

CIMAREX ENERGY CO  
Form DEF 14A  
April 03, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Cimarex Energy Co.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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**CIMAREX ENERGY CO.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To be Held on May 20, 2009  
9:30 a.m. Mountain Time  
Sheraton Denver Downtown Hotel  
1550 Court Place, Denver, Colorado 80202**

**AGENDA:**

1. Elect three Class I directors for terms expiring in 2012.
2. Ratify the appointment of KPMG LLP as the independent auditors for 2009.

We will also transact any other business as may properly come before the meeting or any adjournments thereof.

Stockholders of record at the close of business on March 24, 2009 are entitled to notice of and to vote at the meeting.

**YOUR VOTE IS IMPORTANT**

Please take the time to vote by following the Internet or telephone voting instructions provided in this proxy statement. If you received a paper copy of the proxy card, you may also vote by completing and mailing the proxy card in the postage-prepaid envelope provided for your convenience. You may also attend and vote at the Annual Meeting. You may revoke your proxy at any time before the vote is taken by following the instructions in this proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

Mary Kay Rohrer  
Corporate Secretary

Date: April 9, 2009

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**CIMAREX ENERGY CO.  
PROXY STATEMENT**

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**PROXY STATEMENT**

**2009 ANNUAL MEETING OF STOCKHOLDERS May 20, 2009**

**CIMAREX ENERGY CO.  
1700 Lincoln Street, Suite 1800  
Denver, Colorado 80203-4518**

We provide you with this proxy statement to solicit your vote at our 2009 Annual Meeting of Stockholders.

The Annual Meeting will be held at at 9:30 a.m. Mountain Time, at the Sheraton Denver Downtown Hotel, 1550 Court Place, Denver, Colorado.

The proxy materials will be furnished to stockholders on or about April 9, 2009. All properly completed and delivered proxies will be voted at the Annual Meeting and at any adjournments or postponements of the Meeting. If you are a stockholder of record at the close of business on March 24, 2009, the record date, you may vote at the Annual Meeting, or at adjournments or postponements of the Meeting.

**INTERNET AND ELECTRONIC AVAILABILITY OF PROXY MATERIALS**

As permitted by the U.S. Securities and Exchange Commission (the "SEC"), we have elected to provide our stockholders with access to our proxy materials on the Internet. Accordingly, a Notice of Internet Availability of Proxy Materials, or the Notice, was mailed to most of our stockholders on or about April 9, 2009. Stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request a printed set of proxy materials to be sent to them, by following the instructions in the Notice.

The Notice will also provide instructions on how to inform us to send future proxy materials to you electronically by e-mail or in printed form by mail. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail or printed form will remain in effect until you terminate it.

Choosing to receive future proxy materials by e-mail will allow us to provide you with the information you need in a more timely manner and will save us the cost of printing and mailing documents to you.

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Who can vote?**

Stockholders holding shares of our common stock as of the close of business on March 24, 2009, may vote at the Annual Meeting, or at any adjournment or postponement of the Meeting. You have one vote for each share of common stock held as of the record date that may be voted on each proposal presented at the Annual Meeting.

**How many shares of Cimarex common stock were outstanding on the record date?**

At the close of business on March 24, 2009, the record date, there were 83,319,457 shares of common stock outstanding and entitled to vote at the Annual Meeting. Common stock is the only class of stock entitled to vote.

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**How do I vote?**

You may vote by any of the following methods:

Vote on the Internet at the website for Internet voting. Simply follow the instructions on the Notice, or if you received a proxy card by mail, follow the instructions on the proxy card and you can confirm that your vote has been properly recorded. If you vote on the Internet, you can request electronic delivery of future proxy materials.

Vote by telephone by following the instructions on the Notice, or if you received a proxy card, by following the instructions on the proxy card.

If you received a proxy card by mail, vote by mail by completing, signing, dating and returning your proxy card in the pre-addressed, postage-paid envelope provided.

You may attend and vote at the Annual Meeting. The Board recommends that you vote using one of the methods described above, as it is not practical for most stockholders to attend and vote at the Annual Meeting.

**If I vote by telephone or Internet and received a proxy card in the mail, do I need to return my proxy card?**

No.

**If I vote by mail, telephone or Internet, may I still attend the Annual Meeting?**

Yes.

**Can I change my vote?**

If you are a stockholder of record, you may revoke your proxy at any time before the voting polls are closed at the Annual Meeting, by the following methods:

Voting at a later time by Internet or telephone;

Voting in person at the Annual Meeting;

Delivering to our Corporate Secretary, Mary Kay Rohrer, Cimarex Energy Co., 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203-4518 a proxy with a later date or a written revocation of your proxy; or

Giving notice of revocation to the Inspector of Election at the Annual Meeting.

**How do I vote if my shares are held in street name?**

If your shares are held in the name of your broker, a bank, or other nominee, only your broker, bank or other nominee may execute a proxy and vote your shares. Please follow the instructions on the form you receive from your broker, bank or other nominee. You may vote by the Internet, in person or by telephone if your bank or broker makes those methods available in accordance with the instructions on the form. If you wish to vote your "street name" shares in person, you will need to obtain a document known as a "legal proxy" from your broker, bank or other nominee. Please contact your bank, broker, or other nominee if you wish to do so.

**What happens if I do not specify a choice for a proposal?**



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You should specify your choice for each proposal, whether voting on the Internet, by telephone or on the proxy card. If you do not specify your choice, your shares will be voted "FOR" the election of

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Cimarex director nominees and ratification of independent auditors and "AGAINST" any stockholder proposal.

**How do I vote shares held in my 401(k) account?**

Participants in the Cimarex 401(k) Plan ("401(k) Plan") who have shares of common stock credited to their plan account as of the record date will have the right to direct the 401(k) Plan trustee regarding how to vote those shares. The trustee will vote the shares in a participant's 401(k) Plan account in accordance with the participant's instructions or, if no instructions are received prior to May 18, 2009, the shares credited to that participant's account will be voted by the trustee in the same proportion as it votes shares for which it did receive timely instructions. Information as to how participants voted the shares credited to their 401(k) Plan account will not be disclosed to Cimarex.

**What happens if other matters come up at the Annual Meeting?**

We do not know of any other matters that will be voted on at the Annual Meeting. If other matters are properly presented, the proxy holders, F. H. Merelli, Cimarex's Chairman of the Board, Chief Executive Officer and President, and Paul Korus, Cimarex's Vice President, Chief Financial Officer and Treasurer, will vote your shares at their discretion.

**Who will count the votes?**

A representative of Continental Stock Transfer & Trust Company, our stock transfer agent, will act as the independent tabulator appointed by the Board of Directors and will count the votes and act as the Inspector of Election.

**What is a "quorum"?**

A "quorum" is a majority of the outstanding shares of common stock and is required to hold the Annual Meeting. A quorum is determined by counting shares of common stock present in person at the Annual Meeting or represented by proxy. If you submit a properly completed proxy, you will be considered part of the quorum even if you abstain from voting. Shares that brokers do not have the authority to vote in the absence of timely instructions from the beneficial owners ("broker non-votes") are treated as present for the purposes of determining a quorum.

**Who can attend the Annual Meeting?**

Admission to the Annual Meeting is limited to stockholders of Cimarex, persons holding proxies from stockholders who held Cimarex common stock on March 24, 2009, and invited guests of Cimarex.

**How many votes must each proposal receive to be adopted?**

With respect to Proposal 1, the election of directors, each nominee will be elected if the votes cast for the nominee exceed the votes cast against the nominee. Votes cast will not include broker non-votes or abstentions.

Proposal 2 for the ratification of independent auditors must receive the affirmative vote of a majority of the shares present and entitled to vote.

