

the receipt and continuing validity of a private letter ruling from the Internal Revenue Service that the spin-off will generally be tax-free to Helmerich & Payne and its stockholders;

the receipt by Helmerich & Payne, Key and Cimarex of an opinion from their respective counsel or a private letter ruling from the Internal Revenue Service to the effect that the merger will be treated for federal income tax

purposes as a reorganization;

the completion of the spin-off in accordance with the distribution agreement;

the receipt of all required material governmental and third-party approvals; and

the material accuracy of representations and warranties and the material performance of covenants in the merger agreement.

Termination of the Merger Agreement (page 68)

Helmerich & Payne and Key may mutually agree to terminate the merger agreement without completing the merger. In addition, either party may terminate the merger agreement if:

the other party breaches its representations, warranties, covenants or agreements under the merger agreement so as to create a material adverse effect and the breach has not been cured within 30 days after notice was given of such breach;

the parties do not complete the merger by November 25, 2002;

a governmental order prohibits the merger; or

Key does not receive the required approval of its stockholders.

In addition, Key may terminate the merger agreement if it receives a proposal to acquire Key that Key's board of directors determines in good faith to be more favorable to Key's stockholders than the merger.

Also, Helmerich & Payne may terminate the merger agreement if Key's board of directors withdraws or modifies its approval of the merger to Key's stockholders.

Termination Fee and Expenses (page 69)

Key must pay Helmerich & Payne a termination fee of \$10 million and out-of-pocket fees and expenses of up to \$2 million if Key terminates the merger agreement to accept a proposal that Key's board of directors determines in good faith to be more favorable to Key's stockholders than the merger. In addition, Key must pay Helmerich & Payne a termination fee of \$10 million and reimbursement of out-of-pocket fees and expenses of up to \$2 million if the merger agreement is terminated for certain other reasons. See "The Merger Agreement Termination Fees and Expenses" on page 69.

Amended Certificate of Incorporation and By-Laws (page 60)

If the merger is completed, the certificate of incorporation and by-laws of Cimarex will be in the forms attached as Annex E and Annex F, respectively, to this proxy statement/prospectus. Those certificate of incorporation and by-laws differ from Key's current articles and by-laws as described in "Comparison of the Rights of Key's Stockholders Before and After the Merger" beginning on page 99.

Opinion of Key's Financial Advisor (page 25)

Merrill Lynch & Co, Key's financial advisor, has delivered to the Key board of directors a written opinion that, as of February 23, 2002, based upon and subject to the factors and assumptions set forth in the opinion and taking into account the shares of Cimarex common stock to be distributed to Helmerich & Payne stockholders in the spin-off, the exchange ratio in the merger was fair from a financial point of view to the Key stockholders. This opinion is attached as Annex B to this proxy statement/prospectus.

Ancillary Agreements (page 72)

In connection with the merger, Helmerich & Payne and Cimarex have entered into a distribution agreement that provides for the transfer of the Cimarex business to Cimarex. Also, Helmerich & Payne and Cimarex have entered into a tax sharing agreement relating to the allocation of certain tax liabilities. The tax sharing agreement is attached as Annex D to this proxy statement/prospectus. See "Ancillary Agreements Tax Sharing Agreement" beginning on page 72. In addition, Helmerich & Payne and Cimarex have entered into an employee benefits agreement defining the benefits for the employees of Cimarex after the spin-off (including Key employees following the merger and

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Helmerich & Payne employees who are transferred to Cimarex in connection with the spin-off). See "Ancillary Agreements Employee Benefits Agreement" beginning on page 74. Finally, Helmerich & Payne and Cimarex have entered into a transition services agreement under which Helmerich & Payne will provide services to Cimarex for a limited period of time following the merger.

Stock Ownership of Management (page 86)

At the close of business on June 30, 2002, directors and executive officers of Key and their affiliates as a group beneficially owned and were entitled to vote approximately 1,257,547 shares of Key common stock (including options exercisable for shares of common stock), representing approximately 8.46% of the shares of Key common stock outstanding on that date (including shares represented by such options). All of the directors and executive officers of Key that are entitled to vote at the Key special meeting have indicated that they intend to vote their shares of Key common stock in favor of adoption of the merger agreement.

Interests of Certain Persons in the Merger (page 38)

When considering the recommendations of the Key board of directors, you should be aware that the directors and executive officers of Key and Cimarex have interests and arrangements that may be different from your interests as stockholders, including:

the current board members of Key will be nominated to the board of directors of Cimarex;

all outstanding options under the Key stock option plans will fully vest and be converted into options to acquire shares of Cimarex common stock on the same terms and conditions as were applicable under the Key option plans;

all Helmerich & Payne stock options held by former Helmerich & Payne employees who become Cimarex employees will be converted into options to acquire shares of Cimarex common stock using a conversion ratio based on a comparison of the trading price of Helmerich & Payne's common stock for the five trading days immediately prior to the fifth trading date immediately prior to the record date for the spin-off with the trading price of Cimarex common stock for the first five trading days following the spin-off. The converted Cimarex options will have the same terms and conditions as were applicable under Helmerich & Payne's option plans;

all restricted shares of Helmerich & Payne stock held by former Helmerich & Payne employees who become Cimarex employees will be converted into restricted shares of Cimarex stock with such adjustments as are appropriate to preserve the value inherent in the restricted stock, provided that any restrictions to which the awards

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are subject in respect of employment by Helmerich & Payne shall be deemed restrictions in respect of employment by Cimarex, and Cimarex shares distributed in respect of such a restricted share of Helmerich & Payne stock before its conversion shall be subject to the same restrictions that apply to the underlying restricted share;

pursuant to the Key Income Continuation Plan, each executive officer of Key and certain other Key employees will be entitled to receive continuation of their compensation and welfare benefits for up to 24 months if their employment is terminated without cause or they resign as a result of changed circumstances following the effective time of the merger. The income continuation plan will be assumed by Cimarex upon the merger;

Key is party to an employment agreement with F.H. Merelli, the chairman, president and chief executive officer of Cimarex following the merger, that provides for the continuation of Mr. Merelli's base salary for two years and the maximum incentive compensation payable pursuant to any plan or program established by Cimarex if (i) Mr. Merelli's employment is terminated without cause or due to his death or disability or (ii) Mr. Merelli resigns for

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good reason at any time. Any payments made to Mr. Merelli pursuant to the Income Continuation Plan will be offset by payments pursuant to the employment agreement. The agreement will be assumed by Cimarex following the merger;

Helmerich & Payne is party to an agreement with Steven Shaw, executive vice president of Cimarex following the spin-off, that provides for a lump-sum payment equal to two times his base salary and annual bonus if he is terminated without cause or if he terminates his employment for good reason within 24 months after the effective time of the merger. In addition, in the event that Mr. Shaw remains with Cimarex for an 18-month period after the effective time of the merger, he shall be permitted to voluntarily terminate his employment with Cimarex and his unvested options at the time of the merger will vest. The agreement will be assumed by Cimarex upon the spin-off;

Key is party to agreements with Messrs. Korus, Jorden, Albi and Bell, each to become executive officers of Cimarex following the merger, that provide for a lump-sum payment equal to two times the executive's base salary at the time of the merger if the executive is terminated without cause at any time following the merger. Any payments made to the executives pursuant to these agreements will be deducted from the benefits to which the executive is otherwise entitled pursuant to the Income Continuation Plan. The agreements will be assumed by Cimarex following the merger;

Helmerich & Payne is party to agreements with Messrs. Nagel, Burau and McLaughlin, each to become a vice president of Cimarex following the spin-off, that provide for a lump-sum payment equal to two times the executive's base salary and annual bonus if the executive is terminated without cause, or if the executive resigns for good reason within 24 months after the effective time of the merger. The agreements will be assumed by Cimarex upon the spin-off; and

all restricted shares of Key common stock awarded to Paul Korus, the chief financial officer of Cimarex following the merger, will convert into restricted shares of Cimarex common stock at the effective time of the merger. These restricted shares will vest if his employment is terminated without cause or he resigns for good reason within six months following the effective time of the merger.

Regulatory Matters (page 35)

Helmerich & Payne has obtained a private letter ruling from the Internal Revenue Service to the effect that the contribution and transfer of the assets and liabilities of the Cimarex business to Cimarex and the spin-off by Helmerich & Payne of all the shares of Cimarex common stock to the holders of Helmerich & Payne common stock, generally will be treated as a tax-free transaction for U.S. federal income tax purposes.

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None of the parties is aware of any other material governmental or regulatory approval required for the completion of the merger, other than the effectiveness of the registration statement of which this proxy statement/prospectus is a part and compliance with applicable corporate law of the State of Delaware.

Material United States Federal Income Tax Consequences of the Merger (page 33)

It is expected that the merger will generally be tax-free to the stockholders of Key for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. **We encourage you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you.**

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SUMMARY SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

Sources of Information

We are providing the following selected consolidated financial data of Cimarex and selected consolidated financial data of Key, to help you in your analysis of the financial aspects of the merger and related transactions. We derived this information from the audited and unaudited financial statements for Cimarex and from the audited and unaudited financial statements of Key for the periods presented. You should read this information in conjunction with the financial information included or incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 105, "Index to Cimarex Energy Co. Financial Statements" on page F-1 and "Unaudited Pro Forma Combined Condensed Financial Information" beginning on page 88.

How We Prepared the Unaudited Pro Forma Combined Condensed Financial Information

The unaudited pro forma combined condensed financial information is presented to show you how Cimarex might have looked if Cimarex had been an independent company and combined with Key for the periods presented. We did not adjust the pro forma financial information for estimated general and administrative expense savings and operational efficiencies that may be realized as a result of the merger or one-time costs and expenses necessary to achieve such savings and efficiencies. We prepared the pro forma financial information using the purchase method of accounting, with Cimarex treated as the acquirer. See "The Merger Accounting Treatment" beginning on page 35.

If Cimarex had been an independent company and the companies had been combined in the past, they might have performed differently. You should not rely on the pro forma financial information as an indication of the financial position or results of operations that Cimarex would have reported if the spin-off and merger had taken place earlier or of the future results that Cimarex will achieve after the merger. See "Unaudited Pro Forma Combined Condensed Financial Information" beginning on page 88.

Merger Related Expenses

Cimarex estimates that it will incur fees and expenses totaling approximately \$4.2 million in connection with the merger and related transactions, which have been included in calculating the purchase price. Key estimates that it will incur fees and expenses totaling approximately \$5.0 million in connection with the merger and related transactions, which have not been included in calculating the purchase price. After the merger, Cimarex may incur additional charges and expenses relating to integrating the operations of Key and Cimarex. We did not adjust the pro forma information for these additional charges and expenses.

Selected Consolidated Financial Data of Key

Key prepared the selected historical consolidated financial data in the table below using the consolidated financial statements of Key. The selected historical consolidated financial data of Key as of June 30, 2002 and 2001 and as of December 31, 2001 and 2000 and for the six months ended June 30, 2002 and 2001 and for each of the years in the three-year period ended December 31, 2001, should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference in this proxy statement/prospectus. The historical consolidated balance sheet data as of December 31, 1999, 1998 and 1997 and operating results for the

years ended December 31, 1998 and 1997 have been derived from audited financial statements not incorporated by reference in this proxy statement/prospectus.

	Six Months Ended June 30, (Unaudited)		As of and for the Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
(In thousands, except per share and proved reserves data)							
OPERATING RESULTS:							
Revenues	\$ 37,939	\$ 69,657	\$ 108,885	\$ 99,820	\$ 56,258	\$ 37,783	\$ 42,151
Income (loss) before cumulative effect of change in accounting method(1)	1,413	23,011	(3,617)	27,995	6,804	4,595	9,696
Net income (loss)	1,413	21,186	(5,442)	27,995	6,804	4,595	9,696
Income (loss) per share before cumulative effect of change in accounting method(1):							
Basic	0.10	1.65	(0.26)	2.32	0.59	0.40	0.84
Diluted	0.10	1.60	(0.26)	2.23	0.56	0.38	0.80
Net income (loss) per share:							
Basic	0.10	1.52	(0.39)	2.32	0.59	0.40	0.84
Diluted	0.10	1.47	(0.39)	2.23	0.56	0.38	0.80
Cash dividends declared per share							
BALANCE SHEET DATA:							
Total assets	224,097	265,319	217,668	244,154	176,857	166,295	130,647
Total debt, including current portion	33,000	34,000	34,000	44,000	60,000	60,000	35,000
Stockholders' equity	136,275	161,027	134,227	138,087	76,873	69,681	64,911
OTHER FINANCIAL DATA							
Oil and gas capital expenditures	24,922	45,371	73,658	88,118	34,456	55,429	44,625
Proved Reserves:							
Oil (MBbls)			9,215	9,276	9,220	7,022	6,213
Gas (Mmcf)			91,978	98,214	79,351	82,956	69,543
Total Equivalent (Mmcf)			147,270	153,870	134,671	125,088	106,821

- (1) Effective January 1, 2001, Key changed its method of amortizing capitalized costs from the future gross revenue method to the units-of-production method. The cumulative effect of the change calculated as of January 1, 2001, was to increase net loss by \$1.8 million, net of income taxes of \$1.1 million, or \$0.13 per diluted share.

Selected Consolidated Financial Data of Cimarex

The following selected historical financial data of Cimarex as of September 30, 2001 and 2000 and the three years ended September 30, 2001 should be read in conjunction with the consolidated Cimarex financial statements and notes thereto appearing elsewhere in this proxy statement/prospectus. The consolidated statement of operations data for the years ended September 30, 1998 and 1997 and the consolidated balance sheet data as of September 30, 1999, 1998 and 1997 have been derived from unaudited financial statements not presented herein. The consolidated statement of operations data for the nine months ended June 30, 2002 and 2001 and the consolidated balance sheet data as of June 30, 2002 and 2001 have been derived from unaudited consolidated financial statements. In the opinion of management, the unaudited interim financial statement as of June 30, 2002 and 2001 and for the nine months ended June 30, 2002 and 2001 include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial position and operating results for the unaudited periods. Operating results for the nine months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the entire year ending September 30, 2002.

	Nine Months Ended June 30 (Unaudited)		As of and for the Years Ended September 30,				
	2002	2001	2001	2000	1999	1998	1997
(In Thousands, except per share and proved reserves data)							
OPERATING RESULTS:							
Revenues	\$ 118,998	\$ 268,643	\$ 317,053	\$ 237,484	\$ 146,902	\$ 152,280	\$ 177,833
Net income	14,711	78,889	35,253	57,386	23,559	30,260	37,850
Basic income per share(1)	0.55	2.97	1.33	2.16	0.89	1.14	1.42
Cash dividends declared per share							
BALANCE SHEET DATA:							
Total assets	264,931	313,374	246,212	286,090	234,929	215,407	193,628
Long-term debt							
Shareholder's equity	186,413	216,024	166,795	192,972	172,664	161,768	137,637
OTHER FINANCIAL DATA:							
Oil and gas capital expenditures	42,477	75,112	104,975	73,821	55,933	55,569	45,904
Proved Reserves							
Oil (MBbls)			5,932	6,305	4,834	4,761	5,805
Gas (Mmcf)			216,337	262,498	239,620	251,626	263,236
Total Equivalent (MMcfe)			251,927	300,329	268,623	280,194	298,068

- (1) Net income per share for all periods is calculated based on the 26,591,321 shares of Cimarex common stock to be issued to Helmerich & Payne stockholders pursuant to the distribution agreement.

Selected Unaudited Combined Condensed Pro Forma Financial Data of Cimarex

The following selected unaudited pro forma combined condensed financial information has been prepared to reflect the merger. This unaudited pro forma combined condensed financial information is based on the historical financial statements of Cimarex and Key, all of which are included in or incorporated by reference in this proxy statement/prospectus and the estimates and assumptions set forth in the Notes to the Unaudited Combined Condensed Pro Forma Financial Statements of Cimarex beginning on page 93. The Unaudited Pro Forma Combined

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Condensed Balance Sheet gives effect to the merger as if it had occurred on June 30, 2002. The Unaudited Pro Forma Combined Condensed Statement of Operations for the nine months ended June 30, 2002 and the year ended September 30, 2001 gives effect to the merger as if it occurred on October 1, 2000.

Cimarex's fiscal year ends on September 30 and Key's fiscal year ends on December 31. The financial information presented by Key for the nine-month period ended June 30, 2002, has been compiled by the management of Key. Results of Key for the three month period ended December 31, 2001 are included in the Unaudited Pro Forma Combined Condensed Statements of Operations for both the nine month period ended June 30, 2002 and the year ended December 31, 2001.

Expected cost savings resulting from operating synergies and the elimination of merger related costs have not been reflected as adjustments to the historical data. The cost savings are expected to result from the consolidation of the corporate headquarters of Cimarex and Key and rationalization of capital spending. Cimarex estimates that it will incur approximately \$4.2 million in fees and expenses associated with the merger. Key estimates that it will incur fees and expenses of approximately \$5.0 million, which are being expensed as incurred by Key. There are no arrangements to have Helmerich & Payne or Cimarex reimburse any of Key's merger-related costs.

The Unaudited Pro Forma Combined Condensed Financial Information is for illustrative purposes only. The financial results may have been different had Cimarex been an independent company and had the companies always been combined. You should not rely on the Unaudited Pro Forma Combined Condensed Financial Information as being indicative of the historical results that would have been achieved had the merger occurred in the past or the future financial results that the combined company will achieve after the merger.

In addition, the purchase price allocation is preliminary and will be finalized following the closing of the merger. The final purchase price allocation will be determined after closing based on the actual fair value of current assets, current liabilities, indebtedness, long-term liabilities, proven and unproven oil and gas properties, identifiable intangible assets and the final number of shares of Cimarex common stock issued for Key's outstanding shares of common stock and stock options that are outstanding at closing. We are continuing to evaluate all of these items; accordingly, the final purchase price may

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differ in material respects from that presented in the Unaudited Pro Forma Combined Condensed Balance Sheet.

	As of and for the Nine Months Ended June 30, 2002	For the Year Ended September 30, 2001
(In Thousands, except per share and proved reserve data)		
OPERATING RESULTS:		
Revenues	\$ 174,866	\$ 426,106
Income before cumulative effect of change in accounting method	\$ 15,781	\$ 7,605
Earnings per share before cumulative effect of change in accounting method		
Basic	\$ 0.39	\$ 0.19
Diluted	\$ 0.39	\$ 0.19
Weighted average shares outstanding		
Basic	40,630	40,565
Diluted	40,915	40,901
BALANCE SHEET DATA:		
Total assets	\$ 617,697	
Debt, all classified as current	\$ 37,200	
Stockholders' equity	\$ 420,542	
PROVED RESERVES (as of December 31, 2001):		
Oil (MBbls)	14,524	
Gas (MMcf)	305,162	

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As of and for the
Nine Months Ended
June 30, 2002

For the Year Ended
September 30, 2001

Equivalent (MMcfe)	392,305
Percentage of proved developed	98.6%

Comparative Per Share Data

The following table presents historical per share data for Cimarex and Key individually and on a pro forma basis after giving effect to the merger. The merger of Key with a subsidiary of Cimarex has been accounted for using the purchase method of accounting. The combined pro forma per share data of the combined company was derived from the Unaudited Pro Forma Combined Condensed Financial Information as presented beginning on page 88. The assumptions related to the preparation of the Unaudited Pro Forma Combined Condensed Financial Information are described beginning at page 93. Cimarex's fiscal year ends on September 30, 2001. Key has included the results of its quarter ended December 31, 2001 in the historical and pro forma results for both the nine months ended June 30, 2002 and the year ended December 31, 2001. The data presented below should be read in conjunction with the historical consolidated financial statements of Key that have been incorporated by reference in this proxy statement/prospectus and in conjunction with the historical consolidated financial statements of Cimarex presented elsewhere in this proxy statement/prospectus.

The equivalent pro forma income (loss) per share and book value per share information for Key are the same amounts as for Cimarex combined pro forma because the exchange ratio for Key common stock is one share of Cimarex common stock for one share of Key common stock.

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The pro forma combined per share data may not be indicative of the operating results or financial position that would have occurred if the merger had been consummated at the beginning of the periods indicated, and may not be indicative of future operating results or financial position.

	Cimarex		Key	
	Historical	Combined Pro Forma	Historical	Equivalent Pro Forma
Earnings (loss) per share				
Nine months ended June 30, 2002(4)				
Basic	\$ 0.55	\$ 0.39	\$ (1.97)	\$ 0.39
Diluted	\$ 0.55	\$ 0.39	\$ (1.97)	\$ 0.39
Year ended September 30, 2001(1,2,4)				
Basic	\$ 1.33	\$ 0.19	\$ (0.26)	\$ 0.19
Diluted	\$ 1.33	\$ 0.19	\$ (0.26)	\$ 0.19
Book Value per share As of June 30, 2002(3)	\$ 7.01	\$ 10.34	\$ 9.68	\$ 10.34
Cash dividends declared per common share	\$	\$	\$	\$

(1) Key's historical amounts are based on its results of operations for the year ended December 31, 2001.

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- (2) All amounts presented for Key are before the cumulative effect of change in accounting method for depletion recorded as of the beginning of the year ended December 31, 2001. The impact of the cumulative effect of accounting adjustment was an increase to the loss for the year ended December 31, 2001 by \$1.8 million, net of tax, or \$0.13 per share.
- (3) Book value per share calculation assumes that Cimarex had 26,591,321 shares of common stock outstanding and Key had 14,080,468 shares of common stock outstanding as of June 30, 2002.
- (4) Cimarex's historical earnings (loss) per share calculation assumes Cimarex had 26,591,321 shares of common stock outstanding.

Comparative Stock Price and Dividends

Cimarex was incorporated as a wholly owned subsidiary of Helmerich & Payne in February 2002. There is no established public trading market for the shares of Cimarex common stock and it is not expected that a public trading market will be established until the distribution of Cimarex common stock to existing Helmerich & Payne stockholders in connection with the spin-off.

The shares of Key common stock are currently traded on the New York Stock Exchange under the symbol "KP". The closing price of the Key common stock on Friday, February 22, 2002, the last trading day prior to the announcement of the execution of the merger agreement, was \$15.65.

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The following table sets forth the intra-day high and low sales prices of shares of Key common stock, as reported on the New York Stock Exchange, for the periods referred to below.

	Key Common Stock		Dividends
	High	Low	
2000			
First Quarter	\$ 13.94	\$ 6.94	\$
Second Quarter	20.94	11.63	
Third Quarter	24.81	13.25	
Fourth Quarter	33.75	20.50	
2001			
First Quarter	33.00	18.60	
Second Quarter	22.98	15.31	
Third Quarter	16.75	10.95	
Fourth Quarter	17.73	10.85	
2002			
First Quarter	19.50	14.66	
Second Quarter	21.97	16.82	
Third Quarter (through August 14)	19.50	15.17	

Holders of Key common stock should obtain current market quotations for Key common stock. The market price of Key common stock could vary at any time before the merger.

Key has not paid any dividends for the fiscal years 2000 and 2001 or during the fiscal year 2002 to date and it anticipates that it will not pay any dividends in 2002. Cimarex has not paid any dividends for the fiscal year 2002 to date and it anticipates that it will not pay any dividends in 2002.

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RISK FACTORS

Stockholders of Key voting in favor of the merger will be choosing to invest in Cimarex common stock and to combine the business of Key with Cimarex.

In addition to the other information that we have included and incorporated by reference in this proxy statement/prospectus, you should carefully read and consider the following factors in determining whether to vote to adopt the merger agreement at the Key special meeting.

The market value of the shares of Cimarex common stock that you receive in the merger may be less than the value of your shares of Key common stock.

If the merger is completed, each share of Key common stock will be converted into one share of Cimarex common stock. The exchange ratio is a fixed ratio that will not be adjusted as a result of any increase or decrease in the market price of either shares of Key common stock or Cimarex common stock. The value of the Cimarex common stock that you receive in the merger will depend on the public trading price of Cimarex common stock. However, the Cimarex common stock will not trade publicly until the spin-off and the merger are completed. As a result, at the time of the Key special meeting, you will not know the market value of the Cimarex common stock that you will receive in the merger. The market price of the Cimarex common stock you will receive in the merger may be less than the market price of Key common stock on the date of this proxy statement/prospectus or on the date of the Key special meeting.

The market value of Cimarex common stock could decline if large amounts of Cimarex common stock are sold following the spin-off and merger.

Historically, Helmerich & Payne has been operated as a combined contract drilling and oil and gas exploration and production company. In contrast, following the spin-off and merger, Cimarex will operate as a stand-alone oil and gas exploration and production company. Stockholders of Helmerich & Payne who chose to invest in a combined contract drilling and oil and gas exploration and production company may not wish to continue to invest in a stand-alone oil and gas exploration and production company. As a result, such stockholders may seek to sell the shares of Cimarex common stock received in the spin-off. If, following the spin-off and merger, large amounts of Cimarex common stock are sold, the price of Cimarex common stock could decline.

If Cimarex fails to realize the anticipated benefits of the merger stockholders may receive lower returns than they expect.

The success of the merger will depend, in part, on the ability of Cimarex to realize the anticipated growth opportunities from combining the business of Key with Cimarex. Even if Cimarex is able to successfully combine the two business operations, it may not be possible to realize the full benefits of the proved reserves and enhanced growth of production volume and other benefits that are currently expected to result from the merger, or realize these benefits within the time frame that is currently expected. The benefits of the merger may be offset by operating losses relating to changes in commodity prices, or in oil and gas industry conditions, or by risks and uncertainties relating to the combined company's exploratory prospects, or an increase in operating or other costs or other difficulties. If Cimarex fails to realize the anticipated benefits of the merger, stockholders may receive lower returns on Cimarex stock than they expect.

If Cimarex is unable to secure a new credit facility, its ability to fund future capital expenditures could be jeopardized and alternative financing arrangements might adversely affect its future growth or earnings.

If Cimarex's business does not generate cash flow from operations in amounts sufficient to enable it to fund its liquidity needs it will require financing from other sources. Cimarex is currently in negotiations with a lead arranger to procure a \$400 million secured revolving credit facility. Cimarex

management expects that this facility would close shortly following the completion of the merger. In the event that Cimarex is unable to secure a new credit facility, Cimarex could have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners. These alternatives could

have an adverse effect on Cimarex's future growth or earnings.

In order to preserve the tax-free treatment of the spin-off, Cimarex will be required to abide by potentially significant restrictions which could limit its ability to undertake certain corporate actions (such as the issuance of its common shares) that otherwise could be advantageous.

Helmerich & Payne has obtained a private letter ruling from the Internal Revenue Service to the effect that the spin-off will be treated as a tax-free transaction to Helmerich & Payne and its stockholders for U.S. federal income tax purposes by reason of its qualification under sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The merger is conditioned on the receipt and continued validity of the private letter ruling. Notwithstanding the receipt of a private letter ruling, certain actions taken (and certain omissions) by Helmerich & Payne or Cimarex (or their respective stockholders) after the spin-off could render the spin-off taxable on a retroactive basis.

