

CIMAREX ENERGY CO
Form 10-Q
November 05, 2014
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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 September 30, 2014

Commission File No. 001-31446

CIMAREX ENERGY CO.

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Denver, Colorado 80203

(303) 295-3995

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1700 Lincoln Street, Suite 1800

Denver, Colorado 80203

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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 September 30, 2014 was 87,248,508.

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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 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, 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)

	September 30, 2014	December 31, 2013
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 563,657	\$ 4,531
Receivables, net	430,702	367,754
Oil and gas well equipment and supplies	93,012	66,772
Deferred income taxes	13,544	16,854
Derivative instruments	1,090	4,268
Prepaid expenses	6,603	7,867
Other current assets	1,929	1,093
Total current assets	1,110,537	469,139
Oil and gas properties at cost, using the full cost method of accounting:		
Proved properties	13,842,214	12,863,961
Unproved properties and properties under development, not being amortized	865,058	585,361
	14,707,272	13,449,322
Less — accumulated depreciation, depletion and amortization	(8,049,016)	(7,483,685)
Net oil and gas properties	6,658,256	5,965,637
Fixed assets, net	195,854	146,918
Goodwill	620,232	620,232
Other assets, net	59,215	51,209
	\$ 8,644,094	\$ 7,253,135
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 123,388	\$ 116,110
Accrued liabilities	474,074	412,495
Derivative instruments	156	389
Revenue payable	218,025	154,173
Total current liabilities	815,643	683,167
Long-term debt	1,500,000	924,000

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Deferred income taxes	1,710,662	1,459,841
Other liabilities	187,815	163,919
Total liabilities	4,214,120	3,230,927
Commitments and contingencies		
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, 87,248,508 and 87,152,197 shares issued, respectively	872	872
Paid-in capital	1,988,257	1,970,113
Retained earnings	2,439,794	2,050,034
Accumulated other comprehensive income	1,051	1,189
	4,429,974	4,022,208
	\$ 8,644,094	\$ 7,253,135

See accompanying notes to consolidated financial statements.

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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,	
	2014	2013	2014	2013

(in thousands, except per share data)

Revenues:				
Gas sales	\$ 176,539	\$ 118,824	\$ 519,139	\$ 346,492
Oil sales	348,276	371,881	1,028,229	933,879
NGL sales	111,701	58,922	297,128	168,106
Gas gathering and other	12,951	11,380	39,699	32,951
Gas marketing, net	273	329	1,430	21
	649,740	561,336	1,885,625	1,481,449
Costs and expenses:				
Depreciation, depletion and amortization	219,359	159,182	588,279	442,851
Asset retirement obligation	1,420	1,797	8,288	7,080
Production	89,084	76,166	250,310	214,985
Transportation, processing, and other operating	54,573	25,838	145,299	66,494
Gas gathering and other	8,588	6,970	27,413	18,310
Taxes other than income	33,510	31,104	99,454	84,039
General and administrative				