

CIMAREX ENERGY CO  
Form DEF 14A  
March 25, 2019

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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.**

(Name of Registrant as Specified in Its Charter)

(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.**
  - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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1700 Lincoln Street, Suite 3700  
Denver, CO 80203

## 2019 ANNUAL MEETING

### § NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

<b>TIME AND DATE</b>	9:00 a.m. Mountain Daylight Time on Wednesday, May 8, 2019
<b>PLACE</b>	Wells Fargo Center Denver Assemble Room (Lower Level 2) 1700 Lincoln Street Denver, Colorado 80203
<b>ITEMS OF BUSINESS</b>	<p><a href="#">Item 1.</a> Election of Directors</p> <p><a href="#">Item 2.</a> Advisory Vote to Approve Executive Compensation</p> <p><a href="#">Item 3.</a> Approve the 2019 Equity Incentive Plan</p> <p><a href="#">Item 4.</a> Ratification of Independent Auditors</p> <p>Transact any other business that properly comes before the Meeting and any adjournment or postponement of the Meeting</p>
<b>RECORD DATE</b>	March 12, 2019
<b>MAILING DATE TO SHAREHOLDERS</b>	March 25, 2019
<b>MATERIALS TO REVIEW</b>	This booklet contains our Notice of 2019 Annual Meeting and Proxy Statement. Our 2018 Annual Report is available on our website at <a href="http://www.cimarex.com">www.cimarex.com</a> .
<b>PROXY VOTING</b>	It is important that your shares be represented and voted at the Meeting. You can vote your shares by following the internet or telephone instructions on page 86 of this proxy statement or you may attend and vote in person at the Annual Meeting. If you received a paper copy of the proxy card, you also may vote by completing and mailing the proxy card in the postage-paid envelope provided for your convenience. You may revoke your proxy at any time before the vote is taken by following the instructions on page 88 of this proxy statement.

March 25, 2019

Francis B. Barron, Corporate Secretary

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## Proxy Statement Summary

*This section highlights certain important information presented in this Proxy Statement and is intended to assist you in evaluating the matters to be voted on at the meeting. We encourage you to read the Proxy Statement in its entirety before you cast your vote. For more information regarding Cimarex's 2018 performance, please review Cimarex's Annual Report on Form 10-K for the year ended December 31, 2018.*

## Voting Matters and Board Recommendations

	Voting Recommendation	Page Reference
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<b>Item 2:</b> Advisory Vote to Approve Executive Compensation	<b>FOR</b>	70
<b>Item 3:</b> Approve the 2019 Equity Incentive Plan	<b>FOR</b>	71
<b>Item 4:</b> Ratification of Independent Auditors	<b>FOR</b>	81

## Advance Voting Methods

Even if you plan to attend the 2019 Annual Meeting of Shareholders in person, please vote right away using one of the following advance voting methods (see page 86 for additional details). **Make sure to have your proxy card or voting instruction form in hand and follow the instructions.**

### You can vote in advance in one of three ways:

Visit the website listed on your proxy card/voting instruction form to vote **VIA THE INTERNET**

Call the telephone number on your proxy card/voting instruction form to vote **BY TELEPHONE**

Sign, date and return your proxy card/voting instruction form in the enclosed envelope to vote **BY MAIL**

## Voting at our 2019 Annual Meeting of Shareholders

All shareholders of record may vote in person at the 2019 Annual Meeting of Shareholders, which will be held on Wednesday, May 8, 2019 at 9:00 a.m., Mountain Daylight Time, at the Wells Fargo Center – Denver, Assemble Room (Lower Level 2), 1700 Lincoln Street, Denver, Colorado 80203. Beneficial owners may vote in person at the Meeting if they have a legal proxy, as described in the response to question 14 on page 86 of "Questions and Answers about the Meeting and Voting."

## Governance Highlights (page 19)

Cimarex is committed to good corporate governance, which promotes the long-term interests of shareholders, strengthens the Board of Directors, fosters management accountability, and helps build public trust in Cimarex. Highlights include:

- ▮ 8 of 10 independent Directors
- ▮ Independent Lead Director
- ▮ Majority voting Directors resignation policy
- ▮ Clawback policy
- ▮ Non-hedging and non-pledging policies
- ▮ Director and management stock ownership guidelines, including restrictions on sales of shares until requirements are met
- ▮ Active shareholder engagement
- ▮ No tax gross-ups
- ▮ Proxy access
- ▮ Annual Board and committee self-evaluations

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Table of Contents**Director Nominees and Current Committee Memberships****Committee Memberships**  
*(Independent Directors Only)*

DIRECTOR NOMINEES	AGE	DIRECTOR SINCE	TERM EXPIRES	Committee Memberships		
				Audit	Compensation and Governance	Nominating
Hans Helmerich <i>(Independent Director)</i> <i>Chairman and former Chief Executive Officer, Helmerich &amp; Payne, Inc.</i>	60	2002	2019		•	•
Harold R. Logan, Jr. <i>(Independent Director)</i> <i>Independent Lead Director and Chair of Nominating Committee of Cimarex; Chairman, Suburban Propane Partners, L.P.</i>	74	2009	2019	•		•
Monroe W. Robertson <i>(Independent Director)</i> <i>Chair of Audit Committee of Cimarex; Retired, former President and Chief Operating Officer, Key Production Co.</i>	69	2005	2019	Chair		•
<b>Continuing Directors</b>						
Joseph R. Albi <i>Executive Vice President Operations, Chief Operating Officer, Cimarex Energy Co.</i>	60	2011	2021			
David A. Hentschel <i>(Independent Director)</i> <i>Retired, former Chairman and Chief Executive Officer, Occidental Oil and Gas Corporation</i>	85	2002	2020		•	•
Thomas E. Jorden <i>Chairman, Chief Executive Officer and President, Cimarex Energy Co.</i>	61	2011	2020			
Floyd R. Price <i>(Independent Director)</i> <i>Chair of Compensation and Governance Committee of Cimarex; Retired, former executive officer, Apache Corporation</i>	70	2012	2020		Chair	•
Lisa A. Stewart <i>(Independent Director)</i> <i>Chairman, President, Chief Executive Officer and Chief Investment Officer, Sheridan Production Partners</i>	61	2015	2021	•		•
	79	2002	2021		•	•



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Michael J. Sullivan (*Independent Director*)  
*Retired Senior Attorney, Lewis Roca*  
*Rothgerber LLP*

Frances M. Vallejo (*Independent Director*)      53      2017      2020      •      •  
*Retired, former Vice President,*  
*ConocoPhillips*

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## 2018 Executive Compensation (page 28)

Below is the 2018 compensation for each Named Executive Officer ("NEO") as determined under the Securities and Exchange Commission ("SEC") rules. See the notes accompanying the 2018 Summary Compensation Table on page 54 for more information.

Name and Principal Position	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Comp.	All Other Comp.	Total
<b>Thomas E. Jorden</b> Chairman, Chief Executive Officer and President (Principal Executive Officer)	\$ 976,789	\$	\$ 6,900,000	\$	\$ 1,740,000	\$ 110,691	\$ 9,727,480
<b>G. Mark Burford</b> Vice President and Chief Financial Officer (Principal Financial Officer)	\$ 468,394	\$	\$ 2,750,000	\$	\$ 700,000	\$ 89,183	\$ 4,007,577
<b>Joseph R. Albi</b> Executive Vice President Operations, Chief Operating Officer	\$ 620,241	\$	\$ 3,000,000	\$	\$ 875,000	\$ 83,635	\$ 4,578,876
<b>Stephen P. Bell</b> Executive Vice President Business Development	\$ 513,478	\$	\$ 2,900,000	\$	\$ 725,000	\$ 81,990	\$ 4,220,468
<b>John A. Lambuth</b> Senior Vice President Exploration	\$ 517,514	\$	\$ 3,000,000	\$	\$ 775,000	\$ 71,786	\$ 4,364,300

## A Significant Portion of our CEO's 2018 Compensation is At Risk

The accompanying graph illustrates our CEO's 2018 at risk compensation. A significant portion of reported compensation is an incentive for future performance and realized only if Cimarex meets certain performance measures.

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## How CEO Pay is Tied to Cimarex's Performance (page 47)

Our compensation programs are designed to align performance incentives with the long-term interests of our shareholders. The programs also provide competitive total direct compensation opportunities that retain, and attract when needed, executive talent and link compensation earned to achievement of short- and long-term financial and operational objectives. Our Compensation and Governance Committee considers performance in two primary ways:

§

Cimarex's operating performance; and

§

Return to shareholders over time, on both an absolute basis and a relative basis compared to other companies in the S&P Oil & Gas Exploration & Production Index and in our Compensation Peer Group (see page 34).

## 2018 Financial and Operating Highlights

§

Exploration and development expenditures increased 23% to \$1,570.3 million compared to \$1,281.1 million in 2017, while year-over-year average daily production increased 17% to 221.9 MBOE per day.

§

Year-over-year production revenues increased 22% to \$2.297 billion as revenues were positively affected by increased realized commodity prices as well as increased production, which resulted in net income of \$791.9 million in 2018 compared to net income of \$494.3 million in 2017.

§

Cash flow provided by operating activities of \$1.55 billion was 42% higher than 2017.

§

Our Operations group excelled at optimizing our production and maximizing well profitability. As a result, our production expense per BOE declined 4% from \$3.77 per BOE in 2017 to \$3.62 per BOE in 2018, and declined 44% in 2018 compared to 2014.

§

We sold non-core assets in Ward County, Texas for \$544.5 in a transaction that closed on August 31, 2018.

§

We entered into a merger agreement in November 2018 to acquire Resolute Energy Corporation, which has approximately 21,100 net leasehold acres adjacent to and near our Reeves County, Texas properties in the Permian Basin. The merger was completed on March 1, 2019.

§

We incurred no additional debt in 2018 and had cash on hand of \$800.1 million at year-end 2018.

§

During 2018, our overall estimated proved reserves increased 6% after additions, positive and negative revisions, and production. We added 159 MMBOE of proved reserves through extensions and discoveries, including 120 MMBOE in the Permian Basin and 38 MMBOE in the Mid-Continent. In addition, we had net negative revisions of previous estimates of 23 MMBOE. Revisions were comprised of an increase of 21 MMBOE for net positive performance revisions, a decrease of 8 MMBOE related to higher operating expenses, an increase of 2.7 MMBOE for positive revisions due to higher commodity prices, and a decrease of 39 MMBOE for the removal of proved undeveloped reserves, the development of which likely will be delayed beyond five years from our initial disclosure.

§

Despite our production growth and strong net income in 2018, our stock price decreased 49% from \$122.01 at year-end 2017 to \$61.65 at year-end 2018. The decrease in our stock price led to a lower value for NEOs vested long-term equity awards in 2018 compared to the grant date fair value of those awards in 2015 and lower grant date fair values for long-term equity awards made in 2018, demonstrating the alignment of interests of our NEOs and shareholders.



Table of Contents**Return to Shareholders**

The following chart shows how a December 31, 2013 investment of \$100 in Cimarex common stock would have a value of \$60.17 on December 31, 2018, which includes dividends reinvested quarterly for those who wish to consider Total Shareholder Return when evaluating executive compensation. The chart also compares the Total Shareholder Return on Cimarex common stock to the same investment in the S&P 500 Index, the Dow Jones U.S. Exploration & Production Index, and the S&P Oil & Gas Exploration & Production Index over the same time period.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

	<b>12/31/2013</b>	<b>12/31/2014</b>	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>
<b>Cimarex Energy Co.</b>	\$ 100.00	\$ 101.56	\$ 86.11	\$ 131.44	\$ 118.33	\$ 60.17
<b>S&amp;P 500</b>	\$ 100.00	\$ 113.69	\$ 115.26	\$ 129.05	\$ 157.22	\$ 150.33
<b>Dow Jones U.S. Exploration &amp; Production</b>	\$ 100.00	\$ 89.23	\$ 68.05	\$ 84.71	\$ 85.81	\$ 70.57
<b>S&amp;P Oil &amp; Gas Exploration &amp; Production</b>	\$ 100.00	\$ 89.41	\$ 58.87	\$ 78.22	\$ 73.29	\$ 58.99

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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**ITEM 1: ELECTION OF DIRECTORS**

**ITEM 1: ELECTION OF DIRECTORS**

**Election Process**

Our current Board consists of ten Directors, which is the maximum number of Directors permitted by our Certificate of Incorporation. 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 or her successor is elected and qualifies.

The terms of the three Class II Directors, Hans Helmerich, Harold R. Logan, Jr. and Monroe W. Robertson, will expire at the 2019 Annual Meeting. The Nominating Committee, at its February 2019 meeting, nominated Messrs. Helmerich, Logan and Robertson for election as Class II Directors, to serve until the Annual Meeting of Shareholders to be held in 2022.

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(s) designated by our Board or its Nominating Committee. As of the mailing of these proxy materials, the Board knows of no reason why any Director nominee would not be available to serve as a Director.

A nominee is elected if the votes cast for his or her election exceed the votes cast against his or her election. Pursuant to our majority voting policy, each nominated Director has tendered an irrevocable resignation that is effective upon his or her failure to receive the required vote and the Board's acceptance of such resignation. If a nominee fails to receive more favorable votes than votes cast against him or her, the Nominating Committee will act on an expedited basis following the Annual Meeting to determine whether to recommend that the Board accept the Director's resignation. The Nominating Committee and the Board may consider any factors they deem relevant in deciding whether to accept the Director's resignation. The Director whose resignation is under consideration must abstain from participating in any decision regarding his or her resignation. The Board will publicly disclose its decision regarding acceptance of his or her resignation within 90 days after the results of the election are certified. If the resignation is not accepted, the Director will continue to serve as a Director until his or her successor is elected and qualified. If the Board accepts the resignation, then the Board will either fill the vacancy in accordance with the Bylaws or decrease the size of the Board in compliance with the Certificate of Incorporation.