The tax sharing agreement entered into by Helmerich & Payne and Cimarex imposes ongoing restrictions on Helmerich & Payne and Cimarex to ensure that applicable statutory requirements under the Internal Revenue Code and applicable Treasury regulations continue to be met so that the spin-off remains tax-free to Helmerich & Payne and its stockholders. As a result of these restrictions, the ability of Cimarex to engage in certain transactions, such as the redemption of its common stock, the issuance of equity securities and the utilization of its stock as currency in an acquisition, will be limited for a period of two years following the spin-off. These restrictions may reduce the ability of Cimarex to engage in certain business transactions that otherwise might be advantageous to Cimarex and its stockholders and could have a negative impact on its business and stockholder value. If the spin-off became taxable, Helmerich & Payne would be expected to recognize a substantial amount of income, which would result in a material amount of taxes. Depending on the circumstances, the tax sharing agreement allocates to Helmerich & Payne or Cimarex all, or a portion of, any tax liability resulting from the spin-off being taxable. Any such taxes allocated to Cimarex would be expected to be material to Cimarex.

If Cimarex undergoes a change of control during the two-year period following the spin-off, or if the actions of Cimarex cause the spin-off to be taxable, Cimarex would be required to indemnify Helmerich & Payne for any resulting tax liabilities, which could negatively impact Cimarex's financial condition and future operations.

Helmerich & Payne or Cimarex may incur a material liability in respect of U.S. federal income taxes that may become payable as a result of a change of control of Cimarex. In particular, if a change of control of Cimarex occurs as a result of a plan or series of related transactions that includes the spin-off, the distribution of the shares of Cimarex common stock may become taxable to Helmerich & Payne. Under section 355(e) of the Internal Revenue Code, any issuance or acquisition of the stock of Cimarex within two years following the spin-off will be presumed to be part of such a plan unless Helmerich & Payne or Cimarex were able to rebut the presumption that the issuance or acquisition was part of the spin-off plan. A change of control that results in tax under section 355(e) of the Internal Revenue Code generally will occur if, within the four-year period ending two years after the spin-off, a 50% or greater interest in Cimarex is acquired. As a result of the merger, an approximate 34.75% interest in Cimarex will be treated as already having been acquired.

If Helmerich & Payne or Cimarex (or their respective stockholders) takes or permits an action to be taken (or omits to take an action) that causes the spin-off to become taxable, the relevant corporation generally will be required to bear the cost of the resulting tax liability to the extent that the

liability results from the actions or omissions of that corporation (or its stockholders). Furthermore, under the terms of the tax sharing agreement, if any issuance or acquisition of stock of Cimarex triggers a tax, Cimarex generally would be required to indemnify Helmerich & Payne for the amount of such tax. Finally, if the spin-off were to become taxable under circumstances where neither Helmerich & Payne nor Cimarex (nor their respective stockholders) had caused the transaction to become taxable, such as in the case of a retroactive change of law, Cimarex generally would be required to indemnify Helmerich & Payne for 34.75% of the resulting tax liability and Helmerich & Payne generally would be required to bear 65.25% of the liability. Payment of such amounts by Cimarex or both Helmerich & Payne and Cimarex could cause the business, financial condition and operating results of Cimarex to suffer.

The Cimarex certificate of incorporation, by-laws and the Cimarex shareholders' rights plan have provisions that could discourage an unsolicited corporate takeover and could prevent stockholders from realizing a premium on their investment.

The certificate of incorporation and by-laws of Cimarex will provide, among other things, for a classified board of directors with staggered terms, restrict the ability of stockholders to take action by written consent and prevent stockholders from calling a meeting of the stockholders. In addition, the Delaware General Corporation Law imposes restrictions on business combinations with interested parties. Cimarex also has adopted a shareholders' rights plan. The shareholders' rights plan, the certificate of incorporation and the by-laws may have the effect of

delaying, deferring or preventing a change in control of Cimarex, even if the change in control might be beneficial to the Cimarex stockholders.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information incorporated by reference into this proxy statement/prospectus, contains forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by those forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "could," "seek," "intends," "plans," "estimates," "anticipates" or other comparable terms.

Forward-looking statements are based on expectations that Key and Cimarex believe are reasonable, but neither Key nor Cimarex can give assurance that such expectations will prove correct. Actual results may differ materially following the completion of the merger from those expressed in the forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. Key and Cimarex disclaim any intent or obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise.

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THE MERGER

The discussion in this proxy statement/prospectus of the merger and the principal terms of the merger agreement is subject to and qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus.

Background of the Merger

On November 14, 2000, Helmerich & Payne publicly announced that it had retained Petrie Parkman & Co. to act as its financial advisor to identify companies as possible candidates to enter into a business combination transaction with its oil and gas exploration and production business. It was specifically contemplated that a successful transaction could lead, among other things, to the establishment of Cimarex as a separate public entity. Following Helmerich & Payne's November 14, 2000 announcement, in the remainder of 2000 and in January 2001, Helmerich & Payne and Petrie Parkman contacted nine parties to ascertain their interest in a potential transaction involving the Cimarex business.

As part of this process, in November 2000, Hans Helmerich, President and Chief Executive Officer of Helmerich & Payne, authorized Petrie Parkman to contact Key to arrange a meeting to discuss a possible business combination of Key and the Cimarex business. On November 22, 2000, a representative of Petrie Parkman contacted Mr. F.H. Merelli, Chairman and Chief Executive Officer of Key, to inquire whether Key would be interested in exploring the possibility of such a transaction and, on that day and the next, representatives of Petrie Parkman engaged in preliminary discussions with Mr. Merelli.

In January 2001, Key retained Merrill Lynch & Co. as its financial advisor in connection with a possible business combination transaction between Key and the Cimarex business. On January 16, 2001, representatives of Helmerich & Payne and Petrie Parkman met with representatives of Key and Merrill Lynch to provide general information about the Cimarex business and to discuss Key's possible interest in a business combination. The discussions were exploratory in nature. Largely because of then-current capital market conditions, the companies elected not to pursue further negotiations at that time.

Through the remainder of 2001 and in early 2002, Helmerich & Payne continued to explore strategic alternatives for the Cimarex business, including, but not limited to, possible combinations with other industry participants. By early 2002, representatives of Helmerich & Payne and Petrie Parkman contacted or received inquiries from 24 other parties, including the nine other parties previously contacted, regarding a potential transaction involving the Cimarex business. Representatives of Helmerich & Payne and Petrie Parkman met with nine parties other than Key to further discuss interest in a potential business combination with the Cimarex business. After review and discussion of the potential merits of a business combination with these parties, Helmerich & Payne executed confidentiality agreements with five parties other than Key with whom there was sufficient mutual interest to continue discussions (Companies A, B, C, D and E). In February 2001 through September 2001,

Helmerich & Payne conducted due diligence reviews with Companies A, B, C, D and E. Discussions were suspended with Companies A and C after the due diligence reviews because the strategic fit between Companies A and C and the Cimarex business was determined to be less than originally anticipated. Helmerich & Payne entered into negotiations with Companies B, D and E regarding the potential terms of a business combination involving the Cimarex business. Discussions with Companies B and D were subsequently terminated because, among other things, Helmerich & Payne was unable to reach agreement with either Company B or D on the pro forma ownership of the combined entity. Discussions with Company E were subsequently terminated because, among other things, Helmerich & Payne and Company E were unable to reach agreement on various tax issues with respect to the proposed spin-off of Cimarex in connection with the potential business combination.

During the course of the discussions noted above, Helmerich & Payne did not receive any written offers regarding a potential business combination involving the Cimarex business. Following the January 2001 meeting with Key, apart from informal inquiries from time to time by Key to Helmerich & Payne regarding its plans for the Cimarex business, there were no contacts between the executive officers of Key and Helmerich & Payne until October 2001.

On October 25, 2001, a representative of Petrie Parkman contacted Mr. Merelli to propose another meeting between Key and Helmerich & Payne. On October 29, 2001, Mr. Helmerich and other representatives of Helmerich & Payne, together with representatives of Petrie Parkman, met with Mr. Merelli to discuss the two respective companies' business objectives and whether a business combination would be in the best interests of stockholders of the two companies. At this meeting, Mr. Merelli and Mr. Helmerich agreed that a small group of senior management from each of Key and Helmerich & Payne should meet to further consider the fit between the two businesses and possible transaction structures. On November 5, 2001, the parties executed a confidentiality agreement.

On November 14, 2001, Mr. Helmerich and Douglas E. Fears, Chief Financial Officer of Helmerich & Payne met with Mr. Merelli and Paul Korus, Vice President and Chief Financial Officer of Key, to discuss the potential benefits and the structure of a business combination transaction. Based on those discussions, it was agreed that the parties would begin a due diligence review of, among other things, their respective proved reserves and other assets. Also on November 14, 2001, Skadden, Arps, Slate, Meagher & Flom LLP, Helmerich & Payne's counsel, distributed drafts of the principal agreements relating to the proposed transaction, including a distribution agreement and a merger agreement, to Key, Merrill Lynch, Shearman & Sterling and Holme Roberts & Owen LLP, Key's counsel. Thereafter, the parties and their respective advisors commenced the negotiation of the definitive transaction agreements.

On November 28, 2001, Mr. Merelli, Mr. Korus, several other representatives of Key's management and technical teams and representatives of Merrill Lynch met with representatives of Helmerich & Payne's management and representatives of Petrie Parkman to review the proved reserves and other assets of Cimarex. On the following day, the same parties met to review Key's proved reserves and other assets and business operations. During the months of December 2001 and January 2002, the parties and their respective advisors continued reciprocal business, engineering, tax, accounting and legal due diligence.

On December 6, 2001, the board of directors of Key held a special meeting at which Key's management, together with Merrill Lynch and Key's legal advisors, updated the Key board of directors on the proposed transaction and related matters, including the strategic and business considerations relating to the transaction, the ongoing diligence review and the status of discussions between the parties. Following discussion, the Key board of directors authorized Key's management and its advisors to continue discussions regarding the proposed transaction. The Key board of directors also directed Mr. Korus to continue previously initiated discussions with A.G. Edwards & Sons, Inc. regarding the possible adoption of a shareholder rights plan.

On December 12, 2001, representatives of Merrill Lynch met with representatives of Petrie Parkman to discuss the status of the due diligence reviews and the potential terms of the proposed transaction. Key had authorized Merrill Lynch to discuss with Petrie Parkman at the December 12, 2001 meeting a merger transaction with Cimarex in which the Key stockholders would own approximately 37.5% to 38.0% of the combined entity, subject to satisfactory completion of due diligence and acceptable modification of certain portions of the merger agreement proposed by Helmerich & Payne. With respect to the draft merger agreement, Merrill Lynch indicated that Key wanted, among other changes, to eliminate proposed fiduciary termination provisions for Helmerich & Payne and to add a provision whereby Helmerich & Payne would indemnify Cimarex for any potential federal income tax liabilities relating to periods prior to closing of the proposed merger.

Representatives of Petrie Parkman indicated that Helmerich & Payne had authorized Petrie Parkman to discuss with Merrill Lynch a merger transaction involving Cimarex in which Key stockholders would own 32.0% to 33.0% of the combined entity, also subject to satisfactory

completion of due diligence and negotiation of the other terms of their merger agreement.

On January 4, 2002, representatives of Merrill Lynch and representatives of Petrie Parkman held additional discussions regarding the financial and legal terms of the proposed transaction. In these discussions, representatives of Merrill Lynch indicated that after further consideration and due diligence analysis, and subject to satisfactory resolution of all remaining contractual issues, Key would be willing to consider a merger transaction with Cimarex in which Key stockholders would own 36.0% of the combined entity. Representatives of Petrie Parkman indicated that Helmerich & Payne viewed a 34.0% ownership of Cimarex by Key stockholders as the appropriate ownership split.

From January through mid-February, 2002, technical teams from Key and Helmerich & Payne continued with reciprocal due diligence review and valuation analysis of proved reserves, drilling inventory and undeveloped acreage.

During this period, the parties, together with their respective legal advisors, also negotiated the principal terms of the merger agreement, distribution agreement, and tax sharing agreement, including the conditions to the merger, termination provisions (including fiduciary termination provisions), break up fees, non-solicitation provisions, liability for potential post-closing federal and state income taxes and covenants in respect of the maintenance of working capital within the pre-closing business of Cimarex. The parties, together with their respective legal advisors, also negotiated the composition of the board of directors and executive officers of Cimarex, as well as other employee compensation and benefit matters. The negotiation of the merger agreement, distribution agreement and tax sharing agreement occurred generally among Mr. Steven R. Mackey, Vice President and General Counsel of Helmerich & Payne, Mr. Fears and Mr. Korus, together with their legal and financial advisors.

On February 11 and 12, 2002, Mr. Helmerich and Mr. Merelli held initial discussions regarding the exchange ratio for the business combination. Based on net asset value and EBITDA contribution analysis, Mr. Helmerich initially proposed a range of ratios whereby the stockholders of Helmerich & Payne would own 65.5%-67% of the diluted shares of common stock of Cimarex. Mr. Merelli, relying principally on a net asset value analysis (adjusted for transaction expenses), initially proposed a range of ratios for Key stockholders of 35%-36.5%, implying a range of 63.5%-65% for Helmerich & Payne stockholders. During ensuing telephonic conversations on February 12, 2002, Messrs. Helmerich and Merelli discussed the bases for their respective proposals. On February 12, 2002, Messrs. Helmerich and Merelli agreed that respective ownership percentages of 65.25% and 34.75% for Helmerich & Payne and Key stockholders would be acceptable, subject to satisfactory resolution by Mr. Fears and Mr. Korus of specific working capital issues and all other remaining legal and business issues.

On February 13 and 14, 2002, Mr. Fears and Mr. Korus resolved that the proposed distribution agreement between Helmerich & Payne and Cimarex (and of which Key is a third-party beneficiary) would be modified to provide for a \$4.8 million positive working capital addition to the September 30, 2001 balance sheet of Cimarex. On February 15, 2002, Messrs. Helmerich and Merelli agreed that the modified financial terms were acceptable and that, subject to the satisfactory resolution of all remaining issues, including the allocation of responsibility for tax liabilities that could arise after completion of the proposed transaction, management employment contracts, certain pre-closing business covenants relating to capital expenditures, and the allocation of transaction expenses, they could recommend a merger transaction in which the stockholders of Helmerich & Payne would own approximately 65.25% of Cimarex and the stockholders of Key would own approximately 34.75% of Cimarex, each on a diluted basis. Thereafter, negotiations with respect to the remaining outstanding issues continued, principally between Mr. Mackey and Mr. Korus and their respective advisors.

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On February 21, 2002, the board of directors of Key held a special meeting to review the proposed transaction. At the meeting, Key's management, together with Key's financial and legal advisors, apprised the Key board of directors of the status of discussions and reviewed the proposed terms of the transaction. Holme Roberts & Owen and KPMG LLP, Key's accountants, discussed the results of their diligence review, and Shearman & Sterling reviewed the terms of the transaction agreements to be entered into by the parties. Merrill Lynch made a presentation regarding the financial terms of the transaction and its valuation analyses of Key and Cimarex. In addition, Holme Roberts & Owen and A.G. Edwards made a presentation to the Key board of directors regarding a proposed shareholder rights plan. After extended discussion among the directors, the meeting was adjourned until February 23, 2002.

On February 23, 2002, the Key board of directors reconvened its special meeting. At that meeting, Merrill Lynch delivered to the board its written opinion that, as of that date, based upon and subject to the factors and assumptions set forth in the Merrill Lynch fairness opinion and taking into account the shares of Cimarex common stock to be distributed to Helmerich & Payne stockholders in the spin-off, the exchange ratio in the merger was fair from a financial point of view to the holders of Key common stock. Following discussion, the Key board of directors determined that the merger and the other transactions contemplated by the merger agreement are fair and in the best interests of Key and its stockholders and declared the merger agreement advisable. The Key board of directors approved the merger and the merger agreement and resolved to recommend that Key's stockholders vote to adopt the merger agreement. The Key board of directors also adopted the shareholders' rights plan. Shortly after the Key board of directors meeting, the merger agreement and ancillary documents were executed by all of the parties to each of the agreements.

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On February 25, 2002, Helmerich & Payne and Key issued a joint press release announcing the approval of the transaction by their respective boards of directors and the execution of the merger agreement.

Reasons for the Merger; Recommendation of the Key Board of Directors

At its February 23, 2002 meeting, the Key board of directors determined the merger was fair to and in the best interests of Key and its stockholders and the merger agreement is advisable. The Key board of directors unanimously approved the merger agreement and resolved to recommend the adoption of the merger agreement by the Key stockholders.

In reaching its decision, the Key board of directors considered a number of factors, including the following:

Cimarex has an inventory of exploratory prospects located inland along the Texas and Louisiana Gulf Coast, where Key has recently been attempting to expand its exploration efforts;

the assets being contributed by Helmerich & Payne to Cimarex will be largely debt-free (other than intercompany debt between Helmerich & Payne and Cimarex existing as of September 30, 2001 and arising from operations during the period between September 30, 2001 and the effective time of the merger), resulting in a combined company with greater financial flexibility than Key would have had on a stand-alone basis;

the increased size of the combined company could allow it to participate in larger scale exploratory and development drilling projects and acquisition opportunities than would be available to Key on a stand-alone basis;

the combined company will benefit from the expertise and extensive experience of the production, operations, engineering and geoscientists currently employed by Cimarex;

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the merger will generate increased market visibility and trading liquidity for the combined company, which could enhance the market valuation of Cimarex common stock relative to Key common stock;

the merger will be consummated only if approved by the holders of a majority of the Key common stock;

the merger is structured as a tax-free reorganization for U.S. federal income tax purposes and, accordingly, will not be taxable either to Key or its stockholders;

the potential financial benefits stemming from the enhanced growth prospects of the combined company outweigh the anticipated direct and indirect costs of the merger;

the terms of the merger agreement permit Key to terminate the merger agreement at any time before the Key special meeting to accept a superior proposal, subject to its obligation to comply with certain procedural requirements and to pay a termination fee; and

the opinion, dated February 23, 2002, of Merrill Lynch to the Key board of directors that, as of that date, based upon and subject to the factors and assumptions set forth in the opinion and taking into account the shares of Cimarex common stock to be distributed to Helmerich & Payne stockholders in the spin-off, the exchange ratio in the merger was fair from a financial point of view to the Key stockholders.

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The Key board of directors also identified and considered some risks and potential disadvantages associated with the merger, including the following:

the risk that there may be difficulties in combining the business of Key and Cimarex;

the risk that the potential benefits sought in the merger might not be fully realized;

the risk that the merger might not be completed, including the risk that a private letter ruling from the Internal Revenue Service to the effect that the spin-off will generally be tax-free to Helmerich & Payne and its stockholders might not be obtained;

the fact that under the merger agreement, Key could be required to pay Helmerich & Payne a termination fee in certain circumstances; and

the other matters described under "Risk Factors" on page 16.

In the judgment of the Key board of directors, the potential benefits of the merger outweigh the risks and the potential disadvantages. In view of the variety of factors considered in connection with its evaluation of the proposed merger and the terms of the merger agreement, the Key board of directors did not believe it was practicable to quantify or assign relative weights to the factors considered in reaching its conclusion. Rather, the Key board of directors views its recommendation as being based on the totality of the information presented to and considered by it. In addition, individual Key directors may have given different weights to different factors.

In considering the recommendation of the Key board of directors with respect to the merger, you should be aware that some officers and directors of Key have interests in the merger that may be different from, or in addition to, the interests of Key stockholders generally. The Key board of directors was aware of these interests and considered them in approving the merger and merger agreement. Please refer to "The Key Special Meeting Interests of Certain Key and Cimarex Directors and Executive Officers in the Merger" beginning on page 38 for more information about these interests.

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Opinion of Key's Financial Advisor

Key retained Merrill Lynch to act as its financial advisor in connection with the merger of Key and Cimarex. On February 23, 2002, Merrill Lynch rendered to the Key board of directors its written opinion that, as of that date, based upon and subject to the factors and assumptions set forth in the Merrill Lynch fairness opinion and taking into account the shares of Cimarex common stock to be distributed to Helmerich & Payne stockholders in the spin-off, the exchange ratio in the merger was fair from a financial point of view to the holders of Key common stock.

The full text of the Merrill Lynch fairness opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by Merrill Lynch, is attached as Annex B to this proxy statement/prospectus and is incorporated in this proxy statement/prospectus by reference. Stockholders of Key are urged to read the opinion in its entirety. The Merrill Lynch fairness opinion was provided to Key's board of directors for its information and is directed only to the fairness from a financial point of view of the exchange ratio with respect to holders of Key common stock and does not address the merits of the underlying decision by Key to engage in the merger and does not constitute a recommendation to Key's stockholders as to how the stockholders should vote on the adoption of the merger agreement. Merrill Lynch has not expressed any opinion as to the prices at which shares of Cimarex common stock will trade following the consummation of the merger.

Merrill Lynch has consented to the use of Annex B, containing the Merrill Lynch fairness opinion, in this proxy statement/prospectus and to the references to Merrill Lynch under the headings "Summary" and "The Merger" in this proxy statement/prospectus. In giving its consent, Merrill Lynch does not admit and hereby disclaims that it comes within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

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The preparation of a fairness opinion is a complex and analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, the opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Merrill Lynch did not attribute any particular weight to any analysis or factor considered by it, but, rather, made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all of its analyses, would create an incomplete view of the process underlying the Merrill Lynch fairness opinion.

In performing its analyses, numerous assumptions were made with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Merrill Lynch, Helmerich & Payne, Cimarex or Key. Any estimates contained in the analyses performed by Merrill Lynch are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. Additionally, estimates of the value of businesses or capital securities do not purport to be appraisals or to reflect the prices at which the businesses or capital securities might actually be sold. Accordingly, the analyses and estimates are inherently subject to substantial uncertainty. In addition, the delivery of the Merrill Lynch fairness opinion was among several factors taken into consideration by Key's board of directors in making its determination to approve the merger agreement and the other transactions contemplated by the merger agreement. Consequently, the Merrill Lynch analyses described below should not be viewed as determinative of the decision of Key's board of directors or Key's management with respect to the fairness of the exchange ratio in the merger or value of Key.

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In arriving at its opinion, Merrill Lynch, among other things:

- (1) Reviewed certain publicly available business and financial information relating to Key, Helmerich & Payne and Cimarex that Merrill Lynch deemed to be relevant;
- (2) Reviewed certain information, including production forecasts of existing hydrocarbon reserves and financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Key and Cimarex, furnished to Merrill Lynch by Key and Helmerich & Payne, respectively;
- (3) Reviewed the reserve reports and estimated hydrocarbon volumes for Cimarex (a) prepared as of September 30, 2001 by Netherland, Sewell & Associates and (b) prepared as of December 31, 2001 by Helmerich & Payne;
- (4) Reviewed the reserve reports and estimated hydrocarbon volumes for Key (a) prepared as of September 30, 2001 by Key and (b) prepared as of December 31, 2001 by Key and audited by Ryder Scott Company, L.P.;
- (5) Conducted discussions with members of senior management and representatives of Key and Helmerich & Payne concerning the matters described in clauses (1) and (2) above, as well as the business and prospects of Key and Cimarex before and after giving effect to the spin-off and the merger;
- (6) Reviewed the historical market prices, trading activity and valuation multiples for Key common stock and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;
- (7) Reviewed the results of operations of Key and Cimarex and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;
- (8) Compared the proposed financial terms of the merger with the financial terms of certain other transactions that Merrill Lynch deemed to be relevant;
- (9)

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Participated in certain discussions and negotiations among representatives of Key, Helmerich & Payne and Cimarex and their financial and legal advisors;

- (10) Reviewed the potential pro forma impact of the merger on Key and Cimarex;
- (11) Reviewed a draft dated February 22, 2002 of the merger agreement;
- (12) Reviewed drafts dated February 22, 2002 of a distribution agreement between Helmerich & Payne and Cimarex and a tax sharing agreement between Cimarex and its affiliates and Helmerich & Payne and its affiliates, in each case related to the merger agreement; and
- (13) Reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to Merrill Lynch by Key and Helmerich & Payne, discussed with or reviewed by or for Merrill Lynch, or publicly available. Merrill Lynch did not assume any responsibility for independently verifying such information or undertake an independent evaluation or appraisal of any of the assets or liabilities of Key, Helmerich & Payne, or Cimarex and was not furnished with any such evaluation or appraisal, other than the reserve reports referred to above in clauses (3) and (4). In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of Key, Helmerich & Payne or Cimarex. With respect to the reserve reports, hydrocarbon production forecasts and financial forecast information furnished to or discussed with Merrill Lynch by Key or Helmerich & Payne, Merrill Lynch assumed that they had been

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reasonably prepared and reflected the best available estimates and judgment of Key's or Helmerich & Payne's management as to the expected future financial performance of Key, Helmerich & Payne or Cimarex, as the case may be, and their respective petroleum engineers as to their respective reserves, their future hydrocarbon production volumes and associated costs. Merrill Lynch assumed that the spin-off will be tax-free to Key, Helmerich & Payne, Cimarex and their respective stockholders. Merrill Lynch further assumed that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes. Merrill Lynch also assumed that the final form of each of the merger agreement, the distribution agreement and the tax sharing agreement would be substantially similar to the last draft reviewed by it.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on and on the information made available to Merrill Lynch as of the date of its opinion.

Key does not expect to obtain an updated fairness opinion from Merrill Lynch regarding the merger.

The following is a summary of the analyses performed by Merrill Lynch and presented to the Key board of directors at its meeting on February 21, 2002. The February 21, 2002 presentation updated information previously presented by Merrill Lynch to the Key Board of Directors on December 6, 2001. The summary set forth below includes information presented in tabular format. In order to understand fully the financial analyses used by Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methods and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Merrill Lynch.

Financial and Production Forecasts

Key and Helmerich & Payne provided Merrill Lynch with forecasts of hydrocarbon production from existing proved oil and gas reserves and related financial performance of both Key and Cimarex based upon two uniform commodity price scenarios: (i) the November 19, 2001 price scenario based on commodity strip prices of oil and natural gas as of November 19, 2001 and (ii) the February 19, 2002 price scenario based on commodity spot prices from January 1, 2002 to February 19, 2002 and commodity strip prices of oil and natural gas as of February 19, 2002. Both oil price forecasts were based on the price per barrel (Bbl) for West Texas Intermediate crude and the natural gas price forecasts

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were based on NYMEX (Henry Hub, Louisiana delivery) natural gas prices per million British Thermal Units (MMBTU). Natural gas pricing assumed a standard heating value of one MMBTU per 1,000 cubic feet (Mcf) of natural gas. Adjustments were made by Merrill Lynch to both the crude oil and natural gas price forecasts to reflect location and quality differentials. The following

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table lists the assumed unadjusted crude oil and natural gas strip prices as of November 19, 2001 and February 19, 2001.

