



# ***CIMAREX***

## **1Q20 EARNINGS PRESENTATION**

May 2020



**CIMAREX ENERGY CO. NYSE LISTED: XEC**

# Forward-looking Statements

This presentation contains projections and other forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These projections and statements reflect the Company's current views with respect to future events and financial performance. No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain factors. A discussion of these factors is included in the Company's periodic reports filed with the U.S. Securities and Exchange Commission.

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 levels and volatility, including those resulting from demand destruction from the COVID-19 pandemic; disruptions to the availability of workers and contractors due to illness and stay at home orders related to the COVID-19 pandemic; disruptions to gathering, pipeline, refining, transportation and other midstream and downstream activities due to the COVID-19 pandemic; disruptions to supply chains and availability of critical equipment and supplies due to the COVID-19 pandemic; the effectiveness of controls over financial reporting; declines in the values of our oil and gas properties resulting in impairments; impairments of goodwill; higher than expected costs and expenses, including the availability and cost of services and materials; our ability to successfully integrate the March 2019 acquisition of Resolute Energy Corporation; compliance with environmental and other regulations; costs and availability of third party facilities for gathering, processing, refining and transportation; risks associated with concentration of operations in one major geographic area; environmental liabilities; 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; regulatory approvals, including regulatory restrictions on federal lands; legislative or regulatory changes, including initiatives related to hydraulic fracturing, emissions and disposal of produced water; unexpected future capital expenditures; economic and competitive conditions; the availability and cost of capital; 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; changes in estimates of proved reserves; derivative and hedging activities; the success of the company's risk management activities; title to properties; litigation; the ability to complete property sales or other transactions; 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.



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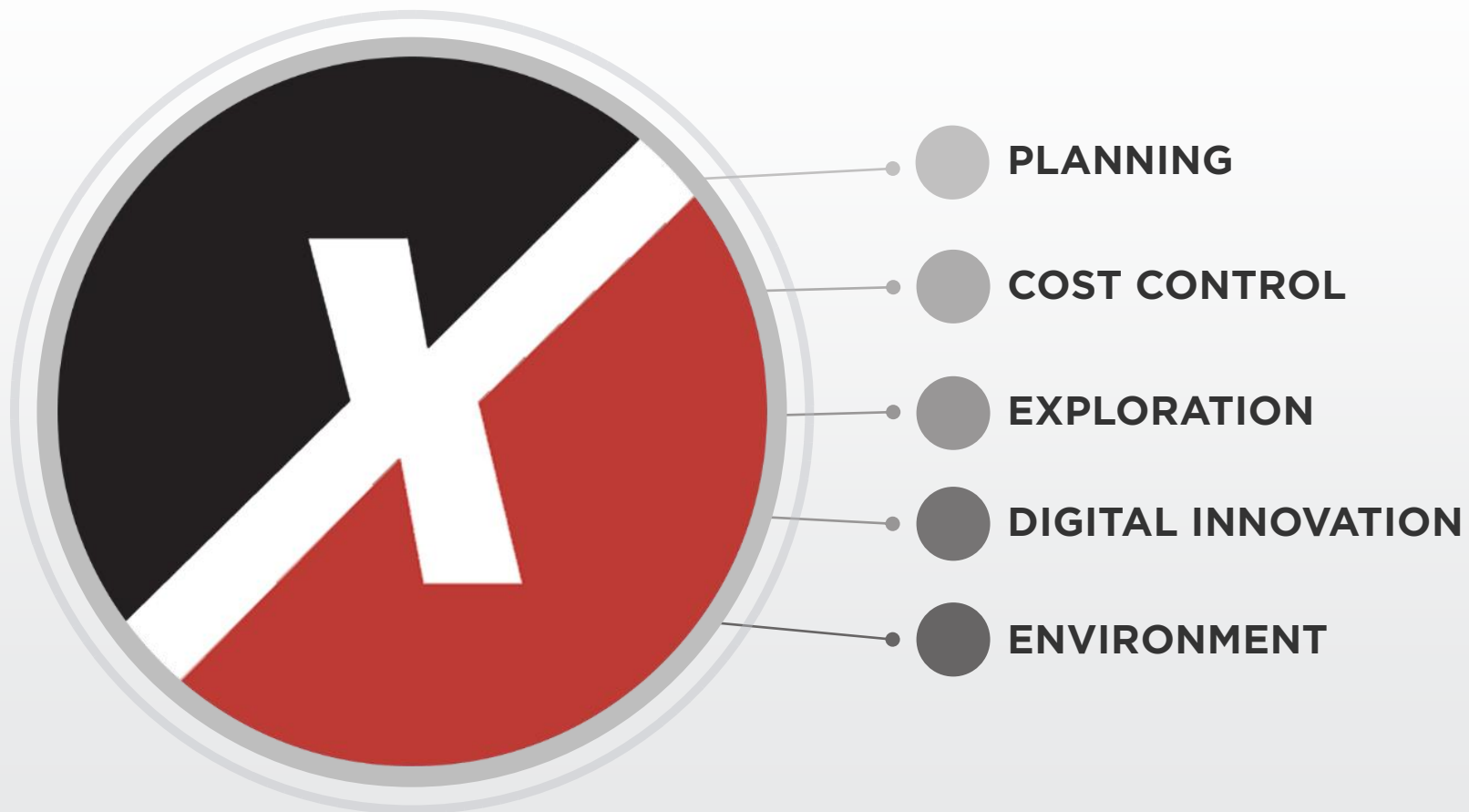
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# Cimarex Energy: Pillars of Successful Strategy

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# 1Q20 Operational Highlights



## OIL PRODUCTION AT MIDPOINT OF GUIDANCE

- 89.8 MBbls/d vs 87.5 – 91.5 MBbls/d

## \$43 MM HEDGE GAIN IN Q1

- \$230 MM estimated full-year 2020 gains based on 4/30 strip



## BROUGHT 20 NET WELLS ON PRODUCTION IN THE PERMIAN BASIN

1Q20 COST PER LATERAL FOOT OF \$980; BELOW EXPECTATIONS

## 2019 ESG UPDATE LIVE AT CIMAREX.COM



2019 METHANE INTENSITY RATE 0.257%, DOWN 24% Y-O-Y

- 2020 TARGET: 5% REDUCTION



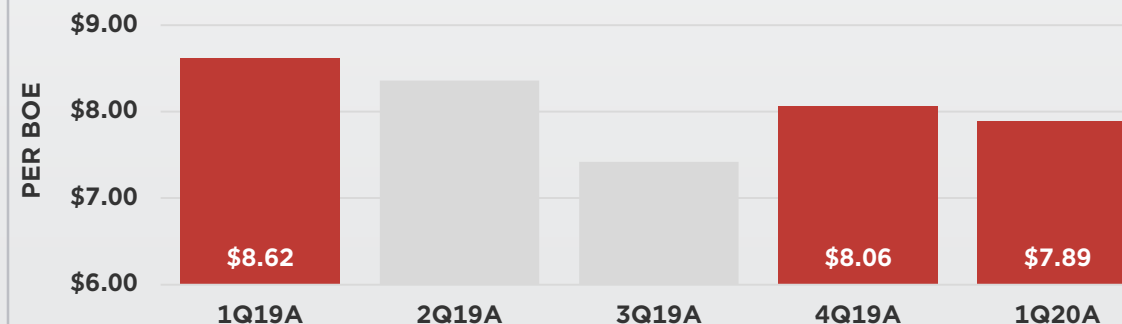
2019 PERMIAN FLARING INTENSITY 1.97%

- 2020 TARGET: 1.44%
- YTD: 1.12%



64% PERMIAN BASIN RECYCLED FRAC WATER IN 2019

## TOTAL COMPANY CASH OPERATING COSTS DOWN 8% FROM 1Q19 AND DOWN 2% SEQUENTIALLY



Cash operating costs include: LOE, Workover, Transportation, Production Tax, G&A

# Responding to Current Challenges

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## COVID-19 HAS CAUSED EXTREME WEAKNESS IN OIL PRICES DUE TO LOWER DEMAND

