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CIMAREX ENERGY CO

Form 425

August 06, 2002

Filed by Cimarex Energy Co.  
Pursuant to Rule 425 under the Securities Act of  
1933 and deemed filed pursuant to Rule  
14a-12 of the Securities Exchange Act of 1934

Subject Company: Cimarex Energy Co.  
Commission File No.:132-02238

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HELMERICH & PAYNE  
ESTABLISHED 1920

best people, equipment and technology

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The information contained within this presentation is forward looking and involves risks and uncertainties that could significantly impact expected results. A discussion of these risks and uncertainties is contained in the Company's Form 10-Q filed with the Securities and Exchange Commission on May 15, 2002.

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FORWARD-LOOKING STATEMENTS

It should be noted that this announcement contains certain statements that may be deemed to be "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements regarding the consummation of the proposed spin-off and merger, its effect on future earnings, cash flow or other operating results, the expected closing date of the proposed spin-off and merger, any other effect or benefit of the proposed spin-off and merger, the tax treatment of the proposed spin-off and merger and the combined company, market prospects, and any other statements that are not historical facts. H&P and Key strongly encourage readers to note that some or all of the assumptions upon which such forward-looking statements are based are beyond their ability to control or estimate precisely, and may in some cases be subject to rapid and material changes. Such assumptions include, but are not limited to, costs and difficulties related to the integration of the businesses, costs, delays and other difficulties related to the proposed spin-off and merger, closing conditions not being satisfied, general market conditions prevailing in the exploration for and development and production of oil and gas (including inflation or lack of availability of goods and services, environmental risks, drilling risks and regulatory changes), operating hazards and delays, actions by customers and other third parties, the future price of oil and gas, and other factors detailed in H&P's filings with the

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Securities and Exchange Commission (the "SEC"), which are available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. H&P and Key undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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### ADDITIONAL INFORMATION

In connection with the proposed spin-off and merger, Key and Cimarex filed with the SEC on May 9, 2002, a Registration Statement No. 333-87948 on Form S-4. Investors and security holders are urged to carefully read the Registration Statement regarding the proposed transaction because it contains important information. Investors and security holders may obtain a free copy of the Registration Statement and other documents containing information about Key and H&P's oil and gas division, without charge, at the SEC's web site at [www.sec.gov](http://www.sec.gov). Copies of the Registration Statement and the SEC filings incorporated by reference therein may also be obtained for free by directing a request to either: Key Production Company, Inc., 707 Seventeenth Street, Suite 3300, Denver, Colorado 80202, Attention: Sharon M. Pope, Assistant Corporate Secretary; telephone 303-295-3995, fax: 303-295-3494, or Helmerich & Payne, Inc, Utica at Twenty-First Street, Tulsa, Oklahoma 74114, Attention: Steven R. Mackey, Corporate Secretary; telephone 918-742-5531, fax 918-743-2671.

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### PARTICIPANTS IN SOLICITATION

H&P and Cimarex and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Key's shareholders in connection with the proposed merger. Hans Helmerich, Douglas E. Fears and Steven R. Mackey are currently directors of Cimarex, and each of them and Steven R. Shaw are currently officers of Cimarex (the "Cimarex Participants"). None of the Cimarex Participants beneficially owns any shares of Cimarex common stock. The Cimarex Participants are all executive officers of H&P. Information concerning H&P's participants in the solicitation is set forth in H&P's proxy statement dated January 25, 2002, which is filed with the SEC. Key's shareholders may obtain additional information about the interests of all such participants in the proposed merger by reading Registration Statement No. 333-87948 on Form S-4 which was filed with the SEC on May 9, 2002. Investors should read the Registration Statement carefully before making any voting or investment decisions.

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A New Look For An 82 Year Old Company

- > H&P to Become a "Pure Play"  
Contract Drilling Company
  
- > H&P's Total Rig Fleet to Increase  
by 33% from 2001 To 2003

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Helmerich & Payne, Inc.  
(pre-transaction)

[GRAPHIC OMITTED]

Contract Drilling	106 rigs
E&P	242 Bcfe
Portfolio	\$180MM

- >> - \$1.7 billion market cap
- >> - 50 million shares outstanding

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Exploration & Production Division Spun Off As Cimarex Energy Co.

To H & P  
Shareholders

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Spin/Merge Goals

- >> Increase focus and visibility
- >> Use financial strength to enhance shareholder value
- >> Strengthen E&P division's position
- >> Capture tax efficiency

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Why Key Production?

- >> Impressive people and organization
- >> Complementary and overlapping asset base
- >> Strong balance sheet

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>> Similar philosophies and cultures

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### Combined Properties

Helmerich & Payne, Inc.

Proved reserves (Bcfe)	245
% Natural gas	87%
Production (MMcfe/d)	116
Net undeveloped acres	150,401

Key Production Company

Proved reserves (Bcfe)	147
% Natural gas	62%
Production (MMcfe/d)	74
Net undeveloped acres	119,251

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### Cimarex Energy

(\$ in millions)	Key	H&P	Combined
YE01 Proved reserves, Bcfe	147	245	392
2002E Production, MMcfe/d	74	116	190
% Gas Production	65%	90%	80%
2001 EBITDAX	\$80	\$146	\$226
Employees	95	150	245

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What makes H&P attractive as a "pure play" contract drilling company?

