

CIMAREX ENERGY CO  
Form 10-Q  
August 05, 2015  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

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

For the Quarterly Period ended June 30, 2015

Commission File No. 001-31446

CIMAREX ENERGY CO.

1700 Lincoln Street, Suite 3700

Denver, Colorado 80203

(303) 295-3995

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Incorporated in the State of Delaware      Employer Identification No. 45-0466694

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

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

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

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

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

The number of shares of Cimarex Energy Co. common stock outstanding as of June 30, 2015 was 94,456,420.

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GLOSSARY

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

Bbls—Barrels (of oil or natural gas liquids)

Bcf—Billion cubic feet

Bcfe—Billion cubic feet equivalent

Btu—British thermal unit

MBbls—Thousand barrels

Mcf—Thousand cubic feet (of natural gas)

Mcfe—Thousand cubic feet equivalent

MMBbl/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 working interest percentage

Net Production—Gross production multiplied by net revenue interest

NGL or NGLs—Natural gas liquids

Tcf—Trillion cubic feet

Tcfe—Trillion cubic feet equivalent

Energy equivalent is determined using the ratio of one barrel of crude oil, condensate or NGL to 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, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. 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, full cost ceiling impairments to the carrying values of our oil and gas properties, 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, weather 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.

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## PART I

## ITEM 1 - Financial Statements

## CIMAREX ENERGY CO.

## Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2015	December 31, 2014
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 856,880	\$ 405,862
Receivables, net	319,370	412,108
Oil and gas well equipment and supplies	75,165	89,780
Deferred income taxes	6,961	13,475
Prepaid expenses	8,208	9,356
Other current assets	865	1,223
Total current assets	1,267,449	931,804
Oil and gas properties at cost, using the full cost method of accounting:		
Proved properties	15,043,625	14,402,064
Unproved properties and properties under development, not being amortized	599,654	759,149
	15,643,279	15,161,213
Less — accumulated depreciation, depletion, amortization and impairment	(10,242,417)	(8,257,502)
Net oil and gas properties	5,400,862	6,903,711
Fixed assets, net	223,646	211,031
Goodwill	620,232	620,232
Other assets, net	56,315	58,515
	\$ 7,568,504	\$ 8,725,293
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 71,486	\$ 138,051
Accrued liabilities	262,727	447,384
Revenue payable	164,671	190,892
Total current liabilities	498,884	776,327
Long-term debt	1,500,000	1,500,000
Deferred income taxes	1,177,289	1,754,706
Other liabilities	196,168	193,628
Total liabilities	3,372,341	4,224,661
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 15,000,000 shares authorized, no shares issued	—	—
	945	876

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Common stock, \$0.01 par value, 200,000,000 shares authorized, 94,456,420 and 87,592,535 shares issued, respectively

Paid-in capital	2,737,008	1,997,080
Retained earnings	1,457,298	2,501,574
Accumulated other comprehensive income	912	1,102
	4,196,163	4,500,632
	\$ 7,568,504	\$ 8,725,293

See accompanying notes to consolidated financial statements.

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## CIMAREX ENERGY CO.

## Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, except per share data)			
Revenues:				
Oil sales	\$ 259,344	\$ 354,882	\$ 455,349	\$ 679,953
Gas sales	106,374	172,503	217,336	342,600
NGL sales	49,477	95,470	95,077	185,427
Gas gathering and other	9,141	14,284	17,411	26,748
Gas marketing, net	(53)	(470)	112	1,157
	424,283	636,669	785,285	1,235,885
Costs and expenses:				
Impairment of oil and gas properties	967,287	—	1,570,886	—
Depreciation, depletion and amortization	217,451	194,989	434,229	368,920
Asset retirement obligation	2,042	3,650	3,778	6,868
Production	70,600	86,085	152,811	161,226
Transportation, processing, and other operating	43,713	46,478	83,355	90,726
Gas gathering and other	11,306	10,041	20,170	18,825
Taxes other than income	25,980	32,323	47,961	65,944
General and administrative	14,054	16,571	29,992	37,283
Stock compensation	4,988	3,548	10,143	7,272
(Gain) loss on derivative instruments, net	—	2,454	—	18,189
Other operating, net	260	112	784	215
	1,357,681	396,251	2,354,109	775,468
Operating income (loss)	(933,398)	240,418	(1,568,824)	460,417
Other (income) and expense:				
Interest expense	21,297	16,724	42,553	30,766
Capitalized interest	(8,570)	(8,575)	(17,987)	(15,865)
Other, net	(3,854)	(4,129)	(7,439)	(11,084)
Income (loss) before income tax	(942,271)	236,398	(1,585,951)	456,600
Income tax expense (benefit)	(342,056)	87,758	(570,795)	169,503
Net income (loss)	\$ (600,215)	\$ 148,640	\$ (1,015,156)	\$ 287,097
Earnings (loss) per share to common stockholders:				
Basic	\$ (6.47)	\$ 1.71	\$ (10.94)	\$ 3.30
Diluted	\$ (6.47)	\$ 1.70	\$ (10.94)	\$ 3.29
Dividends per share	\$ 0.16	\$ 0.16	\$ 0.32	\$ 0.32

Comprehensive income (loss):



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Net income (loss)	\$ (600,215)	\$ 148,640	\$ (1,015,156)	\$ 287,097
Other comprehensive income (loss):				
Change in fair value of investments, net of tax	(292)	(56)	(190)	(16)
Total comprehensive income (loss)	\$ (600,507)	\$ 148,584	\$ (1,015,346)	\$ 287,081

See accompanying notes to consolidated financial statements.

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CIMAREX ENERGY CO.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30,	
	2015	2014
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ (1,015,156)	\$ 287,097
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	1,570,886	—
Depreciation, depletion and amortization	434,229	368,920
Asset retirement obligation	3,778	6,868
Deferred income taxes	(570,795)	169,503
Stock compensation	10,143	7,272
(Gain) loss on derivative instruments	—	18,189
Settlements on derivative instruments	—	(5,804)
Changes in non-current assets and liabilities	2,942	(2,436)
Other, net	3,276	2,395
Changes in operating assets and liabilities:		