### EMPLOYEE HEALTH & SAFETY

- Implemented remote work for all office employees and COVID-19 protocols for field staff
- Formed COVID-19 task forces to develop policies and the Return to Office task force to plan for safe office returns

### FOCUS ON FREE CASH FLOW

- Cut capital 55-60% from February guidance, released all but one drilling rig, and deferring well completions
- Curtailing 20% of May production and will continue curtailments should conditions warrant
- Early Retirement Incentive Plan will result in ten percent staff reduction and save \$25 MM on annual basis when completed
- Replacing field contract labor with company employees

# Capital Investment – Flexibility in Turbulent Times

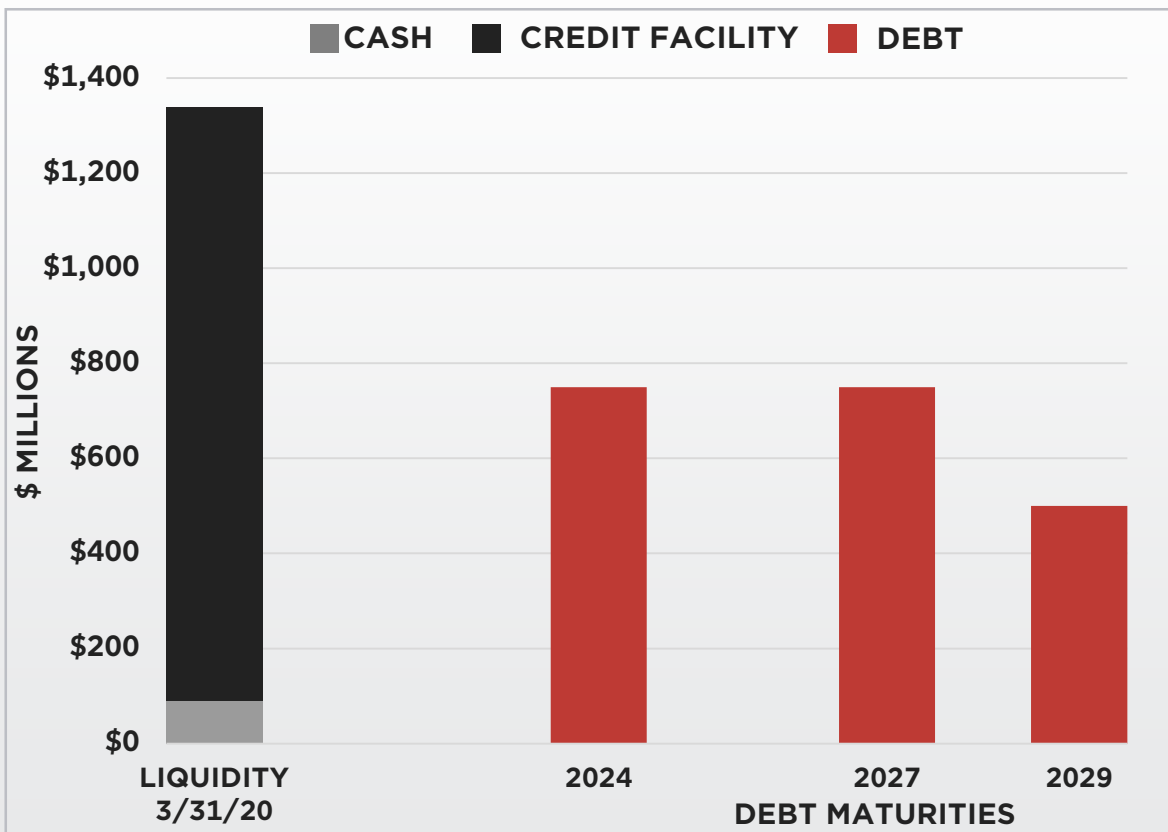
\$ MILLION	1Q20A	FEB 2020E GUIDANCE	UPDATED 2020E GUIDANCE	DIFFERENCE
DRILLING & COMPLETION (D&C) <sup>1</sup>	\$ 214	\$ 950 – 1,050	\$ 300 – 400	↓ 58% – 71%
MIDSTREAM/SWD	27	~ 100	~ 40	↓ 60%
OTHER <sup>2</sup>	33	~ 200	~ 160	↓ 20%
<b>TOTAL CAPITAL INVESTMENT</b>	<b>\$ 274</b>	<b>\$ 1,250 – 1,350</b>	<b>\$ 500 – 600</b>	<b>↓ 55% – 60%</b>

<sup>1</sup> Includes well facilities, flow back and outside operated wells

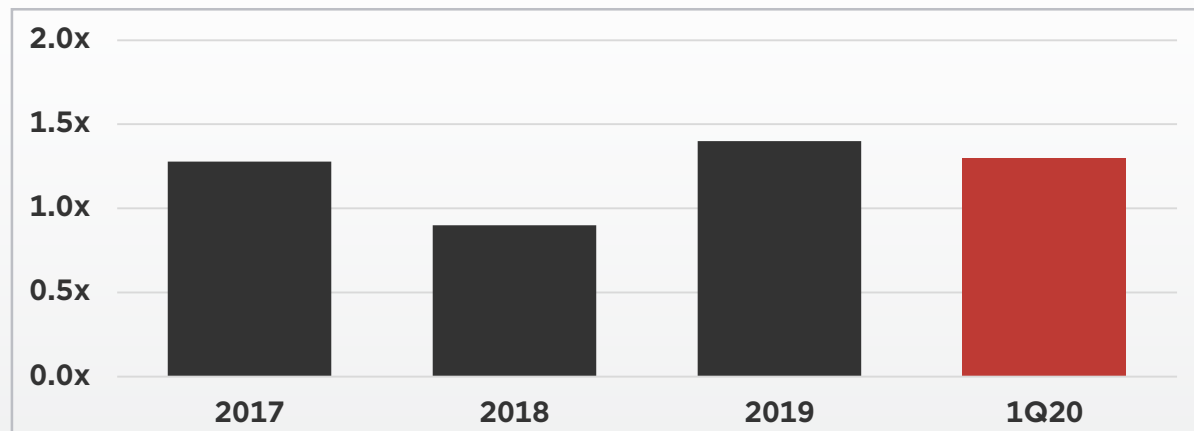
<sup>2</sup> Capitalized overhead, production capital, land and technology

