CIMAREX

ANNUAL REPORT 2003

Cimarex Energy Co. (NYSE: XEC) is an independent oil and gas exploration and production company. Our operations are focused in Oklahoma, Texas, Kansas and Louisiana. Our business approach is centered on achieving consistent profitable growth in proved reserves and production by continually expanding our drilling program and optimizing production rates. Acquisitions may be made from time to time, but our principal strategy is growth through the drill-bit.

Because we seek to consistently grow through drilling, we rely heavily on the ideas generated by our geologists, geophysicists, and landmen. They are the people who identify, evaluate, capture and control our exploration opportunities. For those prospects that pass rigorous risk assessment and economic analysis mainly performed by reservoir engineers, safe and efficient operations then become the responsibility of our drilling and production groups. This annual report features photos of several individuals comprising each of these various disciplines. They are a representative sample of the many in our organization who contributed to a successful first year for Cimarex.

GEOLOGISTS: JOHN BROKER, KIM NORDSTOG, DAVE STANGL

Performance Highlights

YEARS ENDED DECEMBER 31,	**2003**	**2002**
FINANCIAL HIGHLIGHTS		
(In millions of dollars, except per share data)		
Oil and gas sales	$ 324.1	$ 157.3
Net income	94.6	39.8
Earnings per share – diluted	2.22	1.31
Cash flow from operating activities	206.3	104.5
Exploration and development expenditures including acreage and seismic	160.6	70.3
Total assets	805.5	674.3
Debt	—	32.0
Stockholders' equity	534.7	444.9

OPERATIONAL HIGHLIGHTS	**2003**	**2002**
Proved reserves:		
Oil (MMBbls)	14.1	15.0
Gas (Bcf)	337.3	318.6
Total Equivalent (Bcfe)	422.2	408.8
Proved developed (Bcfe)	419.5	407.0
Production:		
Oil (Bbls/d)	6,859	3,209
Gas (MMcf/d)	138.5	113.2
Prices:		
Oil ($/Bbl)	$ 29.30	$ 24.97
Gas ($/Mcf)	$ 4.96	$ 3.10

ABBREVIATIONS

Mcf Thousand cubic feet
MMcf Million cubic feet
MMcf/d Million cubic feet per day
Bcf Billion cubic feet
Mcfe Thousand cubic feet equivalent
MMcfe Million cubic feet equivalent
Bcfe Billion cubic feet equivalent

Bbls Barrels
Bbls/d Barrels per day
MMbbls Million barrels
/d Per day

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

Information regarding forward-looking statements and certain risk factors is included in the accompanying Form 10-K.

Fellow Stockholders

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

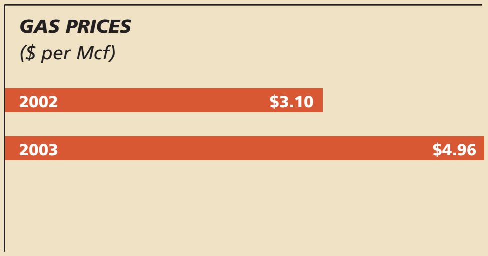
You may recall that Cimarex got its start on September 30, 2002 when Helmerich & Payne spun off its exploration and production division and merged it with Key Production. During 2003, we pulled the two organizations together and expanded our capacity to grow through drilling. We also grew our proved reserves and production, paid off all of our debt and generated nearly $95 million of net income. Not a bad start for what was essentially a new company.

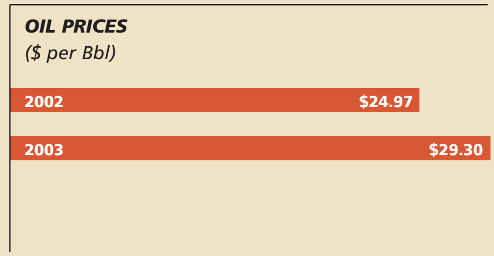
Benefiting from organizational development and strong commodity prices, positive results for 2003 include:

- Replaced 122 percent of production, including 109 percent from drilling
- Increased year-end proved reserves by three percent to 422 billion cubic feet equivalent, of which 80 percent was natural gas and over 99 percent was proved developed
- Year-end 2003 exit rate of production exceeded 190 million cubic feet equivalent (MMcfe) per day versus our December 2002 exit rate of 178 MMcfe per day
- Generated $206 million of cash flow available for reinvestment and debt reduction
- Invested $161 million on exploration and development by participating in 178 wells, of which 81 percent were productive
- Elimination of debt and ended the year with $40 million of cash
- Net income of $2.22 per share
- Stock appreciation of 49 percent

At the onset of the year, our exploration and operations groups launched into growing the company. Activity was slow in the beginning and furious by year end. Of the $161 million of exploration and development capital invested during the year, almost 40 percent was spent in the fourth quarter.