**Director Nominations**

The Nominating Committee is responsible for identifying and evaluating potential nominees for Director and for recommending to the Board a slate of nominees for election at each Annual Meeting. Potential nominees may be suggested by Directors, members of management, shareholders or a third-party firm.

While the Nominating Committee will consider nominees suggested by shareholders, it did not receive any shareholder nominations for the 2019 Annual Meeting prior to the deadline for such nominations.



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**ITEM 1: ELECTION OF DIRECTORS**

**2019 Nominees for Class II Directors**

Upon the recommendation of the Nominating Committee, the Board has nominated Hans Helmerich, Harold R. Logan, Jr. and Monroe W. Robertson for election as Class II Directors to serve until the Annual Meeting of Shareholders to be held in 2022. The Board has determined that each of Messrs. Helmerich, Logan and Robertson is independent under the New York Stock Exchange ("NYSE") corporate governance rules. Each of the Director nominees currently serves on the Board. We have no reason to believe that any of the nominees will be unable or unwilling to serve if elected.

The Board believes that the combination of the various qualifications, skills and experiences of the 2019 Director nominees will contribute to an effective and well-functioning Board. The Board also believes that, individually and as a whole, the Director nominees possess the necessary qualifications to provide effective oversight of the business and quality advice and counsel to Cimarex.

Included in each Director nominee's biography is an assessment of the specific qualifications, attributes, skills and experience of such nominee based on the qualifications described above.

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**ITEM 1: ELECTION OF DIRECTORS**

About the Director Nominees

**HANS HELMERICH**

Director Since 2002   Age 60   Independent	Core Competencies:
Committees of the Board:	§
§	Oilfield Services
Compensation	§
§	Exploration and Development
Nominating	§
Current Public Company Directorships:	Corporate Governance
§	§
Chairman of Helmerich & Payne, Inc.	Public Company Executive Experience
Former Public Company Directorships	
(within the last five years):	§
§	Executive Compensation

Atwood Oceanics, Inc.

Mr. Helmerich has served as Chairman of Helmerich & Payne, Inc. ("H&P") since March 2012 and as a Director since 1987. H&P is a publicly held company primarily engaged in contract drilling services for oil and gas exploration and production companies. H&P uses drilling rigs it designs and builds and is one of the major land and offshore platform drilling companies in the world. After joining H&P in 1981, Mr. Helmerich served as CEO from 1989 to March 2014 and as President from 1989 to March 2012. H&P's exploration and production business was merged into Cimarex in 2002.

Mr. Helmerich serves as a Trustee of The Northwestern Mutual Life Insurance Company of Milwaukee, Wisconsin. He was a Director of Atwood Oceanics, Inc., an international offshore drilling company traded on the NYSE, located in Houston, Texas, from 1989 to 2017 prior to its merger with Enscopl.

*Key Attributes, Experience and Skills*

Mr. Helmerich's background with the drilling sector of the oil and gas business provides the Board with insight into an aspect of Cimarex's business that represents a significant expenditure in Cimarex's capital budget. His over 25 years of executive experience provide a strong background for his service on Cimarex's Board and on the Compensation and Governance Committee. In addition, his service as a Director and Chairman of H&P, as a Trustee of The Northwestern Mutual Life Insurance Company and his former service as a Director of Atwood Oceanics, Inc. provides him with additional experience and knowledge to serve as a Director.

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**ITEM 1: ELECTION OF DIRECTORS**

**HAROLD R. LOGAN, JR. (Lead Director)**

Director Since 2009   Age 74   Independent	Core Competencies:
Committees of the Board:	
§	§
Audit	Corporate Governance
§	§
Nominating (Chair)	Financial Reporting Experience
Current Public Company Directorships:	
§	§
Chairman of the Board of Supervisors of Suburban Propane Partners, L.P.	Executive Compensation
§	§
Chairman of InfraREIT, Inc.	Finance/Investment Banking
Former Public Company Directorships	§
(within the last five years):	Public Company Executive Experience
§	§
Graphic Packaging Holding Co.	§
	Midstream

Mr. Logan currently serves as Chairman of the Board of Supervisors of Suburban Propane Partners, L.P. and has served as a Director of that company since 1996. Since February 2018, he has served as Chairman of InfraREIT, Inc. and previously served as Lead Director of that company from 2015 until February 2018. InfraREIT, Inc. is a publicly held real estate investment trust that owns utility assets (electric transmission lines) in Texas. Mr. Logan also is a Director of one private company Hart Energy Publishing (publisher of *Oil and Gas Investor* and other energy publications). From 2003 to 2017, Mr. Logan served as a Director of Graphic Packaging Holding Co., a publicly held company located in Atlanta, Georgia, and predecessor companies. From 2008 until it sold its last investment and closed in 2018, he served as Director of Basic Materials and Services LLC, a privately held company that invested in companies providing specialized services for the pipeline construction and sand/silica industries.

Mr. Logan was a co-founder of TransMontaigne in Denver, Colorado in 1995 and was its Chief Financial Officer, Executive Vice President, and Treasurer, through 2002. He served as a Director of TransMontaigne from 1995 to 2006 and Chairman of its Finance Committee from 2002 to 2006. From 1987 to 1994, he was Senior Vice President/Finance, Chief Financial Officer, and a Director of Associated Natural Gas Corporation. Prior to that, Mr. Logan was an investment banker with Dillon Read & Co. Inc. and Rothschild, Inc.

Since 1998, Mr. Logan has been a Director of ten public companies and has served on numerous audit, compensation, and governance committees.

*Key Attributes, Experience and Skills*

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Mr. Logan's education and his over 40 years of investment banking/venture capital and financial management experience provide him with a comprehensive understanding of business and finance. Mr. Logan's expertise and experience have been relevant to his responsibilities of providing oversight and advice to the management of public companies, and are of particular benefit to his roles as Cimarex's Lead Director and as a member of Cimarex's Audit Committee.

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**ITEM 1: ELECTION OF DIRECTORS**

**MONROE W. ROBERTSON**

Director Since 2005   Age 69   Independent	Core Competencies:
Committees of the Board:	§
§	Corporate Governance
Audit (Chair)	§
§	Financial Reporting Experience
Nominating	§
Former Public Company Directorships:	Executive Compensation
(within the last five years):	§
§	Finance/Investment Banking
Earthstone Energy, Inc. (formerly named Basic Earth Science System)	§
	Public Company Executive Experience
	§
	Exploration and Development

Mr. Robertson retired from Key Production Company, Inc. ("Key") (one of two companies whose merger created Cimarex in 2002) after co-founding and serving for 10 years with Key. While with Key, he held the positions of President, Chief Operating Officer, Senior Vice President and Principal Financial Officer. Mr. Robertson has served in executive capacities with three other public energy companies: Apache Corporation, Gulf Oil Corporation and Terra Resources, Inc.

Mr. Robertson was a Director of Earthstone Energy, Inc. (formerly named Basic Earth Science System) from 2007 to 2014. During his service as a Director of Earthstone Energy, Inc., he was Chair of the Audit Committee and a member of the Compensation and Nominating Committee.

*Key Attributes, Experience and Skills*

Mr. Robertson has comprehensive knowledge of the financial and operational sides of the exploration and production business and experience as the Principal Financial Officer of Key, which is of considerable value in his service as Chairman of the Audit Committee.

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**ITEM 1: ELECTION OF DIRECTORS**

**Continuing Directors Class III Term Expires 2020**

**DAVID A. HENTSCHEL**

Director Since 2002 | Age 85 | Independent

Committees of the Board:

§

Compensation

§

Nominating

Core Competencies:

§

Corporate Governance

§

Financial Reporting Experience

§

Executive Compensation

§

Finance/Investment Banking

§

Public Company Executive Experience

§

Exploration and Development

Mr. Hentschel was Chairman and Chief Executive Officer of Occidental Oil and Gas Corporation, a subsidiary of Occidental Petroleum, from 1986 to 1993 and from 1997 until he retired in 1999. He also served as President and Chief Executive Officer of Canadian Occidental Petroleum, Ltd., now known as Nexen, from 1995 to 1997. He was in charge of the worldwide exploration and production operations for Cities Service and Occidental Oil and Gas Corporation for the last 20 years of his 40-year career.

Mr. Hentschel was a Director of Occidental Petroleum from 1987 to 1993 and of Occidental or Nexen from 1985 to 2009. During his service as a Director of Nexen, he was chair of the Audit Committee and a member of the Compensation Committee and various other committees. He was also a Director of the Bank of Oklahoma from 1984 to 1995.

*Key Attributes, Experience and Skills*

Mr. Hentschel brings considerable executive experience in the domestic and international oil and gas industry to the Board. Mr. Hentschel's extensive leadership background and his service on Nexen's audit and compensation committees provide strong skills and experience for his service on our Compensation and Governance Committee.

Cimarex Energy Co. 11

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**ITEM 1: ELECTION OF DIRECTORS**

**THOMAS E. JORDEN**

Director since 2011 | Age 61

Chairman, Chief Executive Officer and President, Cimarex Energy Co.

Core Competencies:

§

Exploration and Development

§

Environmental, Health and Safety

§

Government and Regulatory

§

Industry Background

§

Investor Relations

§

Public Company Executive Experience

§

Risk Management

Mr. Jorden is the Chairman of the Board, Chief Executive Officer and President of Cimarex. He has served Cimarex in various capacities since September 2002. He was elected Chief Executive Officer in September 2011 after serving as Executive Vice President-Exploration from 2003 to 2011 and as Vice President-Exploration from 2002 to 2003. Mr. Jorden also serves on the Board of Trustees of the Colorado School of Mines and other private boards.

*Key Attributes, Experience and Skills*

Mr. Jorden brings to the Board over 35 years of experience in the oil and gas exploration and production industry and, as our Chief Executive Officer, a deep understanding of our business, operations and long-term strategic issues and goals. Mr. Jorden holds undergraduate and graduate degrees in geophysics. His service on the Board creates an important link between management and the Board.



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**ITEM 1: ELECTION OF DIRECTORS**

**FLOYD R. PRICE**

	Core Competencies:
Director Since 2012   Age 70   Independent	§
Committees of the Board:	Exploration and Development
§	§
Compensation (Chair)	Financial Reporting Experience
§	§
Nominating	Executive Compensation
Current Public Company Directorships:	§
§	Finance/Investment Banking
Tamarack Valley Energy Ltd.	§
	Public Company Executive Experience
	§

Corporate Governance

Mr. Price held various positions with Apache Corporation from 1991 through 2009, including Executive Vice President and Corporate Exploration Officer; President, Apache Canada; President, Apache International; and Exploration Manager. Apache Corporation, with headquarters in Houston, Texas, is an oil and gas exploration and production company with domestic and international operations. Mr. Price has served as Chairman of the Board and as a member of the audit, reserves and compensation/governance committees of Tamarack Valley Energy Ltd. ("Tamarack"), Calgary, Alberta, Canada, a publicly held company traded on the Toronto Stock Exchange, since June 2010. Tamarack is involved in the identification, evaluation and operation of resource plays in the Western Canadian sedimentary basin. From June 2010 to January 2013, Mr. Price served as a Director and Chairman of the Board of Gastar Exploration, Inc. ("Gastar"), a publicly held company located in Houston, Texas. Mr. Price also served on the compensation and governance, audit and reserves committees of the Board at Gastar. Gastar is engaged in the exploration, development and production of natural gas, natural gas liquids, oil and condensate in the United States and is traded on the NYSE.

*Key Attributes, Experience and Skills*

Mr. Price has over 40 years of domestic and international experience in the exploration and production business. Mr. Price has held leadership positions with a large public oil and gas company. His experience during the past eight years serving as a Director of public and private companies also provides him with invaluable board skills and experience. Mr. Price brings extensive oil and gas exploration, operations, management and financial experience to Cimarex's Board and the Compensation and Governance Committee.

Cimarex Energy Co. 13

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**ITEM 1: ELECTION OF DIRECTORS**

**FRANCES M. VALLEJO**

Director Since 2017   Age 53   Independent  Committees of the Board:  §  Audit  §  Nominating	Core Competencies:  §  Exploration and Development  §  Financial Reporting Experience  §  Corporate Finance  §  Mergers and Acquisitions  §  Risk Management  §  Corporate Governance  §  Corporate Planning and Budgets  §
---	---

Public Company Executive

Ms. Vallejo is a former executive officer of ConocoPhillips, the world's largest independent exploration and production company. Beginning in 1987, she held various positions with both ConocoPhillips and Phillips Petroleum Company, which merged with Conoco Inc. to form ConocoPhillips in August 2002. She served as Vice President Corporate Planning and Development from April 2015 until December 2016 and as Vice President and Treasurer from October 2008 until March 2015. Prior to October 2008, she served as General Manager Corporate Planning and Budgets, Vice President Upstream Planning & Portfolio Management, Assistant Treasurer, Manager Strategic Transactions, and in other geophysical, commercial, and finance roles. From 2010 until 2016, Ms. Vallejo served as a member of the Board of Trustees of Colorado School of Mines and she currently serves or has served on boards of other charitable associations.

*Key Attributes, Experience and Skills*

Ms. Vallejo's 30 years of experience in the oil and gas industry and extensive leadership roles in corporate planning, budgeting, and treasury are key attributes that make her well qualified to serve as a Cimarex Director and a member of the Audit Committee.