# Strong Balance Sheet, Conservative Financial Position

## AMPLE LIQUIDITY, NO NEAR-TERM DEBT MATURITIES



## XEC DEBT/TTM EBITDA



## INVESTMENT GRADE RATED

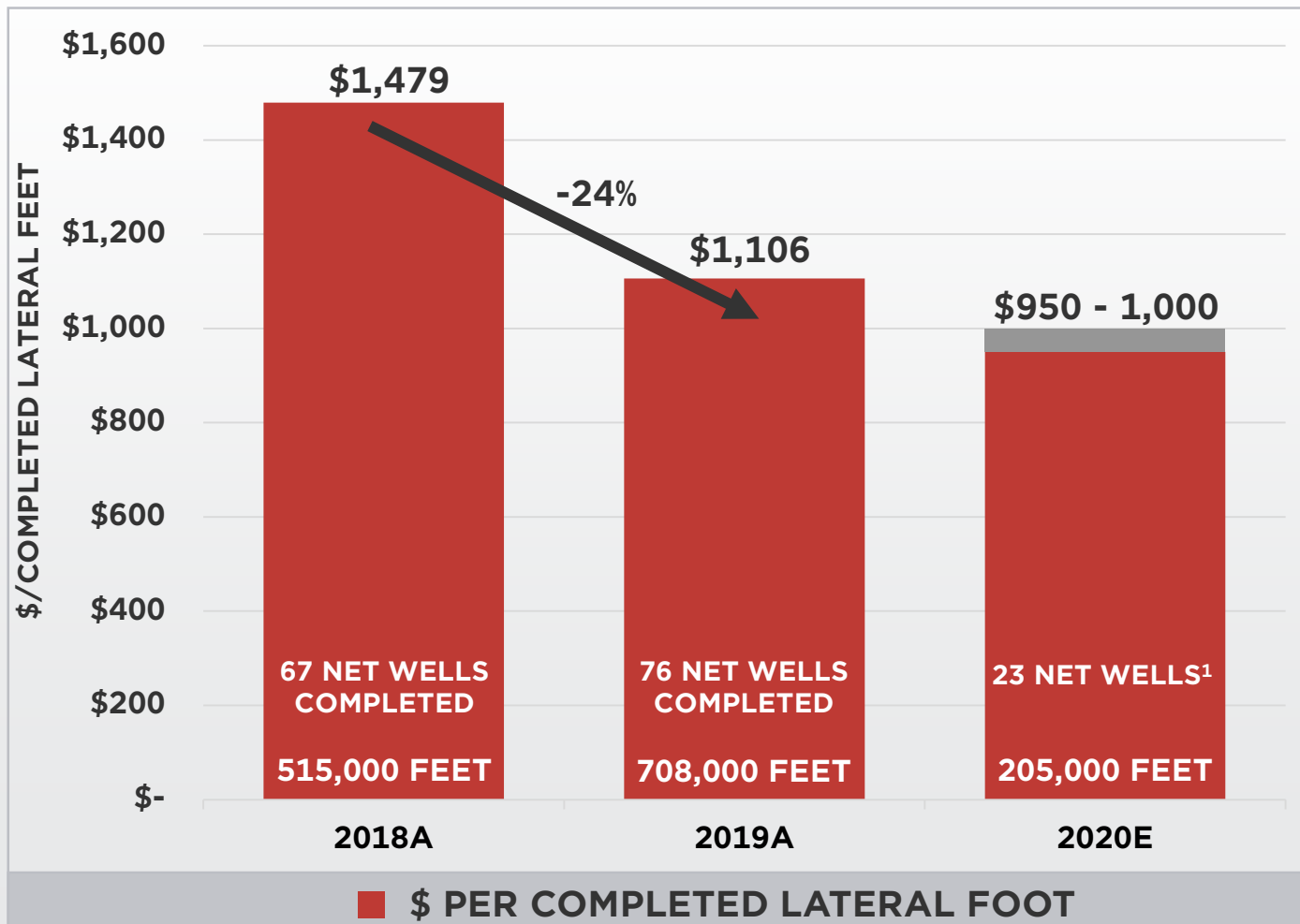
## NO NEAR-TERM DEBT MATURITIES

**\$1.3 BILLION OF LIQUIDITY, INCLUDING \$89 MILLION OF CASH (3/31/2020)**

**EXPECT NO ADDITIONAL BORROWINGS IN 2020**

# Permian Region Well Cost Improvements

## WELL COST PER COMPLETED LATERAL FOOT (OPERATED)



$$\text{WELL COST PER LATERAL FOOT} = \frac{\text{TOTAL CAPITAL ASSOCIATED WITH COMPLETED WELLS}^2}{\text{LATERAL FEET COMPLETED}}$$

### 2020 WELL COSTS TRENDING BELOW EXPECTATIONS:

- 1Q20A equals \$980/foot
- Go forward costs trending \$850 - \$950/foot



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<sup>1</sup>Wells completed, but not necessarily on line in 2020

<sup>2</sup>Total capital includes D&C, facilities and flow back associated with wells completed in the period