>> Unique Strategy  
>> Expanding Rig Fleet  
>> Strong balance sheet  
>> Additional analyst coverage and ownership interest

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Helmerich & Payne, Inc.

Total Rigs

33% Increase

1998	1999	2000	2001	2002E	2003E
90	90	88	96	113	128

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Rig Locations

Colombia 3

Ecuador 8

Venezuela 14

Bolivia 6

Argentina 2

73	U.S. Rigs
33	International Rigs
106	Total H & P Rigs
4	Management Contracts

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Rig Status as of 6 August 2002

	Rigs Available	Working / Contracted
US Land, Mobile & FlexRigs(TM)	32	97%
US Land, Conventional	29	72%
US Platform	12	67%
International Land	33	42%
Total	106	70%

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US Land Rig Activity July 2001 - July 2002

Recent Peak US Land Rigs  
1,114 on July 13, 2001

Jan-02	721	65%	45.00	58
Feb-02	682	61%	47.00	58
Mar-02	634	56%	47.00	58
Apr-02	628	55%	51.00	58
May-02	702	63%	50.00	58
Jun-02	720	64%	52.00	59
Jul-02	720	64%	52.00	61
Aug-02				

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### US Land Daily Cash Operating Margins

	H&P	Nabors	Grey Wolf	Patterson
1Q00	1.456	1.435	1.569	1.375
2Q00	2.480	1.860	1.463	1.680
3Q00	2.612	1.975	1.945	2.030
4Q00	3.644	2.550	3.285	2.793
1Q01	5.137	4.100	4.979	3.655

Source - A. Vietor w/Stifel, Nicolaus

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### EBITDA (\$MM)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
EBITDA	32.889	46.48	52.745	53.762	85.461	114.086	142.1	127.3	118.9	180.8	180.8
Peak Run Rate											

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Safety - US Land Operations  
January 1997 - June 2002

Incidents Per 200,000 mhrs.:

	TRIR	LTIR
H&P US Land	3.30	0.33
IADC US Land	9.81	2.37

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Safety - US Offshore Operations  
January 1997 - June 2002

Incidents Per 200,000 mhrs.:

	TRIR	LTIR
H&P US Offshore	1.11	0.06
IADC US Offshore	3.24	0.6

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Distinctive Field Performance

Data for Texas, Louisiana & Oklahoma

Conditions:  
Calendar Year 2001  
Texas, Oklahoma, Louisiana  
All land wells > 8,000' depth  
From spud to release

	All Wells Less H&P				H&P All Rigs					
	H&P All Rigs	A	B	C	D	E	F	G	H	I
# Wells	344	697	115	1,141	151	325	1,867	144	53	158
Avg Depth	13,291	11,882	12,032	12,431	10,594	11,643	10,363	10,083	13,801	9,746

Source:  
RigData report

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Year 2001

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75 Top Rigs (Total Footage Drilled)  
US Land 2001

	H&P	Caza	Patterson	Key	14 Other Contractors
Average well Depth (000's ft.)	11.786	9.044	8.27	6.265	6.679

Source: The Land Rig Newsletter

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US Land Operations  
H&P Rig Moves from 1998 to March 2002

[graphic omitted]

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Ten Year Drilling CAPEX 1993 - 2002E

Fiscal Year ----	Total CAPEX -----
1993	\$27 MM
1994	57
1995	88
1996	80
1997	108
1998	211
1999	72
2000	39
2001	172
2002E	300



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TOTAL

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\$1154 MM

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Newest Fleet in Industry

1.	Built or Upgraded	1999	Aug 2002	July 2003
	1980-1989	44	16	16
	1990-1994	20	23	23
	1995-1999	25	39	39
	2000-2003	-	28	50
		---	---	---
	Total Rigs	89	106	128
2.	Electric Rigs (SCR & AC)		90%	92%
3.	Varco top drives		55	102

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[graphic omitted]

H&P Rig 205  
On location in  
Gulf of Mexico

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FlexRig3 Construction Program  
25 New Rigs

1. Estimated cost: \$10.75 MM per rig
2. First three rigs are working
3. First eight rigs are contracted
4. First eight rigs delivered by 30 September 2002
5. Next 17 rigs delivered by July 2003
6. Deliver two rigs per month

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[graphic omitted]

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H&P Rig 211  
On location in  
South Texas

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Capture & Use  
Organizational Learnings

[graphic omitted]

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[graphic omitted]

Inside the Driller's Cabin - H&P FlexRig 211

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Apply New Ideas & Technology

[graphic omitted]

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Total H&P Rigs Available

	1998	1999	2000	2001	2002E	2003E
Offshore Rigs	11	10	10	10	12	12
Conventional Land Rigs	63	62	61	61	62	62
Mobile & FlexRigs	16	17	17	25	37	54

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The Path Ahead

1. Good strategy and good execution are delivering the best value to our customers
2. Our customers are responding with high activity and high margins
3. The FlexRig3 program is adding leverage
4. Improve activity for platform rigs
5. Improve activity in South America
6. Seek opportunities outside North & South America