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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

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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 August 14, 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

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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.

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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. 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

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- > 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% |

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Helmerich & Payne, Inc.
(pre-transaction)

[GRAPHIC OMITTED]
Contract Drilling
E&P
Portfolio

- > - \$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
September 30, 2002

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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
- > Similar philosophies and cultures

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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 |

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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% |

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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 | 111 | 128 |

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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 |

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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% |

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US Land Rig Activity July 2001 - August 2002

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

[Graphic Omitted]

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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

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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:

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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

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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 |

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Ten Year Drilling CAPEX 1994 - 2003B

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

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

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H&P Rig 205

GRAPHIC OMITTED

On location in
Gulf of Mexico

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H&P Rig 206

GRAPHIC OMITTED

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 six rigs are working

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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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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% |

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H&P Rig 211
On location in
South Texas

GRAPHIC OMITTED

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Capture & Use
Organizational Learnings

[Graphic Omitted]

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Apply New Ideas & Technology

[Graphic Omitted]

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

[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 |
| Total | 90 | 89 | 88 | 96 | 111 | 128 |

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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