Year	November 19, 2001 Strip Pricing		February 19, 2002 Strip Pricing	
	Oil (\$/Bbl)	Gas (\$/MMBTU)	Oil (\$/Bbl)	Gas (\$/MMBTU)
4-Q 2001E	\$ 23.41	\$ 2.61	N.A.	N.A.
2002E	19.63	3.16	\$ 21.02	\$ 2.61
2003E	20.63	3.57	21.02	3.12
2004E	21.07	3.70	20.88	3.29
2005E	21.27	3.76	20.53	3.40
2006E	21.30	3.87	20.33	3.49
Thereafter	21.30	3.87	20.33	3.49

Key and Helmerich & Payne supplied reserve reports as of two dates: September 30, 2001 and December 31, 2001. Key's and Cimarex's September 30, 2001 reserve reports were prepared by Key petroleum engineers and Netherland, Sewell & Associates, respectively, and were adjusted to the November 19, 2001 price scenario by the respective managements. Key's December 31, 2001 reserve report was prepared by Key petroleum engineers and audited by Ryder Scott Company, L.P. and Cimarex's December 31, 2001 reserve report was prepared by Helmerich & Payne petroleum engineers. Both Key's and Cimarex's December 31, 2001 reserve reports were prepared using flat commodity market prices as of year-end 2001 and then-current operating costs, production and ad valorem taxes and future development costs on an unescalated basis. Oil and gas prices for the December 31, 2001 reserve reports were subsequently adjusted to the February 19, 2002 price scenario by Merrill Lynch. Operating expenses and capital expenditures necessary to lift and produce the proved reserves estimated in each of the reserve reports were based on current market conditions.

Forecast financial and production data for Key and Cimarex were supplied by Key and Helmerich & Payne managements, respectively, and adjusted to the February 19, 2002 price scenario by Merrill Lynch. Merrill Lynch also made certain adjustments to the assumptions underlying Cimarex's 2002 financial and production forecast to make the forecast more comparable to Key's 2002 financial and production forecast. Financial data as of September 30, 2001 and December 31, 2001 and for the twelve months ended September 30, 2001 for Key and Cimarex were supplied by Key and Helmerich & Payne managements, respectively. Oil and gas production data for the twelve months and the quarter ended December 31, 2001 for Key and Cimarex were supplied by the managements of Key and Helmerich & Payne, respectively.

Net Asset Value Analysis

Using a discounted cash flow analysis, Merrill Lynch calculated the present value of future cash flows that Key and Cimarex could be expected to generate from their existing base of total proved reserves and from their existing base of proved developed reserves (the existing base of proved developed reserves excludes the proved undeveloped reserve classification), based on Key, and Cimarex, reserve reports. These cash flows were discounted at 10% and at 12% based upon a weighted average cost of capital analysis of Key. Merrill Lynch estimated Cimarex's net asset values by adding (i) the discounted cash flows generated by these reserves to, (ii) a range of value determined by Key's management for Helmerich & Payne Energy Services, Inc. (HPESI), (iii) an amount determined by Key's management for working capital and debt and (iv) in the upside adjusted case, the reported book

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value of Cimarex's undeveloped acreage and seismic data. Merrill Lynch estimated Key's net asset values by adding (i) the discounted cash flows generated by these reserves to, (ii) an amount determined by Key's management for working capital and debt and (iii) in the upside adjusted case, the reported book value of undeveloped acreage and seismic data.

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For each of the separate reserve classes that comprise the proved reserves (proved developed producing, proved developed non-producing and proved undeveloped), net cash flow was forecast by Key, generally through December 2020, and discounted back to January 2002. This net cash flow includes all the taxes, capital expenditures and abandonment costs associated with the produced reserves. The cases and results of this analysis are set forth below.

Case	Reserves/Debt/ Working Capital/ Upside as of:	Pricing as of:	Key's Implied Equity Market Value Contribution	
			Unadjusted	Upside Adjusted
Proved Reserves Pre-Tax	September 30, 2001	November 19, 2001	35.8%	36.1%
Proved Reserves After-Tax	September 30, 2001	November 19, 2001	35.7%	36.1%
Proved Developed Reserves Pre-Tax	September 30, 2001	November 19, 2001	36.4%	36.7%
Proved Reserves Pre-Tax	December 31, 2001	February 19, 2001	35.2%	34.1%
Proved Reserves After-Tax	December 31, 2001	February 19, 2001	35.1%	33.7%
Proved Developed Reserves Pre-Tax	December 31, 2001	February 19, 2001	35.3%	34.3%
Proved Reserves (No HPESI) Pre-Tax	December 31, 2001	Year-End 2001	36.8%	35.3%
Proved Reserves (w/HPESI) Pre-Tax	December 31, 2001	Year-End 2001	35.9%	34.6%

Based upon the net asset value analysis performed by Merrill Lynch, an implied Key equity market value contribution of 34.0% to 36.5% was derived, yielding an implied exchange ratio of 0.967 to 1.081.

Contribution Analysis

Using the financial and operational data described previously for both Cimarex and Key for the years ended September 30, 2001 (actual) and December 31, 2002 (projected), Merrill Lynch compared the relative levels of cash flow from operations (CFFO) and earnings before interest, taxes, depreciation, amortization and exploration expense (EBITDE) for each company during this period, as well as the relative level of proved reserves as of September 30, 2001 and December 31, 2001 and actual production levels for the year ending December 31, 2001 and the quarter ending December 31, 2001.

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Relative levels of CFFO, EBITDE, proved reserves and production were used to develop implied equity market value contributions after having been, when applicable, leverage adjusted for debt as of December 31, 2001. The results of these analyses are set forth below.

Valuation Basis	Key's Implied Equity Market Value Contribution
Financial Metrics (12 Months Ended)	
September 30, 2001 CFFO (actual)	38.3%
December 31, 2002 CFFO (projected)	35.7%
September 30, 2001 EBITDE (actual)	32.3%
December 31, 2002 EBITDE (projected)	32.0%
Operational Metrics	
Proved Reserves at September 30, 2001	34.0%
Proved Reserves at December 31, 2001	34.8%
2001 Production (actual)	32.9%
4-Q 2001 Production (actual)	35.4%

The financial metrics contribution analysis implied a Key equity market value contribution of 32.5% to 37.5% or an implied exchange ratio of 0.902 to 1.129. The operational metrics contribution analysis implied a Key equity market value contribution of 33.0% to 35.5% or an implied exchange ratio of 0.924 to 1.034.

Comparable Company Trading Analysis

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Merrill Lynch reviewed and compared certain financial information, ratios and public market multiples derived from Key's financial projections to corresponding financial information, ratios and public market multiples for eleven publicly traded corporations in the oil and gas exploration, development and production industry:

ATP Oil & Gas Corporation	The Houston Exploration Company
Cabot Oil & Gas Corporation	Magnum Hunter Resources, Inc.
Comstock Resources, Inc.	The Meridian Resource Corporation
EEX Corporation	Remington Oil & Gas Corporation
Evergreen Resources, Inc.	St. Mary Land & Exploration Company
	Swift Energy Company

The selected companies were chosen because they are publicly traded companies with financial and operating characteristics which Merrill Lynch deemed to be similar to those of Key and Cimarex, including, among other things, equity market capitalization and natural gas bias. Merrill Lynch calculated various financial ratios for the selected companies and subsequently selected relevant trading ranges for Key and Cimarex. The ratios for the selected companies were based on publicly available

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information, including estimates provided by Merrill Lynch research and other street research. Merrill Lynch calculated the following financial ratios:

equity market value multiples of:

2002 estimated CFFO; and

enterprise value (defined as market value of common equity plus book value of debt, preferred stock, minority interest less cash) multiples of:

2001 estimated EBITDE,

2002 estimated EBITDE,

proved reserves as of December 31, 2000; and

2002 estimated daily production.

The following table shows the mean and median calculations for the selected companies, as well as the relevant ranges for Key and Cimarex. The only exception to the mean and median calculations for the selected companies was the calculation of enterprise value as a multiple of 2002 estimated daily production. For this metric, the mean and median calculations excluded the relevant multiples for Comstock Resources, Inc., The Meridian Resource Corporation and St. Mary Land & Exploration Company due to the lack of available 2002 production estimates.

Key and Cimarex Business Financial/Operating Measure	Selected Companies		Relevant Range	
	Mean	Median	Key	Cimarex Business
2002 CFFO (projected)	4.7x	3.9x	4.25x - 5.25x	4.50x - 5.50x
2001 EBITDE (projected)	4.7x	4.2x	3.25x - 4.25x	3.50x - 4.50x
2002 EBITDE (projected)	6.0x	5.5x	4.75x - 5.25x	5.00x - 5.50x
December 31, 2001 Reserves (\$/Mcf)	\$1.34	\$1.12	\$1.20 - \$1.60	\$1.25 - \$1.65

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	Selected Companies		Relevant Range	
2002 Daily Production (\$/Mcfepd)	\$4,419	\$4,031	\$3,500 - \$4,500	\$3,750 - \$4,750

From the enterprise value ranges implied by these multiple ranges, Merrill Lynch determined a composite enterprise value range for Cimarex under this method of \$400 million to \$500 million, as well as an equity market value range of \$400 million to \$500 million. Merrill Lynch determined a composite enterprise value range for Key under this method of \$225 million to \$300 million or an equity market value range of \$200 million to \$275 million. The comparable company trading analysis implied a Key equity market value contribution of 32.0% to 34.5% or an implied exchange ratio of 0.882 to 0.989.

None of the selected companies is identical to Key or Cimarex. Accordingly, an analysis of the results of the foregoing is not purely mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the comparable companies or company to which they are being compared.

Summary

The following table is a summary of Key's implied ownership percentage in the new company and the implied exchange ratio derived from the net asset value analysis, contribution analysis and the comparable company trading analysis. This table should be read together with the more detailed descriptions set forth above. In particular, in applying the various valuation methodologies to the

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particular businesses and operations of Key and Cimarex and the particular circumstances of the merger between Key and Cimarex, Merrill Lynch made qualitative judgments as to the significance and relevance of each analysis. Accordingly, the methodologies and the implied exchange ratios derived therefrom set forth in the table must be considered as a whole and in the context of the narrative description of the financial analyses, including the assumptions underlying these analyses. Considering the implied exchange ratios set forth in the table without considering the full narrative description of the financial analyses, including the assumptions underlying these analyses, could create a misleading or incomplete view of the process underlying and conclusions represented by Merrill Lynch's opinion.

Financial Measure	Key's Relevant Range	
	Implied Ownership Percentage	Implied Exchange Ratio
Net Asset Value Analysis	34.0% - 36.5%	0.967 - 1.081
Contribution Analysis (Financial Metrics)	32.5% - 37.5%	0.902 - 1.129
Contribution Analysis (Operational Metrics)	33.0% - 35.5%	0.924 - 1.034
Comparable Company Trading Analysis	32.0% - 34.5%	0.882 - 0.989

Merrill Lynch Financial Advisor Fee

Pursuant to an engagement letter dated January 16, 2001, Key retained Merrill Lynch to act as its financial advisor in connection with the merger. Pursuant to the engagement letter, Key has agreed to pay Merrill Lynch a fee of \$50,000 as of the date of the engagement letter and an additional fee of \$2,950,000, payable upon closing for services rendered in connection with the merger. Additionally, in the event that Key (including any Key affiliate) receives or becomes entitled to receive any fee or reimbursement of expenses resulting from, or as a result of, the termination of the merger agreement, Key has agreed to pay Merrill Lynch 25% of such fee or reimbursement of expenses, subject to a maximum payment of \$2,000,000, payable immediately in cash following receipt by Key of such fee or reimbursement of expenses.

Key also has agreed to reimburse Merrill Lynch for the expenses reasonably incurred by Merrill Lynch entering into and performing services in connection with its engagement (including reasonable counsel fees) and to indemnify Merrill Lynch and its affiliates and their respective officers, directors, employees, agents and controlling persons against certain expenses, losses, claims, damages or liabilities in connection with its services performed in connection with its engagement, including liabilities under federal securities laws.

Key retained Merrill Lynch based upon Merrill Lynch's experience and expertise. Merrill Lynch is an internationally recognized investment banking and advisory firm. Merrill Lynch, as part of its investment banking business, is continuously engaged in the valuation of businesses and

securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Merrill Lynch may, in the future, provide financial advisory and financing services to Key, Helmerich & Payne and Cimarex and/or their affiliates and may receive fees for the rendering of such services. In addition, in the ordinary course of our business, Merrill Lynch may actively trade shares of Key common stock and other securities of Key, shares of Helmerich & Payne common stock and other securities of Helmerich & Payne, as well as the common stock of Cimarex and other securities of Cimarex, for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Stock Exchange Listing

Cimarex will apply to list its common stock on the New York Stock Exchange.

Material United States Federal Income Tax Consequences of the Merger

The following constitutes the opinion of Shearman & Sterling, counsel to Key, subject to the qualifications set forth below and contained herein, as to the material United States federal income tax consequences of the merger to Key and the Key stockholders. Such opinion is not binding on the Internal Revenue Service or any court. It is assumed for purposes of this discussion that the shares of Key common stock are held as "capital assets" within the meaning of section 1221 of the Internal Revenue Code. The tax consequences to each Key stockholder will depend in part upon such stockholder's particular situation. Special tax consequences not described herein may be applicable to particular classes of taxpayers, such as financial institutions, insurance companies, tax-exempt organizations, broker-dealers, traders in securities that elect to mark to market, persons that hold Key common stock as part of a straddle or conversion transaction, persons who are not citizens or residents of the United States and stockholders who acquired their shares of Key common stock through the exercise of an employee stock option or otherwise as compensation. The following is a summary of material tax consequences and is based upon the Internal Revenue Code, its legislative history, existing and proposed regulations thereunder, published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax consequences under state, local and foreign laws are not addressed herein. **Key stockholders are urged to consult with their own tax advisors as to the specific tax consequences to them of the merger and the spin-off, including the application and effect of federal, state, local and foreign income and other tax laws.**

Helmerich & Payne has obtained a private letter ruling from the Internal Revenue Service to the effect that the spin-off will be tax-free to Helmerich & Payne and its stockholders for U.S. federal income tax purposes by reason of its qualification under sections 355 and 368 of the Internal Revenue Code. The merger is conditioned on the receipt and continued validity of the private letter ruling. See "The Merger Agreement Conditions to the Completion of the Merger" beginning on page 66. The private letter ruling, while generally binding on the Internal Revenue Service, is based on certain factual representations and assumptions described in the ruling and set forth in the ruling request. If any assumptions or representations are incorrect or untrue in any material respect, the private letter ruling may be rendered invalid with retroactive effect. Under the Tax Sharing Agreement, all, or a portion, of any tax liability resulting from the spin-off being taxable to Helmerich & Payne may be allocated to Cimarex to the extent resulting from certain actions or omissions by Cimarex or its stockholders. If the liability for any such tax is incurred by Cimarex, the amount of such tax would be expected to be material.

In addition, it is a condition to the consummation of the merger that (i) Key receive an opinion from Shearman & Sterling, counsel to Key, dated as of the effective date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of section 368(a) of the Internal Revenue Code and (ii) Helmerich & Payne and Cimarex receive an opinion from Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Helmerich & Payne, dated as of the effective date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of section 368(a) of the Internal Revenue Code. The conditions relating to the receipt of the tax opinions may not be waived by Key or Helmerich & Payne after receipt of the Key stockholder approval unless further stockholder approval is obtained with appropriate disclosure. If the conditions relating to the receipt of the tax opinions are waived, Key will recirculate the proxy statement/prospectus and will resolicit the vote of the Key stockholders if there is a material change in the tax consequences of the merger to Key or the Key stockholders. The opinions will be based on customary assumptions and customary representations made by, among others, Key, Helmerich & Payne and Cimarex. An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or any court.

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Accordingly, there can be no assurance that the Internal Revenue Service will agree with the conclusions set forth in the opinion letter, and it is possible that the Internal Revenue Service or another tax authority could assert a position contrary to one or all of those conclusions and that a court could sustain that contrary position.

Assuming the merger qualifies as a reorganization within the meaning of section 368(a) of the Internal Revenue Code, as described above, holders of Key common stock who exchange their Key common stock solely for Cimarex common stock in the merger will not recognize gain or loss for United States federal income tax purposes, except with respect to cash, if any, they receive in lieu of a fractional share of Cimarex common stock. Each holder's aggregate tax basis in the Cimarex common stock received in the merger will be the same as his or her aggregate tax basis in the Key common stock surrendered in the merger, decreased by the amount of any tax basis allocable to any fractional share interest for which cash is received. The holding period of the Cimarex common stock received in the merger by a holder of Key common stock will include the holding period of Key common stock that he or she surrendered in the merger.

A holder of Key common stock who receives cash in lieu of a fractional share of Cimarex common stock will recognize gain or loss equal to the difference between the amount of cash received and his or her tax basis in the Cimarex common stock that is allocable to the fractional share. That gain or loss generally will constitute capital gain or loss. In the case of an individual stockholder, any such capital gain generally will be subject to a maximum United States federal income tax rate of 20% if the individual has held his or her Key common stock for more than 12 months on the date of the merger. The deductibility of capital losses is subject to limitations for both individuals and corporations.

Thus, Key stockholders are urged to consult their own tax advisors as to the specific tax consequences to them of the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other applicable tax laws and the effect of any proposed changes in the tax laws.

Federal Securities Laws Consequences of the Merger

The merger agreement requires Key to use all commercially reasonable efforts to cause each of its affiliates to execute a written agreement, substantially in the form attached as an exhibit to the merger agreement, to the effect that such affiliate will not sell, assign, transfer or otherwise dispose of any of the shares of Cimarex common stock issued to such affiliate in exchange for Key common stock in the merger except:

pursuant to an effective registration statement under the Securities Act;

in conformity with the volume and other limitations of Rule 145 promulgated under the Securities Act; or

in a transaction which, in the opinion of independent counsel reasonably satisfactory to Cimarex or as described in a "no-action" or interpretative letter from the Staff of the SEC, is not required to be registered under the Securities Act.

All shares of Cimarex common stock received by Key stockholders in the merger will be freely transferable, except that shares of Cimarex common stock received by persons who are deemed to be "affiliates" of Key under the Securities Act may resell such stock only in transactions permitted by Rule 145 under the Securities Act, or as otherwise permitted under the Securities Act. Persons who may be affiliates of Key for those purposes generally include individuals or entities that control, are controlled by, or are under common control with, Key, but would not include stockholders who are not officers, directors or principal stockholders of Key.

Accounting Treatment

The acquisition of Key by Cimarex would be accounted for under the purchase method of accounting under U.S. generally accepted accounting principles, with Cimarex treated as the acquiror. As a result, the assets and liabilities of the Cimarex business will be recorded at historical amounts, without adjustment to fair values. The assets and liabilities of Key will be recorded at their estimated fair values at the date of merger with the excess of the purchase price over the net amount of such fair values recorded as goodwill. Following completion of the merger, Cimarex plans to change to a December 31st fiscal year end, as opposed to the September 30th fiscal year end presently used by Cimarex.

Regulatory Matters

Helmerich & Payne has obtained a private letter ruling from the Internal Revenue Service to the effect that the contribution and transfer of the assets and liabilities of the Cimarex business to Cimarex and the spin-off by Helmerich & Payne of all the shares of Cimarex common stock to the holders of Helmerich & Payne common stock generally will be treated as a tax-free transaction for U.S. federal income tax purposes.

None of the parties is aware of any other material governmental or regulatory approval required for the completion of the merger, other than the effectiveness of the registration statement of which this proxy statement/prospectus is a part and compliance with applicable corporate law of the State of Delaware.

Appraisal and Dissenters' Rights

In accordance with the Delaware General Corporation Law, there will be no appraisal rights or dissenters' rights available to holders of Key common stock in connection with the merger.

Key Rights Plan

In connection with the merger, Key entered into a rights agreement with A.G. Edwards & Sons, Inc., as the rights agent. On February 23, 2002, the Key board of directors declared a dividend of one common share purchase right for each outstanding share of Key common stock. The dividend was paid on March 7, 2002 to the stockholders of record on the close of business on that date.

The rights are not exercisable until the distribution date, which will generally occur upon the earlier of (i) ten business days following (a) a public announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 15% or more of the outstanding shares of Key common stock (subject to certain exceptions) or (b) an earlier date when a majority of the Key board of directors becomes aware of the existence of such acquiring person and (ii) ten business days following the commencement of, or announcement of an intention to commence, a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding shares of common stock (subject to certain exceptions). The rights agreement provides that the spin-off and the merger will not trigger a distribution date; and that none of Helmerich & Payne, Cimarex, or Mountain Acquisition will be deemed to be an acquiring person under the rights agreement. A copy of the rights agreement is incorporated by reference to this proxy statement/prospectus.

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THE KEY SPECIAL MEETING

Purpose, Time and Place

The Key special meeting will be held on Friday, September 20, 2002 at 10:00 a.m., Mountain Daylight Time, at The University Club of Denver, 1673 Sherman Street, Denver, Colorado 80203. The purpose of the Key special meeting is to consider and vote upon a proposal to approve the merger of Mountain Acquisition with and into Key, with Key being the surviving corporation in the merger and becoming a wholly owned subsidiary of Cimarex, by adopting the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus, and to consider any other matters that may properly come before the meeting. We currently expect that no other matters will be considered at the Key special meeting.

Recommendation of the Key Board of Directors

The Key board of directors has determined the merger is fair and in the best interests of Key and its stockholders and the merger agreement is advisable. The Key board of directors has unanimously approved the merger agreement and recommends that the Key stockholders vote "for" the adoption of the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

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Stockholders of record of Key common stock at the close of business on August 5, 2002, the record date for the Key special meeting, are entitled to receive notice of and have the right to vote at, the Key special meeting and any adjournment or postponement of the meeting. On the record date, approximately 14,080,468 shares of Key common stock were issued and outstanding. Stockholders of record of shares of Key common stock on the record date are each entitled to one vote per share on the adoption of the merger agreement.

A quorum of stockholders is necessary to have a valid meeting of stockholders. A majority of the voting power of the outstanding shares of Key common stock entitled to vote at the meeting must be present in person or by proxy at the Key special meeting in order for a quorum to be established.

Abstentions and broker "non-votes" count as present for establishing a quorum. A broker "non-vote" occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given. We expect, in the event that a quorum is not present at the Key special meeting, that the meeting will be adjourned or postponed to solicit additional proxies.

Votes Required

Adoption of the merger agreement will require the affirmative vote of the holders of a majority of the shares of Key common stock outstanding on the record date. For purposes of the vote on the merger proposal, abstentions will be counted and have the same effect as a vote "against" the proposal. In addition, failing to vote will have the same effect as a vote "against" the proposal.

Under the applicable rules of the New York Stock Exchange, a bank, broker or other fiduciary who holds shares for customers who are the beneficial owners of those shares is prohibited from giving a proxy to vote those customers' shares with respect to the proposal to be voted on at the Key special meeting in the absence of specific instructions from the customer. Shares held by a broker, bank or other fiduciary which are not voted because the customer has not provided instructions to the broker, bank or other fiduciary will have the same effect as a vote "against" the proposal.

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Voting by Proxy

Submitting Proxies

Stockholders of record may vote their stock by attending the Key special meeting and voting their stock in person at the meeting, by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage pre-paid envelope or by voting via telephone or via the Internet by following the instructions provided on the enclosed proxy card. If a proxy card is signed by a stockholder of record and returned without specific voting instructions, the stock represented by the proxy will be voted "*for*" the proposal presented at the Key special meeting.

Stockholders whose shares of Key common stock are held in the name of a bank, broker or other fiduciary must either direct the record holder of their shares of Key common stock as to how to vote their shares of Key common stock or obtain a proxy from the record holder to vote at the Key special meeting.

Revoking Proxies

Stockholders of record may revoke their proxies at any time prior to the time their proxies are voted at the Key special meeting. Stockholders can revoke their proxies and change their votes by:

completing, signing and dating a new proxy card and returning it by mail to the proxy solicitor so that it is received prior to the special meeting;

voting via telephone or via the Internet by following the instructions provided on your proxy card;

sending a written notice to the Assistant Corporate Secretary of Key that is received prior to the special meeting stating that you revoke your proxy; or

obtaining an admission card, attending the special meeting and voting in person or by legal proxy, if appropriate.

If your shares of Key common stock are held in the name of a bank, broker or other fiduciary and you have directed such person(s) to vote your shares of Key common stock, you should instruct such person(s) to change your vote or obtain a legal proxy to do so yourself.

Any written notice of a revocation of a proxy should be sent to the following address:

Key Production Company, Inc.
Attention: Sharon M. Pope, Assistant Corporate Secretary
707 Seventeenth Street, Suite 3300
Denver, Colorado 80202
Facsimile: (303) 295-3494

Other Business; Adjournments

Key is not aware of any other business to be acted upon at the Key special meeting. If, however, other matters are properly brought before the Key special meeting or any adjourned meeting, your proxies will have discretion to act on those matters or to adjourn the meeting, according to their best judgment.

Proxy Solicitation

The cost of solicitation of proxies from stockholders will be paid by Key. In addition to solicitation by mail, the directors, officers and employees of Key may also solicit proxies from stockholders by telephone, facsimile or in person. Key will also make arrangements with brokerage houses and other

custodians, nominees and fiduciaries to send the proxy materials to beneficial owners. Upon request, we will reimburse those brokerage houses and custodians for their reasonable expenses in so doing.

Key has retained The Corporate Governance Group of Strategic Stock Surveillance, LLC to provide advice and to aid with the solicitation of proxies from Key stockholders for the Key special meeting. Strategic Stock Surveillance, LLC will receive a fee of \$7,500 plus \$3.50 for each supplemental call to individual stockholders (including search and telephone charges) as compensation for its services and reimbursement for its related out-of-pocket expenses.

Do not send any stock certificate(s) with your proxy cards. After the merger is completed, the exchange agent to be selected by Cimarex will send transmittal forms with instructions for the surrender of stock certificate(s) representing shares of Key common stock to former Key stockholders.

Interests of Certain Key and Cimarex Directors and Executive Officers in the Merger

In considering the recommendation of the Key board of directors to vote for the proposal to adopt the merger agreement, stockholders of Key should be aware that members of the Key and Cimarex board of directors and executive officers of Key and Cimarex have agreements and arrangements that provide them with interests in the merger that differ from, or are in addition to, those of Key stockholders. The Key board of directors was aware of these agreements and arrangements during its deliberations of the merits of the merger and in determining to recommend to the stockholders of Key that they vote for the proposal to adopt the merger agreement. These agreements and arrangements can be summarized as follows:

Governance Structure. Under the terms of the merger agreement, the board of directors of Cimarex after completion of the merger will be comprised of nine individuals, four of whom are current directors of Key, two of whom are current directors of Helmerich & Payne and one of whom is currently a director of Helmerich & Payne and Cimarex.

Key Employee and Director Stock Options. At the effective time of the merger, each outstanding Key stock option will be assumed by Cimarex and will be deemed to constitute an option to acquire Cimarex common stock on the same terms and conditions as had been applicable under the historical Key stock option plans. In general, a former Key option holder will be entitled, on exercise of his or her stock option, to purchase that number of shares of Cimarex common stock that could have been purchased under the Key stock option, at an equivalent exercise price per share. Each outstanding option under the Key stock option plans will vest in full upon the effective time of the merger and remain outstanding in accordance with its original terms.

Helmerich & Payne Stock Options. At the time of the spin-off, Helmerich & Payne stock options held by Cimarex employees who are former Helmerich & Payne employees (including Steven R. Shaw and other executive officers of Cimarex) will be converted into Cimarex stock options, using a conversion ratio based on a comparison of the trading price of Helmerich & Payne common stock for the five trading days immediately prior to the fifth trading date immediately prior to the record date for the spin-off with the trading price of Cimarex common stock for the first five trading days following the spin-off.

