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## Cimarex Energy Co. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from [Amir Bala – Liberty Mutual].

#### [Amir Bala – Liberty Mutual]

Just a couple of questions, first on the basis differentials you know midcontinent, Permian and that area, I mean obviously you're in the \$3 range now, do you anticipate that being the scenario for the remainder of the year if gas stays and NYMEX stays in the \$4.50 or \$5 range or do you expect those to kind of slim down a little bit?

#### Mark Burford

We do anticipate the differential to narrow as we go in to the second half of the year and our base of that belief is the forward curve actually indicates that and the forward curve is indicating that because of some additional expansion of the [Rex] pipeline from Missouri in to the Ohio area which should hopefully move some gas that is bottlenecking up in the [inaudible] to move to the east coast markets which would imply we have some improvements in the differentials in the midcontinent.

#### [Amir Bala – Liberty Mutual]

Another question was what is your calculated F&D cost for '08?

#### Paul Korus

Well, there's many different methods and calculations and of course the sales side will provide most of those. The short answer is they were too high. If you look at the so called all sources method which includes the negative revisions that we recorded to prior year estimates of proved reserves it was just a crazy number, it was \$26.61 per mcf by my calculations. Obviously, like I said that's impacted by the negative revisions.

If you look at the money we spend on exploration and development and you look at the reserves that were added through extensions and discoveries that turns out to be \$7.51 obviously, higher than the price of gas so also not good. With where prices ended up these numbers for last year are of course not acceptable. When we were making these investment decisions, many of them anyway, oil was north of \$100 and gas was \$9 or \$10.

It is what it is and I think you heard from both Mick and Tom we're very focused on a few programs right now so we expect to see our finding costs improve substantially along with the efforts that Joe

has underway to reduce costs and our expectations of what will happen with service costs in general. We think we'll get back in to a competitive level of finding costs.

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