

CIMAREX ENERGY CO
Form 10-Q
August 02, 2007

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, 2007

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). (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 of Cimarex Energy Co. common stock outstanding as of June 30, 2007 was 83,121,178.

CIMAREX ENERGY CO.

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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). MMBtu is one million British Thermal Units, a common energy measurement. 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 (Mcf) 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)

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	June 30, 2007	December 31, 2006
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,411	\$ 5,048
Receivables, net	294,717	306,458
Inventories	40,358	39,397
Deferred income taxes	7,959	1,498
Derivative instruments	19,689	41,945
Other current assets	15,780	22,411
Total current assets	397,914	416,757
Oil and gas properties at cost, using the full cost method of accounting:		
Proved properties	5,153,278	4,656,854
Unproved properties and properties under development, not being amortized	390,205	425,173
	5,543,483	5,082,027
Less accumulated depreciation, depletion and amortization	(1,707,429)	(1,494,317)
Net oil and gas properties	3,836,054	3,587,710
Fixed assets, net	98,566	88,924
Goodwill	691,432	691,432
Derivative instruments	1,958	7,051
Other assets, net	44,530	37,876
	\$ 5,070,454	\$ 4,829,750
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 52,887	\$ 56,241
Accrued liabilities	199,620	202,163
Revenue payable	102,572	96,184
Total current liabilities	355,079	354,588
Long-term debt	487,540	443,667
Deferred income taxes	997,833	921,665
Other liabilities	133,663	133,687
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, 84,372,300 and 83,962,132 shares issued, respectively	844	840
Treasury stock, at cost, 1,251,122 and 1,078,822 shares held, respectively	(47,566)	(40,628)
Paid-in capital	1,875,173	1,867,448
Retained earnings	1,253,973	1,117,402
Accumulated other comprehensive income	13,915	31,081
	3,096,339	2,976,143
	\$ 5,070,454	\$ 4,829,750

See accompanying notes to consolidated financial statements.

CIMAREX ENERGY CO.

Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands, except per share data)			
Revenues:				
Gas sales	\$ 214,937	\$ 191,658	\$ 411,227	\$ 425,381
Oil sales	110,830	108,838	207,994	197,110
Gas gathering and processing	15,013	12,092	27,652	23,394
Gas marketing, net	1,304	793	2,086	2,746
	342,084	313,381	648,959	648,631
Costs and expenses:				
Depreciation, depletion and amortization	112,797	94,773	221,681	185,401
Asset retirement obligation accretion	2,399	1,493	4,990	2,941
Production	50,916	43,804	95,921	85,576
Transportation	6,294	5,483	12,228	9,791
Gas gathering and processing	7,825	6,386	15,136	12,939
Taxes other than income	23,802	21,934	44,429	45,480
General and administrative	11,958	9,990	24,609	20,875
Stock compensation, net	2,598	2,096	5,268	4,064
Gain on derivative instruments		(3,249)		(18,816)
Other operating, net	2,586	(92)	2,315	(61)
	221,175	182,618	426,577	348,190
Operating income	120,909	130,763	222,382	300,441
Other (income) and expense:				
Interest expense net of capitalized interest of \$4,898, \$5,610, \$9,989 and \$11,829 respectively	5,399	1,787	9,473	2,058
Amortization of fair value of debt	(580)	(946)	(1,527)	(1,891)
Gain on early extinguishment of debt	(5,099)		(5,099)	
Other, net	(3,457)	(2,036)	(6,906)	(5,378)
Income before income tax expense	124,646	131,958	226,441	305,652
Income tax expense	45,939	49,092	83,106	112,635
Net income	\$ 78,707	\$ 82,866	\$ 143,335	\$ 193,017
Earnings per share:				
Basic	\$ 0.96	\$ 1.01	\$ 1.74	\$ 2.35
Diluted	\$ 0.93	\$ 0.98	\$ 1.69	\$ 2.27
Weighted average shares outstanding:				
Basic	82,282	82,046	82,252	82,067
Diluted	84,836	84,861	84,745	84,886

See accompanying notes to consolidated financial statements.

CIMAREX ENERGY CO.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30,	
	2007	2006
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 143,335	\$ 193,017
Adjustments to reconcile net income to net cash provided by operating activities:		