

CIMAREX ENERGY CO
Form 11-K
June 25, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D C 20549

Form 11-K

ý **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]**

For the fiscal year ended December 31, 2003

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from to

Commission file number 001-31446

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

CIMAREX CO. 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CIMAREX ENERGY CO.

1700 Lincoln Street, Suite 1800 Denver, Colorado 80203

(Address of principal executive offices including ZIP code)

(303) 295-3995

(Registrant's telephone number)

**Cimarex Energy Co.
401(k) Plan**

**Financial Statements
and Supplemental Schedule
As of December 31, 2003 and 2002
and For the Year Ended December 31, 2003**

Cimarex Energy Co.

401(k) Plan

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Schedule H, line 4i - Schedule of Assets (Held at End of Year) December 31, 2003

Report of Independent Registered Public Accounting Firm

The Audit Committee of Cimarex Energy Co. and
Cimarex Energy Co. 401(k) Plan Administrative Committee:

We have audited the accompanying statements of net assets available for plan benefits of Cimarex Energy Co. 401(k) Plan (the Plan) as of December 31, 2003 and 2002, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2003. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2003 and 2002, and the changes in net assets available for plan benefits for the year ended December 31, 2003 in accordance with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denver, Colorado

June 25, 2004

Financial Statements

Cimarex Energy

Co. 401(k) Plan

Statements of Net Assets Available for Plan Benefits

December 31,	2003	2002
Assets		
Investments, at fair value (Notes 2, 3, 5 and 6):		
Common/collective trust - Vanguard Retirement Savings Trust	\$ 3,783,741*	\$ 2,084,369*
Registered investment companies - American Funds EuroPacific Growth Fund	581,725	367,522
Vanguard 500 Index Fund Investor Shares	2,365,192*	1,312,780*
Vanguard Explorer Fund	517,770	188,232
Vanguard Extended Market Index Fund Investor Shares	589,948	294,332
Vanguard Intermediate-Term Treasury Fund Investor Shares	461,657	119,852
Vanguard LifeStrategy Conservative Growth Fund	77,304	5,538
Vanguard LifeStrategy Growth Fund	141,578	20,953
Vanguard LifeStrategy Income Fund	118,632	12,991
Vanguard LifeStrategy Moderate Growth Fund	108,280	13,771
Vanguard Total Bond Market Index Fund	1,452,424*	1,319,324*
Vanguard Total International Stock Index Fund	293,730	161,509
Vanguard U.S. Growth Fund	1,702,633*	1,354,406*
Vanguard Wellington Fund Investor Shares	894,805	317,365
Vanguard Windsor II Fund Investor Shares	785,071	323,221
Common stock -		
Cimarex Energy Co. Common Stock	5,183,323*	2,750,167*
Helmerich & Payne, Inc. Common Stock		2,589,615*
Participant loans	282,000	293,741
Total investments	19,339,813	13,529,688
Contributions receivable:		
Employee	37,675	30,423
Employer	29,224	23,568
Other		16,792
	66,899	70,783
Net assets available for plan benefits	\$ 19,406,712	\$ 13,600,471

*Represents 5% or more of net assets available for plan benefits.

See accompanying report of independent registered public accounting firm and notes to financial statements.

Cimarex Energy

Co. 401(k) Plan

Statement of Changes in Net Assets Available for Plan Benefits

For the Year Ended December 31,	2003
Additions:	
Employee contributions	\$ 1,471,826
Employer contributions	975,440
Participant rollover contributions and trust-to-trust transfers	525,292
Net appreciation in fair value of investments (Note 3)	3,038,593
Interest and dividend income, investments	317,678
Interest income on participant loans	20,746
Total additions	6,349,575
Deductions:	
Benefits paid to participants	540,945
Other	2,389
Total deductions	543,334
Net increase	5,806,241
Net assets available for plan benefits, beginning of year	13,600,471
Net assets available for plan benefits, end of year	\$ 19,406,712

See accompanying report of independent registered public accounting firm and notes to financial statements.

Cimarex Energy

Co. 401(k) Plan

Notes to Financial Statements

1. Plan Description

The following is a brief description of the Cimarex Energy Co. 401(k) Plan (the Plan) and is provided for general information only. Participants should refer to the plan document or summary plan description for a more complete description of the Plan s provisions.

On February 25, 2002, Key Production Co., Inc. (Key) and Helmerich & Payne, Inc. (H&P) signed a definitive agreement that provided for H&P to spin off its oil and gas division to its shareholders and for the new company to combine with Key to form Cimarex Energy Co. The merger was approved by both Companies Board of Directors and Key shareholders and was completed on September 30, 2002.

The Plan was established effective October 1, 2002 by Cimarex Energy Co. (the Company or Cimarex). The Plan was established to provide incentives and security for the employees of the Company and their beneficiaries. The Plan is intended to be a defined contribution plan with profit sharing provisions.