Helmerich & Payne Restricted Stock. At the time of the spin-off, restricted shares of Helmerich & Payne stock held by Cimarex employees who are former Helmerich & Payne employees (including Roger G. Burau and Gerald P. McLaughlin) will be converted into restricted shares of Cimarex stock with such adjustments as are appropriate to preserve the value inherent in the restricted stock, provided that any restrictions to which the awards are subject in respect of employment by Helmerich & Payne shall be deemed restrictions in respect of employment by Cimarex, and Cimarex shares distributed in respect of such a restricted share of Helmerich & Payne stock before its conversion shall be subject to the same restrictions that apply to the underlying restricted share.

Directors' and Officers' Indemnification. From and after the effective time of the merger, Cimarex will indemnify any persons who are or were officers or directors of Key prior to the effective time of the merger for losses in connection with any action arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such, whether commenced, asserted or claimed before or after the effective time of the merger. Cimarex will maintain existing, or provide comparable, directors' and officers' liability insurance policies for a period of six years following the effective time of the merger.

Employment and Severance Agreements and Other Compensation

Income Continuance Plan. Each Key executive officer (including Key executive officers who are party to agreements described below) participates in the Key Income Continuance Plan under which each officer is entitled to receive 24 months continuation of his base compensation (as defined in the plan) and health and life insurance benefits if his employment is terminated without cause or he resigns as a result of changed circumstances following the effective time of the merger. The plan may not be terminated during the 30-month period following the effective time of the merger. See "Management of Cimarex Employment Agreements and Change in Control Agreements with Named Executive Officers" on page 84.

Agreements with Employees

F.H. Merelli. Key has an employment agreement with F.H. Merelli, the chairman, president and chief executive officer of Key and, following the merger, Cimarex. The agreement will be assumed by Cimarex following the merger. Under the agreement, upon (i) Mr. Merelli's termination of employment without cause or due to his death or disability or (ii) Mr. Merelli's resignation for good reason (each as defined in the agreement), he is entitled to receive his base salary for two years and the maximum incentive compensation payable pursuant to any plan or program established by Cimarex. Mr. Merelli also participates in the Income Continuance Plan. Any payment made to Mr. Merelli pursuant to his employment agreement will be deducted from the benefits to which he is otherwise entitled pursuant to the Income Continuance Plan. See "Management of Cimarex Employment Agreements and Change in Control Arrangements with Named Executive Officers" on page 84.

Steven R. Shaw. Mr. Shaw, who will become executive vice president of Cimarex following the spin-off, is party to an agreement with Helmerich & Payne that will be assumed by Cimarex upon the spin-off. The agreement provides that, if Mr. Shaw is terminated by Cimarex within 24 months after the spin-off other than for cause, disability, death or the occurrence of a substantial downturn, or if Mr. Shaw terminates his employment for good reason within 24 months after the spin-off (as such terms are defined in the agreement), (i) Cimarex will pay Mr. Shaw a pro-rated annual bonus and an additional lump-sum payment equal to two times his base salary and annual bonus, (ii) any options granted to Mr. Shaw will become fully exercisable and any restricted stock granted to Mr. Shaw will become nonforfeitable, and (iii) Cimarex will provide Mr. Shaw with 24 months of continued health insurance. In addition, if Mr. Shaw voluntarily terminates his employment during the 30-day period beginning 18 months after the spin-off, any options granted to Mr. Shaw before the spin-off will become fully exercisable and any restricted stock granted to Mr. Shaw before the effective time of the merger will become nonforfeitable. See "Management of Cimarex Employment Agreements and Change in Control Agreements with Named Executive Officers" on page 84.

Messrs. Korus, Jorden, Albi and Bell. Cimarex will also assume the employment agreements with Paul Korus, Thomas E. Jorden, Joseph R. Albi and Stephen P. Bell, who will become executive officers of Cimarex following the merger. These agreements provide for a lump-sum payment equal to two times the executive's base salary at the time of the merger if the executive is terminated without cause at any time following the merger (as defined in the agreement). Any payments made to these executives pursuant to these agreements will be deducted from the benefits to which the executive is

otherwise entitled pursuant to the Income Continuance Plan described above. See "Management of Cimarex Employment Agreements and Change in Control Agreements with Named Executive Officers" on page 84.

Messrs. Nagel, Burau and McLaughlin. Each of Messrs. Nagel, Burau and McLaughlin, who will become vice presidents of Cimarex following the spin-off, is party to an agreement with Helmerich & Payne that will be assumed by Cimarex. The agreement provides that, if the executive is terminated by Cimarex within 24 months after the spin-off other than for cause, disability, death or the occurrence of a substantial downturn, or if the executive terminates his employment for good reason within 24 months after the spin-off (as such terms are defined in the agreement), Cimarex will pay the executive a pro-rated annual bonus and an additional lump-sum payment equal to two times his base salary and annual bonus, any options granted to the executive will become fully exercisable and any restricted stock granted to the executive will become nonforfeitable, and Cimarex will provide the executive with 24 months of continued health insurance.

Restricted Stock Agreement with Paul Korus. Mr. Korus is party to a restricted stock agreement pursuant to which he received 10,000 restricted shares of Key common stock. At the effective time of the merger, the restricted shares of Key common stock will automatically convert into restricted shares of Cimarex common stock, and Cimarex will assume the restricted stock agreement. The restricted shares generally vest in full on September 20, 2002; however, if Mr. Korus' employment is terminated without cause or he resigns for good reason (each as defined in the agreement) during the six-month period following the effective time of the merger, the restricted shares will immediately vest.

Stock Ownership of Management and Certain Stockholders

As of the close of business on June 30, 2002, directors and executive officers of Key and their affiliates as a group beneficially owned and were entitled to vote approximately 1,257,547 shares of Key common stock (including options exercisable for shares of common stock), representing approximately 8.46% of the shares of Key common stock outstanding on that date (including shares represented by such options).

All of the directors and executive officers of Key that are entitled to vote at the Key special meeting have indicated that they intend to vote their shares of Key common stock in favor of adoption of the merger agreement.

Appraisal and Dissenters' Rights

In accordance with the Delaware General Corporation Law, there will be no appraisal rights or dissenters' rights available to holders of Key common stock in connection with the merger.

CIMAREX

Helmerich & Payne, through Cimarex, engages in the following activities:

the origination of prospects;

the identification, acquisition, exploration and development of prospective and proved oil and gas properties;

the production and sale of crude oil, condensate and natural gas; and

the marketing of natural gas.

For simplicity, we refer also in this section to Cimarex, rather than to Helmerich & Payne's oil and gas exploration and production and gas marketing businesses, as though the historical oil and gas exploration and production and gas marketing business of Helmerich & Payne had always been owned by Cimarex. Cimarex considers itself a medium-sized independent exploration and production company.

Cimarex was incorporated on February 14, 2002 under the laws of the State of Delaware. It was intended that Cimarex would become the successor to the Cimarex business operated by Helmerich & Payne.

All of Cimarex's oil and gas operations are conducted in the United States. Most of the current exploration and drilling effort is concentrated in Oklahoma, Kansas, Texas and Louisiana. Cimarex also explores from time to time in New Mexico, Alabama, Michigan, Mississippi and the Rocky Mountain area. Cimarex has varying levels of ownership interests in its oil and gas properties consisting of working, royalty and overriding royalty interests. A summary of Cimarex's gross and net productive wells at June 30, 2002 is set forth under the heading "Productive Wells" on page 49.

Helmerich & Payne reorganized the Cimarex business in 1995. This action resulted in the consolidation or elimination of several management positions and the formation of geographical exploitation/exploration teams comprised of geological, engineering and land personnel. These personnel primarily develop in-house oil and gas prospects as well as review outside prospects and acquisitions for their respective geographical areas. Cimarex believes that this structure allows each team to gain greater expertise in its respective geographical area and reduces risk in the development of prospects.

Cimarex has been focusing on developing prospects using 3-D seismic technology. Currently, Cimarex is involved in 3-D seismic surveys covering more than 1,536 square miles, of which approximately 901 square miles are proprietary. Approximately 1,100 square miles of land covered by such surveys is located near the Texas and Louisiana onshore Gulf Coast. Cimarex's exploration and development program has covered a range of prospects, from shallow "bread and butter" programs to deep, expensive, high risk/high return wells.

Cimarex continued its drilling program in Oklahoma, Kansas, west Texas, south Texas and south Louisiana, participating in a total of 123 wells during fiscal 2001. Of the 123-well total, 47 wells were development wells drilled in areas where reserves were previously booked and 29 wells were dry holes. Cimarex increased its development of proved undeveloped reserves in fiscal 2001 as the result of high natural gas prices during the last half of calendar 2000. The focus of this drilling was the Redfork play in western Oklahoma, additional development of Ashland Field in southeastern Oklahoma and the Hugoton Field in Kansas, as well as additional drilling in the panhandle of Texas and in southern Louisiana. Cimarex's participation in these 47 development wells resulted in the addition of proved developed reserves of approximately 15.7 Bcf of gas and 75,826 Bbls of oil previously classified as proved undeveloped. Of the remaining 76 wells drilled during the year, 40 were exploratory wells, 20 of which were successfully completed. These drilling efforts resulted in additional net reserves of approximately 12.8 Bcf of gas and 1,145,195 Bbls of oil and condensate.

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A total of \$80,040,769 was spent in Cimarex's exploration and development program during fiscal 2001. This figure includes \$7,838,770 of geophysical expense, but is exclusive of expenditures for acreage and acquisition of proved oil and gas reserves. Cimarex's total acquisition cost for acreage in fiscal 2001 was \$18,611,957. Cimarex also spent \$737,500 for the acquisition of proved oil and gas reserves during fiscal 2001. The reserves associated with these acquisitions were 495,888 Mcf of gas and 434 barrels of oil.

Cimarex's fiscal 2002 exploration and production budget has been reduced to approximately \$55 million due to lower product prices, higher service company costs and ranking of existing prospects after further analysis in order to reduce finding costs. This is a 47.6% reduction from actual exploration and production expenditures in fiscal 2001. As of June 30, 2002, Cimarex's expenditures have totaled \$39 million.

Market for Oil and Gas

Cimarex does not refine any of its production. The availability of a ready market for such production depends upon a number of factors, including the availability of other domestic production, price, crude oil imports, the proximity and capacity of oil and gas pipelines and general fluctuations in supply and demand. Cimarex does not anticipate any unusual difficulty in contracting to sell its production of crude oil and natural gas to purchasers and end-users at prevailing market prices and under arrangements that are usual and customary in the industry. Cimarex and its subsidiary, Helmerich & Payne Energy Services, Inc., or HPESI, have successfully developed markets with end-users, local distribution companies and natural gas brokers for gas produced from successful exploratory wells and development wells.

Substantially all of Cimarex's gas production is sold to and resold by HPESI. During fiscal 2001, the price that Cimarex received for the sale of its natural gas has fluctuated. Cimarex's average per Mcf natural gas sales price in fiscal 2001 for each of the first through fourth quarters was \$4.73, \$6.49, \$4.27 and \$2.66, respectively.

Last year's record high natural gas prices spawned an increase of productive capacity and a dramatic increase in drilling. In the long-term, natural gas prices will be impacted by the following factors:

- decline in deliverability of domestic supply;
- increased use of natural gas for electrical generation;
- a recovery of U.S. economic growth;
- the increased usage and better management of natural gas storage;
- seasonal usage;
- fuel switching;
- usage of gas as a feed stock; and
- importation of gas from Canada and Mexico.

All these factors will continue to influence the cyclical nature of the supply/demand balance and will continue to occur as drilling activity and productive capacity respond to the changing prices.

Historically, Cimarex has had no long-term sales contracts for its crude oil and condensate production. Cimarex continues its practice of contracting for the sale of its Kansas, Oklahoma and portions of its west Texas crude oil for terms of six to twelve months in an attempt to assure itself of the best price in the area for crude oil production. During fiscal 2001, the price that Cimarex received for the sale of its crude oil steadily decreased. The average per barrel crude oil sales price received by

Cimarex in fiscal 2001 for each of the first through fourth quarters was \$31.44, \$28.09, \$26.12 and \$25.33, respectively.

Mid-East tensions, disputes among OPEC and non-OPEC countries over production quotas and sluggish economies have created a continued mixed market in crude oil trading.

Competition

The oil and gas industry is highly competitive. Competition is particularly intense in the acquisition of prospective oil and gas properties and oil and gas reserves. The principal raw materials and resources necessary for the exploration and development of natural gas and crude oil are leasehold prospects under which gas and oil reserves may be discovered, drilling rigs and related equipment to drill for and produce such reserves and knowledgeable personnel to conduct all phases of gas and oil operations. Our competitive position depends on our geological, geophysical and engineering expertise, our financial resources, and our ability to select, acquire and develop proved reserves. We must compete for such raw materials and resources with both major oil companies and independent operators having larger financial, human and technological resources.

We also compete with major and independent oil and gas companies in the marketing and sale of oil and gas to transporters, distributors and end users. The oil and gas industry competes with other industries supplying energy and fuel to industrial, commercial and individual consumers. Many of these competitors have financial resources, staffs and facilities substantially larger than those of Cimarex. The effect of these competitive factors on Cimarex cannot be predicted.

Title to Oil and Gas Properties

Cimarex undertakes title examination and performs curative work at the time properties are acquired. Cimarex believes that title to its oil and gas properties is generally good and defensible in accordance with standards acceptable in the industry. Oil and gas properties in general are subject to customary royalty interests contracted for in connection with the acquisitions of title, liens incident to operating agreements, liens for current taxes and other burdens and minor encumbrances, easements and restrictions.

Governmental Regulation in the Oil and Gas Industry

Cimarex is affected from time to time in varying degrees by political developments and federal and state laws and regulations. In particular, oil and gas production operations and economics are affected by price control, tax and other laws relating to the petroleum industry; by changes in such laws; and by constantly changing administrative regulations. Most states in which Cimarex conducts or may conduct oil and gas activities regulate the production and sale of oil and natural gas, including regulation of the size of drilling and spacing units or proration units, the density of wells which may be drilled and the unitization or pooling of oil and gas properties. In addition, state conservation laws establish maximum rates of production from oil and natural gas wells, generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratibility of production. The effect of these regulations is to limit the amounts of oil and natural gas that Cimarex can produce from its wells and to limit the number of wells or locations at which Cimarex can drill. In addition, legislation affecting the natural gas and oil industry is under constant review. Cimarex believes that compliance with existing federal, state and local laws, rules and regulations will not have a material adverse effect upon its capital expenditures, earnings or competitive position.

Regulatory Controls

Historically, the transportation and sale for resale of natural gas in interstate commerce have been regulated under the Natural Gas Act, or NGA, and related regulations. Furthermore, various states

have regulated the production of natural gas and the gathering of natural gas, *i.e.*, those activities which are not subject to federal jurisdiction. Specifically, as to sales by Cimarex, under the NGA prior to November 1978, the Federal Power Commission and its successor, the Federal Energy Regulatory Commission, or FERC, established ceiling prices for sales of natural gas for resale in interstate commerce by Cimarex. In November 1978, the U.S. Congress enacted the Natural Gas Policy Act, or NGPA, which adopted certain FERC ceiling prices and established additional price ceiling categories (such ceiling prices called maximum lawful prices or MLPs). In addition, the NGPA provided for a phased removal of certain ceiling prices.

In 1989, the U.S. Congress enacted the Natural Gas Wellhead Decontrol Act, which provided a process for the phased decontrol of all first sales of natural gas, with complete removal of price ceilings on first sales by January 1, 1993. Since Cimarex believes that all of its sales of natural gas are first sales, such sales are no longer subject to federal regulation. However, there may still be issues of compliance with price ceilings as to prior periods. At this point, the only such issue that Cimarex is aware of relates to Cimarex's collection of reimbursement from certain interstate pipelines of Kansas ad valorem taxes paid by the Cimarex business prior to decontrol.

Prior to decontrol of first sales, Cimarex made first sales to several interstate pipelines for which it received reimbursement for Kansas ad valorem taxes based upon the understanding (supported by prior agency case law) that such reimbursements were permitted under NGPA Section 110. In September 1997, FERC reversed its prior rulings and found that the Kansas ad valorem tax was not a tax, which was reimbursable under Section 110 of the NGPA. Therefore, FERC found that, to the extent that a producer collected an amount for a first sale in excess of the applicable MLP as a result of reimbursement for Kansas ad valorem taxes, such producer was required to make refunds, with interest, to the interstate pipeline purchaser which had paid the reimbursements. The pipeline was then required to disburse such refunds to its customers. Initially, reports of the affected pipelines listed refund liabilities of Cimarex based upon the total sales from wells which Cimarex operated. Initial claims against Cimarex, as operator, totaled in excess of \$13 million. During this period, Cimarex estimated that its share of such refund liability totaled approximately \$6.7 million. Subsequently, FERC issued clarifying orders providing that a producer was only responsible for refunds attributable to its own working interest ownership (and the related royalty interests) in production sold. Based upon that clarification, the interstate pipelines subsequently adjusted their refund claims to reflect only the respective producers' working interest share (with related royalty). Subsequently the pipelines made further adjustments to the claims based on corrected data.

In response to the pipeline claims and prior to FERC's clarification as discussed above, Cimarex paid, under protest, approximately \$1,379,000 to four interstate pipelines and placed approximately \$6,384,000 in an escrow account pending FERC's and the courts' decisions on various related legal issues and challenges. During calendar years 2000 and 2001, settlement negotiations occurred among the affected pipelines, producers and other interested parties. Settlement agreements resolving the refund claims have been reached in connection with four of the five pipelines which have made claims against Cimarex. Those settlements, with Colorado Interstate Gas Company, Northern Natural Gas Company, Williams Gas Pipelines Central, Inc. and Panhandle Eastern Pipe Line Company, are final and the settlement payments have been made by Cimarex out of the escrow account. Since the aggregate amount of the four settlements were less than the amounts escrowed for such liability, Cimarex, in May of 2001, was refunded approximately \$3,240,252 of excess escrowed funds. A settlement in the fifth case, with Kinder Morgan Interstate Gas Transmission, LLC, is being negotiated. Based upon the total potential liability of Cimarex in the Kinder Morgan case, Cimarex believes there are more than sufficient funds remaining in its escrow account to cover any settlement liability therein.

Commencing in 1992, FERC implemented a requirement that interstate pipelines must provide open access transportation of natural gas. Interstate pipelines have implemented this requirement by modifying their tariffs and implementing new services and rates. These changes have provided Cimarex

with additional market access and more fairly applied transportation services and rates. FERC continues to review and modify its open access and other regulations applicable to interstate pipelines.

Under the NGA, natural gas gathering facilities are expressly exempt from FERC jurisdiction; what constitutes "gathering" under the NGA has evolved through FERC decisions and judicial review of such decisions. Cimarex believes that its gathering systems meet the test for non-jurisdictional "gathering" systems under the NGA. Therefore, Cimarex believes that its gathering facilities are not subject to Federal NGA regulation. A number of states have either enacted new laws or are considering the adequacy of existing laws affecting gathering rates and/or services that are not federally regulated under the NGA. Although exempt from federal regulatory oversight, Cimarex's natural gas gathering systems and services may receive regulatory scrutiny by state agencies.

In addition to using its own gathering facilities, Cimarex may use third-party gathering facilities' services or interstate transmission facilities (owned and operated by interstate pipelines) to ship its gas to markets. Services provided by third-party gatherers would not be regulated by the FERC under the NGA, since they are exempt as described above. Where services were provided by an interstate pipeline, such services would be subject to FERC jurisdiction under the NGA, with a tariff on file publicly describing the terms and conditions of interstate service and the

rates subject to FERC approval. However, in the past decade, upon request by certain interstate pipelines, FERC has approved the shift of certain interstate transmission facilities to unregulated gathering through the approval of abandonment of the jurisdictional facilities from regulated interstate service under the NGA. The subsequent owner/operator of the gathering facilities may be an independent entity or an affiliate of the interstate pipeline company. As a result, this recategorization of a facility from a jurisdictional transmission facility to a non-jurisdictional gathering facility could result in that pipeline no longer being subject to its prior tariff provisions or approved rates. Therefore, the recategorization could affect the ability of the unregulated gathering entities to compete more effectively and could result in changes in services and/or rates. It is not possible to predict the ultimate affect of these shifts on Cimarex's own gathering services or on Cimarex's use of third-party gathering/transmission facilities.

In February 1994, the Kansas Corporation Commission issued an order that modified the annual maximum amount of natural gas that could be produced from wells within the Hugoton Gas Field. This order disproportionately increased the annual production limitations on those units in which two or more wells had been drilled. As a consequence of this order, Cimarex has participated in the drilling of 160 additional wells in the Hugoton Gas Field.

Additional proposals and proceedings that might affect the oil and gas industry are pending before the U.S. Congress, FERC, state legislatures, state agencies and the courts. Cimarex cannot predict when or whether any such proposals may become effective and what effect they will have on operations of Cimarex. Cimarex does not anticipate that compliance with existing Federal, state and local laws, rules or regulations will have a material adverse effect upon the capital expenditures, earnings or competitive position of Cimarex.

Federal Income Taxation

Cimarex and the petroleum industry in general, are affected by certain federal income tax laws. Cimarex has considered the effects of such federal income tax laws on its operations and does not anticipate that there will be any material impact on the capital expenditures, earnings or competitive position of Cimarex.

Environmental Laws

The activities of Cimarex are subject to existing federal and state laws and regulations governing environmental quality and pollution control. Such laws and regulations may substantially increase the costs of exploring, developing or producing oil and gas and may prevent or delay the commencement or

continuation of a given operation. In the opinion of Cimarex's management, its operations substantially comply with applicable environmental legislation and regulations. Cimarex believes that compliance with existing federal, state and local laws, rules and regulations regulating the discharge of materials into the environment or otherwise relating to the protection of the environment will not have any material effect upon the capital expenditures, earnings, or competitive position of Cimarex.

Natural Gas Marketing

Helmerich & Payne Energy Services, Inc., or HPESI, continues its emphasis on the purchase of Cimarex's natural gas production. In addition, HPESI purchases third-party gas for resale and provides compression, gathering services and processing for a fee. During fiscal year 2001, HPESI's sales of third-party gas constituted approximately 28.6% of Cimarex's consolidated revenues. HPESI sells natural gas to markets in the Midwest and Rocky Mountain areas. HPESI's term gas sales contracts are for varied periods ranging from three months to seven years. However, recent contracts have tended toward shorter terms. The remainder of HPESI's gas is sold under spot market contracts having a duration of 30 days or less. For fiscal 2001, HPESI's term gas sales contracts provided for the sale of approximately 17 Bcf of gas at prices which were indexed to market prices. For fiscal 2002, HPESI currently has approximately 7 Bcf contracted for at prices which are indexed to market prices. The balance of HPESI's gas is selling at spot prices or is not yet contracted. HPESI presently intends to fulfill such term sales contracts with a portion of the gas reserves purchased from Cimarex, as well as from its purchases of third-party gas.

Employees

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Helmerich & Payne employed 154 employees in connection with the Cimarex business in fiscal 2001. None of the employees of Cimarex are subject to any collective bargaining agreements.

Properties

All of Cimarex's operations and holdings are located within the Continental United States.

Significant Properties of Cimarex

The following six gas fields represent significant production areas for Cimarex. They accounted for approximately 47% of total oil and gas revenues and 51% of total gas reserves at September 30, 2001.

Hugoton field, located in southwest Kansas, has 348 producing wells and 19 proved undeveloped locations. For the year ending September 30, 2001, revenues from this field were 14.8% of total gas revenues. Reserves from this field represented 26.1% of total gas reserves at September 30, 2001. Cimarex operates 309 of the producing wells with an average ownership of 68.0% and has a working interest in 39 non-operated wells with an average ownership of 20.6%.

Hammon field, located in western Oklahoma, has 103 producing wells and 7 proved undeveloped locations. For the year ending September 30, 2001, revenues from this field were 5.3% of total gas revenues. Reserves from this field represented 5.7% of total gas reserves at September 30, 2001. Cimarex operates 32 of the producing wells with an average ownership of 54.6% and has a working interest in 71 non-operated wells with an average ownership of 18.6%.

Ashland field, located in southeast Oklahoma, has 65 producing wells and 22 proved undeveloped locations. For the year ending September 30, 2001, revenues from this field were 4.7% of total gas revenues. Reserves from this field represented 4.1% of total gas reserves at September 30, 2001. Cimarex operates 21 of the producing wells with an average ownership of 84.3% and has a working interest in 44 non-operated wells with an average ownership of 33.0%.

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Dixieland field, located in west Texas, has 5 producing wells. For the year ending September 30, 2001, revenues from this field were 12.2% of total gas revenues. Reserves from this field represented 8.1% of total gas reserves at September 30, 2001. Cimarex operates all of the wells with an average ownership of 99.7%.

Hemphill field, located in the Texas panhandle, has 32 producing wells and 2 proved undeveloped locations. For the year ending September 30, 2001, revenues from this field were 3.3% of total gas revenues. Reserves from this field represented 4.3% of total gas reserves at September 30, 2001. Cimarex operates 24 of the producing wells with a 100% ownership and has a working interest in 8 non-operated wells with an average ownership of 50.0%.

Kiowa field, located in southwest Oklahoma, has 24 producing wells. For the year ending September 30, 2001, revenues from this field were 12.1% of total gas revenues. Reserves from this field represented 3.1% of total gas reserves at September 30, 2001. Cimarex operates 18 of the producing wells with an average ownership of 82.6% and has a working interest in 6 non-operated wells with an average ownership of 14.9%.

Oil revenues represent approximately 10% of total oil and gas revenues. Two secondary oil properties comprised approximately 58% of total oil reserves at September 30, 2001. One property, the Pleasant Prairie Unit is located in western Kansas with an ownership of 48.6% and is operated by Cimarex. The other property, the Denver Unit, located in west Texas, is non-operated with an ownership of 1%.

Significant Properties of Key

Mid-Continent

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Key's Mid-Continent region consists of properties principally located in the Anadarko Basin of western Oklahoma, the Hardeman Basin of north Texas, and the Laredo field in south Texas. Managed out of Tulsa, Oklahoma, the Mid-Continent region is Key's largest source of proved reserves and production, as well as a significant part of our drilling program. Year-end 2001 proved reserves attributable to this region were 79.4 Bcfe, or 54 percent of Key's total proved reserves. Average daily volumes during 2001 approximated 29.3 MMcf of gas and 2,100 barrels of oil.

In western Oklahoma, Key's production and proved reserves are principally located in Roger Mills, Washita, Beckham, and Custer Counties. Proved reserves in this area represent 29% of Key's total proved reserves and are derived from interests in 470 gross wells, of which 50 are operated by Key. Overall, Key's average working interest in these wells approximates 14%.

In the Hardeman Basin of north Texas, Key has average working interest of 76% in 45 gross oil wells, of which 43 are Key-operated. Proved reserves in the area represent 10% of Key's total proved reserves.

Key's south Texas properties comprise 5% of total proved reserves and consist of 140 operated wells in Webb and Zapata Counties and non-operated interests in an additional 18 south Texas properties. Key's average working interest in this area is 12%.

