



BEGINNING WITH STRENGTH

ANNUAL REPORT 2002

OUR BUSINESS: *Cimarex Energy Co. is an independent oil and gas exploration and production company. Principal areas of operations are located in Oklahoma, Kansas, Texas, and Louisiana. Other areas of focus include Mississippi, California and other western states.*

A STRONG FOUNDATION

OUR BACKGROUND: *Cimarex was created as an outgrowth of the September 30, 2002, spin off of Helmerich & Payne's exploration and production division and simultaneous merger with Denver-based Key Production Company, Inc. Our name is derived from the phrase "Cimarron exploration." Both predecessor companies had long histories of successful exploration in western Oklahoma, a part of which was once known as Cimarron Territory.*

While we may be a new company, we begin with a strong foundation. We have quality assets, talented people and responsible core values. We also have good cash flow, low debt and a board of directors who are recognized for their business acumen and integrity. Our objectives and strategies center around consistently building shareholder value through exploration and development. We will supplement our growth from time to time with acquisitions and other business development transactions that make economic sense.

Our common stock is listed on the New York Stock Exchange and traded under the ticker symbol "XEC."

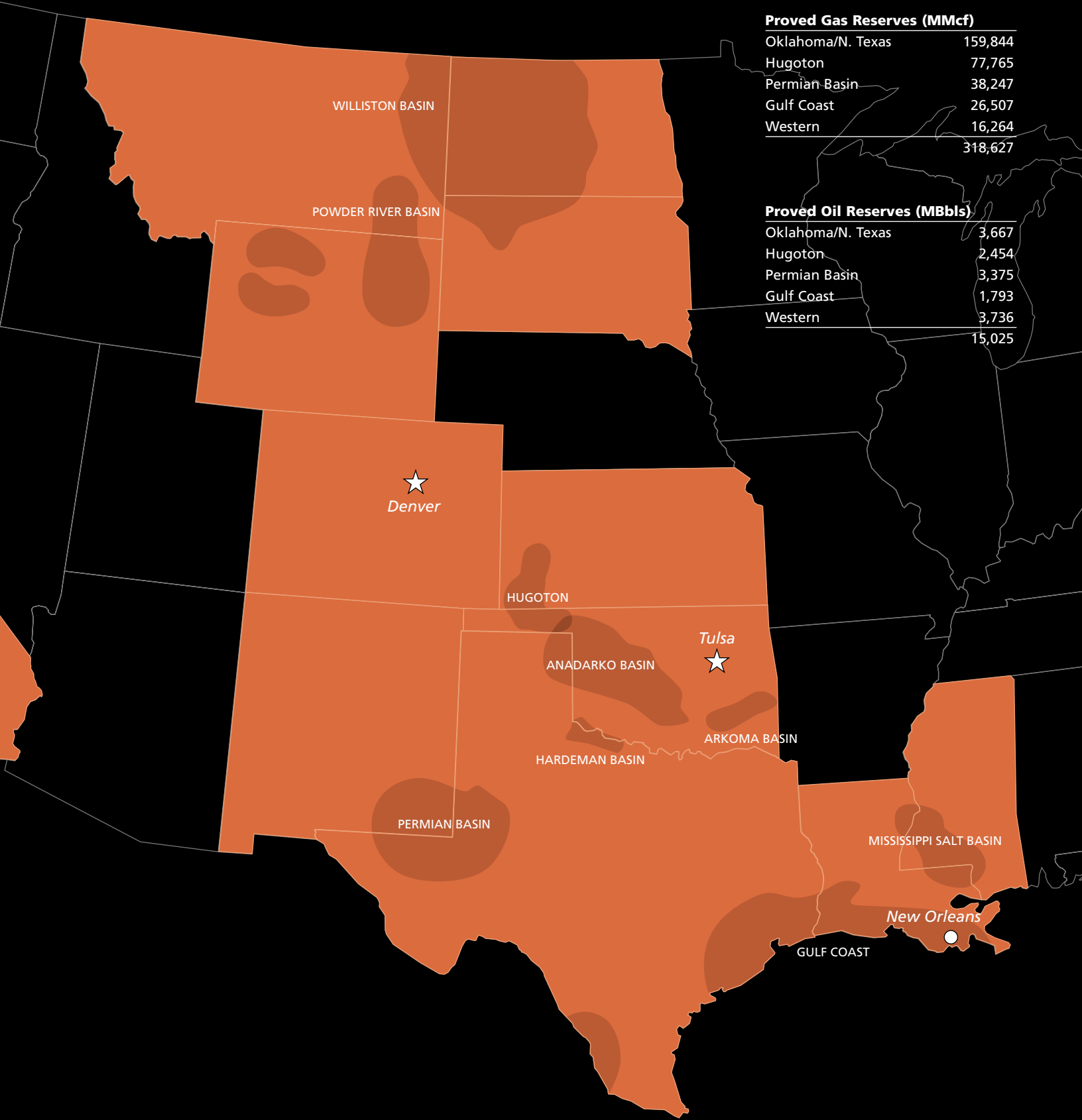
Information regarding forward-looking statements is included in the accompanying Form 10-K.

