

CIMAREX ENERGY CO  
Form 10-Q  
May 05, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**



(Mark One)

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

**For the Quarterly Period ended March 31, 2006  
Commission File No. 001-31446**

## **CIMAREX ENERGY CO.**

**1700 Lincoln Street, Suite 1800**

**Denver, Colorado 80203-4518**

**(303) 295-3995**

**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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act of 1934). (Check One):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 Cimarex Energy Co. common stock outstanding as of March 31, 2006 was 82,595,668.

**CIMAREX ENERGY CO.**



**PART I**



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Item 1

Financial Statements

Consolidated balance sheets (unaudited) as of March 31, 2006 and December 31, 2005

Consolidated statements of operations (unaudited) for the three months ended March 31, 2006 and 2005

Consolidated statements of cash flows (unaudited) for the three months ended March 31, 2006 and 2005

Notes to consolidated financial statements

Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3

Qualitative and Quantitative Disclosures About Market Risk

Item 4

Controls and Procedures

**PART II**





*In this report, we use terms to discuss oil and gas producing activities as defined in Rule 4-10(a) of Regulation S-X. We express quantities of natural gas in terms of thousand cubic feet (Mcf), million cubic feet (MMcf) or billion cubic feet (Bcf). Oil is quantified in terms of barrels (Bbls), thousands of barrels (MBbls) and millions of barrels (MMBbls). Oil is compared to natural gas in terms of equivalent thousand cubic feet (Mcfe) or equivalent million cubic feet (MMcfe). One barrel of oil is the energy equivalent of six Mcf of natural gas. Information relating to our working interest in wells or acreage, net oil and gas wells or acreage is determined by multiplying gross wells or acreage by our working interest therein. Unless otherwise specified, all references to wells and acres are gross.*

## PART I

## ITEM 1 - Financial Statements

## CIMAREX ENERGY CO.

## Consolidated Balance Sheets

(Unaudited)

	March 31, 2006	December 31, 2005
	(In thousands, except share data)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50,675	\$ 61,647
Receivables, net	261,003	289,184
Inventories	41,100	34,784
Deferred income taxes	15,248	17,959
Other current assets	23,641	25,454
Total current assets	391,667	429,028
Oil and gas properties at cost, using the full cost method of accounting:		
Proved properties	3,793,939	3,602,797
Unproved properties and properties under development, not being amortized	474,897	388,839
	4,268,836	3,991,636
Less accumulated depreciation, depletion and amortization	(1,201,390)	(1,114,677)
Net oil and gas properties	3,067,446	2,876,959
Fixed assets, net	87,062	86,916
Goodwill	716,988	717,391
Other assets, net	75,320	70,041
	\$ 4,338,483	\$ 4,180,335
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 69,093	\$ 81,947
Accrued liabilities	223,992	179,076
Derivative fair value	19,007	41,926
Revenue payable	96,137	94,469
Total current liabilities	408,229	397,418
Long-term debt	351,506	352,451
Deferred income taxes	761,760	717,790
Other liabilities	106,968	117,223
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, 83,691,390 and 83,524,285 shares issued, respectively	837	835
Treasury stock, at cost, 1,095,722 and 1,146,822 shares held, respectively	(41,363)	(43,554)
Paid-in capital	1,858,617	1,865,597
Unearned compensation		(15,862)
Retained earnings	891,848	788,356
Accumulated other comprehensive income	81	81
	2,710,020	2,595,453
	\$ 4,338,483	\$ 4,180,335

See accompanying notes to consolidated financial statements.

**CIMAREX ENERGY CO.**

## Consolidated Statements of Operation

(Unaudited)

	<b>For the Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(In thousands, except per share data)</b>	
<b>Revenues:</b>		
Gas sales	\$ 233,723	\$ 105,874
Oil sales	88,272	31,508
Gas gathering and processing	11,302	6
Gas marketing, net of related costs of \$57,178 and \$53,174 respectively	1,953	556
	335,250	137,944
<b>Costs and expenses:</b>		
Depreciation, depletion and amortization	90,628	38,085
Asset retirement obligation accretion	1,448	385
Production	41,772	10,171
Transportation	4,308	2,474
Gas gathering and processing	6,553	53
Taxes other than income	23,546	10,895
General and administrative	10,885	7,892
Stock compensation	1,968	1,225
Expenses related to merger	31	
Gain on derivative instruments		