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**ITEM 1: ELECTION OF DIRECTORS**

**Continuing Directors    Class I    Term Expires 2021**

**JOSEPH R. ALBI**

Director since 2011 | Age 60

Executive Vice President – Operations,  
Chief Operating Officer, Cimarex  
Energy Co.

Core Competencies:

§

Exploration and Development

§

Environmental, Health and Safety

§

Government and Regulatory

§

Industry Background

§

Public Company Executive Experience

§

Risk Management

Mr. Albi was named Chief Operating Officer in September 2011. He has served Cimarex in various capacities since September 2002, including Executive Vice President – Operations from 2005 to 2011, Senior Vice President – Corporate Engineering from 2003 to 2005 and Vice President Engineering from 2002 to 2003.

*Key Attributes, Experience and Skills*

Mr. Albi has over 35 years of experience in the oil and gas industry. His extensive understanding of the management of oil and gas production and drilling operations, business development, environmental and safety management and oil and gas marketing provide the Board with considerable insight about Cimarex's operations.





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**ITEM 1: ELECTION OF DIRECTORS**

**LISA A. STEWART**

Director Since 2015   Age 61   Independent	Core Competencies:
Committees of the Board:	§
§	Exploration and Development
Audit	§
§	Environmental, Health and Safety
Nominating	§
Former Public Company Directorships:	Financial Reporting Experience
(within the last five years):	§
§	Executive Compensation
Talisman Energy, Inc.	§
	Finance/Investment Banking
	§
	Public Company Executive Experience
	§
	Investor Relations

Ms. Stewart is Chairman, President, Chief Executive Officer, and Chief Investment Officer of Sheridan Production Partners, a privately-owned oil and gas operating company she founded in 2007. From 2009 until its acquisition in May 2015, Ms. Stewart served as a Director on the Board of Talisman Energy, Inc., a Canadian oil and gas exploration and production company traded publicly on the NYSE and the Toronto Stock Exchange. Prior to 2007, Ms. Stewart served as Executive Vice President of El Paso Corporation and President of El Paso E&P from 2004 to 2006. From 1984 to 2004, Ms. Stewart served Apache Corporation in various capacities, including most recently as Executive Vice President, with responsibility in the departments of its reservoir engineering, business development, land, environmental, health and safety ("EH&S"), and corporate purchasing.

*Key Attributes, Experience and Skills*

Ms. Stewart's over 35 years of experience in the oil and gas industry, including in reservoir engineering, business development, land and EH&S, and extensive leadership roles are key attributes that make her well qualified to serve as a Cimarex Director.



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**ITEM 1: ELECTION OF DIRECTORS**

**MICHAEL J. SULLIVAN**

Director Since 2002   Age 79   Independent	Core Competencies:
Committees of the Board:	§
§	Corporate Governance
Compensation	§
§	Governmental, Political or Diplomatic Expertise
Nominating	§
	Legal Expertise
	§
	Finance/Budgeting

In September 2015, Mr. Sullivan retired from the Arizona-based law firm Lewis Roca Rothgerber LLP where beginning in 2001 he served as senior attorney, partner or special counsel, and was the managing attorney of the firm's Casper, Wyoming office. Mr. Sullivan practiced law as a partner with Brown, Drew, Apostolos, Massey & Sullivan from 1964 to 1986 and from 1995 until 1998. He served as the Governor of Wyoming from 1987 to 1995 and as the U.S. Ambassador to Ireland from 1998 to 2001.

Mr. Sullivan retired as a Director and member of the compensation and governance committees of First Interstate BancSystem, located in Billings, Montana, in December 2016, and had been a Director and member of the compensation and governance and audit committees of Sletten Construction, Inc., located in Great Falls, Montana (a non-public company) until retiring from the Board in June 2015. From 2001 to 2009, he served as a Director and was a member of the audit, corporate social responsibility, and governance committees of Allied Irish Bank Group, located in Dublin, Ireland. From 2003 to 2011, he served as a Director of the Kerry Group Plc, a global food and food ingredients producer headquartered in Tralee, the county town of County Kerry, Ireland.

*Key Attributes, Experience and Skills*

Mr. Sullivan brings a wealth of experience and a diverse background to our Board. In addition to his Juris Doctor degree, he has an undergraduate degree in petroleum engineering, years of public service as the Governor of Wyoming and as the U.S. Ambassador to Ireland, and 40 years' experience practicing law in the areas of natural resources, mediation and business. As Governor, he was involved in the process of reviewing and administering Wyoming's budget. This experience is directly relevant to his service on the Cimarex Board and to his oversight of Cimarex's capital expenditure budget. Mr. Sullivan's education, legal experience, particularly in mediation and litigation, and his domestic and international service all provide a background that is beneficial in addressing the issues coming before the Cimarex Board.



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**ITEM 1: ELECTION OF DIRECTORS**

**Summary of Director Core Competencies and Composition Highlights**

The following chart summarizes the competencies that the Board considers valuable to effective oversight of the Company and illustrates how the current Board members individually and collectively represent these key competencies. The lack of an indicator for a particular item does not mean that the Director does not possess that qualification, skill or experience. While each Director is knowledgeable in these areas, the indicator represents a core competency that the Director brings to our Board.

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**CORPORATE GOVERNANCE**

**CORPORATE GOVERNANCE**

We believe good corporate governance promotes the long-term interests of shareholders, strengthens Board and management accountability, and helps build public trust. Cimarex's website (www.cimarex.com) includes materials that are helpful in understanding our corporate governance practices:

Corporate Governance Guidelines	Corporate Bylaws
Code of Business Conduct and Ethics	Stock Ownership Guidelines
Complaint and Reporting Procedures	Background and Experience of our Board of Directors
Committee Charters	Background and Experience of Executive Management
Proxy access	

**Corporate Governance Highlights**

8 of 10 independent Directors	Disclosure Committee for financial reporting
Majority voting for Directors resignation policy	Board and Audit Committee risk oversight
Classified Board	Compensation risk assessment
Combined Chairman and CEO	Review of related party transactions
Independent Lead Director	Non-hedging and non-pledging policies
Diverse Board skills and experience	Clawback policy
Annual Board and committee self-evaluations	Management and Director stock ownership guidelines
Periodic consultant review of Board skills	No tax gross-ups
Annual equity grants to Directors	Proxy access
Annual Board education	Active shareholder engagement

**Shareholder Engagement**

Cimarex's relationships with its shareholders are an important part of our corporate governance profile, and we recognize the value of taking their views into account. Engagement with shareholders helps us understand the larger context and the impact of our operations, learn about expectations for our performance, assess emerging issues that may affect our business or other aspects of our operations, and shape corporate and governance policies.

Consistent with our commitment to seek and respond to shareholder input on corporate governance topics, we have considered and discussed with investors a wide variety of matters, including:

§ Our executive compensation program and disclosures, as a result of which we previously made changes in these areas;

§ The "proxy access" shareholder proposal acted upon in 2015;

§ A shareholder proposal concerning fugitive methane reporting that was made in December 2015 and subsequently withdrawn, as a result of which we added disclosures concerning methane emissions to our website; and





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**CORPORATE GOVERNANCE**

§ Environmental, social and governance issues, including greenhouse gas emissions, employee and Board diversity, and shareholder protection measures.

In January 2018, as a result of additional engagement with shareholders during 2017, we enhanced our website disclosure concerning air quality, hydraulic fracturing, seismicity, spill prevention, water resource management, safety and health, community impact, and community support. In 2018, we added specific numeric threshold targets to assist the Compensation and Governance Committee in evaluating certain performance objectives for 2018 annual short term incentive awards. See "CD&A Key 2018 Compensation Actions Annual Cash Incentive Awards" below. We increased our shareholder engagement efforts in 2018 because of the lower number of votes cast in favor of the advisory vote on executive compensation from 97% at the 2017 annual meeting of shareholders to 93% at the 2018 annual meeting.

**Director Qualifications and Recruitment**

The Board is committed to recruiting and nominating directors for election who will collectively provide the Board with the necessary diversity of skills, backgrounds and experiences to meet Cimarex's ongoing needs and support oversight of our business strategy and priorities. In its assessment of each potential candidate, the Nominating Committee considers the nominee's judgment, integrity, experience, independence, understanding of Cimarex's business or related industries and such other factors that the Nominating Committee determines are pertinent in light of the needs of the Board. The Nominating Committee also considers the ability of a nominee to devote the time and effort necessary to fulfill his or her responsibilities to Cimarex. Our Nominating Committee Charter specifically includes diversity of gender and ethnic background in the list of desirable attributes sought in our Board composition.

Although all current Directors have extensive oil and gas experience, either as company executives or attorneys, their experience is with companies with widely different operating strategies than those of Cimarex. This diversity and depth of experience benefits our Board in executing its duty of oversight and guidance.

§ Shareholder Nominations of Director Candidates

Cimarex's Bylaws permit a group of up to 20 shareholders collectively beneficially owning more than 3% of Cimarex's outstanding shares for at least three consecutive years to nominate up to two candidates for inclusion in Cimarex's proxy materials by following the procedures set forth in the proxy access provisions in Article III, Section 2A of our Bylaws (the "Proxy Access Policy"). For more information on proxy access and other procedures to recommend candidates to Cimarex's Board of Directors, see "General Information Director Nominations for the 2020 Annual Meeting of Shareholders."

**Board of Directors and its Committees**

Cimarex is governed by its Board of Directors, which is led by our Chairman of the Board and CEO, and its three committees. Cimarex also has a Lead Director, who is chosen annually by the Board from our independent Directors. The structure of the Board and the responsibilities of its committees are described in detail below.

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## CORPORATE GOVERNANCE

§

## Our Board

Committee Memberships  
(Independent Directors Only)

DIRECTOR NOMINEES	AGE	DIRECTOR SINCE	TERM EXPIRES	Committee Memberships (Independent Directors Only)		
				Audit	Compensation and Governance	Nominating
Hans Helmerich (Independent Director) Chairman and former Chief Executive Officer, Helmerich & Payne, Inc.	60	2002	2019		•	•
Harold R. Logan, Jr. (Independent Director) Independent Lead Director and Chair of Nominating Committee of Cimarex; Chairman, Suburban Propane Partners, L.P.	74	2009	2019	•		Chair
Monroe W. Robertson (Independent Director) Chair of Audit Committee of Cimarex; Retired, former President and Chief Operating Officer, Key Production Co.	69	2005	2019	Chair		•
<b>Continuing Directors</b>						
Joseph R. Albi Executive Vice President Operations, Chief Operating Officer, Cimarex Energy Co.	60	2011	2021			
David A. Hentschel (Independent Director) Retired, former Chairman and Chief Executive Officer, Occidental Oil and Gas Corporation	85	2002	2020		•	•
Thomas E. Jorden Chairman, Chief Executive Officer and President, Cimarex Energy Co.	61	2011	2020			
Floyd R. Price (Independent Director) Chair of Compensation and Governance Committee of Cimarex; Retired, former executive officer, Apache Corporation	70	2012	2020		Chair	•
Lisa A. Stewart (Independent Director) Chairman, President, Chief Executive Officer and Chief Investment Officer, Sheridan Production Partners	61	2015	2021	•		•

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Michael J. Sullivan ( <i>Independent Director</i> ) <i>Retired Senior Attorney, Lewis Roca Rothgerber LLP</i>	79	2002	2021	•	•
Frances M. Vallejo ( <i>Independent Director</i> ) <i>Retired, former Vice President, ConocoPhillips</i>	53	2017	2020	•	•

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**CORPORATE GOVERNANCE**

§  
Board Leadership Structure

**Chairman of the Board:**

- |  |                                     |
|--|-------------------------------------|
| §  | §                                   |
| Preside over Board meetings.   | Call special meetings of the Board. |
| §  | §                                   |
| Approve agenda for Board meetings.   | Preside over shareholder meetings.  |
| §  |                                     |
| Facilitate and participate in formal and informal communications with and among Directors. |                                     |

**Lead Director:**

- |  |  |
|--|--|
| §  | §  |
| Preside over all Board meetings at which the Chairman of the Board is not present.   | Act as Chairman of the Nominating Committee.   |
| §  | §  |
| Solicit agenda items from non-management Directors, review Board meeting agenda and materials, and provide input to the Chairman of the Board. | Act as liaison between the Chairman and the Directors and facilitate communication among the full Board. |
| §  | §  |
| Call meetings of non-management Directors and, as appropriate, set the agenda.   | Review shareholder communications directed to the Board and take appropriate action.                     |
| §  | §  |
| Preside over all meetings of non-management Directors and over all executive sessions of non-management Directors.                             | Retain outside advisors and consultants, who report directly to the Board on Board-wide issues.          |

The Board believes having a combined Chairman/CEO and an independent Lead Director, who have the duties described above, best serve the interests of our shareholders because this structure provides an appropriate balance between strategy development and independent oversight of management.

Thomas Jorden was elected Chief Executive Officer on September 30, 2011 and Chairman of the Board on August 14, 2012. He has served as an executive officer of Cimarex since its formation in 2002. He has considerable knowledge and experience gained through his executive positions with Cimarex and prior industry experience. This knowledge and experience allow him to focus the activities of the Board on matters most relevant to the success of Cimarex.

The Compensation and Governance Committee is comprised entirely of independent Directors. When the Board acts on the Compensation and Governance Committee's recommendation for compensation of the Chairman/CEO, it acts without the Chairman/CEO being present.

The substantial experience and background of our independent Directors ensure their active and knowledgeable involvement in Board matters. This involvement, and the presence and involvement of our Lead Director, provide the Board with a strong and independent point of view.