**How are votes counted?**

Votes are counted in accordance with our By-laws and Delaware law. A broker non-vote counts in determining a quorum but does not count in electing the directors or on Proposal 2. If a stockholder delivers a properly completed proxy but does not indicate how his or her shares are to be voted, the shares covered by such proxy will be included in determining if there is a quorum and will also be

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counted as votes "FOR" the election of our director nominees and ratification of independent auditors and "AGAINST" any stockholder proposal. Shares will not be voted at the Annual Meeting if a properly completed proxy covering those shares has not been received and the holder does not vote in person at the Annual Meeting.

**How can I view the stockholder list?**

You may view a stockholder list at the Annual Meeting or at our offices at 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203 during ordinary business hours during the period May 10 through May 19, 2009.

**Who pays for the proxy solicitation related to the Annual Meeting?**

Cimarex does. In addition to sending you these materials, some of our directors and management may contact you by telephone, mail, e-mail or in person. We will also reimburse banks, nominees, fiduciaries, brokers and other custodians for their costs of distributing the proxy materials.

**If I want to submit a stockholder proposal for the 2010 Annual Meeting, when is it due?**

If you want to submit a proposal for possible inclusion in next year's proxy statement, you must submit it *in writing* to the Corporate Secretary, Cimarex Energy Co., 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203-4518, telephone (303) 295-3995 and facsimile (303) 295-3494. Cimarex must receive your proposal on or before December 5, 2009. Cimarex will consider only proposals meeting the requirements of the applicable rules of the SEC.

If a stockholder wants to bring any matter before the 2010 Annual Meeting that is not included in the 2010 Proxy Statement, the stockholder must provide written notice of the matter between February 9, 2010 and February 19, 2010. If the 2010 Annual Meeting is held more than 30 days before or after May 20, 2010, then the stockholder's written notice must be received not later than the close of business on the tenth day following the day on which the notice of the date of the 2010 Annual Meeting was mailed or public disclosure of the date of the Annual Meeting was made, whichever first occurs.

## **PROPOSAL 1. ELECTION OF DIRECTORS**

Our current Board of Directors consists of nine members. The Board has noted with sadness the passing in July 2008 of Cortlandt S. Dietler, a Class II director who had been a director of Cimarex since its inception and prior to that was a director of one of Cimarex's predecessor companies since its inception.

The Board is divided into three classes: Class I, Class II and Class III directors. At each annual meeting, a class of directors is elected for a term expiring at the annual meeting in the third year following the year of election. Each director holds office until his successor is elected and qualifies.

The terms of the three Class I directors, Jerry Box, Paul D. Holleman and Michael J. Sullivan, will expire at the 2009 Annual Meeting.

Unless instructed otherwise, the proxies will be voted "FOR" the election of each of the Class I nominees to serve for three years or until his successor is elected and qualifies. If prior to the Annual Meeting a nominee becomes unavailable to serve as a director, any shares represented by a proxy directing a vote will be voted for the remaining nominees and for any substitute nominee or nominees designated by our Board of Directors or its Nominating Committee. As of the mailing of these proxy materials, the Board of Directors knows of no reason why any director nominee would not be available to serve as a director.

Information concerning the nominees recommended by our Nominating Committee and nominated by our Board of Directors, as well as each of our continuing directors, is set forth below.

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**NOMINEES FOR DIRECTORS**

**Class I Directors Terms Expiring in 2009**

**Jerry Box** Director Since  
2005

Retired President and COO  
Oryx Energy Company  
Age 70  
Member Compensation and Governance Committee

Chairman of Magnum Hunter Resources, Inc. from October 2004 until June 2005, and a director of Magnum Hunter Resources from March 1999 to June 2005. Mr. Box served as President, COO and a director of Oryx Energy Company from February 1998 to March 1999. He had previously held a number of managerial and executive positions with Oryx Energy and its predecessor company, Sun Oil Company. Currently, director and chairman of the board of Newpark Resources, Inc., The Woodlands, Texas, an oilfield services company traded on the New York Stock Exchange (NYSE).

**Paul D. Holleman** Director Since  
2002

Retired Partner  
Holme Roberts & Owen LLP  
Age 77  
Member Audit Committee

Senior partner of Holme Roberts & Owen LLP, a Denver law firm, until 2000, when he retired. At Holme Roberts, he served as legal counsel to Key Production Company, Inc., a predecessor to Cimarex, and other oil and gas companies. Other positions in his 40 years with Holme Roberts included Chairman of the Natural Resources Department and member of the executive committee.

**Michael J. Sullivan** Director Since  
2002

Partner  
Rothgerber, Johnson & Lyons LLP  
Casper, Wyoming  
Age 69  
Lead Director  
Member Audit Committee

Member of the Denver law firm, Rothgerber Johnson & Lyons LLP, since 2001, most recently as partner in the Casper office. United States Ambassador to Ireland from 1998 until 2001. Practiced law with Brown, Drew, Apostolos, Massey & Sullivan from 1964 to 1986 and from 1995 until 1998. Governor of Wyoming from 1987 through 1995. Director of Kerry Group plc, a global food and food ingredients producer headquartered in Tralee, Ireland; director and member of Corporate Social Responsibility committee and governance committee of Allied Irish Bank Group, Dublin, Ireland; director and member of the governance committee of First Interstate BancSystem, Billings, Montana and director and member of the compensation and governance and audit committee of Slatten Construction, Inc., Great Falls, Montana.

**Each director will be elected if he receives more "FOR" votes than "AGAINST" votes. Our Board of Directors recommends a vote "FOR" all nominees.**

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**CONTINUING DIRECTORS**

**Class II Directors Terms Expiring in 2010**

**Hans Helmerich**

Director Since  
2002

President, CEO, Director  
Helmerich & Payne, Inc.  
Tulsa, Oklahoma  
Age 50  
Member Compensation and Governance Committee

Director of Helmerich & Payne, Inc. since 1987. President and Chief Executive Officer of Helmerich & Payne, Inc. since 1989. Director of Atwood Oceanics, Inc., Houston, Texas, an international offshore drilling company, and Trustee of The Northwestern Mutual Life Insurance Company.

**Harold R. Logan, Jr.**

Director Since March  
2009

Co-Founder, Director  
Basic Materials and Services LLC  
Denver, Colorado  
Age 64  
Member Audit Committee

Co-Founder and director of Basic Materials and Services LLC (Denver, Colorado), a privately held company founded in 2007 that invests in companies providing specialized services for the pipeline construction and sand/silica industries. Mr. Logan was a Co-Founder of TransMontaigne (Denver, Colorado) in 1995 and Chief Financial Officer, Executive Vice President, Treasurer and a director through 2002. From 1987 to 1995, he was Senior Vice President/Finance, Chief Financial Officer and a director of Associated Natural Gas Corporation. Prior to that Mr. Logan was with Dillon Read & Co. Inc. and Rothschild, Inc. Mr. Logan currently serves as Chairman of the Board of Supervisors of Suburban Propane Partners, L.P. and as a director of Graphic Packaging Corporation, both NYSE companies. He is also a director of Hart Energy Publishing LLC, a private company that publishes the Oil & Gas Investor magazine and other energy publications.

**Monroe W. Robertson**

Director Since  
2005

Private investor  
Age 59  
Chairman Audit Committee

Currently a private investor. Mr. Robertson was with Key Production Company, Inc., a company acquired by Cimarex in 2002, for 10 years until retirement in March 2002. While with Key, he held the positions of President, Chief Operating Officer, Senior Vice President and Principal Financial Officer. Director, chairman of the audit committee and member of the compensation and nominating committee of Basic Earth Science System, Denver, Colorado, an independent exploration and production company.

