

# Cimarex Reports 2014 First Quarter Results

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DENVER, May 6, 2014 /PRNewswire/ -- [Cimarex Energy Co.](#) (NYSE: XEC) today reported 2014 first quarter net income of \$138.5 million, or \$1.59 per diluted share. First quarter 2013 net income was \$89.9 million, or \$1.04 per diluted share. Adjusted 2014 first quarter net income was \$145.3 million, \$1.67 per diluted share(1).

Driven by improved results in the Cana-Woodford shale play, first quarter production grew 12 percent to a record 740 million cubic feet equivalent (MMcfe) per day compared to 2013 first quarter output of 661 MMcfe per day. Oil production grew 18 percent to an average 39,168 barrels per day. Natural gas volumes increased seven percent to 355.3 MMcfe per day and natural gas liquids (NGL) were up 16 percent.

Growth in production and higher product prices resulted in revenues of \$599.2 million versus \$426.4 million for the same period in 2013. Adjusted cash flow from operations was \$408.9 million up 40 percent from \$292.4 million during the same period a year ago(1).

Natural gas prices increased 57 percent to \$5.32 per Mcf in the first quarter of 2014 compared to the first quarter of 2013. Realized oil prices averaged \$92.22 per barrel and NGL prices averaged \$39.94\* per barrel, increases of seven percent and 36 percent, respectively.

Cimarex invested \$467 million on exploration and development in the first quarter. Of these expenditures, 69 percent were on Permian Basin projects and 29 percent on projects in the Mid-Continent.

At March 31, 2014, long-term debt was \$1.025 billion, comprised of \$750 million of senior unsecured notes and \$275 million of bank debt. Debt to total capitalization was 20 percent(2).

## 2014 Outlook

Cimarex now estimates that total production volumes for 2014 will average 822– 847 MMcfe per day, a midpoint increase of 20 percent over 2013. These estimates do not include an estimated 35 MMcfe per day associated with the recently announced Mid-Continent acquisition that is expected to close on June 30. Oil volumes are expected to grow 20 – 23 percent in 2014 and gas volumes 13 – 17 percent. Total company production for the second quarter of 2014 is projected to average 810 – 830 MMcfe per day.

Estimated 2014 exploration and development capital is estimated to be \$1.9 billion with \$1.5 billion directed towards the Permian region.

Expenses per Mcfe of production for 2014 are estimated to be:

Production expense

\$1.12 - \$1.18

Transportation, processing and other expense

0.65 – 0.70\*

DD&A and ARO accretion

2.70 - 2.80

General and administrative expense

0.29 - 0.33

Taxes other than income (% of oil and gas revenue)

5.8 - 6.2%

\*Historically, Cimarex reported realized natural gas and NGL prices net of certain processing fees. Beginning in 2014, these fees are no longer being deducted from revenue but are instead included in transportation, processing and other expense. In the first quarter of 2014, this resulted in higher realized prices of \$0.09 per Mcf of natural gas and \$4.02 per barrel of NGL and an increase to both revenues and expenses of \$12 million (\$0.18 per Mcfe). As a result, Cimarex is increasing guidance for transportation, processing and other expense from \$0.40-\$0.45 per Mcfe to \$0.65-\$0.70 per Mcfe.

## Permian Basin Update

First quarter 2014 production from the Permian Basin averaged 347.0 MMcfe per day, an increase of 26 percent over first quarter 2013. Oil volumes increased 22 percent to 31,624 barrels per day.

Cimarex drilled and completed 34 gross (21 net) Permian Basin wells during the first quarter, including 25 gross (13 net) Bone Spring wells. All were completed as producers. At March 31, 23 gross (15 net) wells were awaiting completion. Cimarex currently has 17 horizontal rigs running in the Permian region.

Cimarex continues to experience good results in the Permian region from the application of its upsized frac design in the Wolfcamp shale play. In Culberson County, Texas, Cimarex now has three wells producing from the Wolfcamp D formation that were completed with an upsized frac. These wells had an average 30-day initial gross production rate of 1,510 BOE per day. In addition, the company now has two long lateral Wolfcamp D wells producing in Culberson County. The newest long lateral, the Gallant Fox 37 LL Unit 1H, had comparable results to the first well with an average 30-day initial gross production rate of 2,516 BOE per day (45% gas, 26% oil and 29% NGL).

During the quarter, Cimarex increased its Wolfcamp acreage position from approximately 180,000 net acres to 225,000 net acres. The company now has 94,000 net prospective acres in the Triple Crown area (Culberson County, TX and Eddy County, NM), 77,000 in Reeves County, TX, and 39,000 in Ward County, TX. This increased acreage position facilitates the drilling of long laterals (greater than 5,000 feet) which the company believes to be optimal in the development of this large asset.