# Long-Term Strategy, Near-Term Priorities

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## STRATEGY

Capital discipline and  
asset optimization

Financial strength

Return on and of capital

## PRIORITIES

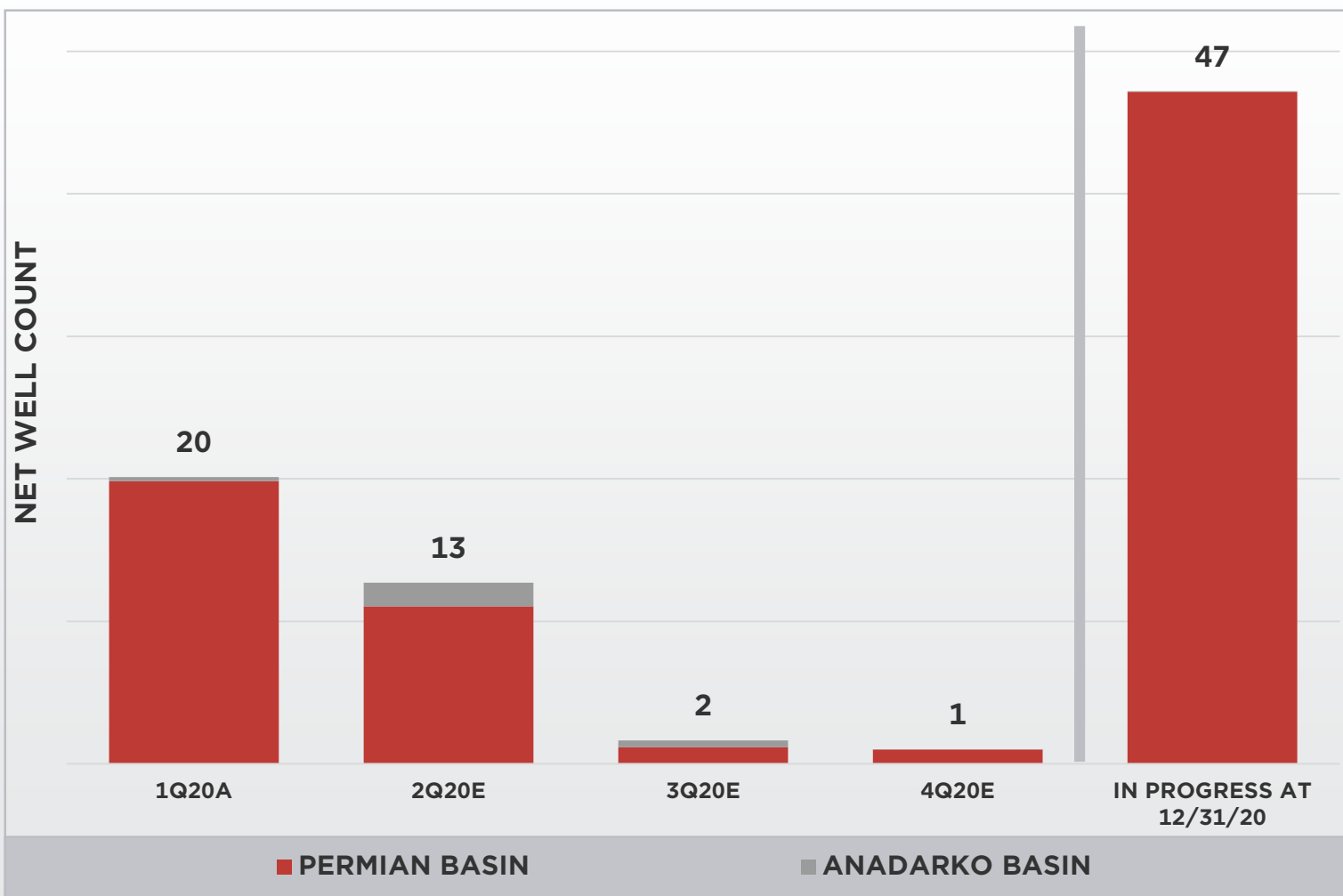
Employee health and safety

Focused execution

Free cash flow generation  
and balance sheet strength

Returning capital to shareholders  
through our dividend

# Net Wells on Production

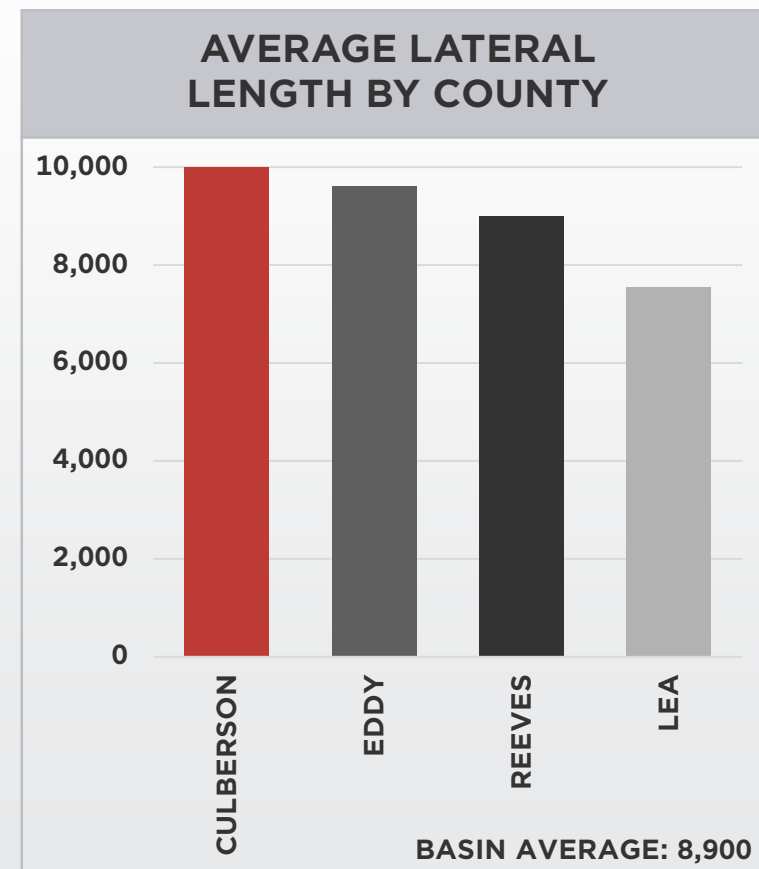
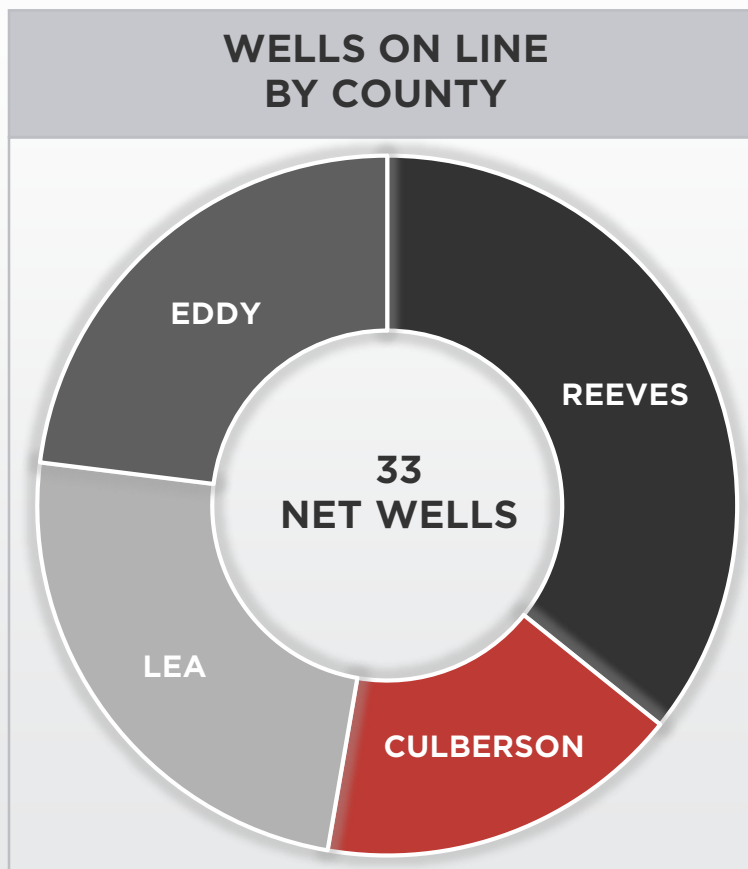
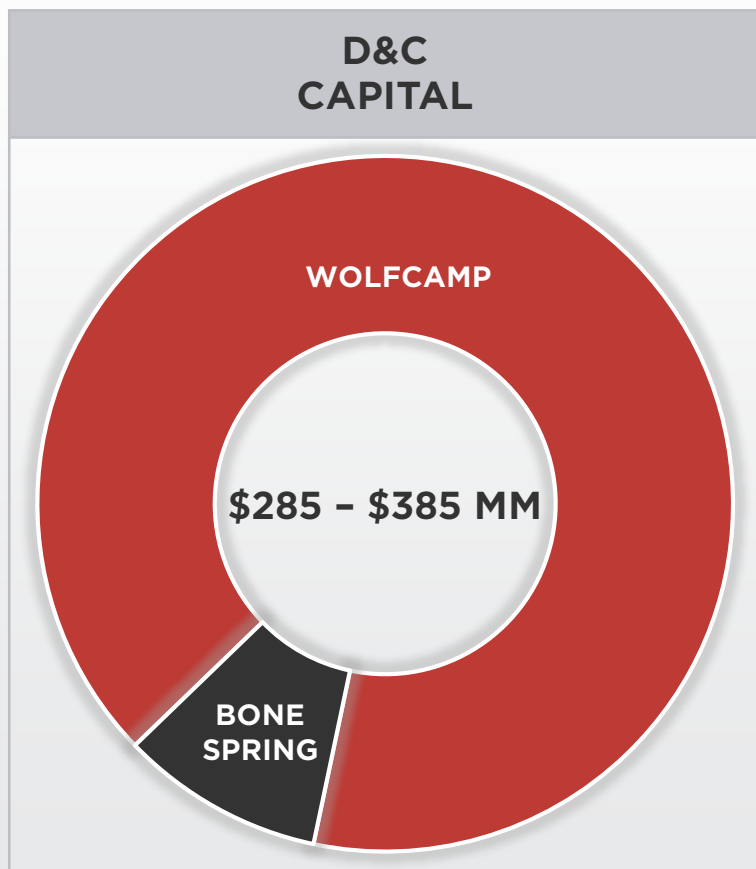