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**Class III Directors Terms Expiring 2011**

**David A. Hentschel**

Director Since  
2002

Retired Chairman and CEO  
Occidental Oil and Gas Corporation  
Age 75  
Member Compensation and Governance Committee

Chairman and Chief Executive Officer of Occidental Oil and Gas Corporation from 1997 until 1999, when he retired. President and Chief Executive Officer of Canadian Occidental Petroleum, Ltd, now known as Nexen, from 1995 until 1997. Director of Nexen Inc., a global energy company located in Calgary, Alberta, Canada.

**F. H. Merelli**

Director Since  
2002

Chairman of the Board, CEO, President  
Cimarex Energy Co.  
Denver, Colorado  
Age 73

Chairman of the Board, Chief Executive Officer and President of Cimarex since September 30, 2002. Chairman and Chief Executive Officer of Key Production Company, Inc. from September 1992 to September 30, 2002 and President from March 2002 until September 30, 2002 and from September 1992 to September 1999. Director and member of audit committee of Apache Corporation, Houston, Texas, an exploration and production company traded on the NYSE.

**L. Paul Teague**

Director Since  
2002

Retired Executive  
Texaco USA  
Age 74  
Chairman Compensation and Governance Committee

With Texaco Exploration & Producing Inc. for 35 years until retirement in 1994. Held the positions of Vice President, Western Region; Division Manager of the New Orleans Division, Eastern Producing Department; Vice President, New Orleans Producing Division of Texaco USA; and Vice President, Producing Department, Texaco USA in Houston.

**PROPOSAL 2. RATIFICATION OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has appointed KPMG LLP to audit our financial statements for 2009. KPMG LLP has been our independent auditors since October 1, 2002.

We are asking that stockholders ratify the appointment of KPMG LLP as independent auditors. If stockholders fail to ratify the appointment of KPMG LLP, the Audit Committee may reconsider this appointment. A KPMG LLP representative will be at the Annual Meeting to answer appropriate questions and to make a statement if he or she desires.

**A majority of the shares present and entitled to vote at the Annual Meeting is required to ratify the appointment of KPMG LLP as Cimarex's independent auditors for 2009. The Board of Directors recommends a vote "FOR" the ratification of KPMG LLP as Cimarex's independent auditors for 2009.**

See *Independent Registered Public Accountants* for information regarding auditor fees and services and the Audit Committee Report.

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## **CORPORATE GOVERNANCE**

Prudent corporate governance is critical for the trust and confidence of employees, suppliers, business partners, and stockholders. Cimarex corporate governance is based on high ethical standards and the awareness that our actions must be based on the best interests of the stockholders.

### **Independence of Board Members**

Our Corporate Governance Guidelines require that a majority of our Board of Directors be independent as defined by applicable laws, rules, regulations and listing standards. We comply with the criteria for independence established by the New York Stock Exchange (NYSE) listing requirements and other governing laws and regulations. Based upon NYSE standards, all Board members are independent, except the Chairman of the Board, who is also our Chief Executive Officer and President.

Our Board annually reviews the status of each director to confirm that the director meets the independence standards. If any relationship exists that is not covered by these standards, the Board determines whether the relationship is material and whether the director should be deemed independent. The Board may determine independence if it finds that the director is independent of management and free from any relationship that would interfere with the director's independent judgment.

Our Code of Business Conduct includes provisions pertaining to conflicts of interest. The Code provides that no relationship involving a director that is disclosed to and affirmatively determined by the Board of Directors to be immaterial shall be a conflict of interest within the meaning of the Code.

Applying our Corporate Governance Guidelines and our Code of Business Conduct, the Board has affirmatively determined that each of our current directors, with the exception of our Chairman and Chief Executive Officer, F. H. Merelli, has no material relationship with us that would interfere with the exercise of independent judgment and, therefore, is independent under our Corporate Governance Guidelines, Code of Business Conduct and the listing standards of the NYSE. Our Audit, Compensation and Governance, and Nominating Committees are comprised entirely of independent directors.

### **Meetings and Executive Sessions of the Board of Directors and its Committees**

During 2008, our Board of Directors held four meetings. Our Board has an Audit, a Compensation and Governance and a Nominating Committee. During 2008, the Audit Committee met nine times and the Compensation and Governance Committee met four times. The Nominating Committee met once in 2008. Each director attended at least 75 percent of the Board meetings and the meetings of each committee on which he served.

The non-management members of the Board and its Committees meet from time to time in executive session. The purpose of these executive sessions is to promote open and candid discussion among the non-management directors. During 2008 the non-management directors met four times in executive session, the non-management members of the Audit Committee met in executive session four times, and the non-management members of the Compensation and Governance Committee met in executive session four times.

Each year the directors select a lead director to preside over Board executive sessions. The lead director may not be the chairman of either the Audit Committee or the Compensation and Governance Committee. Mr. Holleman served as lead director during 2008. On December 5, 2008, the Board selected Mr. Sullivan to serve as lead director for 2009.

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**Director Attendance at the Annual Meeting**

The Board encourages all directors to attend the Annual Meeting, and all of our directors attended our 2008 Annual Meeting.

**Board Committees**

The Board of Directors has established three standing committees to assist in carrying out its duties: the Audit Committee, the Compensation and Governance Committee and the Nominating Committee. Each committee has adopted a charter that complies with the corporate governance rules adopted by the SEC and the NYSE listing standards.

*Audit Committee*

<b>Members</b>	<b>Functions of Committee</b>
Monroe W. Robertson, Chairman	Appoints independent auditors
Paul D. Holleman	Approves nature and scope of services of independent auditors and reviews range of fees for such services
Harold R. Logan, Jr.	Oversees Cimarex's internal audit function
Michael J. Sullivan Financial Expert	Reviews qualification and independence of independent auditors Monitors integrity of Cimarex's financial statements Monitors compliance with legal and regulatory requirements

The Audit Committee consists of three non-employee directors who meet the NYSE standards of independence and financial literacy, and the chairman of the Committee qualifies as a "financial expert" as defined by the SEC. No Audit Committee member serves on more than three audit committees of public companies, including Cimarex's Audit Committee. Cimarex maintains an internal audit department to provide management and the Audit Committee with ongoing assessments of Cimarex's system of internal controls.

Cimarex's independent auditor reports directly to the Audit Committee. The Audit Committee provides an open avenue of communication between the internal auditors, the independent auditor and the Board. Interested parties may contact the Audit Committee members by following the process outlined under *Process for Communication with the Board* in this *Corporate Governance* section.

*Compensation and Governance Committee*

<b>Members</b>	<b>Functions of Committee</b>
L. Paul Teague, Chairman	<i>Compensation Functions</i>
Jerry Box	Recommends CEO and executive officer compensation for approval by Board
Hans Helmerich	Recommends director compensation for approval by Board
David A. Hentschel	Reviews and recommends to the Board for approval the Compensation Discussion and Analysis disclosure Determines amount and terms of equity awards Reviews and approves long-term incentive plans
	<i>Governance Functions</i>
	Oversees evaluation of performance of the Board, its committees and the CEO Oversees corporate governance Develops plans for managerial succession



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The Committee consists of four independent, non-employee directors. All of the Committee members have extensive executive experience in administering compensation for oil and gas exploration and production companies.

*Compensation Functions.* The Committee establishes and administers our executive compensation program. The Committee recommends for approval by the independent directors compensation to be paid or delivered to the CEO and the executive officers named in the *Summary Compensation Table* in this proxy statement (referred to throughout this document as the "NEOs"). The outside directors (as defined by Internal Revenue Code (IRC) §162(m)) of the Committee approve performance standards for the plans.