ABBREVIATIONS

Mcf	Thousand cubic feet (of natural gas)	Bcfe	Billion cubic feet equivalent
MMcf	Million cubic feet	Bbls	Barrels (of oil)
MMcf/d	Million cubic feet per day	Bbls/d	Barrels per day
Bcf	Billion cubic feet	MMbbls	Million barrels
Mcfe	Thousand cubic feet equivalent	/d	Per Day
MMcfe	Million cubic feet equivalent		

One barrel of oil is the energy equivalent of six Mcf of natural gas.





Proved Gas Reserves (MMcf)

Oklahoma/N. Texas	159,844
Hugoton	77,765
Permian Basin	38,247
Gulf Coast	26,507
Western	16,264
	<hr/>
	318,627

Proved Oil Reserves (MMbbls)

Oklahoma/N. Texas	3,667
Hugoton	2,454
Permian Basin	3,375
Gulf Coast	1,793
Western	3,736
	<hr/>
	15,025

Fellow Stockholders

It's with a strong sense of accomplishment and optimism that I write this initial letter to the stockholders of Cimarex Energy Co. We are a new company that begins with a strong foundation. We have quality assets, talented individuals, and responsible core values.

Cimarex was launched on September 30, 2002, when Tulsa-based Helmerich & Payne spun off their exploration and production division into a new entity and merged it with Denver-based Key Production. Our name is derived from the phrase Cimarron Exploration, a moniker that we were disappointed to learn was not available to us because it was used elsewhere in our industry. We were intrigued by this name because Helmerich & Payne and Key both had a long history of oil and gas exploration in western Oklahoma, a part of which was once known as Cimarron Territory.

Our annual report has all the usual comparisons of year-over-year financial and operating results, but they are put together on a basis that treats Cimarex as if it had been a stand-alone company prior to the spin-off; and then treats the Key merger as an acquisition. Recognizing that there is no easily understandable way to make apples-to-apples comparisons between reporting periods for transactions like this, strict and explicit financial accounting standards are in place for handling these matters and we have presented our financial statements in accordance with those rules.

Thorough coverage of our financial results is contained in the accompanying Form 10-K. However, we have summarized a few 2002 highlights because they serve as useful benchmarks for where Cimarex begins.

- > Net income was \$39.8 million, or \$1.31 per diluted share. Of that amount, \$15.8 million, or \$0.38 per share, was earned in the fourth quarter after the spin off and merger with Key.
- > Cash flow from operating activities totaled \$104.5 million and more than funded \$66.5 million of capital expenditures. Fourth-quarter cash flow was \$32.8 million.