After our first operational year, Cimarex has emerged as the highly active driller we intend it to be. The drilling program and supporting organization grew throughout the year. Our corporate groups were accordingly challenged to keep up, while also combining our accounting and administrative systems. All in all, we increased our earth science head count by about 50 percent since the merger. Our annual report includes photos of many of them, but ongoing success depends on them all. Because our approach to the business is centered on growth through the drill bit, we are driven by their ingenuity, technical skills and hard work.





A solid base of high-margin production positions the company to accelerate investment during 2004. Organizational growth also continues, which further expands our capacity to profitably reinvest cash flow. We expect to invest $200-220 million on exploration and development during 2004 and remain on the look out for appropriate acquisition opportunities. With no debt and money in the bank, we have every reason to be optimistic about our ability to fund our appetite for continued profitable growth in proved reserves and production.

As we grow, we need to adapt and evolve. Advancing technology and volatile commodity prices seem to be constant in our industry… always have been and probably always will be. We will be cost-conscious and judicial in the application of technology and a strong balance sheet should enable us to execute our strategies across the inevitable swings in prices.

Growth brings other challenges too, especially reserve replacement. We are expanding in each of our existing core areas and constantly evaluate opportunities for entry into new basins. Growth in the Mid-continent and Gulf Coast arenas has been augmented by initiation of a new program in the Permian Basin. At present, we also have our sights on prospects in shallow waters of the Gulf of Mexico, gas plays in California's northern San Joaquin Valley and other long-term projects elsewhere in the continental U.S.

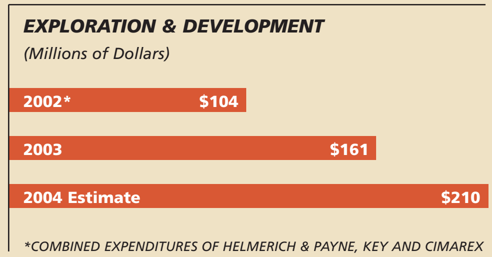
Looking ahead, we are excited about the future. We have a critical mass of quality properties, an excellent drilling inventory, an experienced and motivated team of highly qualified people and the financial strength to pursue a broad portfolio of attractive growth opportunities. With one good year behind us, our task now is to take care of 2004.

We look forward to your participation and thank you for your support as owners.

Respectfully,

F.H. Merelli
Chairman, President & CEO
April 1, 2004

Performance Review



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

During 2003, we continued to commit significant resources to our exploration program in western Oklahoma and expanded operations in the upper Gulf Coast of Texas and Louisiana. After spending considerable time and effort pulling the two organizations together, drilling activity accelerated and increased every quarter. By the end of 2003, proved reserves had increased by three percent to 422.2 Bcfe from 408.8 Bcfe a year earlier. Of our total year end 2003 proved reserves, 80 percent were gas and 99.4 percent were classified as proved developed.

We invested $160.6 million on exploration and development activities during 2003 and an additional $2.0 million was spent on various small acquisitions. Of the $160.6 million of exploration and development expenditures, $103.1 million was invested during the second half of the year. We are well on track and have plans for investing $200-$220 million during 2004.

Growth in our capital program has required a significant commitment to our human resources. Since the spin off and merger, we have increased our exploration and engineering staff by nearly 50 percent and expanded our geographic reach. Apart from substantial growth in our Gulf Coast and Mid-Continent programs, we have initiated a higher level of activity in the Permian Basin of West Texas and southeast New Mexico. To continue to grow our drilling program we need to continue to expand our organization to generate more ideas and more information.