Gulf Coast

Key's New Orleans-based Gulf Coast region encompasses the Mississippi Salt Basin, selected areas of south Louisiana, and coastal Texas. At year-end 2001, the Gulf Coast had proved reserves of 31.9 Bcfe, or 22 percent of Key's total proved reserves. Daily production during 2001 averaged 8.5 MMcf of gas and 1,100 barrels of oil.

In Mississippi, Key owns a 25% average working interest in nine operated and 17 non-operated wells. Proved reserves attributable to these properties comprise 7% of Key's total proved reserves.

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Key's properties in south Louisiana represent 4% of Key's total proved reserves and are derived from 50 non-operated and four operated producing wells. Key's average working interest in these properties is 9%.

Western

Key's western region directs production, exploration and development activities from Key's office in Denver, Colorado. Western's primary focus is on the Sacramento Basin in California and the Powder River, Wind River and Big Horn Basins of Wyoming. Year-end 2001 proved reserves in this region were 36.0 Bcfe and average daily production was approximately 8.2 MMcf of gas and 1,000 barrels of oil.

Key's Wyoming production stems from non-operated working interests (averaging 2.4%) in 343 producing wells and overriding royalty interests on an additional 1,800 wells principally located in the Powder River, Wind River, and Green River basins. Altogether, proved reserves attributable to these interests constitute 18% of Key's total proved reserves.

In California's Sacramento Basin, Key operates 31 producing wells with an average working interest of 67%. Remaining proved reserves in this basin represent 2% of Key's total proved reserves.

Key also operates 14 wells and owns non-operated interests in an additional 75 wells in the Williston Basin of Montana and North Dakota. Proved reserves in this area accounted for 4% of total proved reserves.

Crude Oil Sales

Cimarex's net sales of crude oil and condensate for the three fiscal years ended September 30, 1999, 2000 and 2001 are shown below:

<u>Year</u>	<u>Net Bbls</u>	<u>Average Sales Price per Bbl</u>	<u>Average Lifting Cost per Bbl</u>
2001	818,356	\$ 27.88	\$ 7.76
2000	880,304	\$ 27.95	\$ 6.06
1999	649,370	\$ 14.60	\$ 7.02

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Natural Gas Sales

Cimarex's net sales of natural and casing head gas for the three fiscal years ended September 30, 1999, 2000 and 2001 are as follows:

Year	Net Mcf	Average Sales Price per Mcf	Average Lifting Cost per Mcf
2001	42,386,796	\$ 4.55	\$ 0.602
2000	46,922,752	\$ 2.79	\$ 0.370
1999	44,240,332	\$ 1.83	\$ 0.330

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Following is a summary of the net wells drilled by Cimarex for the three fiscal years ended September 30, 1999, 2000 and 2001:

	Exploratory Wells			Development Wells		
	2001	2000	1999	2001	2000	1999
Productive	9,038	9,735	2,917	43,462	23,862	13,846
Dry	9,962	5,702	2,615	7,003	3,403	4,502

On March 31, 2002, Cimarex was in the process of drilling or completing 8 gross or 2.41 net wells.

Acreage Holdings

Cimarex's holdings of acreage under oil and gas leases, as of September 30, 2001, were as follows:

	Developed Acreage		Undeveloped Acreage	
	Gross	Net	Gross	Net
Arkansas	3,068.23	1,725.11		
Colorado			320.00	160.00
Kansas	119,633.07	84,079.86	13,081.82	12,752.60
Louisiana	3,481.48	1,589.14	80,020.27	23,166.46
Michigan			4,123.64	4,123.64
Montana	1,997.19	377.99	2,708.95	969.73
Nebraska	480.00	168.00		
Nevada			4,864.04	4,864.04
New Mexico	760.00	96.63	121.88	40.22
North Dakota	200.00	11.52		
Oklahoma	123,559.86	49,647.24	27,138.98	16,664.45
Texas	87,692.92	43,885.47	190,421.95	87,554.14
Wyoming			440.00	105.59
Total	340,872.75	181,580.96	323,241.53	150,400.87

Acreage is held under leases which expire in the absence of production at the end of a prescribed primary term and is, therefore, subject to fluctuation from year to year as new leases are acquired, old leases expire and other leases are allowed to terminate by failure to pay annual delay rentals. As shown in the above table, Cimarex has a significant portion of its undeveloped acreage in Texas, with nine major project areas accounting for 40,517 net acres. The average minimum remaining term of leases in these nine project areas is approximately 16 months. It is estimated that approximately 10% of the total net acreage in the nine prospects will be drilled prior to expiration.

Productive Wells

The total gross and net productive wells of Cimarex as of June 30, 2002 were as follows:

Oil Wells		Gas Wells	
Gross	Net	Gross	Net
3,435	162	1,051	504

Estimates of oil and gas reserves, future net revenues and present value of future net revenues were prepared by Netherland, Sewell & Associates, Inc., 4500 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas 75201. Total oil and gas reserve estimates do not differ by more than 5% from the total reserve estimates filed with any other federal authority or agency.

Management's Discussion and Analysis of Cimarex

The following information should be read in connection with the information contained in the financial statements and notes thereto included in this proxy statement/prospectus.

Overview

Cimarex is an "independent oil and gas producer" actively engaged in the acquisition, exploration, development, production and marketing of oil and gas domestically primarily in the states of Oklahoma, Texas, Kansas, and Louisiana and markets natural gas through Helmerich & Payne Energy Services, Inc.

Results of Operations

Nine months ended June 30, 2002 compared to nine months ended June 30, 2001

Oil and gas sales for the nine months ended June 30, 2002 were \$79.5 million compared to \$184.1 million for the same period in fiscal 2001, a decrease of \$104.6 million. Natural gas revenues decreased to \$67.6 million for the nine months ended June 30, 2002 from \$166.1 million for the same period in 2001. The \$98.5 million decrease in gas revenues was the result of significantly lower gas prices (\$90.4 million decrease) and lower gas volumes (\$8.1 million decrease). Natural gas prices averaged \$2.34 per Mcf and \$5.17 per Mcf for the nine months ended June 30, 2002 and 2001, respectively. Natural gas volumes averaged 105.5 Mmcf/d and 118.1 Mmcf/d for the same periods. Oil revenues decreased to \$11.9 million from \$18.0 million for the nine months ended June 30, 2002 and 2001, respectively. The \$6.1 million decrease was the result of lower prices (\$4.6 million) and lower volumes (\$1.5 million). Crude oil prices averaged \$21.33 and \$28.54 per Bbl for the nine months ended June 30, 2002 and 2001, respectively. Crude oil volumes averaged 2,052 Bbls/d and 2,314 Bbls/d, for the same periods.

Production expenses for the nine months ended June 30, 2002 were \$10.9 million compared to \$9.4 million in the same period of 2001. The \$1.5 million increase was primarily due to increased well workovers, compression expense, water disposal costs and expenses related to producing properties added in fiscal 2002.

Depreciation, depletion and amortization for the nine months ended June 30, 2002 and 2001 was \$27.4 million and \$35.4 million, respectively. The decrease is due to a decrease in the depreciable base.

Production, property and other taxes for the nine months ended June 30, 2002 and 2001 were \$8.1 million and \$15.2 million, respectively. The \$7.1 million decrease is the result of lower production taxes due to decreased natural gas prices from historically high levels in the nine months ended June 30, 2001.

Gas marketing revenues for the nine months ended June 30, 2002 and 2001 were \$37.5 million and \$83.1 million respectively. In the nine months ended June 30, 2001, spot market prices were very favorable in both November and December 2000 as gas prices were increasing to record levels. In the nine months ended June 30, 2002, gas prices were substantially lower with fluctuating prices. Gas marketing purchases for the nine months ended June 30, 2002 and 2001 were \$36.1 million and \$78.0 million, respectively.

General and administrative expense primarily represents the cost of executive and general support staff of Cimarex and allocations from Helmerich & Payne of certain corporate expenses, including tax and financial accounting, legal, human resources, information technology services, workers' compensation, treasury and other corporate infrastructure costs. The corporate expenses were allocated based on specific identification and, to the extent that such identification was not practical, on the basis of direct labor or other method which management believes to be reasonable. General and administrative expense for the nine months ended June 30, 2002 was \$6.8 million compared with

\$7.5 million for the same period of 2001. Included in general and administrative expense in the nine months ended June 30, 2002 is a \$0.9 million bad debt provision in connection with anticipated uncollectible receivables from Enron Corporation. Cimarex has no additional exposure relating to Enron Corporation as all sales to Enron were terminated at November 30, 2001. The bad debt provision was offset by lower labor and benefit costs in 2002 compared to 2001.

Income tax expense for the nine months ended June 30, 2002 was \$14.7 million compared to \$46.5 million for the same period of 2001. The decrease is due to the decrease in income. The effective income tax rate increased to 50% for the nine months ended June 30, 2002 compared to 37.1% for the same period of 2001. For the nine months ended June 30, 2002, Cimarex generated tax net operating losses, which are not expected to be realized under the terms of the tax sharing agreement with Helmerich & Payne.

2001 compared to 2000

Oil and gas sales for the year ended September 30, 2001 were \$215.8 million compared to \$155.7 million for the same period in 2000, an increase of \$60.1 million or 39%. Natural gas revenues increased to \$193.0 million for the year ended September 30, 2001 from \$131.1 million for the same period in 2000, as gas prices increased and volumes declined. The \$61.9 million increase in gas revenues is due to higher gas prices (\$83.7 million) partially offset by lower gas volumes (\$21.8 million). Natural gas prices averaged \$4.55 per Mcf and \$2.79 per Mcf for the years ended September 30, 2001 and 2000, respectively. Natural gas volumes averaged 116.1 Mmcf/d and 128.2 Mmcf/d for the same periods. Oil revenues decreased to \$22.8 million from \$24.6 million for the years ended September 30, 2001 and 2000, respectively. Crude oil prices averaged \$27.88 and \$27.95 per Bbl for the years ended September 30, 2001 and 2000, respectively. The decrease in oil revenues is primarily due to lower volumes (\$1.7 million). Crude oil volumes averaged 2,242 Bbls/d and 2,405 Bbls/d for the same periods.

Production expenses for the year ended September 30, 2001 were \$13.1 million compared to \$10.7 million in the same period of 2000. The \$2.4 million increase was primarily due to increased well workovers and expenses related to producing properties added during 2001 and 2000.

Depreciation, depletion and amortization for the years ended September 30, 2001 and 2000 was \$49.7 million and \$41.7 million, respectively. The \$8.0 million increase was due to lower gas prices at September 30, 2001, that reduced the estimated proved reserves and an increase in the level of costs subject to amortization in the full cost pool.

Based on oil and gas prices in effect on September 30, 2001, the unamortized cost of oil and gas properties exceeded the full cost ceiling limitation from proved oil and gas reserves. A charge to earnings for \$78.1 million was recognized.

Production, property and other taxes for the years ended September 30, 2001 and 2000 were \$19.0 million and \$12.1 million, respectively. Increases in both production and property taxes in 2001 were the result of substantially higher average natural gas prices received in 2001.

Gas marketing revenues for the years ended September 30, 2001 and 2000 were \$99.1 million and \$78.9 million, respectively. Gas marketing purchases were \$93.8 million and \$74.7 million for the years ended September 30, 2001 and 2000, respectively. The change in both sales and purchases is due to significantly higher average gas prices in 2001.

General and administrative expense for the years ended September 30, 2001 and 2000 was \$10.1 million and \$7.6 million, respectively. The \$2.5 million increase is primarily due to legal and other professional services related to the efforts to establish Cimarex as a separate public entity and increases in labor costs.

Interest expense for the year ended September 30, 2001 was a negative \$1.5 million as a result of the settlement of an ad valorem tax contingency settled for less than originally estimated, resulting in a portion of the interest component of the settlement being reversed.

Income tax expense for the year ended September 30, 2001 was \$19.6 million compared to \$32.7 million for the same period of 2000. The effective tax rate was 35.7 percent and 36.3 percent for the years ended September 30, 2001 and 2000, respectively. The decrease in taxes is due primarily to the decrease in income.

2000 compared to 1999

Oil and gas sales for the year ended September 30, 2000 were \$155.7 million compared to \$91.0 million for the same period in 1999, an increase of \$64.7 million or 71%. Natural gas revenues increased to \$131.1 million for the year ended September 30, 2000 from \$81.5 million for the same period in 1999, as both gas prices and volumes increased. Natural gas prices averaged \$2.79 per Mcf and \$1.83 per Mcf for the years ended September 30, 2000 and 1999, respectively. The \$49.6 million increase in gas revenues is the result of higher gas prices (\$42.1 million) and increased gas volumes (\$7.5 million). Natural gas volumes averaged 128.2 Mmcf/d and 121.2 Mmcf/d for the same periods. Oil revenues increased to \$24.6 million from \$9.5 million for the years ended September 30, 2000 and 1999, respectively. The increase in oil revenues is the result of higher oil prices (\$8.7 million) and higher volumes (\$6.4 million). The increase in oil volumes is the result of several new gas wells discovered in fiscal 2000 that produced large quantities of condensate. Crude oil prices averaged \$27.95 and \$14.60 per Bbl for the years ended September 30, 2000 and 1999, respectively. Crude oil volumes averaged 2,405 Bbls/d and 1,779 Bbls/d for the same periods.

Production costs were relatively unchanged in 2000 as compared to 1999 despite the increase in revenues. Increased costs associated with new wells were offset by reduced spending associated with workover costs.

Depreciation, depletion and amortization for the year ended September 30, 2000 was \$41.7 million compared to \$31.9 million for the same period of 1999. The increase of \$9.8 million was due to an increase in production volumes and an increase in the depreciable base.

Production, property and other taxes for the years ended September 30, 2000 and 1999 were \$12.1 million and \$8.6 million, respectively. Increases in both production and property taxes were the result of higher oil and natural gas prices in 2000 compared to 1999.

Gas marketing revenues for the years ended September 30, 2000 and 1999 were \$78.9 million and \$54.3 million, respectively. Gas marketing purchases were \$74.7 million and \$50.0 million for the years ended September 30, 2000 and 1999, respectively. The change in both sales and purchases is due to higher average gas prices in 2000.

General and administrative expense for the years ended September 30, 2000 and 1999 was \$7.6 million and \$7.3 million, respectively.

Income tax expense for the year ended September 30, 2000 was \$32.7 million compared to \$13.4 million for the same period of 1999. The effective tax rate was 36 percent for the years ended September 30, 2000 and 1999. The increase in taxes is due to the increase in income.

Liquidity and Capital Resources

Sources and Uses of Cash

Nine months ended June 30, 2002 compared to nine months ended June 30, 2001

Cash flows provided by operations for the nine months ended June 30, 2002 were \$34.6 million compared to \$130.4 million for the same period in fiscal 2001. The substantial decrease in cash flows

provided by operations resulted primarily from a \$149.6 million decrease in revenues and a \$64.2 million decrease in net income due primarily to lower natural gas prices.

Cash flows used in investing activities for the nine months ended June 30, 2002 were \$39.3 million compared to \$75.1 million in the same period of fiscal 2001. The \$35.8 million decrease was due to a reduced capital expenditure budget in the nine months ended June 30, 2002.

Cash flows provided by financing activities for the nine months ended June 30, 2002 were \$7.9 million compared to cash flows used in financing activities of \$55.8 million in the same period of 2001, an increase of \$63.7 million. The increase in cash provided by financing activities resulted primarily from proceeds from the borrowings from Helmerich & Payne and reduced net distributions to Helmerich & Payne during the nine months ended June 30, 2002. The borrowings were necessary due to the reduced cash flows in the nine month period ended June 30, 2002 as the result of lower commodity prices.

2001 compared to 2000

Cash flows provided by operations for the year ended September 30, 2001 were \$162.4 million compared to \$110.0 million for 2000, an increase of \$52.4 million or approximately 48%. The increase in cash provided by operations resulted primarily from a \$79.6 million increase in revenues and changes in working capital.

Cash flows used in investing activities for the year ended September 30, 2001 were \$101.4 million compared to \$72.7 million in the same period of 2000. The \$28.7 million increase was due to increased capital expenditures for developmental drilling and acreage purchases.

Cash flows used in financing activities for the year ended September 30, 2001 were \$61.4 million compared to \$37.1 million in the same period of 2000. The cash flows used in financing activities for the years ended September 30, 2001 and 2000 represent the net distributions to Helmerich & Payne after giving effect to net earnings of Cimarex and cash distributions to and from Helmerich & Payne. The increase in net distributions to Helmerich & Payne of \$24.3 million in 2001 was the result of increased cash flows in the year ended September 30, 2001.

2000 compared to 1999

Cash flows provided by operations for the year ended September 30, 2000 were \$110.0 million compared to \$63.3 million for 1999, an increase of \$46.7 million or approximately 74%. The increase in cash provided by operations resulted primarily from a \$90.6 million increase in revenues and a \$33.8 million increase in net income, as well as, changes in working capital.

Cash flows used in investing activities for the year ended September 30, 2000 were \$72.7 million compared to \$50.9 million in the same period of 1999. The \$21.8 million increase was due to increased capital expenditures for exploratory drilling in several new prospects developed in 1999 and 2000.

Cash flows used in financing activities for the year ended September 30, 2000 were \$37.1 million compared to \$12.7 million in the same period of 1999. The cash flows used in financing activities for the years ended September 30, 2000 and 1999 represent the net distributions to Helmerich & Payne after giving effect to net earnings of Cimarex and cash distributions to and from Helmerich & Payne. The increase in net distributions to Helmerich & Payne of \$24.4 million in 2000 was the result of increased cash flows in the year ended September 30, 2000.

Sources of Liquidity and Capital Expenditures

Prior to the merger, the primary sources of liquidity for Cimarex are expected to be cash flows from operating activities and, if necessary, short-term borrowings from Helmerich & Payne. Historically, cash flows from operations have been adequate to fund exploration and development activities. During

the nine months ended June 30, 2002, Cimarex borrowed \$3.0 million from Helmerich & Payne, Inc. to help fund its capital expenditure program, as cash flows from operations were lower than anticipated because of decreased natural gas prices.

Following the merger with Key, the primary sources of liquidity for Cimarex are expected to be cash provided by operating activities, bank financing and access to other public and private markets for either debt or equity capital.

Cimarex is currently in negotiations with a lead arranger to procure a \$400 million secured revolving credit facility. Cimarex management expects that this facility would close shortly following the completion of the merger. Cimarex expects to ask the lead arranger on the revolving credit facility to initially seek commitments of only \$200 million. There can be no assurance that this revolving credit facility will be obtained.

Projected capital expenditures for the year ended September 30, 2002 are \$55 million with cash flows from operations estimated at \$65 million. Operating cash flows for the remainder of fiscal 2002 will be significantly impacted by prices received by Cimarex for future oil and gas production. If it appears that cash flows will not reach projected levels, capital expenditures could be decreased in the last quarter of fiscal 2002.

Related Party Transactions

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Prior to October 1, 2001, Cimarex participated in Helmerich & Payne's centralized treasury and cash processes. Cash receipts and disbursements were initially received or paid by Helmerich & Payne and net cash receipts and disbursements were included in Cimarex's net distributions to Helmerich & Payne in the Statements of Shareholder's Equity. On October 1, 2001, Helmerich & Payne advanced Cimarex funds to establish independent cash accounts for cash receipt and cash disbursement activity. Certain administrative expenses and payroll are still disbursed by Helmerich & Payne and charged to Cimarex. These charges are paid as funds are available in Cimarex.

At June 30, 2002, Cimarex had short-term debt of \$2,977,000 to Helmerich & Payne, Inc. related to net cash advances, payroll and allocated administrative services since October 1, 2001. The short-term debt bears interest at an annual rate of 5.38 percent computed on a daily balance. The 5.38 percent is the fixed effective rate Helmerich & Payne is charged on its borrowing facility. The short-term debt balance, if any, will be paid to Helmerich & Payne at the closing date of the merger. Interest expense on the debt in the nine months ended June 30, 2002 was approximately \$459,000.

Helmerich & Payne, Inc. also provides contract drilling services through its wholly owned subsidiary, Helmerich & Payne International Drilling Company, for Cimarex. Amounts paid to Helmerich & Payne International Drilling Company for each of the three years ended September 30, 2001 were \$4.5 million, \$3.0 million and \$2.5 million respectively, while the amounts paid for the nine months ended June 30, 2002 and 2001 were \$0.7 million and \$2.3 million respectively.

Critical Accounting Policies

In conformity with generally accepted accounting principles, the preparation of Cimarex's financial statements requires management to make estimates and assumptions that affect the amounts reported in Cimarex's financial statements and accompanying notes. Actual results could differ from these estimates.

Significant estimates with regard to Cimarex's combined financial statements include the estimate of proved oil and gas reserve volumes and related present value of estimated future net cash flows. Proved oil and gas reserve quantities are based on estimates prepared by Netherland, Sewell & Associates, Inc. Amounts at September 30, 1999 were estimated by Helmerich & Payne and reviewed by independent engineers. There are numerous uncertainties inherent in estimating quantities of proved

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reserves, projecting future rates of production and the timing of development expenditures. The estimate of proved oil and gas reserve volumes can affect the charge for depreciation, depletion and amortization, as discussed below.

Cimarex has adopted the full cost method of accounting for its oil and gas operations under the special exemption for an initial public distribution as outlined in paragraph 29 of APB No. 20. Previously, Helmerich & Payne accounted for these activities using the successful efforts method of accounting. Management of Cimarex believes that the full cost method of accounting is preferable for its exploration and production operations, as it will better reflect the economics associated with its future exploration activities. Previously, Key used the full cost method of accounting for its exploration and production activities. It is anticipated that the strategic direction of combined Cimarex will be consistent with Key's past operations, thus the adoption of the full cost method of accounting is considered preferable. The operating philosophy of Key will carry over to Cimarex as the Chairman, CEO and President of Key will be the Chairman, CEO and President of Cimarex and a majority of the executive officers of Cimarex will be former officers of Key.

Cimarex management believes that the full cost method of accounting better reflects the economics associated with Cimarex's strategy, which is based primarily on increasing proved reserves and production by exploring for and then developing the oil and gas resources discovered. However, an exploration-oriented strategy inevitably results in the irregular occurrence of dry holes. Management further believes that in evaluating the results of operations, the cost of dry holes should be considered with the cost of successful exploratory wells and other development costs incurred in order to evaluate the economic success of an exploration strategy.

As prescribed by full cost accounting rules, all costs associated with property acquisition, exploration, and development activities are capitalized. Exploration and development costs include dry hole costs, geological and geophysical costs, direct overhead related to exploration and development activities and other costs incurred for the purpose of finding oil and gas reserves. Salaries and benefits paid to employees directly involved in the exploration and development of oil and gas properties as well as other internal costs that can be specifically identified with acquisition, exploration and development activities are also capitalized.

The rate of recording depreciation, depletion, and amortization is dependent upon estimates of proved reserves. If the estimates of proved reserves decline, the rate at which depreciation, depletion, and amortization is recorded increases, reducing net income. Such a decline may result from lower market prices, which may make it non-economic to drill for and produce higher cost wells.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (1) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and (2) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data.

In accordance with full cost accounting rules, capitalized costs of proved oil and gas properties, net of accumulated depreciation, depletion and amortization and deferred income taxes, may not exceed the present value of estimated future net cash flows from proved oil and gas reserves, discounted at 10 percent, plus the lower of cost or fair value of unproved properties, as adjusted for related tax effects and deferred tax revenues (the "full cost ceiling limitation"). These rules generally require pricing future oil and gas production at the unescalated oil and gas prices in effect at the end of each fiscal quarter and require a write-down if the "ceiling" is exceeded. A full cost ceiling write-down is a

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non-cash charge to earnings. Moreover, the expense may not be reversed in future periods, even if higher oil and gas prices subsequently increase the full cost ceiling limitation.

Our results of operations are also highly dependent upon the prices we receive for natural gas and crude oil production, and those prices have been volatile and unpredictable in response to changing market forces. Nearly all of our revenue is from the sale of gas and oil, so these fluctuations, positive and negative, can have a significant impact. Cimarex does not utilize financial derivative instruments to hedge its market risks.

Quantitative and Qualitative Disclosures About Market Risk

Our results of operations are highly dependent upon the prices we receive for natural gas and crude oil production, and those prices are constantly changing in response to market forces.

Gas and oil price realizations for fiscal 2001 ranged from a monthly low of \$2.03 per Mcf and \$25.17 per Bbl, and a monthly high of \$8.73 per Mcf and \$33.29 per Bbl, respectively. It is impossible to predict future oil and gas prices with any degree of certainty.

Any sustained weakness in gas and oil prices may affect our financial condition and results of operations, and may also reduce the amount of net gas and oil reserves that we can produce economically. Any reduction in reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our exploration and development activities and could cause us to record a reduction in the carrying value of our oil and gas properties.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. SFAS No. 141 addresses financial accounting and reporting for business combinations. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001, and for all business combinations accounted for under the purchase method initiated before but completed after June 30, 2001. In addition, in June 2001 the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and applies to all goodwill and other intangibles recognized in the financial statements at that date. The adoption of these standards is not expected to have an impact on the current financial position or results of operations of Cimarex. However, any business combinations initiated in the future, including the merger of Cimarex with Key, will be impacted by these two standards.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, and in October 2001, issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost should be allocated to expense using a systematic and rational method. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. It supersedes, with exceptions, SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and is effective for fiscal years beginning after December 15, 2001. Cimarex is currently assessing the impact of SFAS No. 143 and No. 144; however, at this time Cimarex does not believe the impact of these standards will be material to its financial condition or results of operations. SFAS No. 144 does not alter the calculation of the full cost ceiling limitation described above.

Forward Looking Information

In the current price environment, Cimarex anticipates exploration and development expenditures of approximately \$55 million in fiscal year 2002 and that the risk profile of the wells drilled will be similar to the historical drilling program of Cimarex. The amount and allocation of future capital expenditures will depend on a number of factors, including the impact of oil and gas prices on investment opportunities and available cash flow, the rate at which potential drilling projects can be evaluated, and the number and size of attractive opportunities. It is also expected that approximately 55 percent of planned 2002 expenditures will occur in the second half of the year. Cimarex plans to fund these expenditures with cash provided by operating activities, supplemented by borrowings.

On February 23, 2002, Key, Helmerich & Payne, Inc., a Delaware corporation, Helmerich & Payne Exploration and Production Co., a Delaware corporation and a wholly owned subsidiary of Helmerich & Payne, Inc., which has been renamed Cimarex Energy Co., and a wholly owned subsidiary of Cimarex, entered into an agreement and plan of merger. Under the merger agreement and other related transaction documents: (i) Helmerich & Payne transferred to Cimarex assets primarily related to the oil and gas exploration, production, marketing and sales operations of Helmerich & Payne, (ii) Cimarex assumed liabilities primarily related to the oil and gas exploration and production and gas marketing and sales operations of Helmerich & Payne and (iii) Helmerich & Payne will distribute to its stockholders approximately 0.53 shares of Cimarex common stock for each share of Helmerich & Payne common stock. Immediately thereafter, a subsidiary of Cimarex will be merged with and into Key, with Key as the surviving corporation.