F.H. Merelli
Chairman, President &
Chief Executive Officer

- > Full-year production volumes were 48.3 billion cubic feet (Bcf) of gas equivalent. Fourth quarter output exceeded 16.5 Bcf equivalent.
- > We drilled 110 wells with an 88 percent success rate. In the fourth quarter, we drilled 36 wells.
- > Through the necessary disruptions associated with the spin-off and merger, we more than replaced combined company production and grew our proved reserves to 409 Bcf equivalent.
- > Year-end debt of only \$32 million and stockholders' equity of \$445 million.
- > On December 31, the market value of our 41.4 million shares of common stock was \$725 million. Our stock was listed on the New York Stock Exchange and began trading on October 1, 2002 under the symbol "XEC."

CIMARRON TERRITORY:

Generally the area now known as the Oklahoma Panhandle. Was settled by cattle ranchers, many of them squatters, in the early 1800s. To protect their claims they attempted, in 1887, to create a separate territorial government at Beaver, Okla. After subsequent efforts toward this end failed in the U.S. Congress, Cimarron became part of the Oklahoma Territory in 1890. Cimarron County is the only Oklahoma county that borders Colorado.

Source: Columbia Encyclopedia, Sixth Edition, Copyright 2003

Apparent in 2002 results is the strong momentum gained in the fourth quarter. Apart from beginning to run our operations under one roof, we benefited from rising gas and oil prices. This occurred against a backdrop of an alarming decline in U.S. gas deliverability, falling Canadian gas imports, worker strikes affecting oil imports from Venezuela and the prospect of an Iraq war. A strong upward bias in commodity prices has continued into early 2003, adding further impetus to our earnings potential.

To boost our growth capacity, we are planning for a 40 percent increase in 2003 exploration and development expenditures to approximately \$150 million. In 2002, Helmerich & Payne, Key, and Cimarex all together spent \$105 million on similar activities. Reflecting one of the more salient benefits of the combination, roughly 60 percent of the 2003 budget will be directed toward the Mid-Continent region of the U.S., where nearly two-thirds of the company's proved reserves and production are situated.

Having had the privilege of participating in this vital industry for roughly four decades, I have seen many ups and downs in commodity prices. A long-term upward trend has also been evident as higher prices became necessary to grow oil and gas supplies at a rate commensurate with rising energy demand. So despite the likelihood of continued volatility, Cimarex will remain committed to the belief that consistent profitable growth in proved reserves and production can and should be achieved by those committed to enduring the cycles and doing their part to supply reliable energy resources.

Cimarex's business objectives and strategies will sound familiar to many of our owners. We will focus on consistently building shareholder value through exploration and development, supplementing our growth from time to time with acquisitions and other business development transactions that make

*Cimarex has a long history
of successful operations in
western Oklahoma.*

economic sense. While we will not seek growth for the sake of growth alone, our present financial capacity is underutilized. Hence we are expanding our efforts to identify and acquire high quality assets that fit our operational capabilities and long-term direction.

Recognizing that an uncertain geopolitical and economic environment can often impede progress, we have a clear vision for creating value. We must profitably increase proved reserves and production while maintaining financial flexibility. We find ourselves well positioned to do just that because we begin with a quality asset base, an active drilling program and a strong organization that melds the talents and experience of its two predecessor companies. We also have good cash flow, low debt and a board of directors who are recognized for their business acumen and integrity.

Over the years, many things in our industry have changed and they will probably change again. Some things, however, will remain the same. Hydrocarbon resources will continue to play a pivotal role in the advancement of worldwide economic growth and Cimarex will remain committed to its goal of consistent profitable growth.

