

Edgar Filing: CIMAREX ENERGY CO - Form 425

CIMAREX ENERGY CO
Form 425
September 05, 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

Slide 1

HELMERICH & PAYNE
ESTABLISHED 1920

best people, equipment and technology

Slide 2

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 August 14, 2002.

Slide 3

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

Edgar Filing: CIMAREX ENERGY CO - Form 425

oil and gas, and other factors detailed in H&P's filings with the Securities and Exchange Commission (the "SEC"), which are available free of charge on the SEC's website at 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.

Slide 4

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. 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.

Slide 5

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.

Slide 6

A New Look For An 82 Year Old Company

Edgar Filing: CIMAREX ENERGY CO - Form 425

- > H&P to Become a "Pure Play"
Contract Drilling Company

 - > H&P's Total Rig Fleet to
Increase by 33% from 2001
To 2003
- | | 1998 | 1999 | 2000 | 2001 | 2002E | 2003E |
|--|------|------|------|------|-------|-------|
| | 90 | 90 | 88 | 96 | 111 | 128 |
-
- > Sold \$41.5 Million of Portfolio
Securities and Arranged \$200 Million
of 5, 7, 10, and 12 Year Notes
- | | Pro Forma | Post Spin | Equity | Debt |
|--|-----------|-----------|--------|------|
| | | 82% | | 18% |

Slide 7

Helmerich & Payne, Inc.
(pre-transaction)

[GRAPHIC OMITTED]
Contract Drilling
E&P
Portfolio

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

Slide 8

Exploration & Production Division
Spun Off As Cimarex Energy Co.

To H & P
Shareholders
September 30, 2002

Slide 9

Spin/Merge Goals

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

Slide 10

Why Key Production?

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

Slide 11

Combined Properties

Helmrich & 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

Slide 12

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%

Slide 13

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

Edgar Filing: CIMAREX ENERGY CO - Form 425

Slide 14

Helmerich & Payne, Inc.

Total Rigs

33% Increase

1998	1999	2000	2001	2002E	2003E
90	90	88	96	111	128

Slide 15

Rig Locations

Venezuela 14

Colombia 3

Ecuador 8

Bolivia 6

Argentina 2

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

Slide 16

Rig Status as of 4 September 2002

	Rigs Available	Working / Contracted
US Land, Mobile & FlexRigs(TM)	35	100%
US Land, Conventional	29	72%
US Platform	12	58%
International Land	33	36%
	---	----
Total	109	69%

Slide 17

US Land Rig Activity July 2001 - August 2002

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

[Graphic Omitted]

Slide 18

US Land Daily Cash Operating Margins

	(\$000's)			
	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

Source - A. Vietor w/Stifel, Nicolaus

Slide 19

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

Slide 20

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

Slide 21

Distinctive Field Performance
Data for Texas, Louisiana & Oklahoma

Conditions:

Edgar Filing: CIMAREX ENERGY CO - Form 425

Calendar Year 2001
 Texas, Oklahoma, Louisiana
 All land wells > 8,000'
 permitted depth (graphic omitted)
 From spud to release

	Avg Depth (ft)									
	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 Year 2001

Slide 22

US Land Operations

H&P Rig Moves from 1998 to July 2002

	1200 HP Existing Mobile Rigs	1500 HP FlexRigs	1000 HP	1500 HP	2000 HP	3000 HP
Average Rig Move Days	2.26	2.62	5.8	6.41	8.13	10.05
# Moves	540	360	158	107	96	60

Slide 23

Ten Year Drilling CAPEX 1994 - 2003B

Fiscal Year -----	Total CAPEX -----
1994	\$57
1995	88
1996	80
1997	108
1998	211
1999	72

Edgar Filing: CIMAREX ENERGY CO - Form 425

2000	39
2001	172
2002E	300
2003B	200
TOTAL	----
	\$1,327 MM

Slide 24

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	-	31	50) 70%
	Total Rigs	<u>89</u>	<u>109</u>	<u>128</u>
2.	Electric Rigs (SCR & AC)		90%	92%
3.	Varco top drives		58	102

Slide 25

H&P Rig 205

GRAPHIC OMITTED

On location in
Gulf of Mexico

Slide 26

H&P Rig 206

GRAPHIC OMITTED

On location in
Gulf of Mexico

Slide 27

FlexRig3 Construction Program
25 New Rigs

1. Estimated cost: \$10.75 MM per rig
2. First six rigs are working

Edgar Filing: CIMAREX ENERGY CO - Form 425

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

Slide 28

Forecast Economics for FlexRigs

	Estimated 10 Year IRRAT -----
A. FlexRig1 (1998) 6 Rigs @ \$6.7 MM ea	12 to 23%
B. FlexRig2 (2001-2002) 12 Rigs @ \$8.0 MM ea	14 to 28%
C. FlexRig3 (2002-2003) 25 Rigs @ \$10.75 MM ea	9 to 28%

Slide 29

H&P Rig 211
On location in
South Texas

GRAPHIC OMITTED

Slide 30

Capture & Use
Organizational Learnings

[Graphic Omitted]

Slide 31

Apply New Ideas & Technology

[Graphic Omitted]

Slide 32

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

[Graphic Omitted]

Slide 33

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
Total	90	89	88	96	111	128

Slide 34

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