As previously discussed, Cimarex is currently conducting four downspacing pilots consisting of two in Culberson County and two in Reeves County. Results are expected later this year.

### **Mid-Continent Update**

Mid-Continent production averaged 371.3 MMcfe per day for the first quarter of 2014, a three percent increase over the first quarter 2013 average of 360.6 MMcfe per day. Cana-Woodford represented 255.2 MMcfe per day of the first quarter 2014 total. During the first quarter Cimarex drilled and completed 39 gross (14 net) wells, most of which were in the Cana-Woodford shale play. All were completed as producers.

In the Cana field, Cimarex saw positive results from the testing of a new completion design and workover activities. Both contributed to higher than expected Cana field production for the quarter, which was up 13 percent sequentially. Going forward, Cimarex expects to use the new completion design on all of its Cana wells. At March 31, 37 gross (21 net) Cana-Woodford wells were awaiting completion.

### **WELLS DRILLED AND COMPLETED BY REGION**

For the Three Months Ended

March 31,

2014

2013

Gross wells

Permian Basin

34

35

Mid-Continent

39

52

Other

1

-

74

87

Net wells

Permian Basin

21

27

Mid-Continent

14

20

Other

1

-

36

47

% Gross wells completed as producers  
99%  
100%

The company's average daily production by commodity and region is summarized below:

For the Three Months Ended

March 31,

2014

2013

Gas (MMcf per day)

Permian Basin

102.5

82.8

Mid-Continent

243.8

236.2

Other

9.0

13.8

355.3

332.8

Oil (Bbls per day)

Permian Basin

31,624

25,832

Mid-Continent

6,057

6,291

Other

1,487

1,031

39,168

33,154

NGL (Bbls per day)

Permian Basin

9,124

6,239

Mid-Continent

15,196

14,443

Other

708

880

25,028

21,562

Total Equivalent (MMcfe per day)

Permian Basin

347.0

275.2

Mid-Continent

371.3

360.6

Other

22.1

25.3

740.4

661.1

## Other

The company's senior revolving credit facility was amended to extend the maturity to July 14, 2018, increase the borrowing base from \$2.25 billion to \$2.5 billion and reduce the applicable LIBOR margin from LIBOR plus 1.75%-2.5% to 1.50%-2.25%. Credit facility commitments remain unchanged at \$1 billion.

The following table summarizes the company's current open hedge positions:

### **Oil Contracts**

Weighted Ave. Price

Period

Type

Bbl/day

Index(3)

Floor

Ceiling

April 14 – Dec. 14

Collar

12,000

WTI

\$85.00

\$103.47

### **Gas Contracts**

Weighted Ave. Price

Period

Type

MMBTU/day

Index(3)

Floor

Ceiling

April 14 – Dec. 14

Collar

80,000

PEPL

\$3.51

\$4.57

April 14 – Dec. 14

Collar

60,000

PermEP

\$3.65

\$4.50

Cimarex accounts for commodity contracts using the mark-to-market (through income) accounting method. First quarter 2014 had \$4.8 million in cash payments on gas collars.

### **Conference call and webcast**

Cimarex will host a conference call tomorrow, May 7, at 11:00 a.m. Mountain Time (1:00 p.m. Eastern Time). The call will be webcast and accessible on the Cimarex website at [www.cimarex.com](http://www.cimarex.com). To participate in the live, interactive call, please dial 877-870-4263 five minutes before the scheduled start time (international callers dial 1-412-317-0790). A replay will be available for one week following the call by dialing 877-344-7529 (international callers dial 1-412-317-0088); conference I.D. 10042862. The replay will also be available on the company's website or via the Cimarex App.

### **Investor Presentation**

For more details on Cimarex's results, please refer to the company's investor presentation available at [www.cimarex.com](http://www.cimarex.com).

### **About Cimarex Energy**

Denver-based Cimarex Energy Co. is an independent oil and gas exploration and production company with principal operations in the Mid-Continent and Permian Basin areas of the U.S.

*This press release contains forward-looking statements, including statements regarding projected results and future events. In particular, the company is providing revised "2014 outlook", which contains projections for certain 2014 operational and financial metrics. These forward-looking statements are based on management's judgment as of the date of this press release and include certain risks and uncertainties.*

*Please refer to the company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC, and other filings including our Current Reports on Form 8-K and Quarterly Reports on Form 10-Q, for a list of certain risk factors that may affect these forward-looking statements.*