Respectfully,



F.H. Merelli
Chairman, President & CEO
March 21, 2003



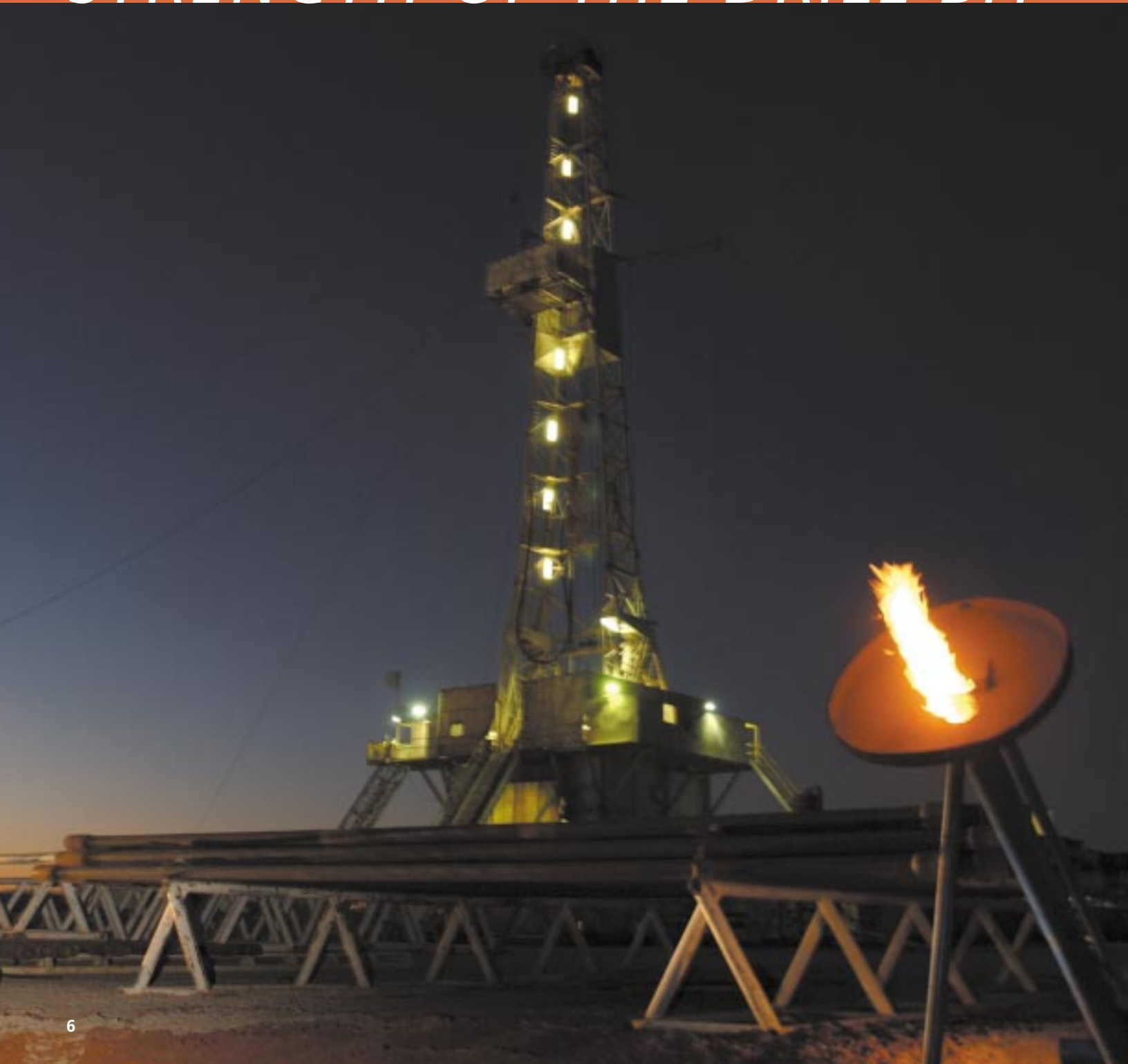
Our core strategy is to discover new reserves through drilling that have a greater worth than the dollars spent to find and develop them. Our technical teams have demonstrated that they are adept at prospect generation, are capable of using sophisticated exploration tools and understand how to mitigate risks associated with oil and gas exploration.