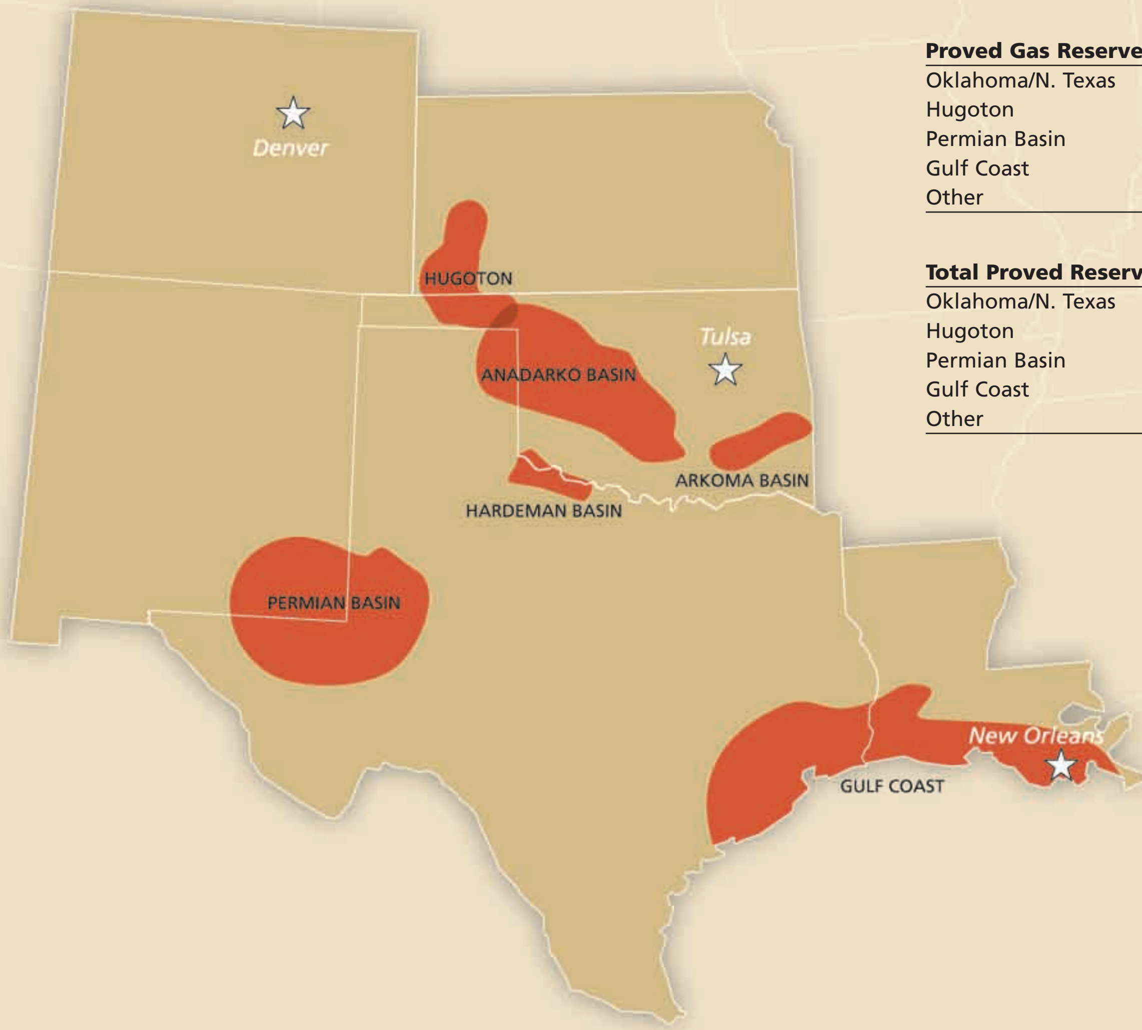
IN THE EXPLORATION BUSINESS, ALMOST EVERYTHING STARTS WITH A GOOD GEOLOGIC IDEA. AT YEAR-END 2003, WE HAD 19 PROFESSIONAL GEOLOGISTS SUPPORTED BY A LIKE NUMBER OF GEO-TECHNICIANS.