In connection with the merger, the stockholders of Key will receive one share of Cimarex common stock for each share of Key common stock they own immediately prior to the merger, as set forth in the merger agreement (approximately 14.1 million shares). Upon completion of the transaction, holders of Helmerich & Payne, Inc. common stock will own approximately 65.25 percent and Key stockholders will own approximately 34.75 percent of the common stock of Cimarex, in each case on a fully diluted basis.

The merger agreement has been approved by the respective boards of directors of Key and Helmerich & Payne. The spin-off is subject to, among other things, receipt of a ruling from the Internal Revenue Service to the effect that the spin-off is tax-free. The merger is subject to, among other things, the completion of the spin-off, the approval by the stockholders of Key, and the receipt of opinions of counsel of each Key and Helmerich & Payne to the effect that the merger is tax-free. It is currently anticipated that the merger will occur in the third calendar quarter of 2002.

Because Helmerich & Payne stockholders will own a majority of the shares of Cimarex after the merger, it is anticipated that the surviving entity for financial reporting purposes will be Cimarex and the merger will be accounted for as a purchase of Key by Cimarex. Although not a condition to the merger, Cimarex plans to change to a fiscal year that ends on December 31 versus the September 30 year-end presently used by Cimarex.

THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus. We urge you to read the merger agreement in its entirety for a more complete description of the terms and conditions of the merger.

The Merger*Structure of the Merger*

At the effective time of the merger, Mountain Acquisition Co., a newly formed, wholly owned subsidiary of Cimarex, will merge with and into Key. Key will remain as the surviving corporation and immediately after the merger will become a wholly owned subsidiary of Cimarex.

Effective Time of the Merger

The closing of the merger will occur within two business days after the fulfillment or waiver of the conditions described under "The Merger Agreement Conditions to the Completion of the Merger", on page 66, unless Key and Cimarex agree in writing upon another time or date. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as the parties to the merger agreement may agree and as is provided in the certificate of the merger. The filing of the certificate of merger will take place as soon as practicable at or after the time of the closing of the merger.

Merger Consideration

The merger agreement provides that each share of Key common stock (other than certain shares described under "The Merger Agreement Cancellation of Certain Shares" on page 58) that is outstanding immediately prior to the effective time of the merger will, at the effective time of the merger, be converted into the right to receive one share of Cimarex common stock as adjusted for any stock split, reverse stock split, stock dividend, subdivision, reclassification, combination, exchange, recapitalization or other similar transaction.

Cancellation of Certain Shares

Each share of Key common stock owned by Cimarex or any direct or indirect wholly owned subsidiary of Key or Cimarex, in each case immediately prior to the effective time of the merger, will be automatically canceled and no stock or consideration will be delivered in exchange therefor. Neither Helmerich & Payne, nor Cimarex, nor any of their respective subsidiaries currently owns any shares of Key common stock.

Procedure for Surrender of Certificates; Fractional Shares

Prior to the effective time of the merger, an exchange agent will be appointed to handle the exchange of Key stock certificates for Cimarex stock certificates and the payment of cash for fractional shares. As promptly as practicable after the effective time of the merger, Cimarex will cause the exchange agent to mail or deliver a letter of transmittal, which is to be used to exchange Key stock certificates for Cimarex stock certificates, to each former Key stockholder. The letter of transmittal will contain instructions explaining the procedure for surrendering Key stock certificates. **You should not return Key stock certificate(s) with the enclosed proxy card(s).**

Key stockholders who surrender their stock certificates together with a properly completed letter of transmittal and any other required documents will be entitled to receive in exchange therefor a

certificate representing the number of whole shares of Cimarex common stock into which their shares of Key common stock have been converted in the merger (and cash in lieu of fractional shares of Cimarex common stock and any applicable dividends or distributions). Such Key stock certificates will then be canceled.

Until properly surrendered, each certificate that previously represented shares of Key common stock will be deemed at any time after the effective time of the merger to represent only the right to receive upon such surrender a certificate representing shares of Cimarex common stock into which those shares of Key common stock have been converted (and cash in lieu of any fractional shares of Cimarex common stock and any applicable dividends or distributions).

After the merger becomes effective, Key will not register any further transfers of shares of Key common stock. Any certificates that previously represented shares of Key common stock that are presented to Cimarex or the surviving company after the effective time of the merger will be canceled and exchanged for certificates representing shares of Cimarex common stock, into which those shares of Key common stock have been converted in the merger (and cash in lieu of fractional shares of Cimarex common stock and any applicable dividends or distributions).

Key will not issue certificates representing fractional shares of Cimarex common stock in the merger. Instead, all fractional shares of Cimarex common stock that a Key stockholder would otherwise be entitled to receive as a result of the merger will be aggregated and if a

fractional share results from such aggregation, the stockholder will be entitled to receive, in lieu thereof, an amount in cash (without interest) determined by multiplying:

the closing sale price per share of Cimarex common stock on the New York Stock Exchange on the business day preceding the effective time of the merger, if the stock is being traded on such date, or if the stock is not being traded on such date, the closing sale price per share of Cimarex common stock on the New York Stock Exchange on the first business day that such stock is traded, by

the fraction of a share of Cimarex common stock to which such holder would otherwise have been entitled.

Alternatively, Cimarex may elect at its option to instruct the exchange agent to aggregate all fractional shares of Cimarex common stock, sell such shares in the public market and distribute to Key stockholders who otherwise would have been entitled to such fractional shares of Cimarex common stock a pro rata portion of the proceeds of such sale.

Treatment of Key Stock Option Plans

At the effective time of the merger, the right to receive shares of Key common stock pursuant to each outstanding option under the Key stock option plans will be assumed by Cimarex and thereafter deemed to constitute an option to acquire, on the same terms and conditions as were applicable under such Key stock option plans immediately before the effective time of the merger, the same number of shares of Cimarex common stock at a price per share equal to the exercise price per share of Key common stock otherwise purchasable pursuant to such Key stock option. Each outstanding option under the Key stock option plans will vest in full upon the effective time of the merger and remain outstanding in accordance with its original terms (except that the option will constitute an option to purchase Cimarex common stock).

Cimarex will take all actions necessary to reserve for issuance, from and after the effective time of the merger, a sufficient number of shares of Cimarex common stock for delivery under the Key stock options that are deemed to constitute options to purchase shares of Cimarex common stock in accordance with the preceding paragraph, and at or before the effective time of the merger, Cimarex will file with the SEC a registration statement with respect to such Cimarex common stock.

Treatment of Key Restricted Stock

At the effective time of the merger each outstanding restricted share of Key common stock will be converted into a restricted share of Cimarex common stock with the same terms and conditions governing the Key restricted share.

Certificate of Incorporation; By-laws; Directors and Officers

The certificate of incorporation of Key as in effect immediately prior to the effective time of the merger will be the certificate of incorporation of the surviving corporation; until thereafter duly amended in accordance with applicable law and such certificate of incorporation. The by-laws of Key as in effect immediately prior to the effective time of the merger will be the by-laws of the surviving corporation until thereafter duly amended in accordance with applicable law, the certificate of incorporation of the surviving corporation and such by-laws.

The directors of Key immediately prior to the effective time of the merger will, from and after the effective time of the merger, be the initial directors of the surviving corporation; the officers of Key immediately prior to the effective time of the merger will, from and after the effective time, be the initial officers of the surviving corporation and such directors and officers will serve until their earlier death, resignation or removal in accordance with the surviving corporation's certificate of incorporation and by-laws.

Board of Directors

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The board of directors of Cimarex immediately after the effective time of the merger will consist of nine directors, five of whom will be designated by Helmerich & Payne and four of whom will be designated by Key. The initial board of directors will also appoint committees as appropriate, including an audit committee, a compensation committee and a nominating committee.

Representations and Warranties

The merger agreement contains certain representations and warranties made by Helmerich & Payne and Cimarex jointly and Key. These representations and warranties, which are generally reciprocal unless otherwise stated below, relate to:

corporate existence, qualifications to conduct business and corporate standing and power;

corporate authorization to enter into and carry out obligations under the merger agreement and, in the case of Helmerich & Payne and Cimarex, the other transaction agreements, the enforceability of the merger agreement and, in the case of Helmerich & Payne and Cimarex, the other transaction agreements and actions by the respective boards of directors with respect to the merger agreement and, in the case of Helmerich & Payne and Cimarex, the other transaction agreements;

capitalization;

financial statements;

absence of certain material changes or events since September 30, 2001;

governmental investigations; litigation;

licenses; compliance with laws;

proxy statement/prospectus; registration statements;

information supplied to governmental authorities;

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environmental matters;

tax matters;

benefits plans;

labor matters;

intellectual property matters;

material contracts;

opinion of financial advisor (given only by Key);

payment of broker's and finder's fees in connection with the merger agreement;

takeover statutes (given only by Key);

certain findings of the board of directors;

vote required;

stockholder approval (given only by Helmerich & Payne);

certain payments;

assets;

loans;

oil and gas reserves;

derivative transactions; and

rights plans of Cimarex and Key.

Helmerich & Payne, on behalf of itself only, also makes representations and warranties to Key with respect to its:

due organization and good standing;

corporate power, authorization and validity of agreements;

information supplied;

payment of broker's and finder's fees in connection with the merger agreement; and

the rights plan of Helmerich & Payne.

The representations and warranties contained in the merger agreement do not survive the effective time of the merger.

Covenants

Key, Helmerich & Payne and Cimarex have each undertaken certain covenants in the merger agreement. The following summarizes the material covenants:

No Solicitation

Key has agreed, following the date of the merger agreement and prior to the earlier of the effective time of the merger or the termination date, not to and will cause its subsidiaries and its subsidiaries' officers, directors, employees, advisors and agents not to, directly or indirectly:

solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to a "company acquisition proposal" of the type described below;

provide any non-public information or data to any person relating to or in connection with a company acquisition proposal;

engage in any discussions or negotiations concerning a company acquisition proposal;

otherwise knowingly facilitate any effort or attempt to make or implement a company acquisition proposal; or

agree to, recommend or accept a company acquisition proposal.

However, in the event that Key receives an unsolicited "company superior proposal" of the type described below, prior to the adoption of the merger agreement by stockholders of Key, Key's board of directors may engage in any discussions or negotiations with, or provide any non-public information to, any person, if and only to the extent that:

Key receives from such person an unsolicited company superior proposal;

Key's board of directors determines in good faith (after consultation with its legal and financial advisors) that its failure to do so might reasonably be deemed to violate the board of directors' obligation to comply with its fiduciary duties to Key's stockholders under applicable law;

prior to providing any information or data to any person in connection with a proposal by any such person, Key's board of directors receives from such person a customary and reasonable executed confidentiality agreement;

prior to providing any non-public information or data to any person or entering into discussions or negotiations with any person, Key's board of directors notifies Helmerich & Payne promptly of such inquiries, proposal or offers received by, any such information requested from, or any such discussions or negotiations sought to be initiated or continued with, Key; and

in connection with any notices of inquiry, Key will provide to Helmerich & Payne the name of such person and the material terms and conditions of any proposals or offers.

Also, if Key's board of directors receives a company superior proposal, prior to the adoption of the merger agreement by the stockholders of Key and if it concludes in good faith (after consultation with its legal and financial advisors) that failure to do so might reasonably be deemed to violate its obligations to comply with its fiduciary duties to Key's stockholders under applicable law, Key's board of directors may approve or recommend such company superior proposal. Key's board of directors may also, subject to compliance with the requirements described below under "The Merger Agreement Termination Fees and Expenses," terminate the merger agreement at a time that is after the third business day following Helmerich & Payne's receipt of written notice from Key, advising Helmerich & Payne that Key's board of directors has received a company superior proposal, specifying the material terms and conditions of such company superior proposal and identifying the person making

such company superior proposal.

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A "company acquisition proposal" is any proposal, other than the merger or as otherwise specifically contemplated by the merger agreement, regarding:

any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving Key;

other than product sales in the ordinary course of business, any sale, lease, exchange, transfer or other disposition of the assets of Key constituting 20% or more of the total assets of Key or accounting for 20% or more of the total revenues of Key in any one transaction or in a series of transactions; or

any acquisition by any person or "group" of persons (within the meaning of Section 13(d)(3) of the Exchange Act) of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of Key common stock that represents (or following the acquisition would represent) 20% or more of the total outstanding Key common stock, including by tender offer, exchange offer, acquisition from Key, or any similar transaction or series of related transactions.

A "company superior proposal" is any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at least a majority of the shares of Key common stock then outstanding and otherwise on terms which Key's board of directors determines in its good faith judgment to be more favorable to Key's stockholders than the merger.

Board of Directors Covenant to Call Stockholders' Meeting and to Recommend the Merger

As promptly as practicable following the date of the merger agreement and the effectiveness of the registration statements, Key will call a special meeting of its stockholders to be held as promptly as practicable for the purpose of voting upon the adoption of the merger agreement and any related matters and the merger agreement will be submitted for adoption to the stockholders of Key at such Key special meeting. Key will cause the Key special meeting to be held and the vote taken within 60 days following the effectiveness of Cimarex's registration statement. Key will deliver to the stockholders of Key a proxy statement/prospectus in definitive form in connection with the Key special meeting, at the time and in the manner provided by, and will conduct the Key special meeting and the solicitation of proxies in connection with the Key special meeting in accordance with, the applicable provisions of the law of the State of Delaware, the Exchange Act and Key's certificate of incorporation and by-laws. Key's board of directors will recommend that the stockholders of Key adopt the merger agreement.

Operations of Helmerich & Payne (in regard to the Cimarex business), Cimarex and Key Pending Closing

Helmerich & Payne (in regards to the Cimarex business), Cimarex and Key have each undertaken that, until the earlier of the effective time of the merger or the termination of the merger agreement, each will conduct its business in the ordinary course consistent with past practice and use all commercially reasonable efforts to preserve intact its business organization, maintain its rights and franchises, keep available the securities of its current officers and key employees and preserve its relationships with third parties. Each has further agreed that it will not, without the prior written consent of the other parties, do any of the following:

declare or pay any dividends on or make other distributions;

split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock;

redeem, repurchase or otherwise acquire (or permit any subsidiary to redeem, repurchase or otherwise acquire) any shares of its capital stock;

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issue, deliver or sell any shares of its capital stock of any class;

amend its governing documents;

engage in acquisitions valued at more than \$3.5 million individually or \$10 million in the aggregate;

dispose of assets valued at more than \$1 million individually or \$2 million in the aggregate;

incur indebtedness, other than, in the case of Cimarex up to \$20 million to Helmerich & Payne, or, in the case of Key, up to \$45 million pursuant to a credit agreement;

make capital expenditures in excess of \$1.5 million individually or \$27.5 million in the aggregate;

make material changes to employment arrangements;

fail to comply with any laws, ordinances or regulations or permit to expire or terminate without renewal any license that is necessary to the operation of a material portion of the business;

adopt a plan of complete or partial liquidation or dissolution;

make any material change in its methods of accounting except as required by changes in generally accepted accounting principles or as provided in the merger agreement;

amend any agreement or arrangement with any affiliates on terms materially less favorable than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's-length basis;

except in the ordinary course of business consistent with past practice, modify, amend, terminate, renew or fail to use reasonable business efforts to renew any material contract or enter into any contract not in the ordinary course of business involving total consideration of \$0.5 million or more with a term longer than one year, unless it can be terminated by it without penalty upon no more than 30 days' prior notice;

fail to maintain insurance in amounts and against risks and losses as are customary for companies engaged in their respective businesses;

make or rescind any material express or deemed election relating to taxes unless the action will not materially and adversely affect that party on a going-forward basis;

settle or compromise any material claim or controversy relating to taxes, except where the settlement or compromise will not result in a material adverse effect on that party;

amend any material tax returns;

change in any material respect any of its methods of reporting income or deductions for federal income tax purposes, except as may be required by applicable law or except for changes that are reasonably expected not to result in a material adverse effect on that party;

pay, discharge or satisfy any material claims, liabilities or obligations, other than the payment, discharge or satisfaction, in the ordinary course of business or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements or incurred in the ordinary course of business;

take or cause or permit to be taken any action that would disqualify the spin-off under the distribution agreement from constituting a tax-free spin-off or that would disqualify the merger from constituting a tax-free reorganization;

intentionally take or agree or commit to take any action that would result in any of its representations and warranties set forth in the merger agreement being or becoming untrue in

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any material respect, or in any of the conditions for the merger not being satisfied at the effective time of the merger;

enter into any derivative transaction or any fixed price commodity sales agreement with a term of more than 60 days;

permit net working capital to be less than negative \$5 million in the case of Key, or less than negative \$10 million in the case of Cimarex; and

agree or commit to do any of the foregoing.

Also, the parties agree to promptly advise the other parties orally and in writing of any change or event having, or that, insofar as can reasonably be foreseen, could have, either individually or together with other changes or events, a material adverse effect.

Commercially Reasonable Efforts, Further Assurances

Helmerich & Payne and Key have agreed to use all commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary under applicable laws and regulations to consummate the transactions contemplated by the merger agreement. These actions include providing information and obtaining all necessary exemptions, rulings, consents, authorizations, approvals and waivers to effect all necessary registrations and filings and to lift any injunction or other legal bar to the merger and the other transactions contemplated by the merger agreement as promptly as practicable and taking all other actions necessary to consummate the transactions contemplated by the merger agreement in a manner consistent with applicable law. Helmerich & Payne, Cimarex, Mountain Acquisition and Key also agreed to cooperate and to use their respective commercially reasonable efforts to obtain any government clearances required to consummate the merger and to respond to any government requests for information.

Employee Benefits Plans

Key and Cimarex agreed in the merger agreement that the employees of Key who remain employed by Key or its affiliates after the effective time of the merger will (i) participate in Cimarex benefit plans (established in accordance with the employee benefits agreement described below) on a basis no less favorable than that applicable to similarly situated employees of Cimarex who remain employed by Cimarex or its affiliates after the spin-off date and (ii) be granted full credit under such plans for prior service with Key (except to the extent necessary to

avoid duplication of benefits). At and after the effective time of the merger, no employee of Key will accrue any additional benefits under any of the Key benefit plans, except that Cimarex has agreed to assume Key's Deferred Compensation Plan and the obligation to provide certain transportation benefits, and Cimarex will assume or cause Key to honor employment and change in control agreements to which Key was a party before the effective time of the merger. Helmerich & Payne and Key further agreed to cooperate in good faith and use their reasonable best efforts to assist Cimarex in establishing the plans and to establish additional mutually acceptable arrangements concerning Cimarex employees, compensation and benefit arrangements.

Directors' and Officers' Indemnification

From and after the effective time of the merger, Cimarex will indemnify any persons who are or were officers or directors of Key prior to the effective time of the merger for losses in connection with any action arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such, whether commenced, asserted or claimed before or after the effective time of the merger. Cimarex will maintain existing, or provide comparable, directors' and officers' liability insurance policies for a period of six years following the effective time of the merger.

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Additional Covenants

Rights Plans

Cimarex will issue preferred share purchase rights to Cimarex stockholders as of the spin-off date in accordance with the rights agreement between Cimarex and UMB Bank, N.A. Prior to the earlier of the effective time of the merger and the termination date, Cimarex will not amend the Cimarex rights agreement or redeem the rights issued under such agreement. Key issued common share purchase rights to Key stockholders as of March 7, 2002 in accordance with the rights agreement between Key and A.G. Edwards & Sons, Inc. Prior to the earlier of the effective time of the merger and the termination date, Key will not amend the rights agreement or redeem the rights issued under such agreement.

Transition Services Agreement

Prior to the effective time of the merger, Helmerich & Payne and Cimarex will enter into a transition services agreement, in a form reasonably satisfactory to Helmerich & Payne and Key, providing for certain transition services by Helmerich & Payne to Cimarex after the effective time of the merger.

Internal Revenue Service Ruling

In connection with the spin-off, Helmerich & Payne will use its reasonable best efforts in seeking, as promptly as practicable, a private letter ruling from the Internal Revenue Service to the effect that the contribution of assets to Cimarex prior to the spin-off will qualify as a tax-free transaction for Helmerich & Payne, its stockholders and Cimarex.

Litigation Defense

Each of Helmerich & Payne, Cimarex, Mountain Acquisition and Key will use all commercially reasonable efforts to defend against all actions in which such party is named as a defendant that challenge or otherwise seek to enjoin, restrain or prohibit the transactions contemplated by the merger agreement or seek damages with respect to such transactions.

Accounting Matters

Each party to the merger agreement will use its commercially reasonable efforts to ensure that, following the effective time of the merger, Cimarex will establish a fiscal year ending on December 31.

Conditions to the Completion of the Merger

The respective obligations of Helmerich & Payne, Cimarex, Mountain Acquisition and Key to complete the merger are subject to the fulfillment, or the waiver by Helmerich & Payne and Key, of various conditions which include, in addition other customary closing conditions, the following:

completion of the spin-off in accordance with the distribution agreement;

obtaining all material consents, approvals and authorizations of any governmental authority legally required for the consummation of the transactions contemplated by the merger agreement and the other transaction agreements;

the SEC having declared effective the registration statements of Cimarex relating to the shares of Cimarex common stock and the shares of Cimarex common stock to be issued in the merger;

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the approval for listing on the New York Stock Exchange of the shares of Cimarex common stock and such other shares required to be reserved for issuance in connection with the merger, subject to official notice of issuance;

approval of the merger and adoption of the merger agreement by the Key stockholders at the Key special meeting;

the absence of a final and non-appealable injunction or other prohibition issued by a court or other governmental entity that restrains, enjoins or prohibits the spin-off or the merger;

no action by a governmental authority pending to restrain, enjoin, prohibit or delay consummation of the transactions contemplated by the merger agreement, or to impose any material restrictions or requirements on the transactions contemplated by the merger agreement or on Cimarex or Key with respect to the transactions;

there is no action taken and no statute, rule, regulation or executive order enacted, entered, promulgated or enforced by any governmental authority with respect to the merger that, individually or in the aggregate, would restrain, prohibit or delay the consummation of the merger or impose material restrictions or requirements on consummation of the merger or on Cimarex or Key with respect to such transaction;

the Internal Revenue Service private letter ruling with respect to the spin-off will continue to be valid and in full force and effect;

the performance by Helmerich & Payne, Cimarex and Key in all material respects of their respective covenants and agreements contained in the merger agreement and the truthfulness and correctness of the representations and warranties in the merger agreement in all respects, except in each case where the failure to be true and correct, individually or in the aggregate, would not have a material adverse effect or to the extent specifically contemplated or permitted by the merger agreement;

obtaining all third-party consents and approvals required for the consummation of the merger, except where the failure to obtain such consents and approvals, individually or in the aggregate, would not have a material adverse effect or to the extent that alternative arrangements are not otherwise provided for; and

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Helmerich & Payne, Cimarex and Key having received an opinion from their respective counsel or a private letter ruling from the Internal Revenue Service to the effect that the merger will be treated for federal income tax purposes as a reorganization.

Additionally, the obligation of Key to complete the merger is subject to the fulfillment or waiver by Key of the following additional conditions:

Key being reasonably satisfied that the contribution and the spin-off have taken place in accordance with the distribution agreement and the Internal Revenue Service private letter ruling for such contribution and spin-off; and

Helmerich & Payne and Cimarex having entered into the transition services agreement.

"Material adverse effect" is, with respect to any person, any circumstance, change or effect that is or is reasonably likely to be materially adverse to (i) the business, operations, assets, liabilities (including contingent liabilities), results of operations or condition (financial or otherwise) of such person and its subsidiaries, taken as a whole, except for such effects on or changes in general economic or capital market conditions and effects and changes that generally affect the U.S. domestic oil and gas exploration and production business, or (ii) the ability of such person to perform its obligations under the merger agreement or under the other transaction agreements.

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Termination of the Merger Agreement

Right to Terminate

The merger agreement may be terminated and the transactions contemplated by the merger agreement may be abandoned at any time prior to the effective time of the merger as follows:

by mutual written consent of the parties;

by any party:

if the effective time of the merger has not occurred on or before November 25, 2002, except that a party may not terminate the merger agreement if the cause of the merger not being completed on or before such date resulted from such party's failure to fulfill its obligations; or

if a court or other governmental entity issues a final and non-appealable injunction or otherwise prohibits the merger and the terminating party has used all commercially reasonable efforts to remove such injunction or prohibition;

by Helmerich & Payne or Key:

if Key stockholders do not approve the merger and adopt the merger agreement at the Key special meeting of stockholders;

by Helmerich & Payne:

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if Key fails to perform in any material respect any of its covenants or agreements contained in the merger agreement required to be performed at or prior to the effective time of the merger, or the representations and warranties of Key in the merger agreement are or will become untrue in any respect at any time prior to the effective time of the merger and the failure to be true and correct individually or in the aggregate would have a material adverse effect on Key, the Cimarex business or Cimarex and has not been cured within 30 days after written notice was given to Key of such failure or untruth; or

if the Key board of directors has withdrawn or modified its approval or recommendation of the merger or the merger agreement, approved or recommended to the Key stockholders a company acquisition proposal or resolved to do any of the foregoing;

by Key:

if Helmerich & Payne or Cimarex fails to perform in any material respect any of its respective covenants or agreements contained in the merger agreement required to be performed at or prior to the effective time of the merger, or the respective representations and warranties of Helmerich & Payne or Cimarex in the merger agreement are or will become untrue in any respect at any time prior to the effective time of the merger and the failure to be true and correct, individually or in the aggregate, would have a material adverse effect on Key, the Cimarex business or Cimarex and has not been cured within 30 days after written notice was given to Helmerich & Payne or Cimarex of such failure or untruth; or

to accept a company superior proposal upon three business days' notice to Helmerich & Payne.

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Termination Fees and Expenses

If either Helmerich & Payne or Key terminates the merger agreement as a result of:

the other party's failure to perform in any material respect any of its covenants or agreements contained in the merger agreement; or

the representations and warranties of such other party in the merger agreement are or will become untrue; and

the failure to be true and correct, individually or in the aggregate, would have a material adverse effect on Key, the Cimarex business or Cimarex and has not been cured within 30 days after written notice was given to such party of such failure or untruth, the terminating party will be entitled to reimbursement of all of its documented out-of-pocket expenses and fees incurred by such terminating party up to \$2 million in the aggregate.

In addition to the reimbursement of out-of-pocket expenses and fees, Key has agreed to pay Helmerich & Payne a termination fee of \$10 million if:

Key terminates the merger agreement to accept a company superior proposal;

following receipt by Key of a company acquisition proposal, the merger agreement is terminated upon the failure to obtain the approval of Key's stockholders and, within 225 days after the termination of the merger agreement, Key consummates (or enters into a definitive agreement regarding) a company acquisition proposal;

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Helmerich & Payne terminates the merger agreement because the Key board of directors has withdrawn or modified its recommendation or recommended a company acquisition proposal or resolves to do the foregoing and, within 225 days after the termination of the merger agreement, Key consummates (or enters into a definitive agreement regarding) a company acquisition proposal; or

following receipt of a company acquisition proposal, the merger agreement is terminated upon the failure to consummate the merger by November 25, 2002 and, within 225 days after the termination of the merger agreement, Key consummates (or enters into a definitive agreement regarding) a company acquisition proposal, unless the Key stockholders approve the merger before November 25, 2002 and no failure by Key to perform any of its obligations under the merger agreement required to be performed by it at or prior to such termination was a cause of the failure of the merger to have become effective on or prior to such termination.