**BROUGHT 20 NET WELLS ON PRODUCTION IN Q1**

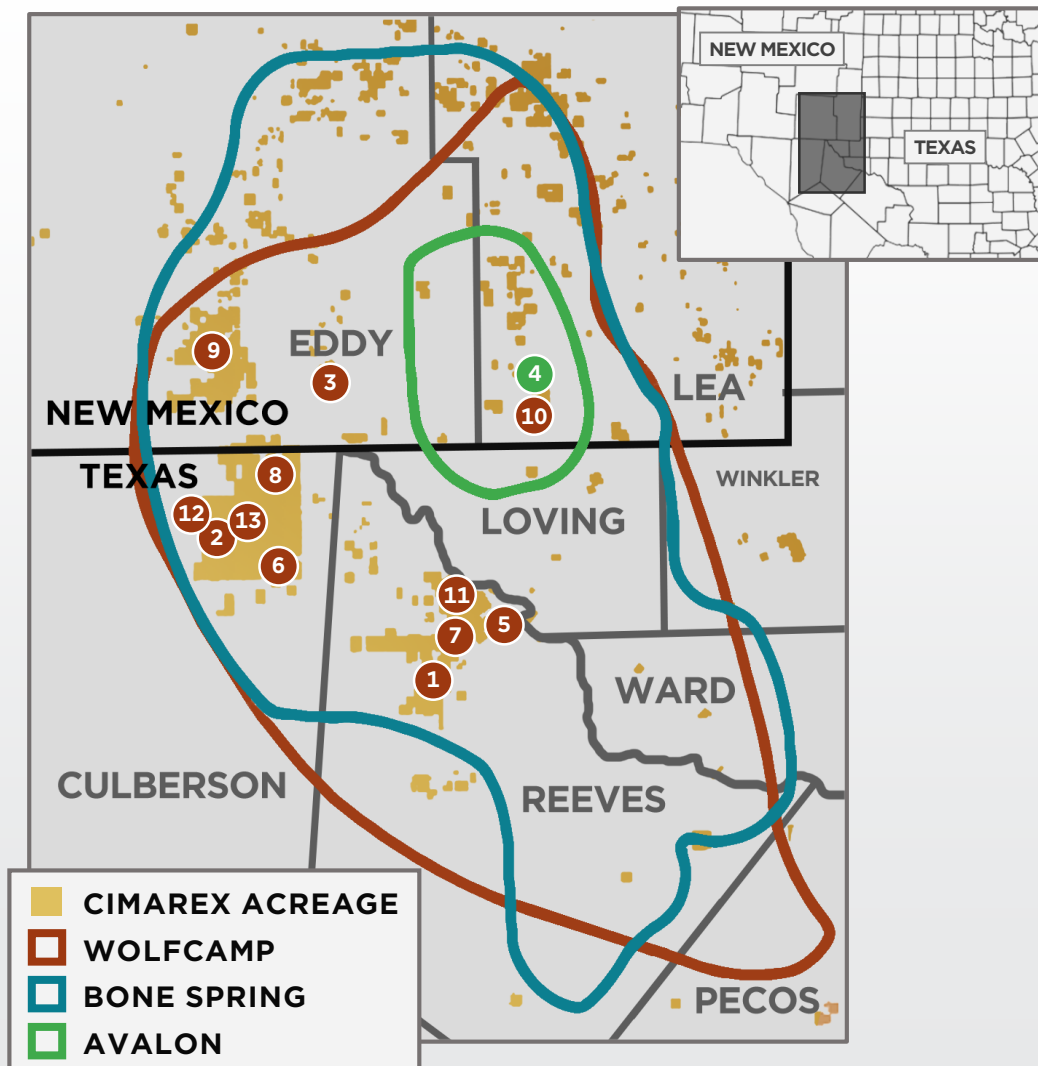
**EXPECT TO BRING 36 NET WELLS ON PRODUCTION IN 2020**

- 47 wells in progress at year end 2020

# Updated 2020 Delaware Basin Plans



# Delaware Basin 2020 – 6 Developments On Production



## OPERATING ONE DRILLING RIG BY MID-MAY

### 2020 DEVELOPMENTS ON LINE

	PROJECT NAME	WELLS	% WI	ON LINE
1	ELECTRIC STATE	5	100	1Q
2	CARRY BACK*	2	80	1Q
3	RIVERBEND	5	79	1Q
4	VACA DRAW	6	50	1Q
5	GOAT	7	97	2Q
6	HIS EMINENCE	5	50	2Q