GEOLOGISTS: RICHARD LOFTIN, ANNETTE FILER (GEO-TECH), JIM PAINTER, CHRIS HERBERT

Proved Oil Reserves (MBbls)	
Oklahoma/N. Texas	2,951
Hugoton	2,769
Permian Basin	3,307
Gulf Coast	1,916
Other	3,194
	14,137

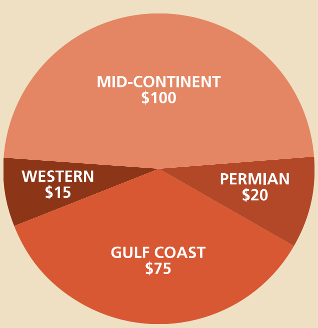
Proved Gas Reserves (MMcf)	
Oklahoma/N. Texas	172,150
Hugoton	72,569
Permian Basin	36,959
Gulf Coast	35,829
Other	19,837
	337,344

Total Proved Reserves (MMcfe)	
Oklahoma/N. Texas	189,855
Hugoton	89,182
Permian Basin	56,800
Gulf Coast	47,328
Other	39,002
	422,167



ESTIMATED 2004 CAPITAL PROGRAM

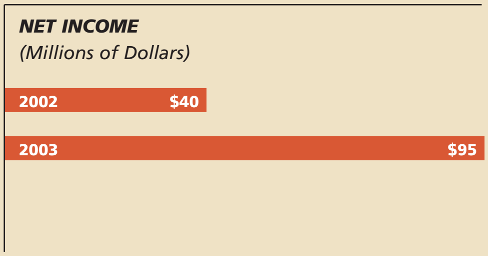
(Millions of Dollars)



OUR LAND PROFESSIONALS PLAY A VITAL ROLE IN THE EXPLORATION PROCESS. A LANDMAN IS A PERSON WHO ACERTAINS MINERAL RIGHTS OWNERSHIP AND NEGOTIATES LEASES. BY OBTAINING THESE RIGHTS AND NEGOTIATING A MYRIAD OF OTHER AGREEMENTS, THEY CAPTURE AND CONTROL THE DRILLING OPPORTUNITIES IDENTIFIED BY GEOSCIENTISTS. OUR PROFESSIONAL LAND STAFF IS COMPRISED OF 15 HIGHLY-QUALIFIED MEN AND WOMEN.

LANDMEN: PAT BOWMAN, E. JERRY KUCERA, BILL BRUNER, CINDY CROFT

Financial Summary



Bolstered by strong oil and gas prices, 2003 net income totaled $94.6 million, or $2.22 per diluted share, on production revenues of $324.1 million.

Detailed comparisons of 2003 financial results with those of 2002 and prior years are presented in the attached Form 10-K and elsewhere in this annual report. But you should be aware that because the spin off and merger occurred on September 30, 2002, our results of operations include the combined activity of Key beginning with just the last three months of 2002. Moreover, the exploration and production business of Helmerich & Payne was not run as a standalone company prior to the spin off, which also impacted capital investment and operating results for periods prior to 2003. To otherwise present comparable financial information would require many assumptions, pro forma calculations and other non-GAAP financial measures for which there are no uniform accounting and auditing standards.

Despite the general incomparability between 2003 and 2002 financial results, a few items are still notable and worthy of clarification.