*Actual results may differ materially from company projections and other forward-looking statements and can be affected by a variety of factors outside the control of the company including, among other things: oil, NGL and natural gas price volatility; the ability to complete property sales or other transactions; the ability to receive drilling and other permits and rights-of-way in a timely manner; development drilling and testing results; the potential for production decline rates to be greater than expected; performance of acquired properties and newly drilled wells; costs and availability of third party facilities for gathering, processing, refining and transportation; regulatory approvals, including regulatory restrictions on federal lands; legislative or regulatory changes, including initiatives related to hydraulic fracturing; higher than expected costs and expenses, including the availability and cost of services and materials; unexpected future capital expenditures; economic and competitive conditions; the ability to obtain industry partners to jointly explore certain prospects, and the willingness and ability of those partners to meet capital obligations when requested; declines in the values of our oil and gas properties resulting in impairments; changes in estimates of proved reserves; compliance with environmental and other regulations; derivative and hedging activities; risks associated with operating in one major geographic area; the success of the company's risk management activities; title to properties; litigation; environmental liabilities; and other factors discussed in the company's reports filed with the SEC. Cimarex Energy Co. encourages readers to consider the risks and uncertainties associated with projections and other forward-looking statements. In addition, the company assumes no obligation to publicly revise or update any forward-looking statements based on future events or circumstances.*

(1)

Adjusted net income and adjusted cash flow from operations are non-GAAP financial measures. See the tables below for a reconciliation of the related amounts.

(2)

Reconciliation of debt to total capitalization, which is a non-GAAP measure, is: long-term debt of \$1,025 million divided by long-term debt of \$1,025 million plus stockholders' equity of \$4,148 million.

(3)

WTI refers to West Texas Intermediate oil price as quoted on the New York Mercantile Exchange. PEPL refers to Panhandle Eastern Pipe Line Tex/OK Mid-Continent index and PermEp is El Paso Permian Basin index both as quoted in Platt's Inside FERC.

## RECONCILIATION OF ADJUSTED NET INCOME

For the Three Months Ended

March 31,

2014

2013

(in thousands, net of tax, except per share data)

Net income

\$138,457

\$89,927

Mark-to-market loss of open derivative positions

6,886

1,463

Adjusted net income

\$145,343

\$91,390

Diluted earnings per share

\$1.59

\$1.04

Adjusted diluted earnings per share

\$1.67

\$1.06

Diluted shares attributable to common stockholders and participating securities

87,177  
86,555  
Estimated tax rates utilized  
37.1%  
37.2%

Adjusted net income and adjusted diluted earnings per share excludes the noted items because management believes these items affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- a) Management uses adjusted net income to evaluate the company's operational trends and performance relative to other oil and gas exploration and production companies.
- b) Adjusted net income is more comparable to earnings estimates provided by research analysts.

#### **RECONCILIATION OF ADJUSTED CASH FLOW FROM OPERATIONS**

For the Three Months Ended  
March 31,  
2014  
2013  
(in thousands)  
Net cash provided by operating activities  
\$348,024  
\$247,078  
Change in operating assets and liabilities  
60,868  
45,343  
Adjusted cash flow from operations  
\$408,892  
\$292,421

Management believes that the non-GAAP measure of adjusted cash flow from operations is useful information for investors because it is used internally and is accepted by the investment community as a means of measuring the company's ability to fund its capital program, without fluctuations caused by changes in current assets and liabilities, which are included in the GAAP measure of cash flow from operating activities. It is also used by professional research analysts in providing investment recommendations pertaining to companies in the oil and gas exploration and production industry.

#### **PRICE AND PRODUCTION DATA**

For the Three Months Ended

March 31,

2014

2013

Gas:

Total production (MMcf)

31,973

29,952

Daily production (MMcf)

355

333

Price (per Mcf)

\$5.32

\$3.38

Oil:

Total production (Bbls)

3,525,129

2,983,838

Daily production (Bbls)

39,168

33,154

Price (per Bbl)

\$92.22

\$86.31

NGLs:  
Total production (Bbls)  
2,252,479  
1,940,574  
Daily production (Bbls)  
25,028  
21,562  
Price (per Bbl)  
\$39.94  
\$29.31

## OIL AND GAS CAPITALIZED EXPENDITURES

For the Three Months Ended

March 31,

2014

2013

(in thousands)

Acquisitions:

Proved

\$—

\$—

Unproved

—

250

—

250

Exploration and development:

Land and Seismic

65,325

31,310

Exploration and development

401,702

377,297

467,027

408,607

Sale proceeds:

Proved

—

(818)

Unproved

—

(81)

—

(899)

\$467,027

\$407,958

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited)

For the Three Months Ended

March 31,

2014

2013

(in thousands, except per share data)

Revenues:

