

MAGNUM HUNTER RESOURCES INC

Form 425

January 27, 2005

Filed by Cimarex Energy Co.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Corporation: Magnum Hunter Resources, Inc.

Commission File No.: 001-12508

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**Magnum Hunter Merger**  
**January 27 28, 2005**

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*Forward-Looking Statements*

This presentation contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements regarding the consummation of the proposed distribution and merger, its effect on future earnings, cash flow or other operating results, any other effect or benefit of the proposed distribution and merger, market prospects, and any other statements that are not historical facts. Cimarex Energy (NYSE: XEC) and Magnum Hunter Resources (NYSE: MHR) strongly encourage readers to note that some or all of the assumptions upon which such forward-looking statements are based are beyond their ability to control or estimate precisely, and may in some cases be subject to rapid and material changes. More detailed information about the factors that could cause actual results to differ materially from those described in the forward-looking statements is set forth in XEC's and MHR's filings with the Securities and Exchange Commission, which are available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov). XEC and MHR undertake no obligation to publicly update any forward-looking statements discussed in this presentation, whether as a result of new information, future events or otherwise.

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***Additional Information***

In connection with the proposed merger, Cimarex Energy Company and Magnum Hunter Resources, Inc. will file a proxy statement/prospectus with the SEC. **Investors and security holders are urged to carefully read the proxy statement/prospectus regarding the proposed transaction when it becomes available, because it will contain important information.** Investors and security holders may obtain a free copy of the proxy statement/prospectus (when it is available) and other documents containing information about Cimarex Energy and Magnum Hunter Resources, without charge, at the SEC's web site at [www.sec.gov](http://www.sec.gov). Copies of the proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement/prospectus may also be obtained for free by directing a request to either: Cimarex Energy Company, Inc., 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203, Attention: Mary Kay Rohrer, Assistant Corporate Secretary; telephone 303-295-3995, fax: 303-295-3494, or Magnum Hunter Resources, Inc., 600 East Los Colinas Blvd., Suite 1100, Irving, Texas, 75039, Attention: Morgan F. Johnston, Corporate Secretary; telephone 972-401-0752, fax: 972-443-6487.

**Participants in Solicitation**

Cimarex, Magnum Hunter and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of Cimarex and Magnum Hunter in favor of the merger. Information about the executive officers and directors of Cimarex and their ownership of Cimarex common stock is set forth in the proxy statement for its 2004 Annual Meeting of Stockholders, which was filed with the SEC in April 2004. Information about the executive officers and directors of Magnum Hunter and their ownership of Magnum Hunter common stock is set forth in the proxy statement for their 2004 Annual Meeting of Stockholders, which was filed with the SEC in August 2004. Investors and security holders may obtain more detailed information regarding the direct and indirect interests of Cimarex, Magnum Hunter and their respective executive officers and directors in the merger by reading the joint proxy statement/prospectus when it becomes available.

*Management Representatives*

**Cimarex Energy Company NYSE: XEC**

Mick Merelli, Chairman, President and CEO

Tom Jorden, Executive Vice President Exploration

Paul Korus, Vice President, CFO

**Magnum Hunter Resources, Inc. NYSE: MHR**

Gary Evans, President and CEO

Brad Davis, Senior Vice President and CFO

*Principal Terms*

Stock for stock

0.415 XEC for each MHR share

53.6% / 46.4% ownership split

Assumption of \$645MM of MHR debt

Debt : capitalization ~25%

MHR dividend of its ownership interest in Tel Offshore Trust (TELOZ) ~\$0.17 per share

MHR to designate one Board member

*Why We Like Magnum Hunter*

Substantial footprint in the Permian Basin

Stable production with extensive low-risk drilling inventory

Bolt-on Mid-Continent and Gulf Coast projects

Measured entrée into high rate-of-return GOM projects

Opportunity to accelerate drilling

*What We Like About The Combination*

Diversified asset base

40% Mid-Continent

44% Permian Basin

13% Gulf Coast / Gulf of Mexico

Significant drilling inventory

Lower risk: Mid-Continent and Permian Basin

Higher potential: Gulf Coast and Gulf of Mexico

Low debt

It's all about getting better, not just bigger

*Cimarex Strategy*

Continue to build a company for the long term

Growth through the drill bit

Consistent profitable growth

*Our History*

[CHART]

*Cimarex Strategy*

Build a company for the long run

Growth through the drill bit

Consistent profitable growth

*Drilling Capital Invested*

[CHART]

*Cimarex Strategy*

Build a company for the long run

Growth through the drill bit

Consistent profitable growth

No debt, no PUDs, short R/P, no hedges?