The Committee uses the services of a compensation consultant for research and advice regarding the form and amount of executive and director compensation. Our Vice President of Human Resources also reviews and analyzes the compensation practices of peer group companies and presents this information to the Committee. The CEO communicates with the Committee regarding performance of the NEOs and makes recommendations regarding base salary, annual cash incentive awards and long-term equity incentive awards (see *Compensation Discussion and Analysis*).

The Committee's compensation consultant performs executive compensation services only at the request of the Committee and does not perform services for management. In 2008, the Committee engaged Longnecker & Associates as its compensation consultant.

*Compensation and Governance Committee Interlocks and Insider Participation.* Hans Helmerich, a member of the Committee, was an executive officer of Cimarex from February 14, 2002 until September 30, 2002. Cimarex was formed on February 14, 2002 as a wholly owned subsidiary of Helmerich & Payne, Inc. for the purpose of facilitating the spinoff by Helmerich & Payne of its oil and gas exploration and production business. Cimarex became a publicly-held company on September 30, 2002, at which time Mr. Helmerich resigned as an executive officer.

*Governance Functions.* The Committee develops and recommends to the Board corporate governance principles. The Committee oversees the process of annual performance evaluations for the Board and each committee, reviews and makes recommendations regarding Cimarex's Corporate Governance Guidelines and provides recommendations regarding director education programs.

*Nominating Committee*

**Members**

Michael J. Sullivan, Chairman  
 Jerry Box  
 Hans Helmerich  
 David A. Hentschel  
 Paul D. Holleman  
 Harold R. Logan, Jr.  
 Monroe W. Robertson  
 Michael J. Sullivan  
 L. Paul Teague

**Functions of Committee**

Determines desired board skills and attributes. Recommends individuals to Board for nomination, election or appointment as members of the Board and its committees

Recommends candidates to serve on the Board and to stand for election at annual meeting of stockholders or to fill vacancy occurring between meetings

Recommends Committee appointments

Sole authority to retain and terminate any search firm to identify director candidates

The Nominating Committee is comprised of all independent directors. The Committee identifies and reviews the qualifications of candidates for Board membership and determines the desired qualifications, including (a) personal and professional ethics, (b) integrity and values, (c) commitment

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to the long-term interest of the stockholders, (d) a mix of characteristics and diverse experiences, perspectives and skills appropriate to our business and (e) familiarity or experience in the oil and gas exploration and production business.

Each director nominee is evaluated on individual merit, experience and potential to contribute to the effectiveness of the Board. Although all the current directors have extensive oil and gas experience, either as company executives or attorneys, their experience is with companies with widely different operating strategies. This diversity and depth of experience provides our Board with an important capacity to execute its duty of oversight and guidance.

The Committee will consider nominees recommended by stockholders. For the 2009 Annual Meeting, the Committee did not receive nominations from any stockholder prior to the deadline for stockholder nominations. Stockholders who wish to nominate persons for election as directors at the 2010 Annual Meeting must submit a timely written notice complying with Cimarex's By-laws to Corporate Secretary, Cimarex Energy Co., 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203-4518, facsimile (303) 295-3494. To be timely, the stockholder's written notice must be received between February 9, 2010 and February 19, 2010. If the 2010 Annual Meeting is held more than 30 days before or after May 20, 2010, the written notice must be received no later than the close of business on the tenth day after we mail Notice of the Annual Meeting to our stockholders.

**Board/Committee Evaluations**

During 2008, the Board of Directors and each committee participated in a self-assessment or evaluation of the effectiveness of the Board and its committees.

**Director Education**

Cimarex encourages director participation in seminars and conferences and other opportunities for director education. In 2008, a majority of our directors attended an educational program designed by National Association of Corporate Directors, a nationally recognized board educational organization. Each of our directors is a member of that organization. We subscribe and make available to our Committee members various informational and educational newsletters and online services.

**Service on Boards of Other Public Companies**

Cimarex does not prevent directors from simultaneously serving on other public company boards. Our Corporate Governance Guidelines recommend that (i) the CEO serve on the Board of no more than three public companies, including Cimarex, and (ii) all other directors serve on the Board of no more than five public companies, including Cimarex. All directors comply with this guideline.

**Director and Management Stock Ownership**

The Corporate Governance Guidelines provide that each non-management director is expected to own Cimarex stock in an amount equal to three times his annual Board cash retainer, the CEO is expected to own stock in an amount equal to five times his annual base salary, and each executive officer who reports to the CEO is expected to own stock in an amount equal to three times his annual base salary. Restricted stock, restricted stock units, deferred compensation units and performance awards are counted in calculating ownership, but shares subject to options are not counted.

**Corporate Governance Guidelines and Code of Ethics**

The Corporate Governance Guidelines address matters such as qualifications of directors, standards for independence of directors, election of directors, responsibilities of directors, limitation of service on other public company boards, number and structure of Board committees, conduct and frequency of



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Board and committee meetings, Board evaluation, management succession, director access to management, counsel and advisors, and board orientation and education. The Board of Directors, both directly or through the Compensation and Governance Committee, reviews and revises as necessary the Corporate Governance Guidelines.

Cimarex has adopted a code of ethics, known as the "Code of Business Conduct," that applies to all directors, officers and employees. The Code of Business Conduct is a guideline that promotes honest and ethical conduct, maintains a corporate climate in which integrity and dignity of each individual is valued, assures compliance with laws and assures proper use of Cimarex's assets. Cimarex will post on its website all waivers to or amendments to its Code of Business Conduct that are required to be disclosed by applicable law and rules of the NYSE listing standards. Currently, Cimarex does not have nor does it anticipate any waivers to or amendments of its Code of Business Conduct.

**Web Access**

Cimarex provides access through its website ([www.cimarex.com](http://www.cimarex.com)) to the following information:

Audit, Compensation and Governance, and Nominating Committee charters

Corporate Governance Guidelines

Code of Business Conduct

Complaint and Reporting Procedures

Section 16 reports

Biographical information of our directors and executive officers

**Process for Communication with the Board**

Interested parties may communicate with our Board by mail directed to our Corporate Secretary or by calling our Confidential Hotline (1-866-519-1898). All communications will be forwarded to the 2009 lead director, Michael J. Sullivan, for his review. The lead director may take any action deemed appropriate or necessary, including retaining independent or outside counsel, accountants or other advisors. No adverse action will be taken against any individual making any such communication to the lead director.

**OUTSIDE DIRECTOR COMPENSATION**

**Overview**

Our director compensation program is designed to attract and retain individuals who are experienced and knowledgeable in the oil and gas industry. Director compensation is only paid to outside (non-management) directors.

Our Compensation and Governance Committee ("Compensation Committee" or "Committee") administers our director compensation program. Director compensation is designed to be near the 50<sup>th</sup> percentile of that paid by comparable public oil and gas companies with similar market capitalization and revenue. We use the same group of companies in reviewing director compensation as we use in reviewing executive base salary and total compensation. See *Comparison Groups* under *Compensation Discussion and Analysis* for a list of the companies and the

methodology followed in selecting the companies.

**Determination of Director Compensation**

Our Committee is sensitive to the potential for a perceived conflict of interest in setting director compensation. To minimize the potential for a perceived conflict of interest, the Committee uses a compensation consultant to evaluate and recommend director compensation. In 2008, the Committee engaged Longnecker & Associates to review director compensation.

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Within general guidelines provided by the Committee, the compensation consultant reviews director compensation each year and recommends appropriate changes. The review of director compensation is principally based on public information about comparison group compensation.

The Committee, after reviewing the consultant's recommendations with the CEO and Vice President of Human Resources, recommends director compensation for Board consideration and approval at the annual May board meeting. Director compensation is determined and paid for the 12-month period beginning with the date of Cimarex's annual meeting and ending on the following annual meeting date.