### 2020 DUC ACTIVITY

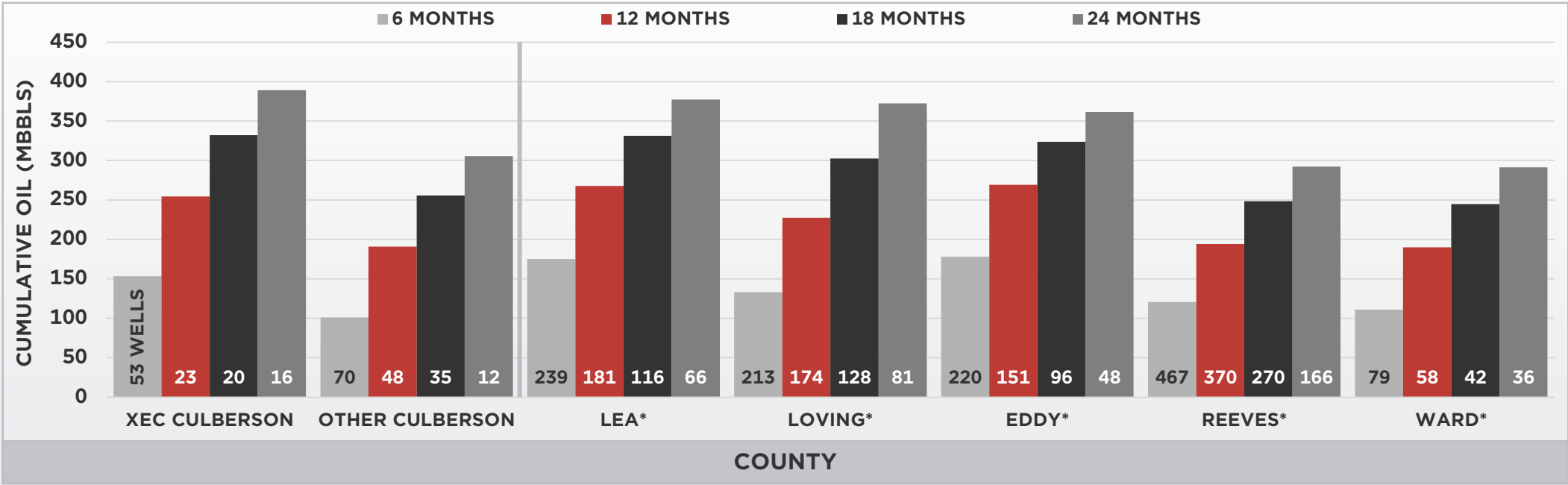
7	DIXIELAND	8	97
8	TIM TAM	6	50
9	CRAWFORD	4	100
10	RED HILLS	6	57
11	CAPPLETON	7	92
12	BURGOO KING	4	50
13	COUNT FLEET	7	50

\*Total development of 7 wells, 5 wells came on production late December 2019

# Culberson: Top-Tier Oil Wells

## DELAWARE BASIN CUMULATIVE OIL PRODUCTION BY COUNTY

(>8,500 LL, First Prod >2016, Upper Wolfcamp & Bone Spring Formations)



\*Includes XEC wells

### ATTRIBUTES OF CULBERSON COUNTY LONG LATERALS

- Competitive Oil Production
- Shallow Declines
- Low Operating Costs (LOE)

# Culberson: Water Infrastructure Driving Efficiencies

## RISER: XEC-ENGINEERED ACCESS FOR WATER REUSE



## SALTWATER DISPOSAL (SWD)

- Own & operate the system
- Improves operating costs
- System redundancy reduces downtime
- System expanding efficiently with additional development

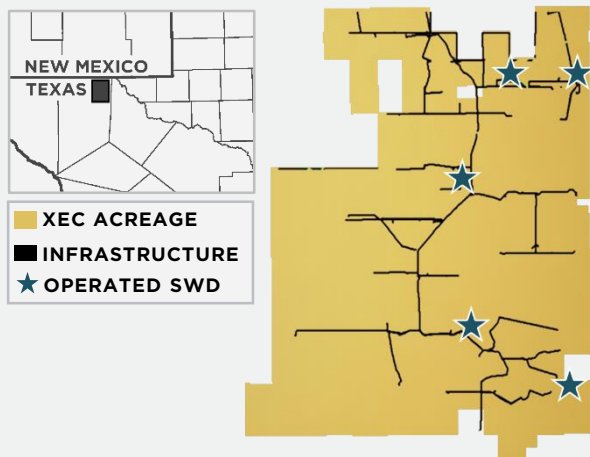
## WATER REUSE DRIVES EFFICIENCY

- On-demand recycled water lowers cost
- Wolfcamp completions used 94% recycled water in 2019
- Saved \$1.78/bbl for procured water

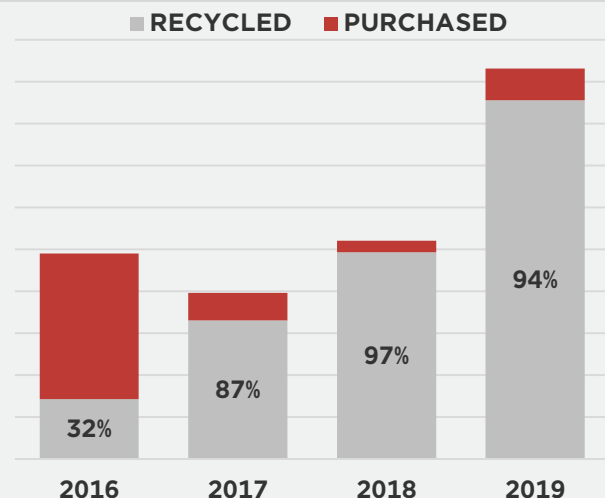
## ENVIRONMENTAL BENEFITS

- Avoids surface storage of produced water
- Permanent underground flow helps to prevent spills
- Reduces need for fresh water

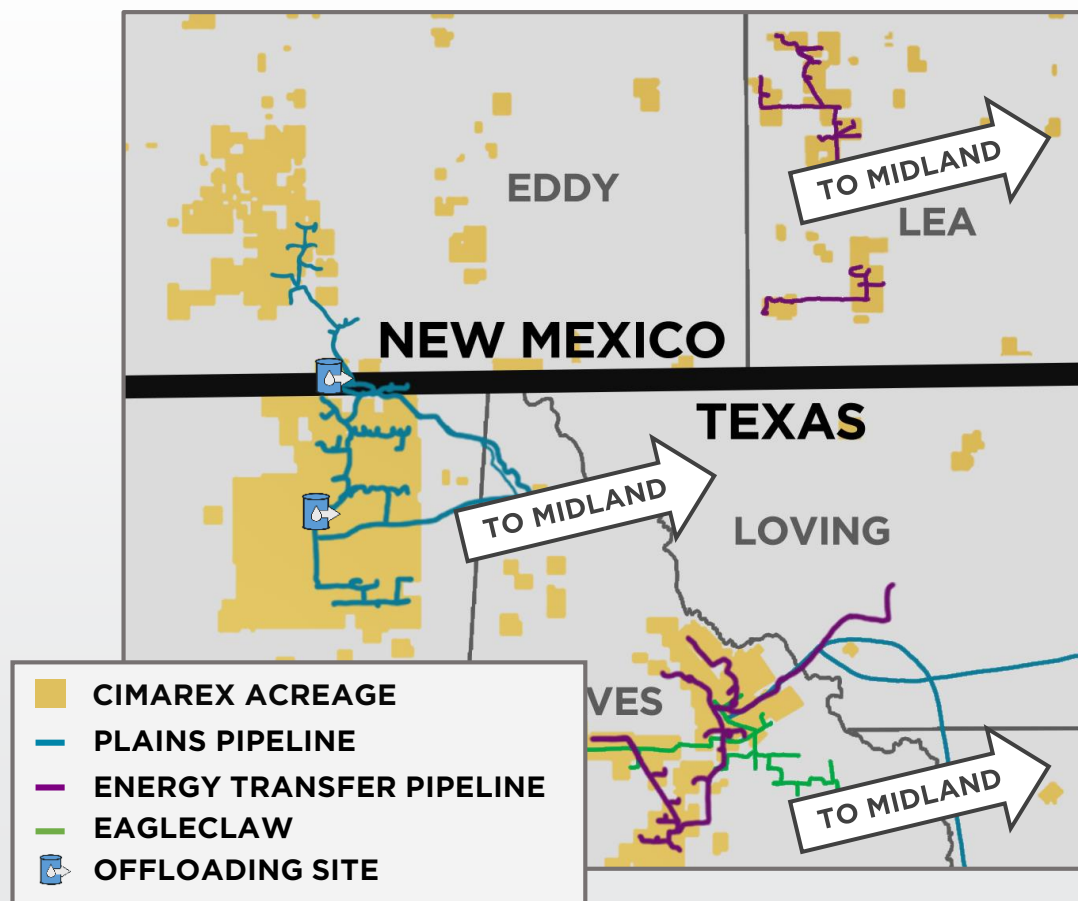
## SWD INFRASTRUCTURE



## WOLFCAMP FRAC WATER



# Permian Basin Takeaway



## OIL TRANSPORT AND SALES AGREEMENTS IN PLACE

- ~87% of oil production on pipe
- Strategic partnerships in core producing areas provide strong flow assurance
- Oil sales arrangements with credit worthy counterparties