§

## Board Committees

The committees of the Board are comprised entirely of independent Directors. The primary responsibilities of the committees are described below. The committees are governed by Board-approved charters stating

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**CORPORATE GOVERNANCE**

the committees' responsibilities. A copy of the committees' charters are available on our website at [www.cimarex.com](http://www.cimarex.com).

<b>Audit Committee</b>	<b>Primary Responsibilities:</b>	<b>Meetings in 2018: 8</b>
	§	
<b>Members:</b>	Appoints independent auditors;	
	§	
Monroe W. Robertson	Approves the nature and scope of services of independent auditors and reviews the range of fees for such services;	
(Chair)		
Harold R. Logan, Jr.	§	
Lisa A. Stewart	Assists the Board in oversight and monitoring the performance of the internal audit function;	
Frances M. Vallejo	§	
	Reviews qualifications and independence of the auditors;	
	§	
	Reviews and discusses with independent auditors (i) the auditors' responsibilities and management's responsibilities in the audit process, (ii) the overall audit strategy, (iii) the scope and timing of annual audit, and (iv) any significant risks identified during the independent auditors' risk assessment procedures;	
	§	
	Assists the Board in monitoring the integrity of financial statements;	
	§	
	Monitors compliance with legal and regulatory requirements;	
	§	
	Reviews and reports to Board on corporate and financial risk processes;	
	§	
	Monitors the process related to ongoing litigation matters; and	
	§	
	With the Company's management and (if applicable) an independent petroleum engineering consulting firm, reviews the Company's annual process of estimating and reporting quantities of oil and gas reserves.	
	The Board of Directors has determined that each of the members of the Audit Committee is financially literate and independent as defined by the rules of the SEC and the NYSE. The Board also has determined that each of Mr. Logan, Mr. Robertson, Ms. Stewart and Ms. Vallejo is an "audit committee financial expert" as defined by the SEC's rules.	

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**CORPORATE GOVERNANCE**

<b>Compensation and Governance</b>	<b>Primary Responsibilities(Compensation Functions):</b> §	<b>Meetings in 2018: 8</b>
<b>Committee</b>	Recommends CEO and executive officer cash compensation for approval by the Board; §	
<b>Members:</b>	Recommends Director compensation for approval by the Board; §	
Floyd R. Price (Chair) Hans Helmerich David A. Hentschel	Reviews and recommends to the Board that the Compensation Discussion and Analysis be included in our proxy statement; §	
Michael J. Sullivan	Determines amount and terms of equity awards; §  Reviews and approves long-term incentive plans; §  Reviews relationship of compensation to risk; and §  Approves the nature and scope of services of independent compensation consultants. As part of its compensation functions, the Compensation and Governance Committee has increased its oversight of compensation of all employees, including its review of the Company's practices to ensure compensation is equitable.	
	<b>Primary Responsibilities (Governance Functions):</b> §	
	Develops and implements policies and processes regarding corporate governance matters; §	
	Develops plans for managerial succession; and §	
	Oversees annual Board and Committee evaluations. As part of its governance functions, the Compensation and Governance Committee has increased its oversight of environmental, social and governance ("ESG") issues, including corporate sustainability and workplace fairness.	



**Compensation and Governance Committee Interlocks and Insider Participation.** Hans Helmerich, a member of the Compensation and Governance 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. ("H&P") for the purpose of facilitating a spinoff by H&P of its oil and gas

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**CORPORATE GOVERNANCE**

exploration and production business. Cimarex became a publicly traded company on September 30, 2002, at which time Mr. Helmerich resigned as an executive officer.

<b>Nominating Committee</b>	<b>Primary Responsibilities(Compensation Functions):</b> §	<b>Meetings in 2018: 4</b>
<b>Members:</b>	Determines desired Board skills and attributes; §	
Harold R. Logan, Jr. (Chair) Hans Helmerich David A. Hentschel	Recommends candidates to serve on the Board and to stand for election at annual meeting of shareholders or to fill a vacancy occurring between meetings; §	
Floyd R. Price Monroe W. Robertson Lisa A. Stewart Michael J. Sullivan Frances M. Vallejo	Considers shareholder nominees for election to the Board; and §  Recommends Board committee appointments.	

**Other Governance Matters**

§

**Director Attendance**

During 2018, the Board of Directors met eight times. The Board has three Committees: the Audit Committee, the Compensation and Governance Committee, and the Nominating Committee. During 2018, each Director attended greater than 75% of the meetings of the Board and the Board Committees on which he or she served. All Board members are expected to attend the Annual Meeting. All Directors attended our 2018 Annual Meeting.

§

**Executive Sessions**

The independent Directors meet in executive session at each regularly scheduled Board meeting. The Lead Director presides over executive sessions. During 2018, four executive sessions were held, without the CEO or any member of management present, and all of the independent Directors attended each session. These sessions allow independent Directors to review the CEO's performance and compensation and to discuss issues of importance to Cimarex, including the business and affairs of Cimarex, as well as matters concerning management.

§

**Risk Oversight**

The Board has overall responsibility for risk oversight. In carrying out its responsibility, the Board has requested that the Audit Committee discuss with management and report to the Board with respect to:

§

Processes Cimarex follows to mitigate corporate risks;

§

Guidelines and processes pertaining to financial risk assessment;

§

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Steps management takes to measure, monitor and control financial risk exposures; and

Management's conclusion as to the effectiveness of the guidelines and processes utilized to mitigate such corporate and financial risks and exposures.

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**CORPORATE GOVERNANCE**

In addition, at each of the Board's four regularly scheduled meetings held during the year, management provides the Board with an overview of Cimarex's operations, financial results, risks and risk mitigation efforts, and other aspects of its business. Significant strategic considerations, such as material acquisitions or mergers are brought to the Board for deliberation and, as appropriate, decisions.

The Audit Committee, at its December 6, 2018 meeting, reviewed, discussed and, at the Board meeting that day, reported to the Board about corporate, operational and financial risks and Cimarex's processes for mitigation of these risks.

§

**Compensation Risk Oversight**

In February 2019, the Compensation and Governance Committee performed a thorough review of the possible connection between compensation and excessive risk taking. The Compensation and Governance Committee's review covered Cimarex's compensation policies and practices covering executive and non-executive employees to determine whether the policies and practices encourage excessive risk taking by employees. The Committee's analysis included a review and discussion of the following:

§

The metrics for determining incentive awards;

§

Participants in the Company's compensation programs;

§

How the Company determines compensation pools and individual awards;

§

The maximum individual award potential (maximum individual incentive to take risk);

§

The maximum possible cost if awards were paid at maximum levels (maximum cost exposure);

§

The decision-making and approval process; and

§

The systemic limitations on the ability of employees to take excessive risks in order to influence compensation.

The Compensation and Governance Committee determined that the risks from Cimarex's compensation policies and practices for Cimarex employees are not reasonably likely to have a material adverse effect on Cimarex.

§

**Director Independence and Related Person Transactions**

Our Corporate Governance Guidelines require that a majority of our Directors be independent as defined by applicable laws, rules, regulations and listing standards. We comply with the criteria for independence established by the NYSE listing requirements and other governing laws and regulations.

Each year the Compensation and Governance Committee reviews the independence of our Directors and any related party transactions. On the basis of this review, the Committee delivers a report to the Board, and the Board makes independence determinations based on the Committee's report.

As a result of this review, the Board has determined that Hans Helmerich, David A. Hentschel, Harold R. Logan, Jr., Floyd R. Price, Monroe W. Robertson, Lisa A. Stewart, Michael J. Sullivan and Frances M. Vallejo, representing eight of our ten current Directors, are independent of Cimarex and its management. Thomas Jorden and Joseph Albi are not independent because of their employment as CEO and COO of Cimarex, respectively.



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**CORPORATE GOVERNANCE**

In making these determinations, the Board considered that, in the ordinary course of business, relationships and transactions may occur between Cimarex and entities with which some of our Directors are or have been affiliated. As a result of the Committee's review, certain relationships and transactions are not considered to be material transactions that would impair a Director's independence, including the following:

§

The Director is an employee of another company that does business with Cimarex, and our annual sales to or purchases from the other company amount to less than 2% of the annual revenues of the other company and that such sales to or purchases from the other company are part of our ordinary course of business and conducted in the same manner as we obtain services from other companies that provide similar services; or

§

The Director is a director (but not an employee) of another company that does business with Cimarex.

Hans Helmerich is the non-executive Chairman of the Board, and until March 5, 2014 was the CEO, of Helmerich & Payne, Inc. ("H&P"), a company with which Cimarex engages in ordinary course of business transactions. As non-executive Chairman, Mr. Helmerich currently is not an employee of H&P. During H&P's fiscal year ended September 30, 2017, Cimarex paid H&P \$39.6 million for drilling services in arms' length transactions and as part of our ordinary course of business and in the same manner as we obtain services from other companies that provide similar services. The aggregate amount of the payment represented 2.20% of H&P's revenue during that period. The Compensation and Governance Committee reviewed these transactions and concluded: (i) the transactions are proper and not material when compared to both Cimarex's total drilling costs and H&P's total revenues; (ii) the transactions occurred in the ordinary course of business and at arms' length; (iii) the Board does not review or approve drilling service contracts or arrangements; (iv) Mr. Helmerich ceased being an employee of H&P in 2014; and (iv) Mr. Helmerich's relationship with H&P does not interfere with his independent judgment as a Director of Cimarex.

Ms. Stewart is Chairman, President, Chief Executive Officer and Chief Investment Officer of Sheridan Production Partners, a privately owned oil and gas operating company she founded in 2007. During 2017 Cimarex paid certain affiliated companies of Sheridan oil and gas revenues of \$208 thousand and received \$89 thousand from certain affiliates of Sheridan for joint interest billings. Cimarex's payments to the affiliates of Sheridan represented 0.03% of Sheridan's consolidated revenues for 2017. In addition, Cimarex paid the Sheridan affiliates joint interest billings of \$1 thousand, and Cimarex received \$378 of oil and gas revenues. The Compensation and Governance Committee reviewed these transactions and concluded: (i) the transactions are proper and not material when compared to both Cimarex's total costs and Sheridan's revenues; (ii) the transactions occurred in the ordinary course of business and at arms' length; (iii) the Board does not review or approve oil and gas revenue payments or joint interest billings; and (iv) Ms. Stewart's relationship with Sheridan does not interfere with her independent judgment as a Director of Cimarex.

§

**Communications with Directors**

Shareholders may communicate with our Board by mail directed to our Corporate Secretary or by facsimile (720) 403-9383. All communications will be forwarded to the Lead Director for the Lead Director's review. The Lead Director may take any action the Lead Director deems appropriate or necessary, including, without limitation, forwarding the information to the Board for consideration or, with the concurrence of the Board, retaining independent or outside counsel, accountants or other advisors to address the concern.



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COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY OF COMPENSATION DISCUSSION AND ANALYSIS  
("CD&A")

OVERVIEW

§

2018 BUSINESS AND FINANCIAL PERFORMANCE

The relative stability in commodity prices in 2017 continued through most of 2018 until a steep decline in oil prices in the fourth quarter of 2018. The Compensation and Governance Committee continued to focus on strategic and tactical goals that preserve Cimarex's strong balance sheet, core properties and organization while improving health, safety and environment metrics. These goals and our performance are summarized below under "Section 2 Annual Cash Incentive Awards." It is through this macroeconomic lens that the Committee considered the following 2018 business and financial performance overview when making compensation decisions:

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Exploration and development expenditures increased 23% to \$1,570.3 million compared to \$1,281.1 million in 2017, while year-over-year average daily production increased 17% to 221.9 MBOE per day.

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Year-over-year production revenues increased 22% to \$2.297 billion as revenues were positively affected by increased realized commodity prices as well as increased production, which resulted in net income of \$791.9 million in 2018 compared to net income of \$494.3 million in 2017.

§

Cash flow provided by operating activities of \$1.55 billion was 42% higher than 2017.

§

Our Operations group excelled at optimizing our production and maximizing well profitability. As a result, our production expense per BOE declined 4% from \$3.77 per BOE in 2017 to \$3.62 per BOE in 2018, and declined 44% in 2018 compared to 2014.

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We sold non-core assets in Ward County, Texas for \$544.5 in a transaction that closed on August 31, 2018.

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We entered into a merger agreement in November 2018 to acquire Resolute Energy Corporation, which has approximately 21,100 net leasehold acres adjacent to and near our Reeves County, Texas properties in the Permian Basin. The merger was completed on March 1, 2019.

§

We incurred no additional debt in 2018 and had cash on hand of \$800.1 million at year-end 2018.

§

During 2018, our overall estimated proved reserves increased 6% after additions, positive and negative revisions, and production. We added 159 MMBOE of proved reserves through extensions and discoveries, including 120 MMBOE in the Permian Basin and 38 MMBOE in the Mid-Continent. In addition, we had net negative revisions of previous estimates of 23 MMBOE. Revisions were comprised of an increase of 21 MMBOE for net positive performance revisions, a decrease of 8 MMBOE related to higher operating expenses, an increase of 2.7 MMBOE for positive revisions due to higher commodity prices, and a decrease of 39 MMBOE for the removal of proved undeveloped reserves, the development of which likely will be delayed beyond five years from our initial disclosure.

§

Despite our production growth and strong net income in 2018, our stock price decreased 49% from \$122.01 at year-end 2017 to \$61.65 at year-end 2018. The decrease in our stock price led to a lower value for NEOs vested long-term equity awards in 2018 compared to the grant date fair value of those awards in 2015 and lower grant date fair values for long-term equity awards made in 2018, demonstrating the alignment of interests of our NEOs and shareholders.