*Cimarex With Debt?*

\$	MM	XEC (1)	MHR (1)	Combined
Cash (09/30/04)		\$ 92	\$ 26	\$ 115
<b>Debt:</b>				
Senior Notes Due 2012			195	195
Convertible Note Due 2023			125	125
Bank Debt and Other			324	324
Debt : Capitalization		NA	51%	<b>25%</b>

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(1) Before transaction expenses and adjustments

*Cimarex With PUDs?*

<b>Bcfe</b>	<b>XEC</b>	<b>MHR (1)</b>	<b>Combined</b>
Proved Developed	444	675	1,119
Proved Undeveloped	5	225	230
<b>Total</b>	<b>449</b>	<b>900</b>	<b>1,349</b>
% PUD	1%	25%	<b>17%</b>
R/P Ratio	5.5	10.0	<b>7.7</b>

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(1) Based on preliminary XEC evaluation

*Cimarex With Hedges?*

	XEC	MHR	Combined
2005 Volumes Hedged			
Gas, MMcf/d		80	80
Oil, Bopd		2,000	2,000
Equivalent, MMcfe/d		92	92
2005E Production, MMcfe/d	240	260	500
% Hedged		35%	<b>18%</b>

*What's Next*

Seek favorable shareholder votes

Targeting 2Q 2005 for close of combination

Rationalize 2005 capital program

Accelerate drilling

[GRAPHIC]

**Gary Evans**  
**President, Chief Executive Officer**  
**and Founder of Magnum Hunter**

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[GRAPHIC]

*Magnum Hunter's Shareholder Return*

\$100,000 invested in Magnum Hunter at December 31, 1990, when the Company went public on the Boston Stock Exchange, would be worth approximately \$5.6 million today. This calculates to an annual compounded return of 33% over the past 15 years (see Note).

In late 2003, the *Oil and Gas Journal* ranked Magnum Hunter as the number one fastest-growing company based on growth in stockholders equity. Magnum Hunter's stockholder equity increased from \$118 million at year-end 2001 to \$612 million as of September 30, 2004.

Note: Includes the effect of \$6.50 warrants issued in 2000. Shareholders received one warrant for every three shares of Magnum Hunter common stock. Assumes warrants were sold at the average closing price for the first ten trading days (\$0.89 per warrant).

Also includes the effect of \$15.00 warrants issued in 2002. Shareholders received one warrant for every five shares of Magnum Hunter common stock. Assumes warrants were sold at the average closing price for the first ten trading days (\$1.12 per warrant).

Utilizing the closing price of Cimarex Energy Co. ( XEC ) common stock on January 25, 2005, and assuming the .415 exchange ratio along with the TEL Offshore Trust ( TELOZ ) dividend distribution equating to \$0.17 per share, an original \$100,000 investment would be worth approximately **\$7.1 million** today, and the annual compounded return would increase to over **35.4%** over the past 15 years.

[GRAPHIC]

*Indexed Stock Price Performance*

[CHART]

Note: Peer Group includes Comstock Resources, Forest Oil, Houston Exploration, Newfield Exploration and Swift Energy.

Gas and oil weighted at 61% gas, 39% oil, matching Magnum Hunter's current reserve breakdown.

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\* Based on purchase price of \$16.67 as of January 25, 2005.