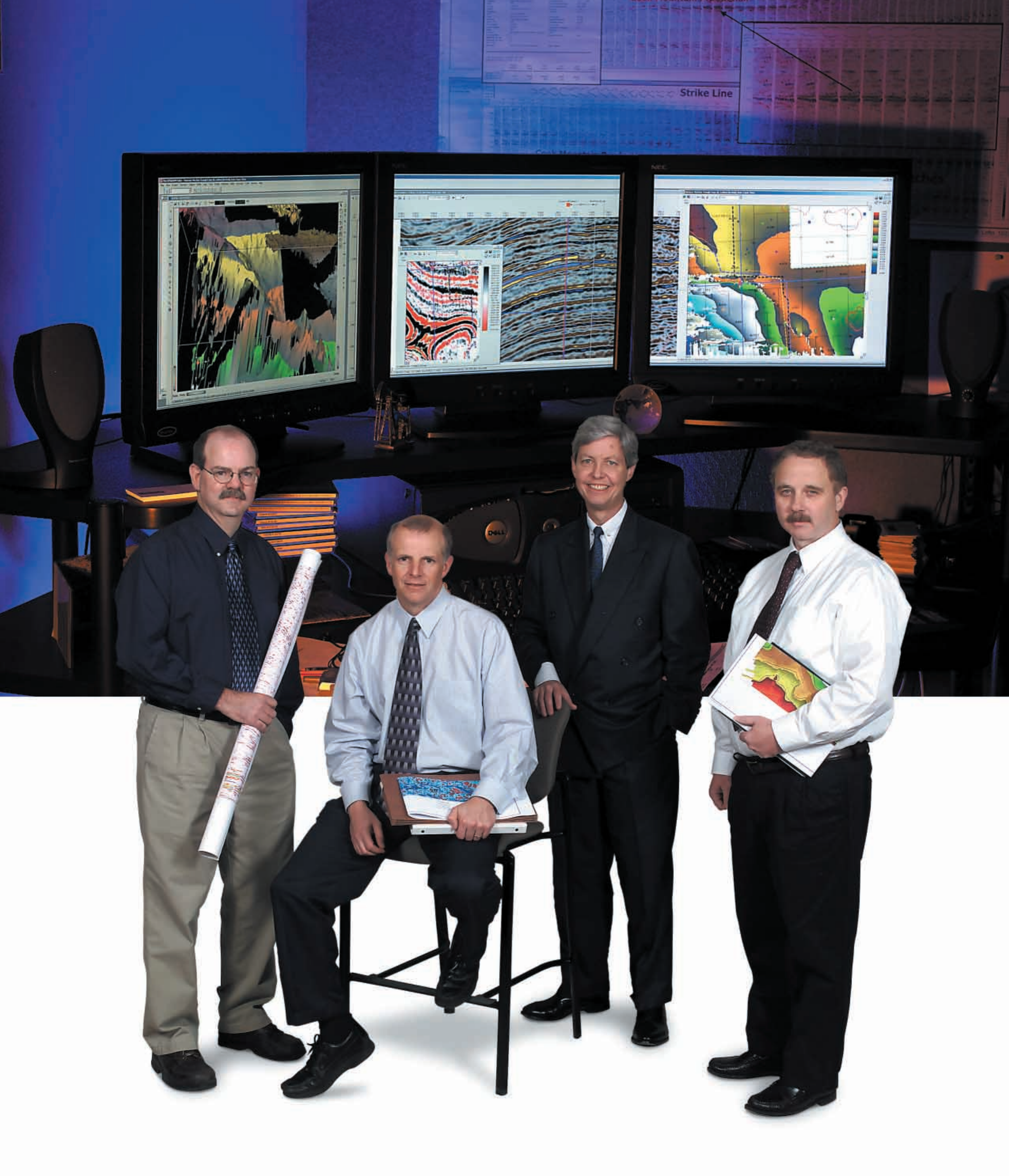
Net income for 2003 of $94.6 million increased by 138 percent compared with 2002 earnings of $39.8 million. Earnings per diluted share of $2.22 increased by 69 percent compared with 2002 earnings per diluted share of $1.31. The smaller percentage increase in earnings per share reflects the issuance of approximately 14.1 million shares of Cimarex common stock to the former shareholders of Key to consummate the merger. As a consequence, weighted average diluted shares outstanding during 2003 were 42.6 million versus 30.3 million in 2002.

Oil and gas sales in 2003 of $324.1 million were 106 percent higher than 2002 sales of $157.3 million. The increase reflects higher production and prices. Higher production volumes mostly stem from the inclusion of output from Key's properties for all of 2003 versus only three months in 2002.

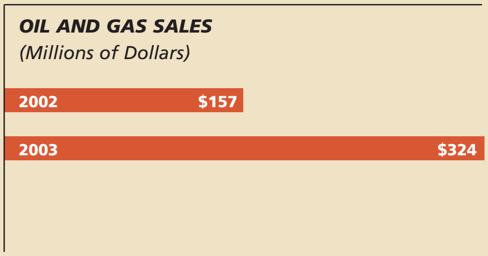
Our average realized gas price during 2003 rose 60 percent to $4.96 per Mcf from $3.10 per Mcf in 2002 and boosted revenues by $94 million. Similarly, a 17 percent improvement in oil prices to $29.30 per barrel from $24.97 per barrel in 2002 had an incremental positive effect on revenues of $11 million.