Gas sales

\$170,097

\$101,121

Oil sales

325,071

257,532

NGL sales

89,957

56,875  
Gas gathering and other, net  
14,091  
10,828  
599,216  
426,356  
Costs and expenses:  
Depreciation, depletion, amortization and accretion  
177,149  
138,837  
Production  
75,141  
69,386  
Transportation, processing, and other operating  
44,248  
18,634  
Gas gathering and other  
8,784  
6,156  
Taxes other than income  
33,621  
25,128  
General and administrative  
20,712  
15,577  
Stock compensation  
3,724  
3,605  
Loss on derivative instruments, net  
15,735  
1,603  
Other operating, net  
103  
2,932  
379,217  
281,858  
Operating income  
219,999  
144,498  
Other (income) and expense:  
Interest expense  
13,044  
12,186  
Amortization of deferred financing costs  
998  
1,020  
Capitalized interest  
(7,290)  
(9,195)  
Other, net  
(6,955)  
(2,616)  
Income before income tax  
220,202  
143,103  
Income tax expense  
81,745  
53,176  
Net income  
\$138,457  
\$89,927  
Earnings per share to common stockholders:  
Basic  
\$1.59  
\$1.04  
Diluted  
\$1.59

\$1.04
Dividends per share
\$0.16
\$0.14
Shares attributable to common stockholders:
Unrestricted common shares outstanding
85,443
84,920
Diluted common shares
85,579
85,016
Shares attributable to common stockholders and participating securities:
Basic shares outstanding
87,042
86,459
Fully diluted shares
87,177
86,555
Comprehensive income:
Net income
\$138,457
\$89,927
Other comprehensive income:
Change in fair value of investments, net of tax
40
80
Total comprehensive income
\$138,497
\$90,007

### **CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (unaudited)**

For the Three Months Ended
March 31,
2014
2013
(in thousands)
Cash flows from operating activities:
Net income
\$138,457
\$89,927
Adjustment to reconcile net income to net cash provided by operating activities:
Depreciation, depletion, amortization and accretion
177,149
138,837
Deferred income taxes
81,745
53,176
Stock compensation
3,724
3,605
Loss on derivative instruments
15,735
1,603
Settlements on derivative instruments
(4,787)
726
Changes in non-current assets and liabilities
(4,207)
3,374
Amortization of deferred financing costs and other, net
1,076
1,173
Changes in operating assets and liabilities:

Receivables, net
(35,529)
(30,576)
Other current assets
(16,772)
9,143
Accounts payable and accrued liabilities
(8,567)
(23,910)
Net cash provided by operating activities
348,024
247,078
Cash flows from investing activities:
Oil and gas expenditures
(420,040)
(390,669)
Sales of oil and gas assets and other assets
104
975
Other expenditures
(19,854)
(19,523)
Net cash used by investing activities
(439,790)
(409,217)
Cash flows from financing activities:
Net bank debt borrowings
101,000
120,000
Dividends paid
(12,143)
(10,356)
Issuance of common stock and other
2,908
1,489
Net cash provided by financing activities
91,765
111,133
Net change in cash and cash equivalents
(1)
(51,006)
Cash and cash equivalents at beginning of period
4,531
69,538
Cash and cash equivalents at end of period
\$4,530
\$18,532

### **CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

March 31,
December 31,
2014
2013
Assets
(in thousands, except share data)
Current assets:
Cash and cash equivalents
\$4,530
\$4,531
Restricted cash
818
818
Receivables, net
403,283
367,754

Oil and gas well equipment and supplies	
84,339	
66,772	
Deferred income taxes	
14,358	
16,854	
Derivative instruments	
3	
4,268	
Other current assets	
7,347	
8,142	
Total current assets	
514,678	
469,139	
Oil and gas properties at cost, using the full cost method of accounting:	
Proved properties	
13,212,174	
12,863,961	
Unproved properties and properties under development, not being amortized	
713,195	
585,361	
13,925,369	
13,449,322	
Less – accumulated depreciation, depletion and amortization	
(7,650,755)	
(7,483,685)	
Net oil and gas properties	
6,274,614	
5,965,637	
Fixed assets, net	
159,824	
146,918	
Goodwill	
620,232	
620,232	
Other assets, net	
49,287	
51,209	
\$7,618,635	
\$7,253,135	
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	
\$140,720	
\$116,110	
Accrued liabilities	
411,352	
412,495	
Derivative instruments	
7,072	
389	
Revenue payable	
169,842	
154,173	
Total current liabilities	
728,986	
683,167	
Long-term debt	
1,025,000	
924,000	
Deferred income taxes	
1,539,114	
1,459,841	
Other liabilities	
177,798	

163,919
Total liabilities
3,470,898
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, 87,033,110 and 87,152,197 shares issued, respectively
870
872
Paid-in capital
1,970,946
1,970,113
Retained earnings
2,174,692
2,050,034
Accumulated other comprehensive income
1,229
1,189
4,147,737
4,022,208
\$7,618,635
\$7,253,135

## Contact

[Cimarex Energy Co.](#)  
[www.cimarex.com](http://www.cimarex.com)

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