

CIMAREX ENERGY CO
Form 10-Q
November 06, 2013
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period ended September 30, 2013

Commission File No. 001-31446

CIMAREX ENERGY CO.

1700 Lincoln Street, Suite 1800

Denver, Colorado 80203-4518

(303) 295-3995

Edgar Filing: CIMAREX ENERGY CO - Form 10-Q

**Incorporated in the
State of Delaware**

**Employer Identification
No. 45-0466694**

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

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

The number of shares of Cimarex Energy Co. common stock outstanding as of September 30, 2013 was 86,838,423.

Table of Contents

CIMAREX ENERGY CO.

Table of Contents

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1</u>	<u>Financial Statements</u>
	<u>Condensed consolidated balance sheets (unaudited) as of September 30, 2013 and December 31, 2012</u>
	4
	<u>Consolidated statements of income and comprehensive income (unaudited) for the three and nine months ended September 30, 2013 and 2012</u>
	5
	<u>Condensed consolidated statements of cash flows (unaudited) for the nine months ended September 30, 2013 and 2012</u>
	6
	<u>Notes to consolidated financial statements (unaudited)</u>
	7
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	21
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	37
<u>Item 4</u>	<u>Controls and Procedures</u>
	39
<u>PART II OTHER INFORMATION</u>	
<u>Item 6</u>	<u>Exhibits</u>
	40
<u>Signatures</u>	41

Table of Contents

GLOSSARY

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

Bbls Barrels (of oil or natural gas liquids)

Bcf Billion cubic feet

Bcfe Billion cubic feet equivalent

Btu British thermal unit

MBbls Thousand barrels

Mcf Thousand cubic feet (of natural gas)

Mcfe Thousand cubic feet equivalent

MMBbls Million barrels

MMBtu Million British Thermal Units

MMcf Million cubic feet

MMcf/d Million cubic feet per day

MMcfe Million cubic feet equivalent

MMcfe/d Million cubic feet equivalent per day

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

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

NGL or NGLs Natural gas liquids

Tcf Trillion cubic feet

Tcfe Trillion cubic feet equivalent

WTI West Texas Intermediate

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

CAUTIONARY INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

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

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

Table of Contents**PART I****ITEM 1 - Financial Statements****CIMAREX ENERGY CO.**

Condensed Consolidated Balance Sheets

	September 30, 2013 (Unaudited)	December 31, 2012
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,531	\$ 69,538
Restricted cash	818	
Receivables, net	391,105	302,974
Oil and gas well equipment and supplies	69,517	81,029
Deferred income taxes	13,902	8,477
Derivative instruments	7,168	
Prepaid expenses	5,750	7,420
Other current assets	4,082	699
Total current assets	496,873	470,137
Oil and gas properties at cost, using the full cost method of accounting:		
Proved properties	12,466,073	11,258,748
Unproved properties and properties under development, not being amortized	597,526	645,078
	13,063,599	11,903,826
Less accumulated depreciation, depletion and amortization	(7,318,137)	(6,899,057)
Net oil and gas properties	5,745,462	5,004,769
Fixed assets, net	137,455	152,605
Goodwill	620,232	620,232
Derivative instruments	2,717	
Other assets, net	51,625	57,409
	\$ 7,054,364	\$ 6,305,152
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 111,082	\$ 103,653
Accrued liabilities	403,413	392,909
Derivative instruments	4,320	
Revenue payable	187,065	149,300
Total current liabilities	705,880	645,862
Long-term debt	900,000	750,000
Deferred income taxes	1,338,623	1,121,353
Other liabilities	293,576	313,201
Total liabilities	3,238,079	2,830,416
Stockholders' equity:		
Preferred stock, \$0.01 par value, 15,000,000 shares authorized, no shares issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 86,838,423 and 86,595,976 shares issued, respectively	868	866

Edgar Filing: CIMAREX ENERGY CO - Form 10-Q

Paid-in capital	1,959,160	1,939,628
Retained earnings	1,855,382	1,533,768
Accumulated other comprehensive income	875	474
	3,816,285	3,474,736
	\$ 7,054,364	\$ 6,305,152

See accompanying notes to consolidated financial statements.

Table of Contents

CIMAREX ENERGY CO.

Consolidated Statements of Income and Comprehensive Income

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except per share data)			
Revenues:				
Gas sales	\$ 118,824	\$ 83,208	\$ 346,492	\$ 238,102
Oil sales	371,881	263,315	933,879	759,609
NGL sales				