**Director Compensation**

To align the interest of stockholders and our directors, total annual director compensation consists of approximately two-thirds equity awards and one-third cash retainer. The following represents the annual retainer and fee structure set at the 2008 annual meeting:

Equity Retainer	\$ 135,000
Annual Cash Retainer	\$ 50,000
Committee Chair	\$ 18,750
Attendance at Board Meeting	\$ 1,800
Attendance at Committee Meeting	\$ 1,500
Lead Director per Meeting Fee	\$ 1,500

The equity retainer is in the form of restricted stock that vests over three years in one-third increments. Directors annually receive a number of shares of restricted stock based on a fixed cash value, currently \$135,000. The number of shares is determined by dividing \$135,000 by the average of the highest and lowest prices of Cimarex stock on the date of grant.

We reimburse directors for reasonable transportation and accommodation expenses to attend Board and committee meetings. In lieu of reimbursement of travel expenses, some directors may occasionally travel to or from Board and Committee meetings on the Cimarex aircraft.

**2008 Director Compensation**

The following table sets forth compensation paid in 2008 to all individuals who served as directors in 2008.

Name	Annual Cash Retainer and Meeting Fees <sup>(1)</sup>	Stock Awards <sup>(2)(3)</sup>	Dividends on Restricted Stock	Total
Jerry Box	\$ 63,400	\$ 110,803	\$ 1,122	\$ 175,315
Glenn A. Cox <sup>(4)</sup>	\$ 5,500	\$ 222,229	\$ 594	\$ 228,323
Cortlandt S. Dietler <sup>(5)</sup>	\$ 56,000	\$ 274,006	\$ 594	\$ 330,600
Hans Helmerich	\$ 63,400	\$ 109,534	\$ 1,973	\$ 174,907
David A. Hentschel	\$ 63,400	\$ 109,534	\$ 1,131	\$ 174,065
Paul D. Holleman	\$ 75,400	\$ 109,534	\$ 1,131	\$ 186,065
Monroe W. Robertson	\$ 88,650	\$ 111,784	\$ 1,119	\$ 201,553
Michael J. Sullivan	\$ 64,600	\$ 109,534	\$ 1,973	\$ 176,107
L. Paul Teague	\$ 82,150	\$ 109,534	\$ 1,570	\$ 193,254

(1) Represents fees earned for services as a director during 2008, including the annual cash retainer fee, Board and Committee meeting attendance fees, chairmanship fees and lead director fee.

(2) Represents the amounts recognized for financial reporting purposes in accordance with SFAS No. 123R for the year ended December 31, 2008, related to restricted stock awards made pursuant

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to our 2002 Stock Incentive Plan. These amounts include awards granted during and before 2008 and reflect the proportionate amount of compensation for 2008 based on the time vesting terms of the awards and the fair market value of the awards on the date of grant. Further discussion regarding the underlying awards is included in Note 8 to Cimarex's audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2008.

The grant date fair value calculated in accordance with SFAS No. 123R of the 1,895 shares of restricted stock granted to each of the named directors, except Glenn A. Cox who did not stand for re-election in 2008, was \$135,000.

(3)

The following table discloses the aggregate number of stock awards and option awards outstanding at December 31, 2008.

Director	Stock Awards	Option Awards
Jerry Box	4,479	0
Glenn A. Cox	0	10,000
Cortlandt S. Dietler	0	0
Hans Helmerich	8,838 *	10,000
David A. Hentschel	4,479	10,000
Paul D. Holleman	4,479	20,000
Monroe W. Robertson	4,479	0
Michael J. Sullivan	8,838 *	10,000
L. Paul Teague	6,308 *	10,000

\*

Messrs. Helmerich and Sullivan's holdings consist of deferred compensation units, and Mr. Teague's holdings include 1,829 deferred compensation units.

(4)

Mr. Cox did not run for re-election at Cimarex's May 2008 annual meeting.

(5)

Mr. Dietler died in July 2008.

**Deferred Compensation Plan for Outside Directors**

In May 2004, we adopted a deferred compensation plan for outside directors. The plan provides that a director may defer all or any portion of his compensation paid in cash or restricted stock for services as a director. In addition, a director may elect to defer accelerated vesting of restricted stock.

All deferred cash amounts earn interest through the date paid. The rate of interest earned for a calendar quarter is based on the average 10-year U.S. Treasury note rate for the immediately preceding calendar quarter, plus one percent. Cash dividends are paid on deferred compensation units.

Deferred compensation is distributed on the date specified by the director in his election. Upon a "change of control" within the meaning of Internal Revenue Code Section 409A, all account balances will be fully vested and paid in a single lump sum within 30 days. Otherwise, account balances shall be paid in accordance with a director's election. The definition of a change-in-control event is the same as the definition under the Cimarex 2002 Stock Incentive Plan. See *Potential Payments upon Change in Control or Termination*.

**Acceleration of Vesting of Awards**

The agreements granting stock and option awards to the directors provide for acceleration of vesting in the event of death, disability or a change-in-control event, as defined in the 2002 Stock Incentive Plan. The 2002 Stock Incentive Plan also grants the Compensation and Governance Committee the authority to accelerate the vesting or payment of an award. In May 2008, the Committee, in recognition of Mr. Cox's service to the Board and to the Audit Committee, accelerated the vesting of 2,584 shares of





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unvested restricted stock upon his retirement from the Board. Upon Mr. Dietler's death in July 2008, 4,479 shares of unvested restricted stock vested in accordance with the terms of his restricted stock award agreements.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

Our principal business objective is to profitably grow our proved reserves and production for the long-term benefit of our investors. The executive compensation program is designed to retain the experienced professionals that we need to attain our business objectives and to align their interests with our stockholders.

#### **Overview**

Our executive compensation program focuses on three principal elements:

Base salary

Annual cash incentive awards

Long-term equity incentive awards

We strive to pay a base salary and total compensation that are competitive with our peers. Annual cash incentive awards are at risk and are intended to reward overall financial and operational performance. Our long-term equity awards are intended to be retentive, encourage executive stock ownership and reward executives for three-year relative stock price performance.

We do not consider benefits under our 401(k) defined contribution plan, non-qualified supplemental savings plan, perquisites or post-termination benefits as principal elements of our executive compensation program. See *Other Compensation* and *Potential Payments upon Change in Control or Termination* for more discussion regarding these benefits and why they are not a material part of executive compensation decisions. We do not specifically allocate a fixed portion of compensation between cash and equity-based compensation or between annual and long-term incentive compensation. We do not have a policy for recovery of performance-based compensation if we were required to restate our financial statements.

#### **Roles and Responsibilities**

Our Compensation and Governance Committee ("Compensation Committee" or "Committee") designs and administers our executive compensation program. The Committee develops the overall philosophy, objectives, structure and pay guidelines and, for elements that are dependent upon quantifiable measures, develops formulas to determine the awards. The Committee uses the services of an outside consultant, Longnecker & Associates, to help carry out its responsibilities, especially in the area of program design and compensation levels. Longnecker does not perform services for management. Our Vice President of Human Resources also assists the Committee with the design and implementation of our compensation program.

Our CEO plays a significant role in the executive compensation process. Because the CEO has close day-to-day association with the other NEOs and operation of Cimarex, the Committee considers the CEO's involvement essential. The CEO provides the Committee with an oral annual assessment of Cimarex's overall financial and operational performance. He evaluates individual NEO performance and recommends base salary adjustments, annual cash incentive awards and long-term equity incentive awards. The CEO considers subjective factors that may include scope of responsibility, contribution to company performance, technical competence, managerial skills, and advancement potential. The Committee has discretion to accept, reject or modify the CEO's recommendations.