For purposes of the termination fee, the definition of company acquisition proposal is modified so that the percentage referred to in this definition is 35% rather than 20%.

Amendments and Waiver

Any provision of the merger agreement may, to the extent legally allowed, be amended or waived at any time prior to the effective time of the merger. However, if a provision of the merger agreement is amended or waived after the Key stockholders adopt the merger agreement, such amendment or waiver will be subject to any necessary stockholder approval. Helmerich & Payne, Cimarex and Key must sign any amendments. Any waiver must be signed by the party against whom the waiver is to be effective.

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THE DISTRIBUTION AGREEMENT

Summary of the Transactions

In connection with the merger, Helmerich & Payne will contribute its exploration and production and gas marketing business to Cimarex pursuant to the terms and conditions of the distribution agreement summarized below. After the contribution and prior to the merger, Helmerich & Payne will spin-off Cimarex by distributing all of the shares of Cimarex common stock to Helmerich & Payne stockholders on a pro rata basis.

General

The following is a summary of the material terms of the distribution agreement. This summary is qualified in its entirety by reference to the distribution agreement, a copy of which is attached as Annex C to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus. We urge you to read the distribution agreement in its entirety for a more complete description of the terms and conditions of the spin-off.

Contribution of the Exploration and Production Assets and Assumption of Liabilities

Under the distribution agreement, prior to the spin-off of Cimarex, Helmerich & Payne will take or cause to be taken all actions necessary to cause transfer to Cimarex or a subsidiary of Cimarex of all of the ownership interest of Helmerich & Payne and its subsidiaries in:

all assets that are used in, or relate to, the Cimarex business;

other assets of Cimarex and the subsidiaries of Cimarex to the extent specifically assigned or retained by Cimarex or any subsidiaries pursuant to the distribution agreement or any other agreements entered into in connection with the merger and

the spin-off;

the capital stock of HPESI;

all rights of Cimarex under the other agreements entered into in connection with the merger and the spin-off;

the amount, if positive,

of all revenues recognized by Helmerich & Payne during the period from October 1, 2001 through the date of the spin-off, derived from the assets to be transferred to Cimarex; plus

all cash proceeds received by Helmerich & Payne during the period from October 1, 2001 through the date of the spin-off, from the sale of property, plant and equipment to be transferred to Cimarex; plus

\$4.8 million in payment of the working capital adjustment as of September 30, 2001; less

all capital and operating expenditures of Helmerich & Payne during the period from October 1, 2001 through the date of the spin-off, attributable to the assets to be transferred to Cimarex, and all expenses related to transactions contemplated by any other agreements entered into in connection with the merger and the spin-off; less

an amount equal to the change in working capital accounts during the period from October 1, 2001 through the date of the spin-off, other than cash related to the assets to be transferred to Cimarex.

If the amount is negative, the sum of this amount will be paid by Cimarex to Helmerich & Payne.

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Cimarex will assume all of the liabilities of Helmerich & Payne and its subsidiaries relating to the Cimarex business, including the liabilities of Cimarex under the other agreements entered into in connection with the merger and the spin-off, together with all expenses agreed between the parties to be allocated to Cimarex.

To the extent that any transfers are not completed before the spin-off, the parties will cooperate to effect any remaining transfers as promptly as practicable following the spin-off.

Spin-off

After the separation of the exploration and production business from Helmerich & Payne but before the merger, Helmerich & Payne will distribute 26,591,321 shares, which will represent all of the then-outstanding shares of Cimarex common stock, to Helmerich & Payne's stockholders. As a result of the spin-off, Helmerich & Payne and its subsidiaries will own and operate the contract drilling and real estate businesses and Cimarex will be a separate, publicly traded company that will own and operate the exploration and production and gas marketing businesses.

Representations and Warranties

In the distribution agreement, Helmerich & Payne represents and warrants to Cimarex and to Key that, at the time of the spin-off, the assets transferred to Cimarex and its subsidiaries, together with any services offered by Helmerich & Payne pursuant to the transition services

agreement, will be sufficient for the operation of the exploration and production and gas marketing businesses in all material respects as currently conducted by Helmerich & Payne. This representation and warranty will survive the spin-off for a period of six months.

Indemnification

Cimarex has agreed to defend, indemnify and hold Helmerich & Payne and each of its affiliates and their representatives harmless from and against all losses or liabilities arising out of or related to any liabilities assumed by Cimarex or from Cimarex's failure to perform its obligations under the distribution agreement.

Helmerich & Payne has agreed to indemnify and hold Cimarex and each of its affiliates and their representatives harmless from and against all losses or liabilities arising out of or related to the failure of Helmerich & Payne or any of its subsidiaries:

to pay, among other things, any losses or liabilities of Helmerich & Payne or its subsidiaries (including liabilities under the agreements entered into in connection with the merger and the spin-off);

to transfer to Cimarex or any of its subsidiaries all of the assets to be transferred to Cimarex; and

to perform any of its obligations under the distribution agreement.

Helmerich & Payne has agreed that it will use commercially reasonable efforts to assist Cimarex in asserting claims relating to the assets transferred to Cimarex or liabilities assumed by Cimarex under Helmerich & Payne's insurance policies, to the extent such claims are based on events prior to the spin-off date or were commenced prior to the spin-off date.

Conditions to the Spin-off

The obligations of Helmerich & Payne under the distribution agreement are subject to the fulfillment (or waiver by Helmerich & Payne) at or prior to the spin-off of a number of conditions, including the following:

obtaining all material consents, approvals and authorizations of any governmental authority that are legally required for the spin-off and other transactions contemplated by the other agreements entered into in connection with the spin-off and the merger;

the absence of an injunction or other prohibition issued by a court or other governmental entity that restrains, enjoins or prohibits or otherwise imposes material restrictions on the spin-off or the merger;

the SEC having declared effective the registration statements of Cimarex relating to the shares of Cimarex common stock to be issued in the spin-off and the shares of Cimarex common stock to be issued in the merger, of which this proxy statement/prospectus forms a part;

the approval for listing on the New York Stock Exchange of the Cimarex common stock, subject to official notice of issuance;

the adoption of the merger agreement by the Key stockholders at the Key special meeting;

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Helmerich & Payne having received the Internal Revenue Service private letter ruling in form and substance reasonably satisfactory to Helmerich & Payne in good faith and such ruling continuing to be valid and in full force and effect;

the performance by Key in all material respects of its covenants and agreements contained in the merger agreement required to be performed at or prior to the date of the spin-off; and

the truthfulness and correctness of the representations and warranties of Key in the merger agreement in all respects, except to the extent permitted by the merger agreement.

ANCILLARY AGREEMENTS

Helmerich & Payne and Cimarex have entered into agreements that will govern the ongoing relationships between Cimarex and Helmerich & Payne and provide for an orderly transition after the spin-off and the merger. These agreements are summarized below.

Tax Sharing Agreement

In order to allocate the responsibilities for payment of taxes and certain other tax matters Helmerich & Payne and Cimarex have entered into a tax sharing agreement. The following is a summary of the material terms of the tax sharing agreement. This summary is qualified in its entirety by reference to the tax sharing agreement, a copy of which is attached as Annex D to this proxy statement/prospectus and which is filed as an exhibit to this registration statement of which this proxy statement/prospectus is a part. We urge you to read the tax sharing agreement in its entirety for a more complete discussion of the tax matters.

Preparation and Filing of Tax Returns

Helmerich & Payne will prepare and file all tax returns (including any tax returns reporting the results of Cimarex) for periods ending on or prior to the date of the contribution of assets and liabilities of the Cimarex business to Cimarex, as well as any consolidated or combined returns that include Cimarex or the Cimarex business. Cimarex will be responsible for filing all tax returns with respect to the exploration and production business (other than consolidated or combined returns) for

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periods beginning on or after the date of the contribution of assets and liabilities of the Cimarex business to Cimarex.

Liability for Taxes

Each party has agreed to indemnify the other in respect of all taxes for which it is responsible under the tax sharing agreement. Cimarex is responsible for all taxes related to the exploration and production business for all past and future periods, including all taxes arising from the Cimarex business prior to the time that Cimarex was formed, and agrees to hold Helmerich & Payne harmless in respect of those taxes. Cimarex is entitled to receive all refunds and credits of taxes previously paid with respect to the exploration and production business. Helmerich & Payne remains responsible for all taxes related to the businesses of Helmerich & Payne other than the exploration and production business and has agreed to indemnify Cimarex in respect of any liability for any of such taxes.

Distribution Taxes and Deconsolidation

Helmerich & Payne and Cimarex each agrees to pay, and to hold the other harmless for, any and all liability for taxes payable by Helmerich & Payne as a result of the spin-off of Cimarex failing to qualify as a tax-free transaction to Helmerich & Payne and its stockholders under applicable provisions of the Internal Revenue Code and Treasury regulations. The payment obligation applies to the extent that such taxes result from the actions or omissions of Helmerich & Payne or Cimarex (or their respective stockholders), as the case may be, including certain events occurring after the merger involving the stock or assets of Cimarex or Helmerich & Payne (such as any issuance or acquisition of stock of

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Cimarex that results in the issuance, in the aggregate, of 50% or more of the common stock of Cimarex (taking into account that 34.75% of Cimarex common stock will be treated as already having been issued in the merger).

In addition, Cimarex has agreed to indemnify Helmerich & Payne for 34.75% of any spin-off tax liability not otherwise allocated under the tax sharing agreement, such as distribution taxes attributable to a retroactive change of law, regulation or administrative interpretation, and Helmerich & Payne has agreed to bear 65.25% of any such resulting tax liability.

Continuing Covenants

Helmerich & Payne agrees that it will not take or fail to take (or permit any affiliate to take or fail to take) any action where such action or failure would be inconsistent with any material information, covenant or representation contained in any ruling documents filed with the Internal Revenue Service. Cimarex also agrees that it will not take or fail to take (or permit any affiliate to take or fail to take) any action where such action or failure would be inconsistent with any material, information, covenant or representation that relates to facts or matters related to Cimarex or within the control of Cimarex and is contained in any ruling documents filed with the Internal Revenue Service.

Furthermore, Helmerich & Payne and Cimarex each agrees not to take (and each agrees to cause its respective affiliates to refrain from taking) any position on a tax return that will be inconsistent with the treatment of the spin-off and the merger as tax-free transactions under the applicable provisions of the Internal Revenue Code.

In addition, Cimarex agrees that, during the two-year period following the spin-off, prior to entering into any agreement to take any of certain specified actions, Cimarex will request that Helmerich & Payne obtain a supplemental ruling from the Internal Revenue Service (and Cimarex agrees that it will not take any such specified actions unless Helmerich & Payne receives a supplemental ruling from the Internal Revenue Service and pursuant to the terms and conditions

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thereof), unless, in any such case, Helmerich & Payne otherwise consents to the taking of the specified actions in writing in advance. The specific actions enumerated in the tax sharing agreement are:

selling all or substantially all of the assets of Cimarex or a Cimarex affiliate;

merging Cimarex or any Cimarex affiliate with another entity;

contributing any assets of Cimarex to the capital of another corporation in exchange for shares of such corporation, except in the case of a wholly owned affiliate;

issuing any common stock of Cimarex or any Cimarex affiliate (or any instrument that is convertible or exchangeable into any such stock) in an acquisition or public or private offering (other than (i) any issuance pursuant to the exercise of any employee stock options or other employment-related arrangements, or (ii) any issuance of common stock that, when combined with the approximately 34.75% of shares issued in the merger and any other post-merger issuances of shares of Cimarex common stock, excluding any employment-related issuances, would not result in the issuance, in the aggregate, of 46% or more of the outstanding common stock of Cimarex); or

facilitating or otherwise participating in any acquisition of stock in Cimarex by any stockholder owning 5% or more of the outstanding common stock of Cimarex.

In addition, Helmerich & Payne and Cimarex have agreed to act in good faith to take all reasonable steps necessary to amend the tax sharing agreement to supplement or reduce the specific actions enumerated therein, in order to reflect any relevant change in law, regulations or administrative interpretation occurring after the effective date of the tax sharing agreement.

Miscellaneous

The tax sharing agreement also provides that Helmerich & Payne and Cimarex will cooperate with each other and exchange necessary information in connection with tax audits and examinations and the tax sharing agreement contains provisions entitling the appropriate party to control particular tax audits and controversies, as well as the right of the non-controlling party to participate therein.

Employee Benefits Agreement

In connection with the spin-off, Helmerich & Payne and Cimarex entered into an employee benefits agreement that provides for the transfer of the employees of the Cimarex business to Cimarex, effective upon completion of the spin-off. The Employee Benefits Agreement is filed as an exhibit to this registration statement of which this proxy statement/prospectus is a part.

The employee benefits agreement also allocates the assets and liabilities under certain existing Helmerich & Payne employee benefit plans and other employment-related liabilities to Helmerich & Payne and Cimarex, respectively. In general, at the time of the spin-off, Cimarex will assume the liabilities relating to the former employees of the Cimarex business and Helmerich & Payne will retain the liabilities relating to its continuing employees. However, Helmerich & Payne will retain all liabilities under its defined benefit, post-retirement medical and executive deferred compensation plans. The employee benefits agreement also:

sets forth the rights of Cimarex employees under the Helmerich & Payne plans in which they previously participated, including the accelerated vesting of certain retirement plan benefits;

provides for the assumption by Cimarex of certain liabilities of Helmerich & Payne relating to employees who are transferred to Cimarex, including the assumption of existing change of control agreements and severance plans of the Cimarex business;

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describes the general terms of the benefit plans to be put in place by Cimarex prior to completing the spin-off including, without limitation, health and welfare plans, equity based incentive plans and a 401(k) plan. Pursuant to the employee benefits agreement, all Helmerich & Payne employees who are transferred to Cimarex will be given full credit under the Cimarex plans for prior service with Helmerich & Payne and its subsidiaries and affiliates (except to the extent necessary to avoid the duplication of benefits);

provides for the conversion of Helmerich & Payne stock options held by former Helmerich & Payne employees into Cimarex stock options, using a conversion ratio based on a comparison of the trading price of Helmerich & Payne common stock for the five trading days immediately prior to the fifth trading date immediately prior to the record date for the spin-off with the trading price of Cimarex common stock for the first five trading days following the spin-off; and

provides for the conversion of all restricted shares of Helmerich & Payne stock held by former Helmerich & Payne employees who become Cimarex employees into restricted shares of Cimarex stock with such adjustments as are appropriate to preserve the value inherent in the restricted stock, provided that any restrictions to which the awards are subject in respect of employment by Helmerich & Payne shall be deemed restrictions in respect of employment by Cimarex.

Pursuant to the employee benefits agreement, each of Cimarex and Helmerich & Payne has agreed that, without the prior consent of the other, it will not solicit employees of the other party for two years following the spin-off date.

Pursuant to the merger agreement, following the merger Key employees will (i) participate in Cimarex benefit plans on a basis no less favorable than that applicable to similarly situated employees of Cimarex who remain employed by Cimarex or its affiliates after the spin-off date and (ii) be granted full credit under such plans for prior service with Key (except to the extent necessary to avoid duplication of benefits).

Transition Services Agreement

Helmerich & Payne and Cimarex have entered into a transition services agreement under which Helmerich & Payne will provide services to Cimarex on an as-needed basis for a limited period of time after the merger.

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MANAGEMENT OF CIMAREX**Directors and Executive Officers**

The board of directors of Cimarex following the merger will be composed initially of nine directors, five of whom are to be designated by Helmerich & Payne and four of whom are to be designated by Key.

The following table sets forth the names, ages (as of July 31, 2002) and titles of the individuals who would be the directors and executive officers of Cimarex following the effective time of the merger:

Name	Age	Position
F. H. Merelli(1)	66	Chairman of the Board, Chief Executive Officer, President and Director
Steven R. Shaw	51	Executive Vice President
Paul Korus	45	Vice President and Chief Financial Officer
Thomas E. Jorden	44	Vice President, Exploration
Stephen P. Bell	47	Senior Vice President, Business Development and Land
Joseph R. Albi	43	Vice President, Engineering
Barbara L. Schaller	46	General Counsel and Corporate Secretary
Gerald A. Nagel	51	Vice President
Roger Bureau	52	Vice President
Gerald P. McLaughlin	41	Vice President
Cortland S. Dietler(1)	80	Director
L. Paul Teague(1)	67	Director
Paul D. Holleman(1)	70	Director
Hans Helmerich(2)	43	Director
Glenn A. Cox(2)	72	Director
David A. Hentschel(2)	68	Director
L.F. Rooney, III(2)	48	Director
Michael J. Sullivan(2)	62	Director

(1) Key designee.

(2) Helmerich & Payne designee.

F. H. Merelli will become the chairman of the board, chief executive officer, president and director of Cimarex following the effective time of the merger. Mr. Merelli has been with Key since September 9, 1992. He is currently the chairman of the board of directors, president and chief executive officer of Key.

During his tenure at Key, he has continuously held the offices of chairman and chief executive officer. Since March 2002 and prior to September 1999, he also held the office of president. From July 1991 to September 1992, Mr. Merelli was engaged as a private consultant in the oil and gas industry. Mr. Merelli was president and chief operating officer of Apache Corporation and president, chief operating officer and a director of Key from June 1988 to July 1991, at which time he resigned from those positions in both companies. He was president of Terra Resources, Inc. from 1979 to 1988. Mr. Merelli has been a director of Apache Corporation since July 1997.

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Steven R. Shaw will become executive vice president of Cimarex following the effective time of the merger. Mr. Shaw has been with Helmerich & Payne since 1985. In 1996, Mr. Shaw was appointed vice president, exploration and production of Helmerich & Payne. From 1985 to 1996, Mr. Shaw served as its vice president, production.

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Paul Korus will become the vice president and chief financial officer of Cimarex following the effective time of the merger. Mr. Korus joined Key in September 1999, as its vice president and chief financial officer. He was an equity research analyst with Petrie Parkman & Co., an investment banking firm, from June 1995 to September 1999. Prior to that, Mr. Korus was director of investor relations for Apache Corporation.

Thomas E. Jorden will become the vice president, exploration of Cimarex following the effective time of the merger. Mr. Jorden has been with Key since November 1993. In September 1999, he was appointed vice president-exploration. He served as chief geophysicist from November 1993 until September 1999. Prior to joining Key, Mr. Jorden was with Union Pacific Resources in Fort Worth, Texas.

Stephen P. Bell will become the senior vice president, business development and land of Cimarex following the effective time of the merger. Mr. Bell has been with Key since February 1994. In September 1999, he was appointed senior vice president-business development and land. From February 1994 to September 1999, he served as vice president-land. From March 1991 to February 1994, he was president of Concord Reserve, Inc., a privately held independent oil and gas company. He was employed by Pacific Enterprises Oil Company (formerly Terra Resources, Inc.) as mid-continent regional manager from February 1990 to February 1991 and as land manager from August 1985 to January 1990.

Joseph R. Albi will become vice president, engineering of Cimarex following the effective time of the merger. Mr. Albi has been with Key since June 1994. In September 1999, he was appointed vice president-engineering. He served as manager of engineering from June 1994 to September 1999. He was executive vice president of Black Dome Energy Corporation from 1991 to 1994. Prior to that, Mr. Albi held various engineering positions with Apache Corporation and Nicor Oil and Gas Corporation.

Barbara L. Schaller will become the general counsel and corporate secretary of Cimarex following the effective time of the merger. Ms. Schaller has been with Key since March 1993. She was appointed general counsel and corporate secretary in September 1999. From March 1993 to September 1999, she served as corporate counsel and assistant secretary. Ms. Schaller has been practicing law since 1982 and is a member of the Denver, Colorado and American Bar Associations.

Gerald A. Nagel will become vice president of Cimarex following the effective time of the merger. Mr. Nagel has been manager of engineering at Helmerich & Payne since 1990.

Roger Burau will become vice president of Cimarex following the effective time of the merger. Mr. Burau has been with Helmerich & Payne since 1986. In June 1997, Mr. Burau was appointed manager of drilling. Prior to that time, he was a drilling superintendent.

Gerald P. McLaughlin will become vice president of Cimarex following the effective time of the merger. Mr. McLaughlin has been manager of gas marketing of Helmerich & Payne since 1996.

Hans Helmerich will be a member of the Cimarex board of directors. Mr. Helmerich has been a member of the board of directors of Helmerich & Payne since 1987. Mr. Helmerich has served as the president and chief executive officer of Helmerich & Payne since 1989. Mr. Helmerich also serves as a director of Atwood Oceanics, Inc.

Cortland S. Dietler will be a member of the Cimarex board of directors following the effective time of the merger. Mr. Dietler has been a member of the board of directors of Key since September 9, 1992.

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He has been the chairman of the board of TransMontaigne, Inc. since April 1995. Mr. Dietler was chief executive officer of TransMontaigne from April 1995 through September 1999. The principal business of TransMontaigne, Inc. (through its various operating subsidiaries) is to provide refined petroleum product, terminaling and storage services, as well as the bulk purchase and sale and wholesale marketing of refined petroleum products. Mr. Dietler was the founder, chairman and chief executive officer of Associated Natural Gas Corporation prior to its 1994 merger with Panhandle Eastern Corporation (now Duke Energy Corporation). He also serves as a director of

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Hallador Petroleum Company, Forest Oil Corporation and Carbon Energy Corporation. His industry affiliations include: member of the National Petroleum Council; director of the American Petroleum Institute; past director of the Independent Petroleum Association of America; and director, past president and life member of the Rocky Mountain Oil & Gas Association.

L. Paul Teague will be a member of the Cimarex board of directors following the effective time of the merger. Mr. Teague has been a member of the board of directors of Key since August 20, 1996. He retired in 1994 from his position as vice president, Western Region, Texaco Exploration & Producing Inc. in Denver. Other positions in his 35 years with Texaco included division manager of the New Orleans Division, Eastern Producing Department; vice president, New Orleans Producing Division of Texaco USA; and vice president, Producing Department, Texaco USA in Houston. His industry affiliations include: chairman of the API Executive Committee on Drilling and Production Practices; president of the Colorado Petroleum Association; director and executive committee member of the Rocky Mountain Oil & Gas Association; and executive committee member of the Louisiana Oil & Gas Association.

Paul D. Holleman will be a member of the Cimarex board of directors following the effective time of the merger. Mr. Holleman has been a member of the board of directors of Key since April 4, 2001. He retired in 2000 from his position as senior partner in Holme Roberts & Owen LLP, a Denver law firm. At Holme Roberts he had served as legal counsel to Key Production and other oil and gas companies. Other positions in his 40 years with Holme Roberts included chairman of the Natural Resources Department and member of the executive committee. He was president of Inter-American Petroleum Corporation in 1970 and 1971 and was a director of Janus Fund in those same years. He is past chairman of the Mineral Law Section of the Colorado Bar Association, past chairman of the Rocky Mountain Mineral Law Institute and past chairman of the American Bar Association Public Lands Committee of the Natural Resources Section.

Glenn A. Cox will be a member of the Cimarex board of directors following the effective time of the merger. Mr. Cox was President and Chief Operating Officer of Phillips Petroleum Company until his retirement in 1991. Mr. Cox also serves as a director of Helmerich & Payne, Inc.

David A. Hentschel will be a member of the Cimarex board of directors following the effective time of the merger. Mr. Hentschel served as chairman and chief executive officer of Occidental Oil and Gas Corporation from 1997 until his retirement in 1999, at which time he was retained as a consultant to the company. From 1995 until 1997, Mr. Hentschel served as president and chief executive officer of Canadian Occidental Petroleum Ltd., since renamed Nexen Inc. Mr. Hentschel also serves as a director of Nexen Inc.

L.F. Rooney, III will be a member of the Cimarex board of directors following the effective time of the merger. Mr. Rooney has been chairman of Manhattan Construction Company since 1994 and President of Rooney Brothers Company since 1984. Mr. Rooney also serves as a director of Helmerich & Payne, Inc., BOK Financial Corp. and Bank of Oklahoma, N.A.

Michael J. Sullivan will be a member of the Cimarex board of directors following the effective time of the merger. Since 2001, Mr. Sullivan has been Special Counsel with Rothgerber Johnson & Lyons LLP. From 1998 until 2001, Mr. Sullivan served as the United States Ambassador to Ireland. From 1995

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until 1998, Mr. Sullivan practiced law with the firm of Brown, Drew, Apostolos, Massey & Sullivan. Mr. Sullivan also serves as a director of Allied Irish Bank Group and AllFirst Bank.

Current Directors and Executive Officers of Cimarex

The board of directors of Cimarex is currently composed of Mr. Helmerich, Douglas E. Fears and Steven R. Mackey. Those individuals, together with Mr. Shaw, also currently serve as the executive officers of Cimarex. Messrs. Mackey and Fears will remain directors of Cimarex until the effective time of the merger, at which time each of them will resign from the board of directors of Cimarex and their respective positions as officers of Cimarex. Mr. Helmerich will remain on the board of directors of Cimarex after the effective time of the merger, but will resign from the position of president and chief executive officer of Cimarex. Mr. Shaw will continue as an executive officer of Cimarex after the effective time of the merger.

The following table sets forth the names, ages (as of July 31, 2002) and titles of the current directors and executive officers of Cimarex:

Name	Age	Position
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Name	Age	Position
Hans Helmerich	43	President, Chief Executive Officer and Director
Steven R. Shaw	51	Vice President
Douglas E. Fears	52	Vice President, Treasurer and Director
Steven R. Mackey	50	Vice President, Secretary and Director

Biographical information for Messrs. Helmerich and Shaw is provided above under "Management of Cimarex Directors and Executive Officers". Biographical information for Messrs. Fears and Mackey is as follows:

Douglas E. Fears currently serves as vice president, treasurer and director of Cimarex. Mr. Fears has been vice president, finance of Helmerich & Payne since 1988.

Steven R. Mackey currently serves as vice president, secretary and director of Cimarex. Mr. Mackey has been vice president and general counsel of Helmerich & Payne since 1988 and secretary of Helmerich & Payne since 1990.

Cimarex Board of Directors

Under the terms of the merger agreement, the board of directors of Cimarex after completion of the merger will be composed initially of nine individuals, four of whom are current directors of Key and five of whom are designated by Helmerich & Payne. The Cimarex board of directors will be divided into three classes, each class consisting of three directors. The initial terms of the directors will expire on the date of the annual meeting in 2003, 2004 and 2005 depending on the class in which the director is placed.

Committees of the Cimarex Board of Directors

Upon the completion of the merger, the board of directors of Cimarex initially will have an audit committee, a compensation committee and a nominating committee.

Compensation of Directors

Upon completion of the merger, the form and amount of the compensation to be paid to non-employee directors of Cimarex will be determined by the compensation committee of the Cimarex board of directors. Key and Helmerich & Payne anticipate that directors who are officers of Cimarex will receive no additional compensation for serving on its board of directors.