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## COMPENSATION DISCUSSION AND ANALYSIS

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## HIGHLIGHTS OF EXECUTIVE COMPENSATION PROGRAM POLICIES AND PRACTICES

**What We do**

Link majority of compensation to performance

Pay long term incentive awards solely in shares of common stock

Double-trigger change in control severance benefits

Maintain stock ownership guidelines

Retain an independent compensation consultant

Hold annual say-on-pay advisory vote for stockholders

Maintain a clawback policy

**What We Don't Do**

No hedging or pledging of Company securities by officers or Directors

No tax gross-up payments upon change in control

No excessive perquisites

§

## 2018 EXECUTIVE COMPENSATION

Name	2018 Salary (1)	Year End 2018 Base Salary	2018 Annual Cash Incentive Award (1)	2018 Long-Term Incentive Grant Date Fair Value (1)	Total Compensation (1)(2)	% of Total Compensation at Risk (3)
Thomas E. Jorden, CEO	\$ 976,789	\$ 990,000	\$ 1,740,000	\$ 6,900,000	\$ 9,727,480	90%
G. Mark Burford, CFO	\$ 468,394	\$ 475,000	\$ 700,000	\$ 2,750,000	\$ 4,007,577	86%
Joseph R. Albi, COO	\$ 620,241	\$ 628,300	\$ 875,000	\$ 3,000,000	\$ 4,578,876	85%
Stephen P. Bell, EVP	\$ 513,478	\$ 520,150	\$ 725,000	\$ 2,900,000	\$ 4,220,468	86%
John A. Lambuth, SVP	\$ 517,514	\$ 525,000	\$ 775,000	\$ 3,000,000	\$ 4,364,300	87%

- (1) From Summary Compensation Table.
- (2) Includes All Other Compensation from Summary Compensation Table.
- (3) Compensation at risk is based on the sum of 2018 Annual Cash Incentive Award and 2018 Long-Term Incentive Grant Date Fair Value compared to the Total Compensation from the Summary Compensation Table.

## ELEMENTS AND MIX OF EXECUTIVE COMPENSATION

### § Principal Elements of Executive Compensation

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

We principally use three elements to carry out the design of our executive compensation program, collectively referred to as "Total Direct Compensation":

<b>Element</b>	<b>Purpose</b>
<b>Base salary</b>	Retain current executive team and, when appropriate, attract new executives.
<b>Annual cash incentive award</b>	Reward executives for short-term financial and operational results.
<b>Annual long-term equity award</b>	Focus executive efforts on activities and short-term results that lead to long-term shareholder value. Half of the grant date fair value of 2018 long-term equity awards was made in the form of shares of restricted stock that vest based on continued employment and the passage of time, which promotes retention. The other half of the grant date fair value of the 2018 long-term equity awards was made in the form of performance shares that vest based on performance measures tied to relative stock price performance, which promotes the long-term interests of our shareholders and aligns executives' interests with shareholders' interests.

§

**Mix of Executive Compensation**

Cimarex's executive compensation program directly links a substantial portion of executive compensation to Cimarex's performance through annual and long-term incentives. The diagrams below show the mix of the pay elements for the CEO and other NEOs for fiscal 2018. These diagrams are based on the Summary Compensation Table and highlight the substantial portion of the at risk compensation that only is realized if certain performance criteria are met. Of the CEO's total disclosed 2018 compensation, 90% is at risk and is linked to Cimarex's future performance. The at-risk compensation consists of 18% annual cash incentive compensation based on 2018 performance and 72% long-term equity incentive compensation that is both service- and performance-based. The 2018 average compensation mix for the other NEOs was 87% at-risk compensation consisting of 18% annual cash incentive compensation based on 2018 performance and 70% long-term equity incentive compensation that is both service- and performance-based.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**2018 TOTAL COMPENSATION MIX**

**Chief Executive Officer**

**Other Named Executive Officers**

Cimarex Energy Co. 31

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## COMPENSATION DISCUSSION AND ANALYSIS

## COMPENSATION DISCUSSION AND ANALYSIS

This CD&A describes Cimarex's executive compensation program for 2018. We use this program to retain, motivate and attract (when appropriate) the executives who lead our business. This CD&A explains how the Compensation and Governance Committee (the "Committee") of the Board of Directors made 2018 compensation decisions for our executives, including the following NEOs:

Named Executive Officer	Position
Thomas E. Jorden	Chairman of the Board, CEO and President (Principal Executive Officer)
G. Mark Burford	Senior Vice President and CFO (Principal Financial Officer)
Joseph R. Albi	Executive Vice President Operations, COO
Stephen P. Bell	Executive Vice President Business Development
John A. Lambuth	Senior Vice President Exploration

## This CD&amp;A is divided into three sections:

- Section 1 *discusses our compensation framework, principal elements of executive compensation, and competitive positioning;*
- Section 2 *discusses 2018 and early 2019 actions related to 2018 executive compensation; and*
- Section 3 *discusses the role of the Committee's independent compensation consultant and management in compensation decisions, post-employment compensation, retirement benefits, perquisites and other compensation related issues.*

## SECTION 1

§

## Our Compensation Framework

## Objectives

Our principal business objective is to profitably grow our proved oil and gas reserves and production for the long-term benefit of shareholders while seeking to minimize our impact on the communities in which we operate for the long-term. The primary strategy we use to achieve this objective is to reinvest our cash flow from operations at a competitive rate of return while implementing best practices concerning safety and the environment. Our executive compensation program is designed to retain, motivate and attract, when appropriate, the experienced professionals necessary to carry out this strategy.

Throughout the Company, we focus on attracting high quality personnel who have strong technical competence, are not afraid to contribute new ideas, and work well in a team environment. The Company periodically undertakes a study of compensation across all areas and disciplines within Cimarex. The data confirmed no compensation bias at Cimarex, and every employee is paid equitably for their position regardless of gender, ethnicity or age. This study will be reviewed periodically to ensure these results remain consistent.

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**COMPENSATION DISCUSSION AND ANALYSIS**

The Committee also engaged our independent compensation consultant, Longnecker & Associates ("Longnecker"), to analyze the actual delivery of compensation versus the performance of the Company as compared to the Compensation Peer Group (see below, "2018 Compensation Peer Group," for a list of these companies). Longnecker concluded that Cimarex had one of the highest correlations of realized pay to performance out of all the Compensation Peer Group companies.

**Design**

We design our executive compensation program to:

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Align performance incentives with the long-term interests of our shareholders.

We align the long-term interests of our executives with the long-term interests of our shareholders by paying a substantial portion of each executive's total direct compensation in the form of performance-based equity awards. Half the grant date fair value of 2018 long-term equity awards to NEOs was in the form of performance shares with vesting dependent upon relative stock price performance, meaning the more our shareholders benefit through shareholder returns compared to a defined stock performance peer group, the more our executives benefit through increased vesting of performance-based equity awards. Also, our Executive Stock Ownership Guidelines encourage executives to have a meaningful ownership stake in Cimarex, further aligning the interests of our shareholders and our executives.

§

Provide competitive total direct compensation opportunities that retain, motivate and attract, when needed, executive talent.

We compensate our executives at levels that are competitive with equivalent positions at companies with which we may compete for talent as represented by our Compensation Peer Group (See "2018 Compensation Peer Group" below). In general, when we review base salaries, annual incentive awards, long-term equity awards and total direct compensation, we reference the 50th and 75th percentiles of the Compensation Peer Group. Actual compensation earned by an executive may be outside this range based on the Company's performance, the individual's achievements, and industry competition for talented executives. Half the grant date fair value of 2018 long-term equity awards was in the form of shares of restricted stock that vest based on continued employment and the passage of time, which promotes retention of executives.

§

Link compensation earned to achievement of short-term and long-term financial and operational objectives.

We provide the opportunity for an annual incentive cash award that is designed to reward executive efforts for achieving Company financial and operational objectives. The portion of our long-term equity incentive awards that vest based on performance measures tied to relative stock price performance are designed to encourage above average stock price performance, which aligns executives' interests with shareholders' interests.

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**Competitive Positioning**

In support of our compensation objectives and in order to determine an appropriate total value and mix of pay for executives, we reference the 50th and 75th percentiles of the Compensation Peer Group. The





Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

50th and 75th percentiles are reference points only; we do not automatically compensate each executive at these levels. Several variables, including individual and division performance, time employed in the position, annual Company performance and one- and three-year relative stock price performance influence the actual executive compensation decisions. We look at our individual NEO and total NEO Total Direct Compensation compared to individual NEO and total NEO Total Direct Compensation of companies in our Compensation Peer Group. Because not all of our NEO positions are directly comparable to NEO positions of companies in our Compensation Peer Group, we believe that reviewing the aggregate Total Direct Compensation of all NEOs provides an appropriate reference for comparative purposes and allows us to compare our total cost of management for all NEOs to our peers' total cost of management.

§

**2018 Compensation Peer Group**

The Compensation Peer Group is comprised of companies in the oil and gas industry with market capitalizations, revenues and operating areas similar to ours and with whom we compete for executive and other employee talent. The Committee annually reviews companies in the Compensation Peer Group and modifies the group as appropriate.

In May 2018, the Committee approved the 2018 Compensation Peer Group, which at the time of selection included companies that were comparable to Cimarex. The May 1, 2018 market capitalization of these companies ranged from \$3.4 billion to \$24.5 billion, and the trailing 12 months' revenue, based on the latest periodic report filed by these companies with the SEC, ranged from \$430 million to \$6.4 billion. For the comparable date and period, Cimarex's market capitalization was \$9.5 billion and its revenue was \$1.9 billion. Longnecker recommended removing two companies that were in the 2017 Compensation Peer Group due to their market capitalizations and revenues compared to the other companies. Those companies were Pioneer Natural Resources Company, which had a market capitalization of \$34.5 billion and trailing 12 month revenues of \$5.5 billion, and Southwestern Energy Company, which had a market capitalization of \$2.1 billion and trailing 12 month revenues of \$3.2 billion. Longnecker also recommended adding two new companies, Centennial Resource Development, Inc. ("Centennial") and Parsley Energy, Inc. ("Parsley") based primarily on their market capitalizations and focus of operations in the Permian Basin. Centennial had a market capitalization of \$4.9 billion and Parsley had a market capitalization of \$8.0 billion at May 1, 2018. Longnecker also noted the location of Centennial's headquarters in Denver and competition for talent with Cimarex also was a factor in Longnecker's recommendation. The Committee approved these recommendations, resulting in the following 2018 Compensation Peer Group:

Compensation Peer Company	Stock Ticker	Compensation Peer Company	Stock Ticker
Antero Resources Corporation	AR	Energen Corporation	EGN
Apache Corporation	APA	Newfield Exploration Company	NFX
Cabot Oil & Gas Corporation	COG	Noble Energy, Inc.	NBL
Centennial Resource Development, Inc.	CDEV	Parsley Energy, Inc.	PE
Concho Resources Inc.	CXO	Range Resources Corporation	RRC
Continental Resources, Inc.	CLR	WPX Energy, Inc.	WPX
Diamondback Energy, Inc.	FANG		

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## COMPENSATION DISCUSSION AND ANALYSIS

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## 2018 Stock Performance Peer Group

Under our long-term equity incentive award program, we grant performance-based awards of restricted stock to our NEOs. For grants made in December 2018, the performance measure used to determine the number of shares to be delivered upon vesting is Cimarex's relative stock price performance at the end of the three-year period preceding the December 1, 2021 vesting date when compared to companies in the S&P 500 Exploration and Production Index (the "Stock Performance Peer Group"). The Stock Performance Peer Group members are companies with which we compete for investors and investment capital. The Committee believes that using an index of companies selected by an independent group such as Standard and Poor's provides less ability for management to attempt to manipulate relative performance. The following are the companies that comprised the Stock Performance Peer Group on December 6, 2018:

Stock Performance Peer Company	Stock Ticker	Stock Performance Peer Company	Stock Ticker
Anadarko Petroleum Corporation	APC	EQT Corporation	EQT
Apache Corporation	APA	Hess Corporation	HES
Cabot Oil & Gas Corporation	COG	Marathon Oil Corporation	MRO
Cimarex Energy Co.	XEC	Newfield Exploration Company	NFX
Concho Resources Inc.	CXO	Noble Energy Inc.	NBL
ConocoPhillips	COP	Occidental Petroleum Corporation	OXY
Devon Energy Corporation	DVN	Pioneer Natural Resources Company	PXD
EOG Resources Inc.	EOG		

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**COMPENSATION DISCUSSION AND ANALYSIS**  
**SECTION 2**

§  
Summary of 2018 and Early 2019 Compensation Decisions

<b>COMPENSATION ELEMENT</b>	<b>ACTION</b>	<b>RATIONALE</b>
§ <b>BASE SALARY</b>	<p>Increased CEO's base salary from \$960,000 to \$990,000.</p> <p>Increased CFO base salary from \$460,000 to \$475,000.</p> <p>Increased remaining NEOs' base salaries by 3.0-3.35%</p>	<p>Mr. Jordan's leadership in maintaining the Company's strong financial position through a reduced commodity price environment and his base salary compared to other Compensation Peer Group CEOs.</p> <p>Ensuring internal equity with base salaries of other NEOs (other than the CEO) and external competitiveness compared to the Compensation Peer Group.</p> <p>These increases were based on maintaining alignment of the other NEOs with the Compensation Peer Group, and Company performance.</p>
§ <b>ANNUAL SHORT-TERM INCENTIVE PLAN</b>	<p>Authorized annual cash short-term awards to the CEO of 141% of his target award, or 176% of year-end base salary and between 139% to 148% of year-end base salary, to the other NEOs. The CEO has an award target of 125% of year-end base salary and all other NEOs have an award target of 100% of year-end salary.</p>	<p>Annual cash awards were based on the achievement of financial and strategic objectives described below in "Annual Cash Incentive Awards" and on recommendations from the Committee's independent compensation consultant. See "Key 2018 Compensation Actions Annual Cash Incentive Awards" below.</p>

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**COMPENSATION DISCUSSION AND ANALYSIS**

**COMPENSATION ELEMENT**

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**LONG-TERM EQUITY INCENTIVES**

**ACTION**

Authorized long-term equity awards to NEOs (including the CEO) with an aggregate grant date fair value of \$18,550,000. Half of the grant date fair value of the 2018 long-term equity awards was made in the form of shares of restricted stock that vest based on continued employment through December 1, 2021. The other half of the grant date fair value of the 2018 long-term equity award was made in the form of performance shares that may vest on December 1, 2021 in an amount between zero and 200% of the initial performance shares awarded, with 200% being earned if Cimarex's relative stock price is in the top two of the 15 companies in the Stock Performance Peer Group during the three-year performance period ending on December 1, 2021. The vesting percentages are reduced if Cimarex's relative stock performance is not in the top three companies and if Cimarex's stock price is lower on December 1, 2021 than on December 1, 2018.