Plan Merger and Plan Transfers

Effective November 1, 2002, the Key Production Company, Inc. 401(k) Plan (Key Plan) was merged into the Plan. All employees of Key on September 30, 2002 who became employees of Cimarex on October 1, 2002 were or will be (if not yet participating) fully vested in his/her account regardless of Plan Entry Date.

Also, on November 18, 2002, plan accounts of the employees who previously were enrolled in the Helmerich & Payne, Inc. 401(k)/Thrift Savings Plan (the H&P Plan) were transferred to the Plan due to those individuals' employment changing from H&P to Cimarex effective September 30, 2002 in connection with the financial restructuring that occurred effective that day which resulted in the formation of Cimarex. H&P employees on September 30, 2002 who became Cimarex employees on October 1, 2002 were or will be fully vested regardless of Plan Entry Date.

Certain provisions of the Plan were made consistent with those of the Key Plan and H&P Plan with respect to available forms of benefit payments and retaining certain loan provisions available under the H&P Plan.

General

The Plan is a defined contribution plan covering employees of Cimarex. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Trustee and Administrator of the Plan

The trustee of the Plan is Vanguard Fiduciary Trust Company (Vanguard). The trustee holds all assets of the Plan in accordance with provisions of the agreement with the Company. All assets of the Plan are with the investment plan accounts of Vanguard. Vanguard is also the record keeper of the Plan.

Eligibility

All non-excludable employees of the Company who have obtained the age of 18 and who have completed three months of service (as defined) are eligible to participate in the Plan. Excludable employees include leased employees, members of a collective bargaining unit, commissioned salespersons, independent contractors and non-resident aliens. All former employees of Key and H&P who became employees of the Company effective September 30, 2002, as part of the merger, were immediately eligible to participate in the Plan. Employees may enter the Plan on the first day of each calendar month after meeting plan requirements. A participant may modify his/her deferral election beginning the first pay period of each month if desired.

Contributions

A participant may enter into a salary reduction agreement with the Company whereby the amount withheld is contributed to the Plan during the plan year on behalf of each participant (as an employee's elective 401(k) deferred salary contribution). In no event shall the portion of earnings to be deferred be less than 1% of the participant's earnings nor more than 50% of the participant's pre-tax annual compensation, as defined in the Plan document, subject to annual IRS dollar limits (\$12,000 for 2003).

The Company will then make a matching contribution to the Plan during the plan year, on behalf of each participant, equal to 100% of the contributions made by the participant pursuant to the written salary reduction agreement between the participant and the Company. In no event, however, shall the Company's matching contribution, on behalf of a participant, exceed an amount equal to 5% of each participant's eligible compensation, as defined in the Plan document. The Plan also allows for a profit-sharing contribution by the employer. There was no profit-sharing contribution for the year ended December 31, 2003.

Employees can make rollover contributions from other qualified plans if certain criteria are met as outlined in the Plan document. The Plan also allows catch-up contributions for participants over the age of 50 based on IRC limitations.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's matching contribution, earnings and losses on investments, and is charged with the participant's withdrawals and distributions on a daily basis. The investment earnings or losses are allocated to each participant's account in the proportion that the balance of each participant's account bears to the total balance of all participants in each investment fund. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants may elect to transfer balances between investment funds within their account at any time.

Investment Options

Participants may direct the investment of their account balance into various investment options offered by the Plan. Currently, the Plan offers 14 investment options in registered investment companies, a common/collective trust and Cimarex common stock for participants. Participants transferred from the H&P Plan were allowed to have investments in H&P common stock in their accounts until September 30, 2003 at which time they were required to transfer their account holdings to other investment offerings.

Participant Loans

An employee may, with the consent of the plan administrator, borrow the lesser of \$50,000 or one-half of their vested account balance. Participants may not have more than one loan outstanding at any time and the minimum original loan amount is \$1,000. With respect to participants whose loans were transferred from the H&P Plan who had more than one loan outstanding, the loans are permitted to be repaid according to their existing terms. The maximum loan term is five years, except for a loan to acquire a participant's principal residence. A participant's loan shall become due and payable if such participant fails to make a principal and/or interest payment as provided in the loan agreement, subject to a short grace period. The loans are secured by the balance in the participant's account, and bear interest at a rate as determined periodically by the Plan administrator. Interest rates for the loans range from 5.75% to 10.50%. The Plan document states that the interest rate should be 1% above prime. Principal and interest are paid ratably through monthly payroll deductions.

Vesting

A participant is immediately fully vested in that portion of his/her account attributable to 401(k) deferred salary contribution and rollover contributions. For participants whose date of hire is after October 1, 2002, the vested percentage in that portion of the account attributable to employer contributions shall be based on the length of his/her credited service with the employer, in accordance with the following schedule:

**Completed years of credit service
with the employer**

Vested Percentage