## GAS SALES AGREEMENTS IN PLACE

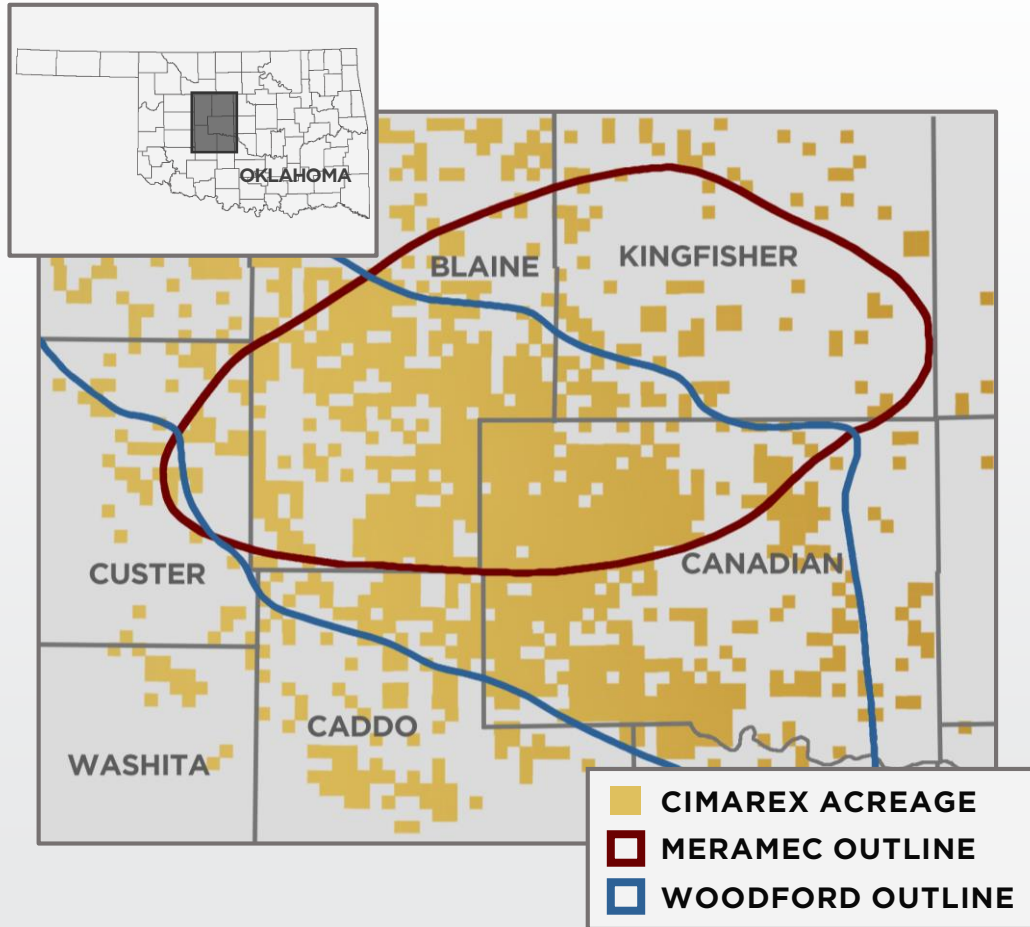
- 97% of remaining 2020 production has been sold forward
- Local pricing
- Committed 125,000 MMBtu per day to Whistler Pipeline Project; 10 year firm commitment, provides access to Gulf Coast pricing, expected online 3Q21

## OWN AND OPERATE TWO GAS GATHERING SYSTEMS

- Triple Crown – Culberson/Eddy Counties
- Matterhorn – Reeves County
- Connected to multiple gas processors with inter- and intrastate outlets
- Long-term sales agreements in place for NGL volumes



# Mid-Continent



**326,000 NET ACRES**

**WOODFORD: 135,625 NET UNDEVELOPED ACRES (HBP)**

**MERAMEC: 116,500 NET ACRES (>98% HBP)**

**4% OF 2020 CAPITAL (PRIMARILY NON-OP)**

**IMPROVING COMMODITY ENVIRONMENT**



# Cimarex Energy Overview

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**CREATING VALUE  
AND GENERATING  
TOP-TIER RETURNS**



**CORE POSITIONS IN  
THE PERMIAN AND  
ANADARKO BASINS**



**MAXIMIZING FULL-  
CYCLE RETURN ON  
INVESTED CAPITAL**



**LIQUIDITY PROVIDES  
FLEXIBILITY**

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# APPENDIX

# Hedges as of May 6, 2020

	2020				2021		
OIL	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>WTI OIL COLLARS<sup>1</sup></b>							
Volume (Bbl/d)	34,341	41,000	41,000	33,000	23,000	14,000	14,000
Weighted Average Floor	48.29	40.91	40.91	38.71	34.00	29.71	29.71
Weighted Average Ceiling	58.96	49.84	49.84	46.70	41.33	36.86	36.86
<b>WTI OIL SWAPS<sup>1</sup></b>							
Volume (Bbl/d)	4,692	-	-	-	-	-	-
Weighted Average Fixed	20.73	-	-	-	-	-	-
<b>WTI OIL BASIS SWAPS<sup>2</sup></b>							
Volume (Bbl/d)	27,648	32,000	32,000	24,000	18,000	13,000	13,000
Weighted Average Differential <sup>3</sup>	0.38	0.18	0.18	0.00	(0.19)	(0.65)	(0.65)
GAS	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>PEPL GAS COLLARS<sup>4</sup></b>							
Volume (MMBtu/d)	63,297	80,000	80,000	60,000	50,000	30,000	30,000
Weighted Average Floor	1.89	1.75	1.75	1.72	1.69	1.73	1.73
Weighted Average Ceiling	2.28	2.17	2.17	2.12	2.08	2.14	2.14
<b>EL PASO PERM GAS COLLARS<sup>5</sup></b>							
Volume (MMBtu/d)	33,297	70,000	70,000	50,000	50,000	30,000	30,000
Weighted Average Floor	1.41	1.36	1.36	1.36	1.36	1.51	1.51
Weighted Average Ceiling	1.82	1.64	1.64	1.63	1.63	1.80	1.80
<b>WAHA GAS COLLARS<sup>6</sup></b>							
Volume (MMBtu/d)	33,297	50,000	50,000	50,000	50,000	30,000	30,000
Weighted Average Floor	1.56	1.32	1.32	1.32	1.32	1.50	1.50
Weighted Average Ceiling	1.95	1.58	1.58	1.58	1.58	1.75	1.75