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The Committee's final recommendations of executive compensation are based upon:

review of competitive data;

review of factors deemed relevant by the Committee to determine an annual cash incentive pool available for distribution;

informal, subjective and confidential review of the CEO's performance;

review of the CEO's recommendations regarding compensation for the NEOs; and

consideration of internal pay equity.

The Committee relies upon its collective judgment and considers length of service and subjective information including experience, consistent performance and available competitive alternatives for our executive officers. The Committee, through its Chairman, delivers its final recommendations for approval by the independent members of the Board of Directors.

**Objectives of our Executive Compensation Program**

Our program provides a competitive compensation package, promotes our pay-for-performance philosophy and aligns the interests of our executives and stockholders by:

*Offering competitive compensation.* We pay a base salary and total compensation that are competitive with compensation practices of companies that we compete with for talent.

*Rewarding company performance.* We align our annual cash incentive awards with company performance. Our program design does not include designated individual personal performance objectives.

*Aligning the interests of our executives with those of our stockholders.* Our long-term equity incentive awards encourage executive stock ownership and reward executives for above-average relative stock price performance.

**Comparison Groups**

We use comparison group information as a resource in reviewing and making annual base salary adjustments and as a point of reference when reviewing total compensation. We use a second comparison group to determine the peer stock performance factor in determining the number of performance shares that vest under our long-term incentive awards and, for the years 2006 through 2008, in determining Cimarex's relative stock price performance in calculating the annual cash incentive pool. The Compensation Committee reviews and approves both comparison groups.

Our base salary and total compensation peer group ("Compensation Peer Group") consists of companies in our industry with market capitalization and revenue similar to ours. In 2008, the companies selected had market capitalizations ranging from \$1 billion to \$13 billion and/or revenue ranging from \$700 million to \$3 billion. Each year, the Committee, with the assistance of its

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compensation consultant, reviews the Compensation Peer Group. Our 2008 Compensation Peer Group was comprised of:

2008 Compensation Peer Group

Cabot Oil & Gas Corp.	Pioneer Natural Resources Co.
Denbury Resources Inc.	Quicksilver Resources Corp.
EXCO Resources, Inc.	Range Resources Corp.
Newfield Exploration Co.	Southwestern Energy Co.
Noble Energy, Inc.	St. Mary Land & Exploration Co.
Petrohawk Energy Corporation	Whiting Petroleum Corp.

We use a second comparison group to determine our relative stock price performance in determining the number of shares of performance awards to be made to our CEO and NEOs ("Stock Performance Peer Group"). At the December 2008 Committee meeting, the Committee made a change in the index used to determine the companies in the Stock Performance Peer Group. The Stock Performance Peer Group for the 2006, 2007 and 2008 performance awards was comprised of companies in the Dow Jones U.S. Exploration & Production Index. The Committee determined that this index no longer consisted of a sufficient number of representative companies and that a larger and more representative group of companies was needed for purposes of calculating Cimarex's relative stock price performance under the awards granted on January 2, 2009. For these performance awards, the companies listed on the S&P 400 Oil and Gas Exploration index and the S&P 500 Oil and Gas Exploration index will constitute the Stock Performance Peer Group. Cimarex is one of the companies listed in the S&P 400 Oil and Gas Exploration index.

The peer companies applicable for calculating relative stock price performance for performance awards made in 2006, 2007 and 2008 consisted of:

2006, 2007 and 2008 Stock Performance Peer Group

Anadarko Petroleum Corporation	Meridian Resource Corp.
Apache Corporation	Newfield Exploration Company
Cabot Oil & Gas Corporation	Occidental Petroleum Corporation
Chesapeake Energy Corporation	Pioneer Natural Resources Co.
Devon Energy Corp.	Stone Energy Corporation
EOG Resources Inc.	XTO Energy Inc.
Forest Oil Corp.	

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The peer companies applicable for calculating relative stock price performance for the performance awards made in 2009 consisted of:

2009 Stock Performance Peer Group

S&P 400 Oil and Gas Exploration Index:

Bill Barrett Corp.  
Comstock Resources Inc.  
Denbury Resources Inc.  
Encore Acquisition Co.  
Forest Oil Corp.  
Mariner Energy Inc.  
Newfield Exploration Co.  
Plains Exploration & Production Co.  
Quicksilver Resources Corp.

S&P 500 Oil and Gas Exploration Index:

Anadarko Petroleum Corp.  
Apache Corp.  
Cabot Oil & Gas Corp.  
Chesapeake Energy Corp.  
Devon Energy Corp.  
EOG Resources Inc.  
Noble Energy Inc.  
Pioneer Natural Resources Co.  
Range Resources Corp.  
Southwestern Energy Co.  
XTO Energy Inc.

**Key Elements of our Compensation Program**

*Base Salary*

Our goal is to pay base salaries that are competitive with those paid for similar executive positions by other companies in our Compensation Peer Group. See *Comparison Groups* above for a list of the companies in our 2008 Compensation Peer Group. The Committee's consultant compiles comparative salary data for presentation to the Compensation Committee. In May of each year, the Committee recommends to the independent members of the Board for their approval base salary adjustments to be effective on June 1.

The salary range information is historical and is obtained from information in publicly-filed proxy statements and surveys. We analyze positions in companies in the Compensation Peer Group that have responsibilities similar to each of Cimarex's executive positions. We also use compensation rank order as part of the analysis. Because the data is about twelve months old at the time it is available, we also ask the consultant to adjust the data to estimate current compensation for the Compensation Peer Group companies.

While the comparison market data provides guidance in making decisions on base salary adjustments, the Committee does not set compensation based on market data alone. The Committee also considers the CEO's recommendations, length of service and subjective information including experience, consistent performance and available competitive alternatives for our executive officers.

*2008 CEO Base Salary Adjustment.* The Committee considers whether the CEO's compensation is comparable to that of other CEOs in the Compensation Peer Group. Material factors that the Committee considers in its CEO compensation decisions include the CEO's industry experience, management development capabilities, Cimarex's history of growth in proved reserves and production and any extraordinary transactions occurring or challenges faced during the year.

In May 2008, the Committee and the independent members of the Board approved an approximate 11% increase in Mr. Merelli's salary to \$850,000 from \$766,000. The CEO's base salary is consistent with our internal pay equity guidelines that provide that the CEO's base salary should not exceed three times the base salary of the next highest compensated NEO.

*2008 NEO Base Salary Adjustments.* The Committee considers comparison group information and the CEO's recommendations. The CEO orally provides the Committee with subjective executive

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performance information for each NEO. The CEO considers contribution to company goals, advancement potential, managerial skills, technical competence, scope of responsibility and the overall performance of the company in making his base salary recommendations to the Committee. The Committee considers the CEO's recommendations and then exercises its judgment and discretion in making base salary recommendations to the independent members of the Board of Directors.

In May 2008, the Committee recommended and the Board approved base salary increases effective June 1, 2008 for the NEOs approximating 12 to 15%. Mr. Albi's salary was increased to \$431,000 from \$375,000; Mr. Bell's salary was increased to \$357,000 from \$310,000; Mr. Jordan's salary was increased to \$468,000 from \$407,000; and Mr. Korus' salary was increased to \$420,000 from \$375,000.

We estimate that our CEO's and other NEOs' 2008 base salaries ranged from the 74<sup>th</sup> to 83rd percentile when compared to similar positions at companies in our Compensation Peer Group. In general, an executive's salary reflects his area of responsibility.