STRENGTH OF EXPERIENCE



Our core growth strategy centers on conducting a continually expanding moderate-risk drilling program. During 2002, we participated in drilling 110 gross wells and completed 88 percent of them as producers. On a net basis, 39.1 of 44.2 wells were successful. We expect to invest \$150 million in 2003 to drill 170 gross wells, or about 100 net wells.

STRENGTH OF THE DRILL BIT



Operations Overview

Development of tight gas reservoirs in Oklahoma's Anadarko Basin underpins our moderate-risk drilling program and helps provide consistent predictable results.

At December 31, 2002, proved reserves totaled 409 Bcfe, consisting of 319 Bcf of gas and 15 million barrels of oil. Of total proved reserves, 78 percent are gas and 99.6 percent are classified as proved developed.

Aggregate 2002 production volumes averaged 132 MMcfe per day, up 2 percent from fiscal 2001 output of 130 MMcfe. Reflecting the effect of the Key merger, fourth quarter volumes averaged 180 MMcfe per day, comprised of 141.4 MMcf per day of gas and 6,563 barrels per day of oil.

Our average realized gas price in 2002 was \$2.91 per Mcf, which was 36 percent lower than the \$4.55 per Mcf gas price we received in fiscal 2001. Evidencing the extreme volatility in energy prices experienced over the last few years, our 2001 gas price was 63 percent higher than our fiscal 2000 average gas price of \$2.79 per Mcf. Over this entire three-year period, we sold gas for as much as \$9.00 per Mcf and as little as \$1.65 per Mcf. Since plummeting in September 2001, gas prices have been on a fairly steady upward course, reaching \$3.60 per Mcf during the fourth quarter of 2002.

Notwithstanding recent strength in oil prices stemming from global supply disruptions and heightened tensions in the Middle East, our 2002 average realized oil price was \$24.91 per barrel versus \$27.88 and \$27.95 per barrel in fiscal 2001 and 2000, respectively.

The present value, using a 10 percent discount rate, of the future net cash flows before income taxes of Cimarex's total proved reserves at the end of 2002 was \$741.2 million. Year-end 2002 realized prices used in this calculation were \$4.22 per Mcf of gas and \$28.56 per barrel of oil.

Exploration and Development

Exploration and development activities are focused in the Mid-Continent and onshore Gulf Coast regions of the United States. We also have operations in west Texas, California, Wyoming, North Dakota and Montana.

Virtually all of our proved reserves are located onshore in the continental U.S., including 68 percent in the Mid-Continent region. We operate the wells that account for 62 percent of total proved reserves; and most of these wells produce from depletion-drive reservoirs that are characterized by highly predictable production rates.

STRENGTH OF ASSETS



The most significant area of concentration is in the Mid-Continent, which accounts for over two-thirds of our proved reserves and production. We manage these operations from Tulsa, Oklahoma.

In 2002, we drilled 70 gross wells in the Mid-Continent region and completed 98 percent of them as producers. The bulk of these wells were in the Anadarko Basin of western Oklahoma and the Hardeman Basin of north Texas. Aside from these basins, we also conduct activity in the Oklahoma's Arkoma Basin and Mountain Front play, the Oklahoma and Texas panhandles and the Hugoton field in southwest Kansas.

As in 2002, one of the major thrusts of our 2003 capital program will be field extensions and infill drilling in the Anadarko Basin's tight gas reservoirs, principally found in the Pennsylvanian-age Red Fork formation. Our competitive advantage in this area stems from a substantial acreage platform and the insightful knowledge of our Tulsa-based staff that has spent the majority of their career working this play.

Elsewhere in the Mid-Continent, nine out of 10 horizontal oil wells drilled by Key or Cimarex during 2002 were completed as producers. We are planning on drilling over 20 horizontal wells in this area during 2003. Our activity is driven by an extensive database of regional 3-D seismic survey data, well-control information and an experienced team of professionals.

About 60 percent, or \$90 million, of budgeted 2003 capital expenditures are earmarked for our Mid-Continent region.