**RATIONALE**

Given Cimarex's reduced emphasis on cash and other forms of compensation that are not "at risk" and the factors discussed below in this paragraph, the range for 2018 long-term equity awards recommended by the compensation consultant represented a total value between the 50th and 60th percentiles when compared to 2018 awards made by peer companies based on the consultant's review of public filings and knowledge of other companies for which the consultant provides services to compensation committees and market survey data. The Committee considered Cimarex's total shareholder return ("TSR") for the past one and three years, the competitive market pressures and Cimarex's relative share price performance versus peers, and the limited upside in the performance award design used in prior years, the compensation consultant's recommended individual and total pool of grant date fair value and the CEO's recommendations for NEOs other than the CEO based on their individual contribution, and determined to make aggregate awards within the range recommended by its consultant. Its consultant concurred with the Committee's final determination.

See "Key 2018 Compensation Actions" below for more detail.

§

**Response to 2018 Say-on-Pay Vote and Shareholder Engagement**

At the 2018 Annual Meeting of Shareholders, 93% of the votes cast were in favor of the advisory vote to approve executive compensation. In addition to the advisory vote, as part of our regular shareholder engagement, we consider and discuss with shareholders a number of matters throughout the year, including executive compensation and ESG issues. The Committee considers any feedback and routinely reviews executive compensation practices and ESG issues.

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**COMPENSATION DISCUSSION AND ANALYSIS**

The Committee considered the results of the advisory vote and the discussions with shareholders. Based on these results and discussions, the Committee believes our shareholders' generally support the Committee's compensation decisions in 2017 and early 2018 and shareholders' are satisfied with Cimarex's executive compensation programs. Consistent with this support, the Committee retained the core design of our executive compensation programs for the remainder of 2018 while adding specific numeric threshold targets to assist in evaluating certain performance objectives for 2018 annual short term incentive awards. See "Key 2018 Compensation Actions Annual Cash Incentive Awards" below.

§

**Key 2018 Compensation Actions**

The following discusses the Committee's key 2018 compensation decisions, which are reflected in the 2018 Summary Compensation Table below. These decisions were made with the advice and concurrence of Longnecker. (See "CD&A Section 3" for additional discussion regarding the role of the consultant.)

**CEO Compensation**

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Mr. Jordan's base salary was increased by 3.13% for the reasons described below.

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Mr. Jordan's 2018 annual cash incentive award was \$1,740,000, or 141% of his target award or 176% of his year-end base salary. His target annual cash incentive award is 125% of his year-end base salary and his maximum award is 250%.

§

Mr. Jordan's annual long-term incentive equity award value at the date of grant (December 6, 2018) was \$6,900,000.

These decisions were reviewed in detail by the Committee and its independent consultant. The Committee considered several factors, including input from its independent consultant, compensation data from peer companies and Cimarex's performance. In 2018, approximately 90% of Mr. Jordan's compensation as disclosed in the Summary Compensation Table was at risk. The value of Mr. Jordan's long-term equity incentive awards that vested was \$3.8 million, compared to the grant date fair value of those awards when granted in 2015 of \$6.4 million, demonstrating the alignment of Mr. Jordan's interests with shareholders' interests.

**Other NEO Compensation**

The Committee also made compensation decisions for the other NEOs comprised of base salary adjustments made in May 2018, annual cash incentive awards for 2018 made in February 2019, and long-term equity awards made in December 2018. These adjustments were based upon the recommendations of the CEO, evaluation by the Committee, the advice and recommendations of Longnecker, salary data from peer and broader market surveys, internal pay relationships based on relative

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duties and responsibilities, the executive's impact on Cimarex's results, and for retention purposes. Based upon these considerations, the Committee made the following 2018 NEO compensation decisions:

<b>Name</b>	<b>2018 Salary (1)</b>	<b>Year End 2018 Base Salary</b>	<b>2018 Annual Cash Incentive Award (1)</b>	<b>2018 Long-Term Incentive Grant Date Fair Value (1)</b>	<b>Total Compensation (1)(2)</b>	<b>% of Total Compensation at Risk (3)</b>
G. Mark Burford, CFO	\$ 468,394	\$ 475,000	\$ 700,000	\$ 2,750,000	\$ 4,007,577	86%
Joseph R. Albi, COO	\$ 620,241	\$ 628,300	\$ 875,000	\$ 3,000,000	\$ 4,578,876	85%
Stephen P. Bell, EVP	\$ 513,478	\$ 520,150	\$ 725,000	\$ 2,900,000	\$ 4,220,468	86%
John A. Lambuth, SVP	\$ 517,514	\$ 525,000	\$ 775,000	\$ 3,000,000	\$ 4,364,300	87%

(1) From Summary Compensation Table.

(2) Includes All Other Compensation from Summary Compensation Table.

(3) Compensation at risk is based on the sum of 2018 Annual Cash Incentive Award and 2018 Long-Term Incentive Grant Date Fair Value compared to the Total Compensation from the Summary Compensation Table.

**Base Salary Determination**

We provide competitive base salaries to retain and attract, when appropriate, talented executives and to provide a fixed base of cash compensation. We compare each Cimarex NEO's base salary with the base salary paid for a similar executive position by companies in our Compensation Peer Group. See "Competitive Positioning" above in this CD&A for a list of the companies in the Compensation Peer Group. The Committee then may adjust base salaries based on a number of factors, including job responsibilities, management experience, individual contributions, number of years in position and current salary.

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In May 2018, the Committee's independent compensation consultant reviewed the NEOs' base salaries compared to Compensation Peer Group data and broader market data and initially recommended a 3% increase in executive salaries for each NEO to remain competitive with the Compensation Peer Group. The compensation consultant noted that each NEO's salary was at or slightly above the 50th percentile of the Compensation Peer Group except for the Chief Financial Officer, who was below the 50th percentile. The compensation consultant noted that competitive market salary adjustments were projected to be in the range of 3% to 4% increases. With respect to the Chief Financial Officer, the consultant recommended that the Committee review the overall market alignment of the executive group to ensure internal equity and external competitiveness are appropriate. Because the CFO has previously aligned below the median and was approaching three years of tenure in his position, the consultant recommended an increase greater than 3%.

Mr. Jorden, our CEO, provided the Committee with recommendations for NEOs other than himself.

Mr. Jorden's recommendations were based on maintaining competitive alignment of the NEOs with the Compensation Peer Group and Company relative TSR performance being in the 21<sup>st</sup> percentile of the Compensation Peer Group companies for the previous one-year period and the 49<sup>th</sup> percentile among those companies for the previous three-year period. The Committee considered the recommendations of both the Committee's consultant and Mr. Jorden for NEOs other than Mr. Jorden. With respect to Mr. Jorden's salary, in discussions in executive session with the compensation consultant and without Mr. Jorden present, the Committee considered Mr. Jorden's leadership of Cimarex through a reduced commodity price environment, including Cimarex's relative TSR performance compared to the Compensation Peer Group for the past one year and the past three years, and his salary being compared to the Compensation Peer Group's CEO salaries. The Committee also reviewed the total salaries and recommended salaries of all the NEOs compared to the total salaries of the NEOs of the Compensation Peer Group. The compensation consultant



Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

indicated its concurrence with the Committee's recommendations based on these reasons and the compensation consultant's experience with, and knowledge of, compensation decisions of other oil and gas exploration and production companies. The Committee recommended, and the Board approved, the following base salaries effective June 1, 2018:

<b>Name</b>	<b>Title</b>	<b>5/31/2018 Base Salary</b>	<b>6/1/2018 Base Salary</b>	<b>Percent Increase</b>
Thomas E. Jorden	Chairman of the Board, CEO and President	\$ 960,000	\$ 990,000	3.13%
G. Mark Burford	Senior Vice President and CFO	\$ 460,000	\$ 475,000	3.26%
Joseph R. Albi	Executive Vice President Operations, COO	\$ 610,000	\$ 628,300	3.00%
Stephen P. Bell	Executive Vice President Business Development	\$ 505,000	\$ 520,150	3.00%
John A. Lambuth	Senior Vice President Exploration	\$ 508,000	\$ 525,000	3.35%

**Annual Cash Incentive Awards**

In February 2019, the Committee met to determine NEO (including the CEO) annual cash incentive awards for 2018 performance. The individual target for the CEO is 125% of the CEO's base salary and for each other NEO is 100% of that NEO's base salary. There is no minimum award, and an individual's maximum award is 250% of base salary for the CEO and 200% of each other NEO's base salary.

In February 2018, the Compensation and Governance Committee adopted 2018 strategic and tactical goals and objectives to be measured in 2019. In March 2018, the Committee discussed and approved adopting numeric threshold targets to assist in evaluating certain of these performance objectives. At the time the Committee approved these goals, commodity prices had recently increased but were still very volatile, with oil in the range of \$60 to \$65 per barrel, and the Committee continued its focus from 2017 on goals that preserve Cimarex's strong balance sheet, core properties and organization during a difficult period for the oil and gas industry. During third quarter of 2018, oil prices dropped precipitously from approximately \$75 per barrel to approximately \$45 per barrel. The table below explains the level of achievement of the 2018 strategic and tactical goals and objectives.

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COMPENSATION DISCUSSION AND ANALYSIS

2018

STRATEGIC  
GOALS AND  
OBJECTIVES

<p>§</p> <p><b>Overall Conclusion.</b></p>	<p><i>Exceeded Expectations.</i> The Cimarex executive team exceeded the goals as defined by the Compensation and Governance Committee for 2018. Highlights include a return on invested capital that exceeded target, balance sheet management and per share growth that exceeded target, quarterly and full year production results that exceeded target, ongoing success in water sourcing and recycling, and success in the acquisitions and divestitures ("A&amp;D") arena that significantly exceeded our goal. The A&amp;D success included the successful disposition of non-core Ward County, Texas assets and the acquisition of Resolute Energy. Our application of technology and innovations exceeded expectations and helped us to achieve excellent results.</p>
<p>§</p> <p><b>Achieve good return on invested capital.</b></p>	<p><i>Exceeded Expectations.</i> For 2018, we exceeded the Committee's threshold for fully burdened after tax return on invested capital based on internal measurements that consider only discounted future cash flows from proved developed reserves and are fully burdened with land, seismic, personnel costs, and all other non-drilling costs attributed to our exploration program. The fully burdened after tax return on invested capital was substantially higher in our Permian Basin region. Our returns reflected our ability to continue to control costs and innovate our operations throughout the year. Because we calculate fully burdened returns differently than other companies, we do not publish the actual returns.</p>
<p>§</p> <p><b>Manage the balance sheet.</b></p>	<p><i>Exceeded Expectations.</i> In March 2018, the Committee approved threshold targets of 6% increases for each of production growth per debt adjusted share and reserve growth per debt adjusted share. In 2018, we continued to preserve the strength of our balance sheet and significantly exceeded the production growth target by increasing production on a debt adjusted* per share basis by 19% and exceeded the reserves growth target by increasing reserves on a debt adjusted* per share basis by 8%. We incurred no additional debt and had cash on hand of \$800 million at year-end 2018.</p>

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**Continue focus on staffing and succession planning at all levels.**

*Achieved Expectations.* Cimarex successfully continued our focus on succession planning in 2018. We continued to identify potential future managers and leaders in our organization and provided them with additional training and career development opportunities in different areas within the Company. We reported these actions and the individuals' progress to the Board of Directors. During 2018, we also initiated a formalized process for our supervisors to work with all of their subordinates in order to discuss career goals, job flexibility, training needs, and elements of success and frustration in their current roles. Our intent is for these conversations to provide current snapshots on our ability to provide career progression and development.

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**Continue focus on and improve health, safety and the environment metrics.**

*Achieved Expectations.* We successfully continued our organization's cultural commitment to health, safety and the environment ("HS&E"). We have developed an operational practice of transparency around HS&E. We encourage reporting of all incidents involving our employees and contractors (including near misses) and the use of Stop Work Authority, and we have used examples of incidents reported as a vehicle to educate our employees and contractors and to improve our HS&E practices. In 2018, our HS&E group had a great year in Safety Training, Contractor Management, Air Quality Inspections, and Air Permitting. They continued to nurture a safety culture that encourages best practices, stop work authority, and transparency. Furthermore, the HS&E group continued to establish credible, professional relationships with state and federal regulatory agencies.