***Annual Cash Incentive Awards***

On March 2, 2009, we paid the CEO a cash incentive award of 35% of his annualized base salary and the NEOs cash incentive awards of 35% of their annualized base salaries for 2008 performance. (See the *Summary Compensation Table* for the amounts of the individual awards.) The amounts of these awards were based upon consideration of the following factors:

The calculation of the amount available for distribution resulted in potential pools equal to 129% of the CEO's annualized base salary and 129% of the annualized base salaries of the executive officers in the pool. These amounts were based on 8% growth in production, 2<sup>nd</sup> quartile relative stock price performance and actual cash flow that was 1.26 times forecasted cash flow.

We reported a net loss of \$902 million and our stock price fell by 37%.

In light of the negative developments noted above, the CEO recommended and the Committee and Board concurred that the awards be reduced to 35% of annualized base salary compared to the 129% calculated under our incentive award plan. See *Calculation of 2008 Annual Cash Incentive Awards* below for the method of the calculation.

For 2008 and prior years, our annual cash incentive award program was designed to encourage the attainment of specific company performance objectives, principally a targeted cash flow, growth in proved reserves and production and better than average stock price performance compared to the companies in the Stock Performance Peer Group. The ability to attain the specific performance objectives assumed our ability to accurately target cash flow and to readily access the capital market and, as a result, to plan for the year's capital investment, which is the principal driver of growth in production and reserves.

At its December 2008 meeting, the Committee addressed the fact that the oil and gas industry is faced with a changed economic environment characterized by volatile and declining commodity prices and uncertainty about access to capital markets. The Committee concluded that at its February 2009 meeting it would decide whether to approve a program that did not establish specific performance targets at the beginning of the year.

At its February 2009 meeting, the Committee determined that, due to volatile and decreasing oil and gas prices, lagging field service cost adjustments, credit availability concerns and the difficulty of accurately forecasting cash flow, the previously adopted formula for calculating the pool for distribution of annual cash incentive awards cannot accurately measure the economic and operational performance of Cimarex for 2009. The Board, upon the Committee's recommendation, approved a more flexible awards program based upon an end-of-the-year assessment of Cimarex's corporate results.

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*2009 Annual Cash Incentive Award Program.* The Committee recommended and the Board concurred that incentive award determinations will be based on an overall retrospective evaluation of Cimarex's corporate results, taking into account a wide range of measures and financial and operational results that are not determined until the year has concluded. Any measure that might be considered to determine whether or not an oil and gas company had a good year (or other measures of success or failure) is a possible consideration by the Committee.

The CEO will provide the Committee prior to its February 2010 meeting with a recommendation of the amount of the cash incentive pool, if any, and the recommended amounts of individual cash awards. The CEO will also provide the Committee with information that documents the specific considerations and evaluation of several factors that formed the basis for the award recommendations. The factors to be considered, and in most cases measured, include, but are not limited to:

oil and gas industry economic and operational conditions

relative performance compared to peer companies

2009 cash flow

the competitive environment

reserve replacement

changes in oil and gas production

cost control and expense management

personnel safety record and

environmental and regulatory compliance

Based upon these recommendations and its overall assessment of corporate performance, the Committee will recommend for approval by the Board the CEO's and executive officer annual cash incentive awards.

Following its determination of the 2009 awards, the Committee will determine whether a continuation of this approach for determining annual cash incentive awards is advisable.

*Calculation of 2008 Annual Cash Incentive Awards.* Under the annual cash incentive award plan in place during 2008 and prior years, a discretionary pool is created for the CEO and a second discretionary pool is created for executive officers (including NEOs) reporting directly to the CEO. The maximum amount of the CEO's pool is 200% of his year-end annualized base salary, and the maximum amount of the officers' pool is 150% of the year-end annualized base salaries of the officers in the pool. The discretionary pools are calculated in accordance with the formula described below. The target for both pools is 100% of year-end annualized base salaries of participants in the pool. The targeted incentive cash bonus is attained when production and proved reserves grow by 5% and relative stock price performance is in the first quartile. The size of the pool is increased or decreased based upon the relationship of actual cash flow to targeted cash flow. The Committee may not award more than the calculated pool but may exercise discretion and award less than the entire amount of the pool.

In December 2007, the Committee determined the levels of achievement for the growth in production and reserve factors and for stock price performance that would be applicable in determining cash incentive awards for 2008. In making these determinations, the Committee considered the size of the reserve base, production levels, past peer group stock price performance, capital budget, forecasted production and reserve volumes, commodity price outlook, industry conditions, competitive outlook,





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effect on performance motivation, management retention and difficulty in achieving the goals. The factors approved by the Committee were:

Production Growth		Reserve Growth	
% Increase	% Earned	% Increase	% Earned
<0%	0%	<0%	0%
0%	30%	0%	30%
1%	40%	1%	40%
2%	50%	2%	50%
3%	65%	3%	65%
4%	80%	4%	80%
6%	120%	5%	100%
7%	140%	6%	120%
8%	160%	7%	140%

Stock Price Performance	
Quartile	% Earned
1	100%
2	75%
3	0%
4	0%

In December 2007, the Committee reviewed and approved the following weightings of the production, reserve and stock price performance achievement factors for 2008 cash incentive awards:

Weighting	
Production growth	50%
Reserve growth	20%
Stock price	30%

The total incentive pool was adjusted by the relationship of actual 2008 cash flow provided by operations (before changes in operating assets and liabilities) of \$1.443 billion to the cash flow forecasted in February 2008 of \$1.143 billion, which was based on year-end 2007 monthly contract futures prices for oil and gas on the New York Mercantile Exchange. The forecast also considered other estimates, including production volumes, operating cost structure, financing costs and income taxes.

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For 2008, the calculation of the cash incentive pool was as follows:

<b>Performance Factor</b>	<b>Achievement</b>	<b>Performance Factor Earned</b>	<b>Weighting</b>	<b>Weighted Factor</b>
Production growth	8%	160%	50%	80%
Reserve growth	<0%	0%	20%	0%
Stock price	2 <sup>nd</sup> quartile	75%	30%	22.5%
			<b>Total:</b>	102.5%
Relationship of actual cash flow to targeted cash flow				126%
Incentive pool as a % of base salaries				129%

As shown on the table above, in 2008 production grew by 8% resulting in a 160% earned production growth factor. Proved reserves (adjusted for asset sales) decreased by 8.8% resulting in a 0% reserve growth factor. During 2008 our relative stock price performance was in the second quartile of comparative performance among the Stock Performance Peer Group, resulting in a 75% factor. Combined with their respective relative weightings, these achievements resulted in an amount equal to 102.5% of base salaries available for distribution to executives. When the amount available for distribution is adjusted by the relationship of 2008 actual cash flow of \$1.443 million compared to targeted cash flow of \$1.143 million, the result is an incentive pool of 129% of base salaries.

***Long-Term Equity Incentive Awards***

In December 2005, the Board approved a long-term equity incentive program. The program's objectives are to deliver to each executive a laddered portfolio for vesting of restricted stock awards that provides a retention incentive, facilitates executive stock ownership and aligns the interests of executives with our stockholders.

The program provides for recurring annual awards of restricted stock. One-half of the restricted shares are subject to three-year time of service vesting, and the second half are subject to vesting based on three-year relative stock price performance.

The number of shares that vest based on our relative stock price performance can range from 0% to 100%. For awards granted from January 2006 through January 2008, the Stock Performance Peer Group used to determine relative stock price performance consists of companies in the Dow Jones U.S. Exploration & Production Index. At its December 2008 meeting, the Committee changed the 2009 Stock Performance Peer Group to companies in the S&P 400 and 500 Oil and Gas Exploration Indices. See *Comparison Groups* above for a list of the companies in this peer group.