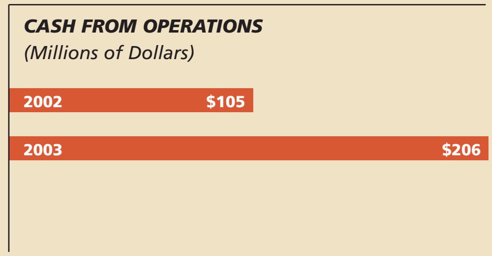
Average daily gas volumes rose 22 percent to 138.5 MMcf during 2003 from 113.2 MMcf in 2002. Oil production averaged 6,859 barrels

THREE-DIMENSIONAL SEISMIC ANALYSIS IS INDISPENSABLE TO MODERN EXPLORATION, AS ARE GEOPHYSICAL SPECIALISTS. WE CURRENTLY HAVE NINE GEOPHYSICISTS FOCUSED ON EXAMINING AND INTERPRETING SEISMIC DATA, IDENTIFYING NEW IDEAS AND HIGH-GRADING OUR DRILLING INVENTORY.



GEOPHYSICISTS: GARY CANCIENNE, JIM HUCK, TOM JORDEN, RICHARD CARTER





per day versus 3,209 barrels per day in 2002. Combined daily output during 2003 equated to 179.7 MMcfe versus 132.4 MMcfe during 2002. Apart from the addition of Key's properties, favorable drilling results also contributed to our 2003 volumes. Daily production from new wells drilled during 2003 averaged 17.2 MMcfe, which approximately offset natural declines from all the other wells that were on line at the time of the merger.

On the heels of the merger, our total output declined during each of the first two quarters of 2003 but then began to rise in the third quarter. That growth continued in the fourth quarter, rising to 186.7 MMcfe per day. In December 2003 our production rate topped 190 MMcfe per day. We presently project that 2004 output will grow to 195-210 MMcfe per day.

Benefiting from rising production and high prices, net cash provided by operating activities during 2003 totaled $206 million and more than funded $160.6 million of capital expenditures. We also paid off our $32 million of debt and increased our cash balance to $40.4 million. The combination of our 2004 production volume forecast, expected cost structure and recent prices for oil and gas futures contracts indicate that projected 2004 capital expenditures will also be funded by cash flow.

Debt free and with shareholders' equity of $534.7 million, we are well positioned to fund other investment opportunities as well. While our goal is to annually replace production through drilling, we are constantly on the look out for acquisitions and other deals that make sense for us. But we are in no rush, because we are not dependent on acquisitions to drive growth. Instead, we rely on our technical teams to generate a steady stream of investment opportunities that provide both volumetric expansion and value building economic returns. Nonetheless, our financial flexibility and patience should prove advantageous if there is a change in market conditions, currently characterized by high prices and an ultra-competitive environment for quality properties.

RESERVOIR ENGINEERS ARE CHARGED WITH THE TASK OF ESTIMATING THE AMOUNT OF HYDROCARBONS THAT CAN BE PRODUCED FROM A WELL OR FIELD AND DETERMINING THE POTENTIAL ECONOMIC OUTCOME OF DOING SO. OUR EXPLORATION APPROACH IS HIGHLY DEPENDENT ON THEIR RIGOROUS RISK ASSESSMENT AND THOROUGH ECONOMIC ANALYSIS.

RESERVOIR ENGINEERS: AL SMITH, JOE ALBI, KIP KINDRED

Exploration Highlights

Consistent growth through the drill bit requires that we maintain a portfolio of projects comprised mainly of wells with fairly predictable outcomes combined with a lesser proportion of higher-risk, potentially higher-reward prospects. Usually about three-quarters of our annual drilling dollars are invested in the low-to-moderate risk category. Apart from being predictable, these projects provide consistent economic returns and generate the cash flow needed to fund the higher risk prospects.

During 2003, we participated in 178 wells, with a gross success rate of 81 percent. On a net basis, 72.9 of 97.2 wells drilled were completed as producers.

Low-to-moderate risk drilling in the Anadarko Basin of western Oklahoma was largely responsible for the overall high success rate. There we completed 78 of 81 gross wells drilled, and on a net basis, 28.3 of 30.0 were successful. Net proved reserves added from this program amounted to 23 Bcfe, which was about one-third of total company-wide extensions and discoveries.

We operated 39 of our 81 Anadarko Basin wells with an average working interest of 66 percent. In the wells we didn't operate, our average working interest was 10 percent. Total capital invested in the program amounted to $47 million and is forecast to exceed $60 million in 2004, with over 100 wells slated to be drilled.

We have a large acreage position in western Oklahoma and a strong team of experienced professionals. The Anadarko Basin is highly competitive and a mature province, but we continue to earn attractive economic returns and have good visibility for continued expansion.