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Officer and Director Indemnification

Cimarex's by-laws will provide for the indemnification of its officers and directors and the advancement to them of expenses in connection with the proceedings and claims, to the fullest extent permitted by applicable law. The by-laws will include related provisions meant to facilitate the indemnitee's receipt of such benefits. These provisions will cover, among other things:

specification of the method of determining entitlement to indemnification and the selection of independent counsel that will in some cases make such determination;

specification of certain time periods by which certain payments or determinations must be made and actions must be taken; and

the establishment of presumptions in favor of an indemnitee.

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In addition, Cimarex will obtain insurance coverage for directors' and officers' liability prior to the consummation of the merger.

Executive Compensation

Cimarex has not yet paid any compensation to any person expected to be an executive officer of Cimarex after the effective time of the merger. The form and amount of the compensation to be paid to each of Cimarex's executive officers in any future period will be determined by the compensation committee of the Cimarex board of directors. Key and Helmerich & Payne anticipate that the annual compensation for each of the executive officers of Cimarex will initially be substantially the same as the compensation paid to such executive officers by Key and Helmerich & Payne, as applicable before the merger.

Information regarding the compensation of the persons who, after the merger, will serve as the chief executive officer and the five most highly compensated executive officers of Cimarex (collectively, the named executive officers) is set forth below. All compensation set forth below was paid by Key with respect to Messrs. Merelli, Korus, Jorden, Albi and Bell and by Helmerich & Payne with respect to Mr. Shaw.

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Summary Compensation Table. The summary compensation table set forth below contains information regarding compensation paid to each of the named executive officers for services rendered to Key and Helmerich & Payne, as applicable, in all capacities during the last three fiscal years.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		
		Salary(1)	Bonus	Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Securities Underlying Options	All Other Compensation
F.H. Merelli, Chairman, Chief Executive Officer, President	2001	\$ 306,328	\$ 238,537				\$ 8,420(2)
	2000	\$ 265,041	\$ 59,604			125,000	\$ 12,838
	1999	\$ 196,977	\$ 26,269				\$ 11,132
Steven R. Shaw Executive Vice President	2001	\$ 304,750	\$ 120,000	\$ 543(3)		50,000(4)	\$ 8,500(5)
	2000	\$ 286,000	\$ 200,000	\$ 479		50,000	\$ 8,500
	1999	\$ 262,753	\$ 45,000	\$ 464		50,000	\$ 8,000
Paul Korus Vice President and Chief Financial Officer	2001	\$ 178,776	\$ 141,975				\$ 6,800(6)
	2000	\$ 157,750	\$ 12,840				\$ 6,277
	1999	\$ 42,801			\$ 96,875(9)	120,000	\$ 1,496
Thomas E. Jorden, Vice President, Exploration	2001	\$ 168,995	\$ 139,350				\$ 12,440(7)
	2000	\$ 154,833	\$ 39,931				\$ 7,758
	1999	\$ 133,102	\$ 18,165			80,000	\$ 6,032
Joseph R. Albi, Vice President, Engineering	2001	\$ 157,728	\$ 130,087				\$ 6,800(6)
	2000	\$ 144,541	\$ 36,181				\$ 7,169
	1999	\$ 120,601	\$ 15,850			80,000	\$ 5,440
Stephen P. Bell Senior Vice President, Business Development and Land	2001	\$ 157,436	\$ 130,087				\$ 11,535(8)
	2000	\$ 144,541	\$ 34,198				\$ 7,169
	1999	\$ 112,782	\$ 14,515			80,000	\$ 5,127

- (1) Includes amounts earned but deferred at the election of the officer, if any.
- (2) Includes Key's matching contribution of \$6,800 (made in the form of Key common stock) pursuant to Key's 401(k) plan and the one-year term cost of life insurance provided for Mr. Merelli of \$1,620.
- (3) Represents payment of estimated tax liability with respect to company-provided health and retirement benefits.

- (4) Consists of shares underlying options to purchase Helmerich & Payne common stock.
- (5) Consists of Helmerich & Payne's matching contribution of \$8,500 pursuant to Helmerich & Payne's 401(k) plan.
- (6) Consists of Key's matching contribution of \$6,800 (made in the form of Key common stock) pursuant to Key's 401(k) plan.
- (7) Includes Key's matching contribution of \$6,800 (made in the form of Key common stock) pursuant to Key's 401(k) plan and a credit of \$5,640 pursuant to Key's deferred compensation plan.
- (8) Includes Key's matching contribution of \$6,800 (made in the form of Key common stock) pursuant to Key's 401(k) plan and a credit of \$4,735 pursuant to Key's deferred compensation plan.
- (9) Consists of 10,000 restricted shares of Key stock valued at the closing price of \$9.6875 per share on the date of grant and which will vest fully on September 20, 2002. The restricted stock agreement provides that, during the vesting period if Key pays a dividend on its common stock, Mr. Korus will be entitled to receive such dividend. Key does not currently pay dividends on its common stock.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted (#)(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/share)(2)	Expiration Date	Grant Date Present Value \$(3)
F.H. Merelli					
Steven R. Shaw	50,000	.059(4)	32.125	12/6/10	601,000
Paul Korus					
Thomas E. Jorden					
Joseph R. Albi					
Stephen P. Bell					

- (1) These options to purchase Helmerich & Payne common stock were granted pursuant to the Helmerich & Payne, Inc. 1996 Stock Incentive Plan and are nonqualified stock options which vest annually in 25% increments, beginning one year from the date of grant.
- (2) The exercise price is the fair market value of Helmerich & Payne's common stock on the grant date.
- (3) The hypothetical present values on grant date were calculated under a modified Black-Scholes model, which is a mathematical formula used to value options. This formula considers a number of factors in hypothesizing an option's present value. Factors used to value the options include the stock's expected annual volatility rate (50.00%), risk free rate of return (6.03%), dividend yield (0.93%), term (10 years) and discounts for forfeiture of unvested shares (21.21%) and reduced term on vested shares (18.34%). The ultimate values of these options will depend on the future market price of Cimarex's common stock, which cannot be forecast with reasonable accuracy. The actual value, if any, the optionee will realize will depend on the excess of the market value of Cimarex's common stock over the exercise price on the date of exercise.
- (4) This percentage is based upon the aggregate number of options granted to Helmerich & Payne employees in fiscal year 2001.

**AGGREGATED OPTION EXERCISES IN FISCAL YEAR 2001
AND FISCAL YEAR 2001 YEAR-END OPTION VALUES**

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at 2001 Year End		Values of Unexercised In-the-Money Options at 2001 Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
F.H. Merelli			250,000(1) 41,667(3)		\$ 1,406,250(2) \$ 153,647(2)	\$ 307,290(2)
Steven R. Shaw	25,000	\$ 1,064,489	99,000(4)	131,000(5)	\$ 249,963(6)	\$ 283,038(6)
Paul Korus	5,000	\$ 65,587	45,000(7)	40,000(7)	\$ 329,063(2)	\$ 292,500(2)
Thomas E. Jorden			32,333(7)	26,667(7)	\$ 236,435(2)	\$ 195,002(2)
Joseph R. Albi	4,000	\$ 45,390	34,833(7)	26,667(7)	\$ 254,716(2)	\$ 195,002(2)
Stephen P. Bell			35,833(7)	26,667(7)	\$ 262,029(2)	\$ 195,002(2)

- (1) Options to purchase Key common stock were granted on January 26, 1997, and vested at a rate of one-third per year over three years. These options were granted under Key's 1992 Stock Option Plan. Upon the effective time of the merger, each option to purchase Key common stock will be converted to an option to purchase Cimarex common stock on the same terms and conditions as had been applicable under Key's 1992 Stock Option Plan.
- (2) Amount represents the \$17.00 closing price of Key's common stock on December 31, 2001 (the last trading day of Key's fiscal year), on the New York Stock Exchange, less the exercise price multiplied by the number of exercisable/unexercisable stock options at December 31, 2001, that had an exercise price less than \$17.00.
- (3) Options to purchase Key common stock were granted on May 25, 2000, and vest at a rate of one-third per year over three years. These options were granted under Key's 1992 Stock Option Plan. Upon the effective time of the merger, each option to purchase Key common stock will vest in full and be converted to an option to purchase Cimarex common stock on the same terms and conditions as had been applicable under Key's 1992 Stock Option Plan.
- (4) Options to purchase 24,000 shares of Helmerich & Payne common stock were granted on December 4, 1996 pursuant to Helmerich & Payne's 1990 Stock Option Plan, and vested at a rate of one-fifth per year over five years. Options to purchase the remaining 75,000

shares of Helmerich & Payne common stock were granted pursuant to Helmerich & Payne's 1996 Stock Option Plan as follows: 37,500 options on December 3, 1997, 25,000 on December 2, 1998 and 12,500 on December 1, 1999. Options granted under the 1996 Stock Option Plan vest at a rate of one-fourth per year over four years. Includes 37,500 out-of-the-money options. Upon the effective time of the spin-off, each option to purchase Helmerich & Payne common stock will be converted to an option to purchase Cimarex common stock using a conversion ratio based on a comparison of the trading price of Helmerich & Payne common stock prior to the spin-off with the trading price of Cimarex common stock following the merger. The converted options will have the same terms and conditions as had been applicable under the plan under which the options were issued.

- (5) Options to purchase 6,000 shares of Helmerich & Payne common stock were granted on December 4, 1996 pursuant to Helmerich & Payne's 1990 Stock Option Plan, and vest at a rate of one-fifth per year over five years. Options to purchase the remaining 125,000 shares of Helmerich & Payne common stock were granted pursuant to Helmerich & Payne's 1996 Stock Option Plan as follows: 12,500 options on December 3, 1997, 25,000 on December 2, 1998, 37,500 on December 1, 1999 and 50,000 options on December 6, 2000. Options granted under the 1996 Stock Option Plan vest at a rate of one-fourth per year over four years. Includes 62,500 out-of-the-money options. Upon the effective time of the spin-off, each option to purchase Helmerich & Payne common stock will be converted to an option to purchase Cimarex common stock using a conversion ratio based on a comparison of the trading price of Helmerich & Payne common stock prior to the spin-off with the trading price of Cimarex common stock following the merger. The converted options will have the same terms and conditions as had been applicable under the plan under which the options were issued.
- (6) This amount is based on the \$26.10 closing price of Helmerich & Payne's common stock on September 30, 2001 (the last trading day of Helmerich & Payne's fiscal year), on the New York Stock Exchange.
- (7) Options to purchase Key common stock were granted on September 7, 1999, and vest at a rate of one-third per year over three years. These options were granted under Key's 1992 Stock Option Plan. Upon the effective time of the merger, each option to purchase Key common stock will vest in full and be converted to an option to purchase Cimarex common stock on the same terms and conditions as had been applicable under Key's 1992 Stock Option Plan.

Employment Agreements and Change in Control Arrangements with Named Executive Officers

F. H. Merelli. Mr. Merelli is party to an employment agreement with Key pursuant to which he agreed to serve as the President and Chief Executive Officer of Key for an indefinite term. Following the merger, Cimarex will assume the employment agreement and Mr. Merelli will serve as the President and Chief Executive Officer of Cimarex. Pursuant to the agreement, Mr. Merelli currently receives a base salary of \$321,000 annually (effective September 16, 2001) which is subject to annual adjustment by the board of directors and may be increased, but not decreased, on the basis of such review. Mr. Merelli is also entitled to receive an annual incentive bonus under any plan or program implemented for executives. The Company is also obligated to purchase a \$500,000 life insurance policy for Mr. Merelli.

Cimarex may terminate Mr. Merelli's employment at any time for cause (as defined in the agreement) or after 30 days' notice if not for cause, and Mr. Merelli may terminate his employment at any time for any reason. Upon (i) Mr. Merelli's termination of employment by Cimarex without cause or due to his death or disability or (ii) Mr. Merelli's resignation for good reason (as such term is described in the agreement), he will be entitled to receive continuation of his base salary for two years and the maximum incentive compensation payable pursuant to any plan or program established by Cimarex. Mr. Merelli also participates in the Income Continuation Plan described below, which provides for continuation of his salary and benefits upon certain terminations of employment following the merger. Any payment made to Mr. Merelli pursuant to the agreement will be deducted from the benefits to which he is otherwise entitled pursuant to the Income Continuation Plan described below.

During the period of his employment and for three years thereafter, Mr. Merelli is required under the agreement to keep confidential any information about Cimarex or its business that is not generally available to the public. Cimarex is also obligated under the agreement to indemnify Mr. Merelli to the maximum extent permissible under applicable law governing the indemnification of officers and directors.

Steven R. Shaw. Mr. Shaw is party to an agreement with Helmerich & Payne that Cimarex has agreed to assume following the spin-off. If Cimarex terminates Mr. Shaw's employment within 24 months after the spin-off other than for cause, disability, death or the occurrence of a substantial downturn, or if Mr. Shaw terminates his employment for good reason within 24 months after the spin-off (as such terms are defined in the agreement), any options or restricted stock granted to Mr. Shaw under a plan adopted by Cimarex will vest in full and Cimarex will be required to pay or provide Mr. Shaw: (i) a lump-sum payment equal to two times his base salary and annual bonus, (ii) 24 months of benefit continuation, (iii) a prorated annual bonus, and (iv) up to \$5,000 for outplacement counseling services; provided that the lump-sum payment and prorated annual bonus shall be payable only if Mr. Shaw executes and does not revoke a release of claims in the form attached to the agreement (as it may be modified in respect of changes in law or applicable regulations). In addition, if Mr. Shaw remains employed with Cimarex for 18 months after the spin-off, he may terminate his employment for any reason during the following thirty days and be entitled to full vesting of any options or restricted stock that had been granted to him before the spin-off. In the event that any benefits payable to Mr. Shaw as a result of the spin-off or merger (including without limitation any benefits provided under the agreement) are subject to the "golden parachute" excise tax under Section 4999 of the Internal Revenue Code, Mr. Shaw will be entitled to receive the greater of (i) such benefits reduced by any applicable excise taxes and (ii) a reduction in his benefits so that no excise taxes are applicable. During the period of his employment, Mr. Shaw is prohibited from divulging any confidential information of Helmerich & Payne and Cimarex, and following his termination of employment, he will be permitted to do so only with the prior written consent of Helmerich & Payne and/or Cimarex, as the case may be. Cimarex agrees to indemnify Mr. Shaw in the same manner as any other key management employees and, during the term of the agreement and for the five-year period following his termination of employment, Cimarex agrees to maintain directors and officers liability insurance covering Mr. Shaw, provided that the indemnity and insurance shall be maintained at a level no less than that in effect immediately prior to the spin-off.

Messrs. Korus, Jorden, Albi and Bell. Each of Messrs. Korus, Jorden, Albi and Bell entered into an employment agreement with Key that has since expired. However, each agreement provided that, if the executive continues as an employee after the term of the agreement (as each executive has done) and is terminated without cause following a change in control (as those terms are defined in the agreement), the executive will be entitled to a lump-sum payment equal to two times the executive's base salary at the time of the change in control. Cimarex will assume this obligation following the merger. Accordingly, if Cimarex terminates the executive's employment without cause following the merger, Cimarex will be obligated to make a lump-sum payment to the executive equal to two times his base salary at the time of the merger. Any payments made to these executives pursuant to these agreements will be deducted from the benefits to which the executive is otherwise entitled pursuant to the Income Continuation Plan described below.

Income Continuation Plan

Key maintains an Income Continuation Plan in which the following employees of Key participate:

all officers of Key (including Messrs. Merelli, Korus, Jorden, Albi and Bell);

all employees of Key who are at least 40 years old;

all employees of Key who have been continuously employed by Key for at least 10 years; and

certain other employees of Key with special skills or experience, as determined by the Key board of directors.

Pursuant to the Income Continuation Plan, if, following a change in control of Key, a participating employee is terminated without cause (as such term is described in the plan) or resigns due to changed

circumstances (including, without limitation, a significant change in title, duties, authority or compensation or a greater than 50-mile change in the employee's regular work place), the employee will be entitled to the following benefits:

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Employees who have at least 48 months continuous service with Key and officers of Key are entitled to receive continuation of their base compensation (as defined in the plan, including all salary, incentive compensation and bonuses) for 24 months following their termination of employment.

Employees (other than officers) who have less than 48 months continuous service with Key are entitled to receive continuation of their base compensation (as defined in the plan) for a period equal to 50% of their aggregate months of service; provided, however, that the Key board of directors may extend this period to a maximum of 24 months in its sole discretion.

All participating employees will receive health and life insurance continuation for so long as they receive salary continuation as well as reimbursement of any expenses, including legal fees incurred in enforcing the employee's right to receive benefits pursuant to the plan.

In general, the benefits paid pursuant to the Income Continuance Plan are in addition to, and not in lieu of, any benefits which the participants are otherwise entitled to pursuant to a plan, program or contract. However, if an employee is entitled to receive a payment based on annual salary pursuant to the terms of an employment agreement, the benefits paid pursuant to the Income Continuance Plan shall be offset by the benefits paid pursuant to the employment agreement.

The merger will constitute a change in control under the Income Continuance Plan. As a result, each of Messrs. Merelli, Korus, Jorden, Albi and Bell will be entitled to receive continuation of his base compensation and health and life insurance benefits for 24 months if his employment is terminated without cause or he resigns due to changed circumstances following the effective time of the merger. As discussed above, each of Messrs. Merelli, Korus, Jorden, Albi and Bell is also party to an agreement that provides for salary continuation payments upon a termination without cause or (in the case of Mr. Merelli) resignation for good reason following a change in control. Any payment received pursuant to these agreements will be deducted from the payments to which these executives are entitled under the Income Continuance Plan. The Income Continuance Plan may not be amended after the merger and may not be terminated during the thirty-month period following the merger.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial Stock Ownership

Five Percent Holders Of Key Common Stock (As of June 30, 2002)*

Name and Address	Voting Authority		Dispositive Authority		Total Amount of Beneficial Ownership	Percent of Class
	Sole	Shared	Sole	Shared		
Dimensional Fund Advisors Inc.(1) 1299 Ocean Avenue, 11 th Floor Santa Monica, California 90401	835,186		835,186		835,186	5.93%

* Calculations based upon 14,080,468 shares outstanding as of June 30, 2002.

(1) Information from Schedule 13G filed by Dimensional Fund Advisors with the SEC on February 12, 2002.

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**Officer and Director Ownership
of Key Common Stock
(As of June 30, 2002)***

Name	Shares Beneficially Owned*	Percent of Class*
F. H. Merelli	707,531(1)(5)(12)	4.89%
Cortlandt S. Dietler	146,000(2)(12)	1.03%
L. Paul Teague	50,837(3)(12)	0.36%
Paul D. Holleman	47,000(4)(12)	0.33%
Stephen P. Bell	67,132(6)(12)	0.48%
Joseph R. Albi	66,898(7)(12)	0.47%
Thomas E. Jorden	66,221(8)(12)	0.47%
Paul Korus	196,914(5)(9)(12)	1.39%
Barbara L. Schaller	9,618(10)(12)	0.07%
All directors and executive officers as group (including the above named persons)	1,257,547(11)(12)	8.46%

*
Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934.

- (1) Includes 152,300 shares held in Mr. Merelli's IRA account; options for 375,000 shares (consisting of options for 250,000 shares which are fully vested and options for 125,000 shares, one-third of which vested on May 25, 2001, with an additional one-third vesting on each subsequent anniversary date); and 9,527 shares held in his 401(k) account.
- (2) Includes options for 87,500 shares which are fully vested.
- (3) Includes options for 6,667 shares which are fully vested.
- (4) Includes options for 45,000 shares, one-third of which vested on April 4, 2002, with an additional one-third vesting on each subsequent anniversary date.
- (5) Includes 100,604 shares held by Messrs. Merelli and Korus as Trustees of Key's 401(k) retirement plan.
- (6) Includes options for 62,500 shares (consisting of options for 35,833 shares which are fully vested and 26,667 shares which will vest on September 7, 2002); and 4,632 shares held in his 401(k) account.
- (7) Includes 800 shares held in Mr. Albi's IRA account; options for 61,500 shares (consisting of options for 34,833 shares which are fully vested and 26,667 shares which will vest on September 7, 2002); and 4,598 shares held in his 401(k) account.
- (8) Includes options for 59,000 shares (consisting of options for 32,333 shares which are fully vested and 26,667 shares which will vest on September 7, 2002); and 5,461 shares held in his 401(k) account.
- (9) Includes options for 85,000 shares (consisting of options for 45,000 shares which are fully vested and 40,000 shares which will vest on September 7, 2002); 10,000 shares of restricted stock; and 1,310 shares held in his 401(k) account.
- (10) Includes options for 6,667 shares (consisting of 3,334 shares which are fully vested and 3,333 shares which will vest on September 7, 2002) and 1,951 shares held in her 401(k) account.

- (11) Includes options for 788,834 shares of common stock, vesting at various dates beginning September 1, 1993. The 100,604 shares held by Messrs. Merelli and Korus, as trustees of Key's 401(k) retirement plan, were only counted once in this calculation.
- (12) Upon completion of the merger, all unvested options will vest.

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma financial information has been prepared to assist you in your analysis of the financial effects of the merger of Key into Cimarex. We derived this information for each of the respective companies as follows:

Cimarex's information was derived from its unaudited financial statements as of June 30, 2002 and for the nine months ended June 30, 2002 and its audited financial statements as of and for the year ended September 30, 2001.

Key's information was derived from its audited financial statements as of December 31, 2001 and for the year then ended. Information relating to the nine months ended June 30, 2002 is unaudited and has been derived from Key's accounting records.

The information prepared is only a summary and you should read it in conjunction with the historical financial statements and related notes contained in the annual reports and other information that Key has filed with the Securities and Exchange Commission or is included elsewhere in this proxy statement/prospectus, as well as the historical financial information for Cimarex included beginning on page F-1 of this proxy statement/prospectus.

You should consider several factors when comparing the historical financial information of Cimarex and Key to the Unaudited Pro Forma Combined Condensed Financial Information, including the following:

The Unaudited Pro Forma Combined Condensed Balance Sheet gives effect to the merger as if it had occurred on June 30, 2002. The Unaudited Pro Forma Combined Condensed Statement of Operations for the nine months ended June 30, 2002 and the year ended September 30, 2001 gives effect to the merger as if it occurred on October 1, 2000.

Cimarex's fiscal year ends on September 30 and Key's fiscal year ends on December 31.

The financial information presented by Key for the nine month period ended June 30, 2002, has been compiled by the management of Key. Results of Key for the three month period ended December 31, 2001 are included in the Unaudited Pro Forma Combined Condensed Statements of Operations for both the nine month period ended June 30, 2002 and the year ended September 30, 2001.

Expected cost savings resulting from operating synergies and the elimination of merger related costs have not been reflected as adjustments to the historical data. The cost savings are expected to result from the consolidation of the corporate headquarters of Cimarex and Key and rationalization of capital spending. Cimarex estimates that it will incur approximately \$4.2 million in fees and expenses associated with the merger. Key estimates that it will incur fees and expenses of approximately \$5.0 million, these items are being expensed as incurred by Key. There are no arrangements to have Helmerich & Payne or Cimarex to reimburse any of Key's merger-related costs.

The Unaudited Pro Forma Combined Condensed Financial Information is for illustrative purposes only. The financial results may have been different had Cimarex been an independent company and had the companies always been combined. You should not rely on the Unaudited Pro Forma Combined Condensed Financial Information as being indicative of the historical results that would have been achieved had the merger occurred in the past or the future financial results that the combined company will achieve after the merger.

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In addition, the purchase price allocation is preliminary and will be finalized following the closing of the merger. The final purchase price allocation will be determined after closing based on the actual fair value of current assets, current liabilities, indebtedness, long-term liabilities, proven and unproven

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oil and gas properties, identifiable intangible assets and the final number of shares of common stock issued for Key's outstanding shares of common stock and for stock options that are outstanding at closing. We are continuing to evaluate all of these items; accordingly, the final purchase price may differ in material respects from that presented in the Unaudited Pro Forma Combined Condensed Balance Sheet.

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ACQUISITION OF KEY BY CIMAREX

The following pro forma financial statements are estimates of the Unaudited Combined Condensed Financial Information of Cimarex as of June 30, 2002, the nine months ended June 30, 2002 and the year ended September 30, 2001, assuming the acquisition of Key.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

As of June 30, 2002

(In Thousands)

	Cimarex Historical	Key Historical	Purchase Accounting Adjustments	Cimarex Pro Forma Combined
Assets				
Cash and cash equivalents	\$ 3,183	\$ 1,040	\$	\$ 4,223
Accounts receivable	29,272	15,192		44,464
Other current assets	7,876	1,961		9,837
Total current assets	40,331	18,193		58,524
Property and equipment, net	223,158	204,385	69,100 (2a)	496,643
Other assets	1,442	1,519	(1,253)(2a)	1,708
Goodwill			60,822 (2a)	60,822
Total assets	\$ 264,931	\$ 224,097	\$ 128,669	\$ 617,697
Liabilities				
Current liabilities	\$ 28,916	\$ 20,736	\$	\$ 49,652
Debt, classified as current		33,000	4,200 (2a)	37,200
Deferred taxes	48,082	33,753	26,615 (2a)	108,450
Other long term liabilities	1,520	333		1,853
Total liabilities	78,518	87,822	30,815	197,155

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	Cimarex Historical	Key Historical	Purchase Accounting Adjustments	Cimarex Pro Forma Combined
Stockholders' equity	186,413	136,275	97,854 (2b)	420,542
Total liabilities and stockholders' equity	\$ 264,931	\$ 224,097	\$ 128,669	\$ 617,697

See the accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Information.

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UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

For the Nine Months Ended June 30, 2002

(In Thousands, except per share data)

	Cimarex Historical	Key Historical	Purchase Accounting Adjustments	Cimarex Pro Forma Combined
Revenues				
Oil and gas sales	\$ 79,520	\$ 55,547	\$	\$ 135,067
Gas marketing	37,451			37,451
Other income	2,027	289	32 (2d)	2,348
	<u>118,998</u>	<u>55,836</u>	<u>32</u>	<u>174,866</u>
Costs and expenses				
Gas marketing purchases	36,147			36,147
Production	10,920		11,301 (2d)	22,221
Lease operating		12,359	(12,359)(2d)	
Depreciation, depletion and amortization	27,369	27,844	(1,208)(2c)	54,005
Reduction to carrying value of oil and gas properties		45,140	(45,140)(2c)	
Production, property and other taxes	8,083	3,480	1,058 (2d)	12,621
General and administrative	6,826	9,541		16,367
Interest expense	223	1,013		1,236
Capitalized interest		(388)		(388)
Interest income		(32)	32 (2d)	
	<u>89,568</u>	<u>98,957</u>	<u>(46,316)</u>	<u>142,209</u>
Income (loss) before income taxes	29,430	(43,121)	46,348	32,657
Income tax provision (benefit)	14,719	(15,455)	17,612 (2e)	16,876
Net income (loss)	\$ 14,711	\$ (27,666)	\$ 28,736	\$ 15,781

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	<u>Cimarex Historical</u>	<u>Key Historical</u>	<u>Purchase Accounting Adjustments</u>	<u>Cimarex Pro Forma Combined</u>
Earnings (loss) per share				
Basic	\$ 0.55	\$ (1.97)		\$ 0.39
Diluted	\$ 0.55	\$ (1.97)		\$ 0.39

Weighted average shares outstanding