[LOGO]

**Tom Jorden**  
**Executive Vice President    Exploration**

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*Exploration Principles*

Blended / moderate-risk exploration program

Internally generated drilling ideas

Multi-basin, lower-48 focus

Regional effort built upon local expertise

Integration between geology, land & engineering

Monitor results and provide continuous feedback

*Growing the Exploration Team*

[CHART]

**Combined Company Core Operating Areas**

[CHART]

**Permian Basin**

Proved reserves (Bcfe)	596
% Natural gas	54%
4Q 2004 Production (MMcfe/d)	126
2005 Estimated CapEx (\$MM)	90

**Gulf Coast**

Proved reserves (Bcfe)	116
% Natural gas	80%
4Q 2004 Production (MMcfe/d)	90
2005 Estimated CapEx (\$MM)	160

**Mid-Continent**

Proved reserves (Bcfe)	551
% Natural gas	82%
4Q 2004 Production (MMcfe/d)	172
2005 Estimated CapEx (\$MM)	190

**Gulf of Mexico**

Proved reserves (Bcfe)	53
% Natural gas	81%
4Q 2004 Production (MMcfe/d)	74
2005 Estimated CapEx (\$MM)	140

*2005 Estimated Capital Expenditures*

[CHART]

[LOGO]

## **Mid-Continent**

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*Bolt-on Mid-Continent Projects*

Capital (\$MM):

2003A	88
2004E	145
2005E	174
2005PF	190

Gross wells:

2003A	137
2004E	195
2005E	215
2005PF	235

[CHART]

*Anadarko Basin Targets*

[CHART]

2003	# of Wells	2004
78		>120
4		17

*Clinton Lake / Atoka 3-D*

**Carpenter East, Custer County**

[CHART]

Advanced seismic techniques integrated with extensive subsurface interpretation

Clinton Lake /Atoka	Wells	Producers	Success Rate	EUR
<b>Pre 3-D</b>	37	12	32%	1.5 Bcf
<b>Post 3-D</b>	13	10	77%	2-5 Bcf

*Mountain Front*

Kiowa County, OK

Overthrust, overturned Springer

2004 Activity

15 of 19 wells successful

2005 Plans

20 locations

Extending the play

\$22-\$25 million

[CHART]

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## **Permian Basin**

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*Why We Like the Permian Basin*

Moderate-risk, multi-pay opportunities

Project potential helps achieve exploration and production drilling efficiencies

Opportunity to grow through drilling; we were already there

An arena where advanced technology mitigates risk

Offers projects with attractive rates of return

*What MHR Brings Us*

Significant acreage position offers multi-well, multi-year drilling program

Already has an active, ongoing drilling program

Have achieved high success rates in multi-pay fields

MHR is one of the largest leaseholders in SE New Mexico's Morrow trend

Combined company has the necessary expertise to exploit the acreage and grow

[CHART]

*SE New Mexico Projects*

[CHART]

*MHR West Texas Projects*

Kermit Field

War-Wink West

Mash / Arbol De Nada

Spraberry

[CHART]

[LOGO]

## **Gulf Coast**

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*Gulf Coast Projects*

[CHART]

*Liberty County Update*

600 sq mi of 3D seismic data

Reprocessed 3D into one dataset, leading to expanded 2005 inventory

2004:

14 gross wells / 6.4 net

10 of 14 successful

\$25MM of capital

Aggressive 2005 program

18 locations; \$36MM

Mix of exploration and development

[GRAPHIC]

*West Gueydan Update*

[GRAPHIC]

Mauboules #1 discovery (2003)

Miogyp formation at 17,500

First production: March 2004

Producing 24 MMcf/d and 370 BCPD

64.5% WI / 46% NRI

Mauboules #2

First production: September 2004

Producing 17 MMcf/d and 285 BCPD

Henry Heirs #1 (47.5% WI/35% NRI):

Shallow discovery at 13,000

First production: September 2004

Producing 12 MMcf/d and 140 BCPD

[LOGO]

## **Gulf of Mexico**

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*Why We Like the Gulf of Mexico*

We wanted to be there (in a measured way)

Characterized by high rate of return projects

Proper application of technology mitigates risk and can work to your favor

MHR brings large inventory of acreage blocks, much of it near existing infrastructure

Cimarex is well capitalized to accelerate drilling and accommodate risk

*Gulf of Mexico*

[GRAPHIC]

*MHR Gulf of Mexico Production*

[CHART]

[LOGO]