Nowhere in the company is the effect of improved drilling technology more evident. Over the past 18 months, the amount of time required to drill a typical 12,000-foot well has been reduced from 25-30 days to 15-20 days. As capital costs have been driven down, financial returns have been boosted and new opportunities to drill for smaller accumulations have opened up.

Although not nearly as large, our most profitable program in 2003 was in the structurally-complex Mountain Front area of Kiowa County, Oklahoma. We drilled and completed six wells, invested $7 million and added 10 Bcfe of proved reserves. Of particular note were the

DRILLING ENGINEERS DESIGN AND SUPERVISE COMPLICATED, CAPITAL INTENSIVE OPERATIONS. TYPICAL WELLS TARGET 10-30 FOOT INTERVALS TWO TO THREE MILES DEEP AT PRESSURES OF 5,000-10,000 POUNDS PER SQUARE INCH AND TEMPERATURES OF 200-300 DEGREES FAHRENHEIT. SOPHISTICATED FORMATION TESTING TOOLS ARE LOWERED DOWN HOLE AND BOTH BOTTOM HOLE AND WELLHEAD EQUIPMENT MUST BE INSTALLED.

DRILLING ENGINEERS: DIXIE HAYMES, STEVE SIMONTON, SKIPPER HERRING, ROGER BURAU

Gwendolyn, Buddy and Lisa wells, which came on line during the latter part of the year and by December contributed collective net gas production of 20 MMcf per day. Characterized by high initial rates and steep declines, these wells have short pay back periods and yield extraordinary returns. We plan to drill about 13 additional wells in this area during 2004 for an expected net cost of $11-12 million.

Our single most important discovery during 2003 was the Mauboules #1 well on the West Gueydan prospect in Vermilion Parish, Louisiana. Drilled to a depth of 18,300 feet, it found two gas-bearing intervals in the Miogyp formation. Testing operations conducted in the uppermost interval resulted in daily production rates of 17.3 MMcf of gas and 281 barrels of oil on an 18/64-inch choke at 11,912 pounds per square inch of flowing tubing pressure. Commercial sales commenced in late-February 2004 and in March the well was producing at gross daily rates of 22 MMcf of gas and over 350 barrels of oil.

A second well, the Mauboules #2 is situated about one-quarter mile north of the #1 well and is being drilled to develop the lower Miogyp zone. We operate both wells with 64.5 percent working interest and 46.4 percent revenue interest. At year-end 2003 we had booked about seven Bcfe of net proved reserves to the #1 well and had a cumulative net investment of $7.1 million, including all costs for drilling, completion and production facilities. We believe that over time, net recoverable reserves from the two wells combined may reach 18 Bcfe. We also plan to drill one to three additional exploratory wells on separate geologic features in this area during 2004.

In the upper Gulf Coast region of Liberty County, Texas, we drilled six wells and completed three of them as producers. Proved reserves added approximated seven Bcfe. The two best wells were the Henderson #1 (82 percent working interest) and the Brookhollow #1 (50 percent working interest). Each tested at respective gross rates equating to 7.8 and 6.8 MMcfe per day. New gathering lines are being installed to connect these wells to mainline transportation systems, with commercial sales from the Henderson expected to commence in April 2004 followed by the Brookhollow in August. Another seven to nine wells are slated to be drilled in this vicinity during 2004.

ONCE WELLS ARE DRILLED AND COMPLETED, RESPONSIBILITY PASSES ON TO OUR PRODUCTION GROUP. PRODUCTION ENGINEERS DESIGN SURFACE FACILITIES, MANAGE FIELD OPERATIONS AND CONSTANTLY FOCUS ON CONTROLLING COSTS AND OPTIMIZING OUTPUT. ABOUT 65 PERCENT OF OUR NET PRODUCTION IS DERIVED FROM WELLS WE OPERATE.

PRODUCTION ENGINEERS: CHRIS HAUGEN, RON SHOOK, JERRY NAGEL

Board of Directors


GLENN A. COX


CORTLANDT S. DIETLER


HANS HELMERICH


DAVID A. HENTSCHEL


PAUL D. HOLLEMAN


F. H. MERELLI


L. F. ROONEY. III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RICHARD S. DINKINS


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Corporate Information

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

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CIMAREX

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