Gulf Coast exploration is focused in southern Louisiana, coastal Texas and the Mississippi Salt Basin. Although only 9 percent of our proved reserves are situated in these areas, we expect to spend 30-35 percent of our exploration and development budget here on projects managed from both our Tulsa and New Orleans offices. Characterized by higher risk prospects that may have greater potential, our Gulf Coast effort is an ideal complement to our lower risk Mid-Continent program.

In the western U.S., we principally explore in the Sacramento Basin of California and the Williston Basin of North Dakota and Montana. We also have long-lived oil producing fields in the Power River and Big Horn Basins of Wyoming. Our Permian Basin assets in west Texas and New Mexico are comprised of small non-operated working interests in several mature oil fields and a nearly 100 percent working interest in the Dixieland gas field.

The multi-pay potential of the Mid-Continent region provides a strong base of production operations.



Financial Overview

The following events affect the comparability of results of operations and financial condition for the periods presented.

Spin off and merger: On September 30, 2002, Cimarex was spun off from Helmerich & Payne, Inc. (H&P) and became a stand-alone company. The spin-off was accomplished by the distribution of 26.6 million shares of Cimarex common stock to the shareholders of H&P. Simultaneously, Denver-based Key Production merged with Cimarex in a tax-free reorganization that was accounted for as the acquisition of Key by Cimarex. In the merger, Key's 14.1 million shares of common stock were exchanged for a like number of Cimarex shares. Because the merger was accounted for as a purchase business combination, our financial results include the impact of Key only since September 30, 2002.

Change in fiscal year: Shortly after the spin-off, Cimarex changed its fiscal year from September 30 to December 31. As a consequence, the financial information presented in this report shows results of operations for the calendar year ended December 31, 2002 and the twelve-month periods ended September 30, 2001 and 2000.

Summary Results

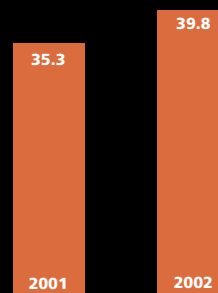
Net income grew 13 percent in 2002 to \$39.8 million from \$35.3 million in fiscal 2001. Financial results for 2001 include a \$78.1 million reduction to the carrying value of oil and gas properties.

Variation in financial results between the last three years is largely an outgrowth of rising and falling natural gas prices. Our average realized gas price in 2002 of \$2.91 per Mcf was 36 percent lower than the \$4.55 per Mcf gas price we received in fiscal 2001. That resulted in lower 2002 revenues from the sales of production. On the other hand, our 2001 gas price rose 63 percent from \$2.79 per Mcf in fiscal 2000, causing a large increase in sales. However, precipitously low gas prices in September 2001 necessitated a non-cash write down to our oil and gas assets that lowered 2001 net income.

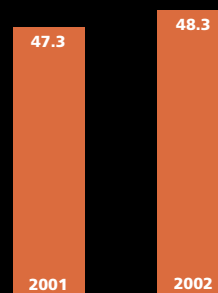
Cash provided by 2002 operating activities totaled \$104.5 million and more than funded \$66.5 million of capital expenditures. Excess funds were used to reduce debt and cover spin-off and merger related expenses. Benefiting from a solid drilling inventory, we are planning for \$150 million of exploration and development expenditures in 2003.

We are also well positioned to fund additional capital expenditures. Aside from stronger cash flow resulting from potentially higher prices and production, our year-end debt was only \$32 million, or 6.7 percent of total capitalization.

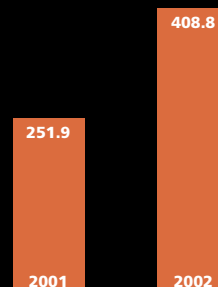
NET INCOME (Millions of Dollars)



PRODUCTION (Bcfe)



PROVED RESERVES (Bcfe)



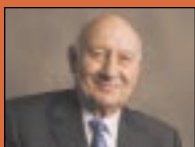
The following table sets forth selected financial data for the year ended December 31, 2002 and each of the years ended September 30, 2001 and 2000, which information has been derived from the Company's audited financial statements. This information should be read in connection with and is qualified in its entirety by the more detailed information and consolidated financial statements contained in the accompanying form 10-K.