Notes:

<sup>1</sup> WTI refers to West Texas Intermediate oil prices as quoted on the New York Mercantile Exchange

<sup>2</sup> Index price on basis swaps is WTI Midland as quoted by Argus Americas Crude

<sup>3</sup> Index price on basis swaps is WTI NYMEX less weighted average differential shown in table

<sup>4</sup> PEPL refers to Panhandle Eastern Pipe Line Tex./OK Mid-Continent as quoted on Platt's Inside FERC

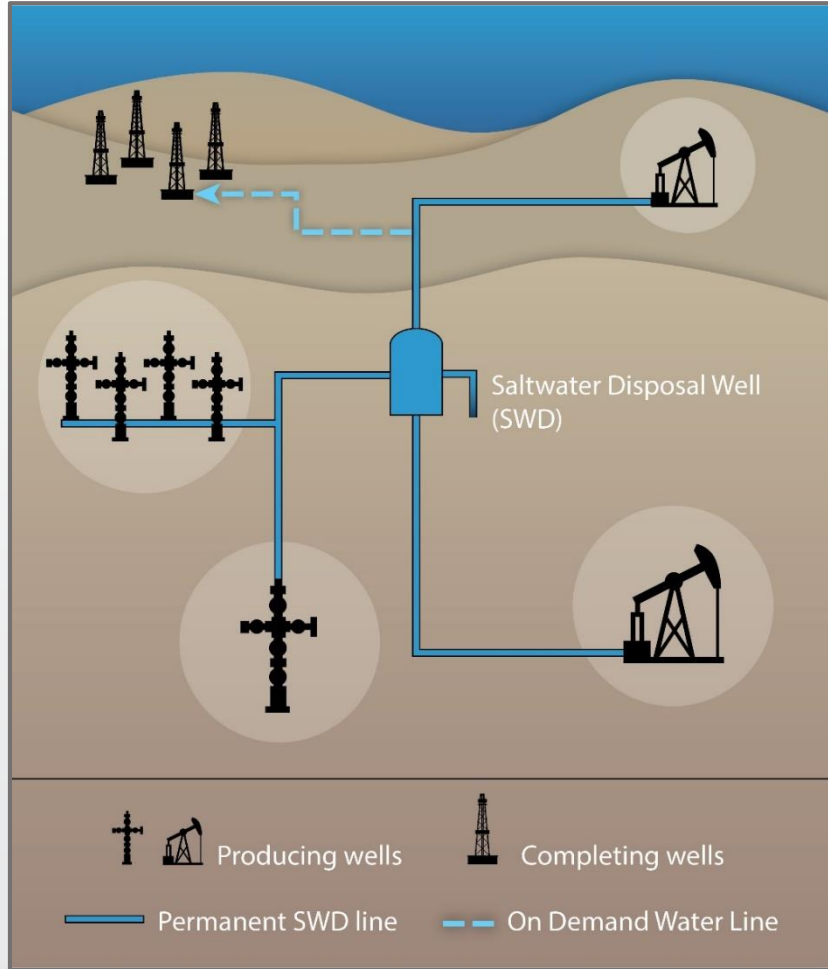
<sup>5</sup> El Paso Perm refers to El Paso Permian Basin index as quoted on Platt's Inside FERC

<sup>6</sup> Waha refers to West Texas Natural Gas Index ("Waha") as quoted in Platt's Inside FERC



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# Permian Basin Water Management



## OWN AND OPERATE SALT WATER DISPOSAL (SWD) SYSTEMS IN CULBERSON, EDDY AND REEVES

- Improves operating costs

## RECYCLING PRODUCED WATER FOR COMPLETION OPERATIONS

- 63% of total water procured in 2019 was recycled
- Cost savings of ~\$0.65/bbl of water

**IN 2019 – CULBERSON WOLFCAMP WELLS USED 94% RECYCLED WATER FOR COMPLETIONS; REEVES WOLFCAMP WELLS USED 25%**

## SECURED SWD AGREEMENTS IN LEA COUNTY

# Non-GAAP Reconciliation

(\$ IN MILLIONS)	2017	2018	2019	LTM 3/31/20
Net income (loss)	\$ 494	\$ 792	\$ (125)	\$ (925)
Income tax expense (benefit)	188	231	(26)	(51)
Interest expense, net of capitalized	52	47	37	35
DD&A and ARO accretion	462	598	891	918
<b>EBITDA</b>	<b>1,196</b>	<b>1,668</b>	<b>777</b>	<b>(23)</b>
Impairment of oil and gas	—	—	619	952
Impairment of goodwill	—	—	—	714
<b>ADJUSTED EBITDA<sup>1</sup></b>	<b>1,196</b>	<b>1,668</b>	<b>1,396</b>	<b>1,643</b>

<sup>1</sup>The above table provides a reconciliation from generally accepted accounting principles (GAAP) net income (loss) to non-GAAP EBITDA and non-GAAP adjusted EBITDA, which excludes ceiling test impairments

# Non-GAAP Reconciliation

(\$ IN MILLIONS)	THREE MONTHS ENDED MARCH 31,		(\$ IN MILLIONS)	MARCH 31, 2020
	2019	2020		
Net cash provided by operating activities	\$ 250	\$ 309	Long-term debt (principal)	2,000
Change in operating assets and liabilities	101	(2)	Redeemable preferred stock	82
Adjusted cash flow from operations	\$ 351	\$ 306	Stockholders equity	2,790
Oil and gas expenditures	\$ (333)	\$ (266)	Total capitalization	4,872
Other capital expenditures	(18)	(26)	Long-term debt/total capitalization	43%
Free cash flow	0	14		
Dividends paid	(17)	(22)		
Free cash flow	\$ (17)	\$ (8)		

ADDITIONS TO PROVED RESERVES (MMBOE)	2019	(\$ IN MILLIONS)	TWELVE MONTHS ENDED DECEMBER 31,			LTM 3/31/20
			2017	2018	2019	
Revisions of previous estimates	(50.7)	Long-term debt (principal)	\$1,500	\$1,500	\$2,000	\$2,000
Extensions & discoveries	119.3					
Purchase of reserves	63.0	Adjusted EBITDA	1,196	1,668	1,396	1,594
<b>TOTAL ADDITIONS (ALL SOURCES)</b>	<b>131.6</b>	Debt/Adjusted EBITDA	1.3x	0.9x	1.4x	1.3x

<sup>1</sup>Management uses the non-GAAP measure of adjusted cash flow from operations as a means of measuring the company's ability to fund its capital program and dividends, without fluctuations caused by changes in current assets and liabilities, which are included in the GAAP measure of cash flow from operating activities. Management believes this non-GAAP measure provides useful information to investors for the same reasons, and that it is also used by professional research analysts in providing investment recommendations pertaining to companies in the oil and gas exploration and production industry.