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COMPENSATION DISCUSSION AND ANALYSIS

2018  
TACTICAL  
GOALS AND  
OBJECTIVES:

§

**Meet or exceed quarterly and annual production guidance targets.**

*Exceeded Expectations.* We met or exceeded our production guidance during all four of the quarters during 2018. We achieved a 17% growth in total daily production and our daily oil volumes grew 18%. This was the result of considerable effort in planning, tracking and coordination.

§

**Develop a comprehensive and data-driven model to examine the impact on the present value of the Company's properties based on different drilling and completion spending scenarios, including spending within cash flow and outspending cash flow.**

*Achieved Expectations.* We have historically used an annual lookback analysis to compare our expected drilling economics upon which drilling decisions were based to our actual results. We believe our annual lookback sets Cimarex apart from our peers in our understanding of the elements that affect value creation over time by allowing us to understand the items that contribute to value creation and value destruction, including commodity prices, reserve and production forecasts, operating costs, and unplanned capital expenditures. It was our intent to use the lookback as a way to objectively consider changing investor sentiments, which in 2018 generally sought for E&P companies to reduce capital expenditures, generate free cash flow, and return excess cash to shareholders in the form of share buybacks or dividends. We believe our response, which has been to reduce capital expenditures and operate within cash flow, is the right response to current and anticipated future market conditions.

§

**Develop long-term approach to accounting and managing midstream expenditures to include evaluating and exploring midstream partner relationships.**

*Exceeded Expectations.* In 2018, we began including all drilling related midstream expenditures, which comprise the overwhelming majority, into our internal rate of return calculations. This is a conservative approach because it accounts for midstream expenditures in the year they occur instead of amortizing them over decades of use. The result has been a healthy internal debate regarding the necessity and timing of midstream expenditures. It has introduced a tension into our system that has resulted in a moderation of midstream expenditures. It also allows for better capital allocation between projects that utilize Cimarex midstream and those that utilize

third party midstream providers. Without fully accounting for midstream expenditures in our internal analyses, the true project rate of return on a project may be exaggerated and skewed decision making.

§

**Continue to develop and advance field automation and water solutions for (water sourcing and produced water recycling and disposal).**

***Exceeded Expectations.*** In 2018, Cimarex continued our initiative to automate field operations, including the automation of our saltwater disposal systems. We made significant progress in the use of recycled water. In particular, our "on demand" produced water system in Culberson County, Texas is now heavily used a source for water in completion operations. The system is highly engineered, environmentally friendly, and has led to significant savings in our water sourcing costs.

§

**Be opportunistic in acquisition and development arena.**

***Significantly Exceeded Expectations.*** In 2018, we formed our Asset Evaluation Team to rapidly evaluate properties and companies for acquisition and our own properties for possible sale. The team completed several significant asset evaluations. Most notably, the team's speedy and detailed evaluation of Resolute Energy allowed Cimarex to negotiate a favorable deal to acquire this company with properties adjacent to and nearby our Reeves County, Texas acreage in the Permian Basin. We also entered into a successful sale of non-core assets in Ward County, Texas in the Permian Basin, which provided a portion of the cash consideration available for the Resolute acquisition.

§

**Continue to push Cimarex on the technology front. Be curious. Be leading edge.**

***Achieved Expectations.*** In 2018, we created and filled the position of Vice President Technology and Innovation to oversee and expand our use of technology to support our business. This move was designed to be disruptive and we continue with our efforts to leverage technology to enhance our exploration and development expertise. We made great advances in 2018 in understanding the economics of optimum well spacing. This involved a blend of our technical curiosity and investment discipline. We developed a set of advanced analytic tools using multi-phase flow analysis that we have incorporated company-wide. Our Exploitation Team made advances in life-of-well lift analysis, downhole pressure prediction, and analysis of large data volumes that we receive from our automated facilities.

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\* The Company uses debt adjusted production growth and reserve numbers to demonstrate the Company's ability to increase production and reserves without a commensurate increase in debt. The use of debt adjusted measures mitigates the risk that management could increase reserves and production by increasing drilling and exploration budgets using debt imprudently. These measures are not prescribed by Generally Accepted Accounting Principles ("GAAP"). We calculate debt-adjusted shares by adding to the actual shares of common stock outstanding the

theoretical number of shares that would be required to retire our year-end debt, net of cash on hand. The theoretical number of shares is calculated by dividing our net debt at year-end by the trailing 12-month average stock price at year-end.

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The Committee's independent compensation consultant recommended a pool for cash incentive awards for all NEOs totaling between \$4.4 million and \$4.7 million, or between 130% and 140% of the NEOs' year-end 2018 salaries, based on the consultant's review of the Company's achievement of the 2018 strategic and tactical goals, the consultant's analysis of the projected annual incentive awards of the Compensation Peer Group to be generally at target levels or slightly above target level for 2018 performance, the consultant's evaluation of the Company's performance of its 2018 strategic and tactical goals compared to the Compensation Peer Group's percentile rankings, and the consultant's review of actions by other oil and gas exploration and production companies related to annual incentive awards due to commodity price and stock price trends. Based principally on the achievement of the 2018 strategic and tactical goals and objectives, the improvement in and stabilizing of commodity prices, and expected improvement in the Company's cash flow, the CEO recommended cash incentive awards for the other NEOs of between 139% and 152% of their year-end 2018 salaries, which were slightly lower than the recommendations of the Committee's independent compensation consultant. The Committee's independent consultant concurred that the CEO's recommendations were reasonable. After considering all of these factors and consulting with Longnecker, the Committee accepted the CEO's recommendations, and the Board approved the Committee's recommendations.

The Committee, with its independent consultant and without management present, deliberated concerning the CEO's annual cash incentive award. Based on its analysis of the Company's 2018 performance described above and the CEO's leadership of the Company and management of senior executives and other employees to achieve this performance, the Committee recommended and the Board approved a cash incentive award to the CEO of 140% of his target award, which resulted in an award equal to 176% of the CEO's base salary. This award was in the range of 130% to 140% of target recommended by the Committee's independent compensation consultant. The Committee's independent consultant concurred with this recommendation, and the total cash incentive awards to all NEOs of \$4.8 million was slightly where the recommendation of the compensation consultant of a reasonable pool of up to \$4.7 million. Following are the CEO and other NEO 2018 annual cash incentive awards:

Name	Cash Incentive Award	% of Target	% of Year-End Base Salary
Thomas E. Jorden, CEO	\$ 1,740,000	141%	176%
G. Mark Burford, CFO	\$ 700,000	147%	147%
Joseph R. Albi, COO	\$ 875,000	139%	139%
Stephen P. Bell, EVP	\$ 725,000	139%	139%
John A. Lambuth, SVP	\$ 775,000	148%	148%

**Long-Term Equity Incentive Award Program**

Our long-term equity incentive award program balances the short-term annual cash incentive program by focusing executive efforts on the activities that lead to long-term shareholder value. Typically, the Committee grants equity awards of restricted stock to NEOs each year.

For grants made in December 2018, half of the grant date fair value of the long-term equity awards was made in the form of shares of restricted stock that vest based on continued employment through December 1, 2021. The other half of the grant date fair value of the long-term equity awards was made in the form of performance shares that may vest on December 1, 2021 in an amount between zero and 200%





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of the initial performance shares awarded, with 200% being earned if Cimarex's relative stock price is in the top two of the 15 companies in the Stock Performance Peer Group during the three-year performance period ending on December 1, 2021. The vesting percentages are reduced if Cimarex's relative stock performance is not in the top three companies and if Cimarex's stock price is lower on December 1, 2021 than on December 1, 2018. See "CD&A Competitive Positioning" for a list of the companies in the 2018 Stock Performance Peer Group. Our restricted stock awards that vest based on continuous employment and the passage of time promote retention of executives, and the performance share awards that vest based on performance measures tied to relative stock price performance promote the long-term interests of our shareholders and align our executives' interests with our shareholders' interests. While the 2014 Equity Incentive Plan does not set a minimum vesting period, the Committee has set a three-year vesting period for restricted stock awards to NEOs since the Committee began making restricted stock awards in 2006.

Dividends equivalent to those paid on Cimarex common stock are paid on the restricted shares awarded that are subject to time-based vesting, and dividends applicable to the performance shares awarded are accrued and only paid on the shares actually earned when those shares vest. All of the shares subject to the award have the same voting rights as outstanding shares of Cimarex common stock.

For performance awards made in December 2018, the total number of shares earned is determined by calculating the percentage difference between the average per share closing price for shares of Cimarex and each company in the Stock Performance Peer Group for the 30 trading days preceding December 1, 2018 and the 30 trading days preceding December 1, 2021. The Committee ranks Cimarex's average share price for these two periods among the average share price for all the companies in the Stock Performance Peer Group for these two periods. Companies that are not in the Stock Performance Peer Group at both the beginning and the end of the performance period are not included in the calculation. Companies that declare bankruptcy or are delisted and cease to be traded on a national securities exchange are ranked last at the end of the performance period. In addition, vesting percentages are reduced if Cimarex's stock price is lower on December 1, 2021 than in December 1, 2018. The following table illustrates shares that would be earned at various relative stock price performance ranks (assuming 15 companies in the Peer Group).

<b>Relative Performance Rank</b>	<b>XEC Price on 12/1/2021 is Less Than XEC Beginning Price Percent of Award Vesting</b>	<b>XEC Price on 12/1/2021 is Equal to or Greater Than XEC Beginning Price - Percent of Award Vesting</b>
<b>1-2</b>	200%	200%
<b>3</b>	175%	175%
<b>4-5</b>	135%	150%
<b>6</b>	100%	125%
<b>7-8</b>	50%	100%
<b>9</b>	0%	75%
<b>10</b>	0%	50%
<b>11-15</b>	0%	0%

On December 6, 2018, the Committee granted long-term equity awards to the NEOs with a total grant date fair value of \$18,550,000 based on competitive market data for companies in Cimarex's Compensation Peer Group. Comparative data was obtained by the Committee's independent consultant from public filings disclosing 2018 NEO compensation of companies in the Compensation Peer Group and the consultant's knowledge of other companies for which the consultant provides services. See "CD&A Competitive Positioning" for a list of the companies in the Compensation Peer Group.



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The Committee's compensation consultant recommended awards with a value between the 50th percentile and 60th percentile when compared to companies in the Compensation Peer Group and a change to the potential vesting of the performance based equity awards. The factors considered by the consultant in making its recommendations included the following:

- § Cimarex's stock price had declined approximately 26% since the date of grant of the 2017 equity awards;
- § Competitive market pressures and Cimarex's relative share price performance versus peers; and
- § The limited upside potential in the performance award design used in prior years.

The Committee approved awards within the recommended total pool range based on: the factors noted by Longnecker, Cimarex's TSR compared to its Compensation Peer Group for the previous one- and three-year periods, the total direct compensation of our NEOs compared to that of our peer companies, Cimarex's 2018 financial and operational performance, and the compensation consultant's recommendations. The Committee's consultant concurred with the Committee's final determination. The actual value of the awards upon vesting in December 2021 will be based on Cimarex's relative three-year stock price performance compared to the other companies in the Stock Performance Peer Group as described above and Cimarex's stock price at that time.

The Committee granted a total of 225,771 restricted shares to the NEOs (including the CEO). The number of shares granted to each NEO was based on their relative individual roles and responsibilities. Of the total number of shares granted to the NEOs (including the CEO), the Committee awarded 37% of the shares to Mr. Jorden, 16% of the total shares to Mr. Albi, 16% to Mr. Bell, 16% to Mr. Lambuth and 15% to Mr. Burford. The following table reflects the awards made by the Committee:

Name	No. of Shares Subject to Award	Grant Date Value of Long-Term Equity Incentive Award <sup>(1)</sup>
Thomas E. Jorden, CEO	83,979	\$ 6,900,000
G. Mark Burford, CFO	33,470	\$ 2,750,000
Joseph R. Albi, COO	36,513	\$ 3,000,000
Stephen P. Bell, EVP	35,295	\$ 2,900,000
John A. Lambuth, SVP	36,513	\$ 3,000,000

- (1) Represents an estimate of the fair value of the shares as of the grant date utilizing a Monte Carlo valuation technique as permitted by the guidance provided by FASB ASC Topic 718. The estimated fair value is the aggregate compensation cost to be recognized over the service period.

## 2018 Vesting of NEO Equity Awards

On December 9, 2018, the performance period applicable to the December 9, 2015 NEO equity awards ended. Cimarex's relative stock price performance was in the 41st percentile of the Stock Performance Peer Group at the end of the performance period, resulting in the vesting of 69% of the shares subject to the December 9, 2015 award. In addition, 10,000 of Mr. Burford's total 2015 equity awards of 25,821 restricted shares were granted on September 1, 2015 when he became Chief Financial Officer. The performance period for these shares began on September 1, 2015 and ended on December 9, 2018. During this period, Cimarex's relative stock performance was in the 47th percentile, resulting in 75% or 7,500 of 10,000 shares vesting.

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The following table reflects the shares originally granted to each NEO in 2015 and the number of shares that vested at the end of the three-year performance period:

<b>Name</b>	<b>No. of Shares Granted</b>	<b>No. of Shares Vested</b>
Thomas E. Jordan, CEO	73,727	50,871
G. Mark Burford, CFO <sup>(1)(2)</sup>	25,821	18,416
Joseph R. Albi, COO	36,723	25,338
Stephen P. Bell, EVP	32,706	22,567
John A. Lambuth, SVP	35,001	24,150

- (1) During 2018, restricted share awards granted to Mr. Burford in 2013, prior to becoming an NEO, vested. The restricted shares that vested in 2018 are included below in "Compensation Tables 2018 Option Exercises and Restricted Stock Vested."
- (2) Includes 10,000 performance shares issued to Mr. Burford in September 2015 and 15,821 issued to Mr. Burford in December 2015.