STRENGTH OF NUMBERS

As of and For the Years Ended
(In Thousands of Dollars, except as noted)

	December 31 2002	September 30 2001	September 30 2000
OPERATING RESULTS			
Oil and gas sales	\$ 149,382	\$ 215,777	\$ 155,657
Net Income	39,819	35,253	57,386
Net Income per share:			
Basic	1.32	1.33	2.16
Diluted	1.31	1.33	2.16
Cash provided by operating activities	104,455	162,358	109,992
BALANCE SHEET DATA			
Total assets	\$ 674,286	\$ 246,212	\$ 286,090
Total debt	32,000	—	—
Stockholders' equity	444,880	166,795	192,972
OTHER DATA			
Capital expenditures	\$ 66,458	\$ 100,201	\$ 71,902
Proved reserves:			
Oil (MBbls)	15,025	5,932	6,305
Gas (MMcf)	318,627	216,337	262,498
Total equivalent (MMcfe)	408,779	251,927	300,329
Production:			
Oil (Bbls/d)	3,209	2,242	2,405
Gas (MMcf/d)	113.2	116.1	128.2
Prices:			
Oil (\$/Bbl)	\$ 24.91	\$ 27.88	\$ 27.95
Gas (\$/Mcf)	\$ 2.91	\$ 4.55	\$ 2.79

Board of Directors



F. H. Merelli
Chairman, President
and CEO



Glenn A. Cox
Former President and COO,
Phillips Petroleum Company
Audit Committee



Cortlandt S. Dietler
Chairman of the Board,
TransMontaigne Inc.
Audit Committee



Hans Helmerich
President and CEO,
Helmerich and Payne



David A. Hentschel
Former Chairman and CEO,
Occidental Oil and Gas Corporation
Governance Committee



Paul D. Holleman
Former Senior Partner,
Holme Roberts & Owen LLP
Audit Committee



L. F. Rooney, III
Chairman,
Manhattan Construction Company
President,
Rooney Brothers Company
Governance Committee



Michael J. Sullivan
Former U.S. Ambassador and
Governor of Wyoming
Audit Committee



L. Paul Teague
Former Vice President,
Western Region, Texaco Exploration &
Producing, Inc.
Governance Committee

STRENGTH OF LEADERSHIP

Management Team

F. H. Merelli
Chairman, President and CEO

Joseph R. Albi
Vice President — Engineering

Stephen P. Bell
Vice President — Business Development
and Land

Roger Bureau
Vice President — Drilling

Richard S. Dinkins
Director — Human Resources

David W. Honeyfield
Controller and Chief Accounting Officer

Thomas E. Jordan
Vice President — Exploration

Paul Korus
Vice President and CFO

Gerald P. McLaughlin
Vice President — Marketing

Gerald A. Nagel
Vice President — Production

James L. Painter
Regional Exploration Manager —
Gulf Coast

Steven R. Shaw
Executive Vice President

Michael C. Stone
Regional Exploration Manager —
Mid-Continent

Rod A. Sutherland
Regional Exploration Manager —
Southeastern

Kamil Tazi
Regional Exploration Manager —
Western

Corporate Information

Cimarex Energy Co. common stock trades on The New York Stock Exchange under the symbol XEC.

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Stock Transfer Agent

Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, New York 10004
Tel: (800) 509-5586

Independent Public Accountants

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Independent Reservoir Engineers

Ryder Scott Company, L.P.
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Denver, Colorado 80202

Corporate Counsel

Holme Roberts & Owen LLP
1700 Lincoln Street, Suite 4100
Denver, Colorado 80203

Web Site

<http://www.cimarex.com>

For More Information

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Paul Korus, Vice President and Chief Financial Officer, at (303) 295-3995.





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