**Paul Korus**  
**Vice President and CFO**

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*Transaction Detail*

Fixed exchange ratio of 0.415

Tax-free reorganization

MHR special dividend of its interest in TEL Offshore

Current FMV ~\$15MM

Requires shareholder and customary regulatory approvals

Closing expected May/June 2005

Mick Merelli: Chairman, President and CEO

MHR to designate one Board member

Headquarters in Denver, with operating offices in Tulsa, Dallas, Houston and New Orleans

*Financial & Operational Impact*

Accretive to per share reserves, production & cash flow

Over \$700MM(1) of 2005E EBITDA

Triples proved reserves to 1.3 Tcfe, 83% PD

Doubles 2005E production to 500 MMcfe/d

Extends R/P ratio to 7.7 from 5.5

Prudent use of leverage, manageable debt

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(1) Based on First Call estimates

***MHR Debt Structure***

	<b>\$MM</b>	<b>Comments</b>
Bank Debt	\$ 320	Fold into XEC
9.6% Senior Notes	195	Due 2012, Callable 2007
Floating Rate Converts	125	Due 2023, Putable on C-O-C
Other	5	
<b>Total</b>	<b>\$ 645</b>	

Estimated Annual Interest Expense: \$40MM

Pro Forma Credit Statistics:

*EBITDA / Interest Expense: ~18X(1)*

*Debt : Cap Ratio: ~25%*

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(1) Based on First Call estimates

*Pro Forma Equity Capitalization*

Basic shares outstanding:

Cimarex:	41.7MM
Merger consideration:	36.1MM
Total:	77.8MM

Other:

MHR warrants to purchase 7.2MM MHR shares at \$15 per share ( $\times 0.415 = 3.0\text{MM XEC shares}$ ), expire 03/21/2005

6.0MM MHR options ( $\times 0.415 = 2.5\text{ XEC shares}$ ) subject to a cash-out provision. Avg. exercise price ~\$8 per MHR share

Cimarex options and RSUs: ~3.4MM; diluted shares outstanding (Treasury method) 43.0MM

*Production Estimates*

	<b>XEC</b>	<b>MHR</b>
Fourth Quarter 2004:		
Oil, Bbls per day	7,428	~ 12,000
Gas, MMcf per day	186.7	~ 175.0
Equivalent, MMcfe/d	231.2	~ 246.0
Annual Averages, MMcfe/d		
2004	217.1	~ 220.0
2003	179.7	200.1
Guidance for 2005	235 245	254 277

*MHR Commodity Hedges Gas*

	2005	2006	
Swaps			
Volume, MMBtu/d	20,000		NA
Price per MMBtu	\$ 6.25		NA
Collars			
Volume, MMBtu/d	60,000		20,000
Avg. Floor, MMBtu	\$ 4.21	\$	5.25
Avg. Ceiling, MMBtu	\$ 6.85	\$	6.30

*MHR Commodity Hedges Oil*

	2005	2006	
<b>Swaps</b>			
Volume, Bbls/d	1,000		NA
Price per Barrel	\$ 34.90		NA
<b>Collars</b>			
Volume, Bbls/d	1,000		1,000
Avg. Floor, Barrel	\$ 35.00	\$	30.00
Avg. Ceiling, Barrel	\$ 55.00	\$	35.85

*3Q 2004 Operating Statistics*

	XEC	MHR
Realized Prices, Before Hedging		
Gas, \$/Mcf	\$ 5.63	\$ 5.37
Oil, \$/Bbl	\$ 41.81	\$ 41.30
Production		
Gas, MMcf/d	176.2	165.1
Oil, MBopd	7.4	11.6
LOE, \$/Mcfe	\$ 0.43	\$ 0.73
Transportation, \$/Mcfe	\$ 0.13	NA
Production Tax, \$/Mcfe	\$ 0.48	\$ 0.55
G&A, \$/Mcfe	\$ 0.27	\$ 0.23
Effective Tax Rate	37%	39%
% Deferred	67%	94%

*Staying the Course*

Continues legacy of growing XEC on a per-share basis

Strengthens the company

We continue to add *blue chip* assets and talent

Prudent use of leverage

Greater diversification

Moving forward

More projects with long-term potential

Expanding into new areas: Permian Basin and GOM

Rising production profile, strong cash flow and a healthy balance sheet

*Contact Information*

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## **Magnum Hunter Merger**

**January 27 28, 2005**

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