The vesting of these awards and the value at vesting are also reported in "2018 Option Exercises and Restricted Stock Vested" table in this proxy statement. For a comparison of the grant date fair value of the performance shares granted in December 2015 to the value realized upon vesting in December 2018, see footnote 1 to that table.

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COMPENSATION DISCUSSION AND ANALYSIS

§ Alignment of CEO Compensation to Total Shareholder Return ("TSR")

CEO Total Direct and Realized Compensation Compared to Cimarex TSR

The following graph illustrates our CEO's direct compensation and realized compensation compared to our TSR for the years 2014 through 2018. Indexed TSR represents the cumulative total return of Cimarex stock for a five-year period based on a \$100 investment at the start of the first year and reinvestment of all dividends. The table shows the value of the investment at the end of each year.

\* CEO Total Compensation is the Total Compensation disclosed in the Summary Compensation table.

\*\* CEO Realized Compensation is compensation actually received by the CEO during the year, including salary, current non-equity incentive plan compensation (i.e. annual bonus), market value at vesting of previously granted stock-based awards, and All Other Compensation amounts realized during the year. It excludes unvested grants and other amounts that will not actually be received until a future date.

Relative CEO Total Compensation Compared to Relative TSR

The following graph depicts alignment of relative CEO compensation compared to relative TSR for the years ended December 31, 2015 through December 31, 2017. The comparative information only is provided through 2017 because 2018 CEO peer company compensation information is not publicly available at this time. The companies used for the relative comparison are the companies in our Compensation Peer Group, which are depicted by dots in the graph. We also included, as a point of reference and without comparable data for our Compensation Peer Group, Cimarex's CEO compensation for the years ended December 31, 2016 through December 31, 2018.

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**COMPENSATION DISCUSSION AND ANALYSIS**

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**COMPENSATION DISCUSSION AND ANALYSIS**

§  
Early 2019 Compensation Decisions

2019 Annual Cash Incentive Award Goals

In February 2019, the Committee approved the following strategic and tactical goals and objectives that will apply to 2019 annual cash incentive awards that will be measured and paid in 2020:

**2019 STRATEGIC GOALS:**

§

**Achieve good return on invested capital.**

§

**Demonstrate progress on health, safety and the environment.**

§

**Manage the balance sheet prudently.**

○

**Increase debt adjusted production per share.**

○

**Increase debt adjusted reserves per share.**

○

**Live within cash flow.**

§

**Demonstrate progress on staffing and succession planning at all levels.**

§

**Grow our assets.**

§

**2019 TACTICAL GOALS:**

**Meet or exceed quarterly and annual production guidance targets.**

§

**Continue to optimize midstream operations and expenditures.**

§

**Continue to develop and advance field automation and produced water disposal.**

§

**Develop, and begin implementation of, comprehensive strategy around greenhouse gas emissions.**

§

**Achieve significant reductions in capital expenditures per unit.**

§

**Be creative in moving Cimarex to the forefront of technology implementation and significantly enhance data science capabilities.**

For the 2019 strategic goals concerning return on capital investment and debt adjusted production and reserves per share, the Committee has adopted numerical target thresholds to assist in evaluating those performance objectives. The specific numerical levels will be discussed in the Compensation Discussion and Analysis concerning 2019 compensation decisions contained in the proxy statement for the 2020 Annual Meeting of Shareholders.

The strategic and tactical measures and objectives have been clearly communicated to the NEOs. At year end, the CEO will deliver a report of results to the Committee with respect to each goal and provide the CEO's recommendations and the basis for the CEO's recommendations for individual awards. The Committee and its independent compensation consultant will review the CEO's recommendations and accept or modify

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**COMPENSATION DISCUSSION AND ANALYSIS**

those recommendations. The non-management members of the Board will consider the recommendations of the Committee. Each NEO, other than the CEO, has a threshold award of 0% of year-end base salary (no minimum award), a target award equal to 100% of year-end base salary, and a maximum award of 200% of year-end base salary. The CEO has a threshold award of 0% of year-end base salary, a target award equal to 125% of year-end base salary, and a maximum award of 250% of year-end base salary.

**SECTION 3**

§  
 Role of Compensation Consultant and Management in Compensation Decisions

**Compensation Consultant**

The Committee has engaged the firm of Longnecker & Associates as its independent compensation consultant to fulfill the following responsibilities:

§	§
Advise the Committee on management proposals, as requested;	Review the selected Peer Group and survey data for competitive comparisons;
§	§
Undertake special projects at the request of the Committee;	Provide market data and recommendations on NEO compensation; and
§	§
Participate in Committee meetings;	Provide market data and recommendations on non-employee Director compensation.
§	

Make recommendations concerning the Compensation Peer Group;  
 The Committee has considered the independence factors adopted by the NYSE and has determined that its consultant, Longnecker, is independent within the meaning of the NYSE listing standards.

As part of its ongoing services to the Committee, one or more representatives of Longnecker attended seven of the Committee meetings held in 2018. Longnecker provided the following services in 2018:

§	§
Reviewed and provided input on the CD&A in the 2018 proxy statement;	Made recommendations concerning the Compensation Peer Group;
§	§
Attended the February 22, 2018 Compensation and Governance Committee meeting and consulted with the Committee on annual cash incentive awards;	Conducted a market analysis of Board compensation and consulted with the Committee concerning Board compensation; and
§	§

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Attended the May 10, 2018 Compensation and Governance Committee meeting and consulted with the Committee on executive base salary levels;

Provided an executive compensation analysis and a recommended range for long-term equity grants, participated in the December 6, 2018 Compensation and Governance Committee meeting and consulted with the Committee on performance share awards.

### Management

Our CEO and President is the principal management resource for compensation recommendations to the Committee with respect to the other NEOs. The CEO (i) provides an annual assessment of Cimarex's overall financial and operational performance and (ii) subjectively evaluates individual NEO performance and recommends individual base salary adjustments, annual cash incentive awards, and long-term equity

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**COMPENSATION DISCUSSION AND ANALYSIS**

awards. His subjective evaluations generally include factors such as scope of responsibility, contribution to Company performance, technical competence, managerial skills and advancement potential. The Committee considers the CEO's recommendations in making decisions regarding executive compensation. The Committee exercises its discretion to accept, reject or modify these compensation recommendations.

Our Senior Vice President General Counsel acts as an informational resource to Longnecker and the Committee and compiles survey and other compensation data for their review. The Committee, in consultation with Longnecker, reviews this information when making executive compensation and program design decisions.

§

**Other Compensation Arrangements**

**Post-Employment and Employment Arrangements**

All employees, including the NEOs, are covered by the Cimarex Change in Control Severance Plan. The Plan provides for a "double trigger" so that payments are made only if (a) there is a change in control (as defined in the Plan) and (b) an employee is terminated for any reason other than "cause" (as defined in the Plan) within two years following a change in control. In the event that both of the above contingencies are satisfied, the employee is entitled to (i) cash severance payments of two times annual salary and average cash incentive award, (ii) a pro-rata portion of annual cash incentive bonus for the current year, and (iii) continued medical, dental, disability and life insurance benefits for two years. See "Potential Payments Upon Change in Control or Termination" for a more detailed description of these benefits. In addition, the 2014 Equity Incentive Plan and the terms of employee equity award agreements provide for acceleration of vesting of outstanding equity awards upon the occurrence of a change in control.

Cimarex assumed the change in control provisions from the now-expired employment agreements between each of Messrs. Albi, Bell, and Jordan and a predecessor company. The assumed portion of each agreement provides that if the executive is terminated without cause within two years following a change in control event (as defined in the agreement), the executive is entitled to a lump-sum payment equal to two times the executive's base salary at the time of the change in control. Benefits payable under these agreements are forfeited if the executive receives benefits under any other change in control plan, including Cimarex's Change in Control Severance Plan. As a practical matter, the change in control benefits assumed under the employment agreements only benefit these executives if the Change in Control Severance Plan described above has been terminated. The Change in Control Severance Plan provides for greater benefits payable upon the occurrence of a change in control event than those payable under the assumed agreements.

**Retirement Benefits**

Employees, including the NEOs, are eligible to participate in the Cimarex 401(k) defined contribution retirement plan ("401(k) Plan"). Cimarex matches dollar-for-dollar employee contributions to the 401(k) Plan up to 7% of the employee's cash compensation, subject to limits imposed by the Internal Revenue Code. The Board is authorized to make profit-sharing contributions under the 401(k) Plan. In February 2019, the Board determined that a profit-sharing contribution of 4.0% would be made due to the Company's \$791.9 million of net income in 2018.



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**COMPENSATION DISCUSSION AND ANALYSIS**

In addition, eligible participants, including the NEOs, may participate in the Supplemental Savings Plan, which is a non-qualified deferred compensation plan that permits participants to make contributions (and to receive matching contributions) in excess of the Internal Revenue Code limitations for 401(k) plans. See "Compensation Tables 2018 Nonqualified Deferred Compensation" for information about contributions to the Supplemental Savings Plan. The Committee administers this plan and designates who may participate. Benefits are paid upon the later to occur of termination of employment or the time elected by the participant. In the event of a change in control, each participant receives a lump sum cash payment of the amount allocated to his or her account.

**Perquisites**

We offer a limited number of perquisites (personal benefits) to our NEOs that are not offered to other employees, including financial and estate planning and annual medical examinations. Our corporate aircraft is generally not available for personal use by any employee. With the authorization of our CEO, however, the corporate aircraft may be used by an employee or a member of his/her family for medical purposes. The incremental cost for non-business use of our corporate aircraft, if any, is disclosed in the "Summary Compensation Table." We use the Standard Industry Fare Level tables published by the Internal Revenue Service to determine the amount of compensation income that is imputed to the employee for tax purposes for personal use of corporate aircraft.

§

**Other Compensation Policies**

**Total Pay Considerations**

The Committee considers Total Direct Compensation at the time it makes a decision on any element of executive compensation. The Committee also reviews the relationship of the CEO's total compensation to the total compensation of each of the other NEOs.

**Stock Ownership and Holding Requirements**

Cimarex's Executive Stock Ownership Guidelines are intended to more closely align the interests of our executive officers with those of our shareholders. Pursuant to a revision made in December 2016, the CEO is expected to own Cimarex shares in an amount equal to six 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 or her annual base salary. A newly appointed executive officer has three years from the date of his or her initial election or appointment to comply with the guidelines. Until the stock ownership guidelines are met, an executive officer may not sell any Cimarex stock acquired through equity grants except to pay income taxes upon the vesting of awards or to pay the exercise price and related income taxes upon the exercise of stock options. Restricted stock, restricted stock units, deferred compensation units and performance awards are counted in calculating ownership. Shares subject to options are not counted. As of March 12, 2019, all officers were in compliance with the stock ownership guidelines.

**Clawback Policy**

We have adopted a clawback policy providing that, in the event of an accounting restatement due to material noncompliance with financial reporting requirements under the U.S. federal securities laws, the





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**COMPENSATION DISCUSSION AND ANALYSIS**

Committee has the right to use reasonable efforts to recover from any of our current or former executive officers incentive-based compensation related to the restatement and received during the three-year period preceding any such accounting restatement. This policy applies to incentive-based compensation granted on or after June 1, 2012. This clawback policy will be interpreted in the best judgment of the Committee in a manner consistent with any applicable rules or regulations adopted by the SEC or the NYSE as contemplated by the Dodd-Frank Act.

**Non-Hedging and Non-Pledging Policies**

Our insider trading policy prohibits Directors, officers and designated employees from engaging in hedging or monetization transactions, and other employees are strongly discouraged from engaging in such transactions. Any other employee wishing to enter into such an arrangement must first submit the proposed transaction for approval by the compliance officer designated in the policy. The policy also prohibits Directors, officers and employees from holding Cimarex stock in a margin account or pledging Cimarex stock as collateral for a loan.

**Tax Law Considerations**

The Committee considers the impact of applicable tax laws with respect to executive compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended, ("Section 162(m)") limits the amount of compensation that Cimarex may deduct on its federal income tax return for compensation paid to certain executive officers to no more than \$1 million per year. Through 2017, there were exceptions to the \$1 million limitation for performance-based compensation meeting certain requirements. The performance-based portion of our restricted stock awards made prior to November 2, 2017 is the only element of executive compensation designed to qualify for the performance-based exception to the \$1 million deduction limit, provided additional requirements are met. These exceptions were eliminated by the Tax Cuts and Jobs Act enacted in December 2017. The Committee attempted to preserve the deductibility of compensation paid to executive officers by utilizing performance-based stock awards until this tax law change, but did not limit executive compensation to amounts deductible under Section 162(m) and does not plan to limit executive compensation to deductible amounts going forward.

**COMPENSATION AND GOVERNANCE COMMITTEE REPORT**

The Compensation and Governance Committee has reviewed and discussed with management the preceding Compensation Discussion and Analysis section of Cimarex's 2019 proxy statement. Based on our review and discussions, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Cimarex's 2019 proxy statement.

**THE COMPENSATION AND GOVERNANCE COMMITTEE**

Floyd R. Price (Chair)  
Hans Helmerich

David A. Hentschel  
Michael J. Sullivan



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**EXECUTIVE COMPENSATION TABLES**

**EXECUTIVE COMPENSATION TABLES**

**SUMMARY COMPENSATION TABLE**

The following table describes 2016-2018 compensation of our CEO, CFO and the three other most highly compensated executive officers.