The Committee determines relative stock price performance by calculating the percentage difference between the average per share closing price for shares of Cimarex and each company in our Stock Performance Peer Group for the 30 trading days preceding the date of grant and the 30 trading days preceding the third anniversary of the grant. The Committee ranks Cimarex and calculates its relative performance percentile. If our relative stock price performance is 25% or less, no performance-based shares vest. For each relative stock price performance percentile increase above 25%, 2% of the

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performance-based award vests. For example, assuming an initial award of 15,000 performance-based shares:

Relative Stock Price Performance Percentile	% of Performance-Based Shares Earned	# of Performance-Based Shares Vested
25% or less	0%	0
50%	50%	7,500
75%	100%	15,000

In December of each year, the Committee recommends the number of shares to be awarded the following year. As part of its determination, the Committee compares our total compensation program with the programs of companies in our Compensation Peer Group. The Committee also takes into account that one-half of the shares are "at-risk" and subject to satisfaction of the performance criteria. The Committee determines the number of shares to be awarded to the CEO and the number of shares to be awarded to each other executive officer. Following a team-based management approach, each NEO is awarded the same number of shares.

The following table represents the awards granted to date and the first vesting that occurred on January 2, 2009:

	Grant Date	Time-Based Vesting	Subject to Relative Stock Performance Vesting	Vesting Date	Total Vested
CEO	1/2006	30,000	30,000	1/2009	40,800 <sup>(1)</sup>
	1/2007	30,000	30,000	1/2010	0
	1/2008	30,000	30,000	1/2011	0
	1/2009	30,000	30,000	1/2012	0
Each NEO	1/2006	15,000	15,000	1/2009	20,400 <sup>(1)</sup>
	1/2007	15,000	15,000	1/2010	0
	1/2008	15,000	15,000	1/2011	0
	1/2009	15,000	15,000	1/2012	0

<sup>(1)</sup> The Compensation Committee certified the calculation of the number of unrestricted shares of stock to be issued to the CEO and the NEOs. Cimarex's relative stock performance was 8<sup>th</sup> out of 14 companies in the peer group or the 43<sup>rd</sup> percentile, resulting in each executive receiving 68% of the award (all of the time-vested portion of the award and 36% of the performance-based portion of the award).

*2002 Restricted Stock Unit and Option Awards.* In December 2002 shortly following our September 2002 reorganization as Cimarex Energy Co., we awarded the CEO and NEOs restricted stock units and stock options. These awards were issued to retain executives and promote stock ownership. The restricted stock units fully vested in December 2007, but are not payable in shares until December 2010. The options fully vested in December 2007. If the CEO or any NEO elects to exercise vested options, he must hold until December 6, 2010 one-half of the shares remaining after delivering shares in payment of the exercise price and net taxes due upon exercise.

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**Total Compensation**

The Committee periodically reviews total executive compensation. The three elements of compensation — base salary, annual cash incentive awards and long-term equity incentive awards — are the elements included in the Committee's review of total compensation.

In its review of total compensation, the Committee believes that the level of compensation should increase in relation to an officer's increased responsibility. The more senior the job, the more the senior officer can affect results either positively or negatively. For example, our CEO's total annual cash compensation of base salary and an annual cash incentive award is approximately 2.25 times the next highest officer's base salary and annual cash incentive award.

**Other Compensation**

We do not consider the following compensation as material elements of our executive compensation program because (i) we provide limited perquisites and (ii) benefits available under our 401(k) plan and supplemental savings plan are also available to non-executive employees.

*Perquisites*

We provide executive officers with limited perquisites. Perquisites that we do provide include a medical expense reimbursement program, athletic and dining club memberships and a financial planning allowance. In 2008, the total cost of perquisites provided to our CEO and NEOs was \$27,833.

*Retirement Benefits*

The CEO and NEOs are eligible to participate in the Cimarex 401(k) defined contribution retirement plan. This plan is open to participation by all Cimarex full-time employees. Under the plan, Cimarex matches dollar-for-dollar employee contributions to the plan up to 5% of the employee's cash compensation, subject to limits imposed by Internal Revenue Service rules. Beginning in 2008, Cimarex increased its matching contribution from 5% to 7%. In December 2007 the Committee elected to activate the profit-sharing contribution feature under the 401(k) Plan and to determine at each meeting following availability of fiscal year-end financial results the amount, if any, of the profit-sharing contribution.

At the Committee's February 2008 meeting, the Committee recommended and the Board authorized a profit-sharing contribution of 3% of the gross pay of eligible participants under the 401(k) Plan. At its February 2009 meeting, based upon 2008 year-end financial results, the Committee recommended and the Board concurred that no profit-sharing contribution would be made under the 401(k) Plan.

*Supplemental Savings Plan*

We also sponsor a Supplemental Savings Plan, a non-qualified deferred compensation plan that permits participants, including the CEO and NEOs, to make contributions (and to receive matching contributions) in excess of the Internal Revenue Service limitations. Participants may defer a maximum of 50% of total annual cash compensation. In 2008, Cimarex matched 100% of the participants' contributions up to 7% of the participant's total annual cash compensation.

Each of the CEO and the NEOs are 100% vested in all matching contributions. Contributions are invested in mutual funds available for investment under the Cimarex 401(k) Plan. The officer selects the funds for investment by providing advisory investment direction to Cimarex.

The Committee administers this plan and designates who may participate in the plan. Benefits under the plan are paid upon termination of employment in a cash lump sum or in annual installments over a period not longer than 15 years, as the participant elects. In the event of a change in control, each

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participant receives a cash lump sum payment of the amount allocated to his/her account as of the last day of the month immediately preceding the date of the change in control. A change in control under the Supplemental Savings Plan is the same as the definition of a "change in control event" in our 2002 Stock Incentive Plan. See *Potential Payments upon Termination or Change in Control* for a summary of the definition of a "change-in-control event."

Cimarex's matching contributions to the 401(k) Plan and Supplemental Savings Plan are included in footnote 4 to the *Summary Compensation Table*. Participant and Cimarex contributions to the Supplemental Savings Plan are included in the *Nonqualified Deferred Compensation* table.

**Tax Considerations**

Section 162(m) of the Code limits the amount of compensation that the company may deduct on its federal income tax return for compensation paid to certain executive officers to no more than \$1 million per year. This limitation does not apply to "qualified performance based" compensation as defined under the federal tax laws if the performance goals are approved by the stockholders and other requirements for deductibility are met. At our 2006 Annual Meeting our stockholders approved performance goals for our restricted stock awards to enable performance-based restricted stock awards to qualify for the exemptions from the deduction limit, provided the other requirements are satisfied.

The Compensation Committee attempts to preserve the deductibility of compensation paid to executive officers but does not limit executive compensation to amounts deductible under Section 162(m).

**Internal Pay Equity**

The purpose of our internal pay equity program is to ensure that the use of comparisons to assist the Company in establishing competitive pay levels does not result in excessive pay for the CEO relative to other officers. Our internal pay equity guidelines provide that the CEO's base salary should not be more than three times the base salary of the next highest compensated NEO, and the CEO's cash incentive award should not be more than three times the cash incentive award of the next highest cash incentive award. Our Board must approve any deviation from these guidelines. For 2008, our CEO's base salary and annual cash incentive award are consistent with our internal pay equity guidelines.

**REPORT OF COMPENSATION AND GOVERNANCE COMMITTEE**

The Compensation and Governance Committee oversees Cimarex's executive and director compensation program on behalf of the Board of Directors. The Compensation and Governance Committee reviewed and discussed the Compensation Discussion and Analysis report included in this Proxy Statement with management. Based on its review and discussions, the Compensation and Governance Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION AND  
GOVERNANCE COMMITTEE  
L. Paul Teague, Chairman  
Jerry Box  
Hans Helmerich  
David A. Hentschel