



**CORPORATE GOVERNANCE GUIDELINES**  
(reviewed and amended on February 19, 2020)

# CIMAREX ENERGY CO.

## Corporate Governance Guidelines

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# **CORPORATE GOVERNANCE GUIDELINES OF CIMAREX ENERGY CO.**

The following corporate governance guidelines have been approved by the Board of Directors (the “Board”) of Cimarex Energy Co. (the “Company”) and, along with the charters of the committees of the Board, provide the framework for the governance of the Company.

## **I. RESPONSIBILITIES OF THE BOARD**

The Board’s overall responsibility is to oversee the business affairs of the Company in order to ensure the long-term financial strength of the Company and the creation of enduring stockholder value. The Board must also maintain a sense of responsibility to the Company’s customers, employees, suppliers and the communities in which the Company operates.

In order to maximize long-term stockholder value, the Board’s primary responsibilities are to:

1. review and, where appropriate, approve the financial and business strategies, major corporate actions and internal controls of the Company;
2. regularly monitor the effectiveness of management policies and decisions, including the execution of the Company’s strategies;
3. select, evaluate and compensate and terminate if necessary the Chief Executive Officer and other senior officers and review management succession planning;
4. assess major risks facing the Company and review options for their mitigation; and
5. ensure that the Company’s business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

## **II. RESPONSIBILITIES OF COMMITTEES**

The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The goals and responsibilities of each Committee are set forth in each Committee’s respective charter.

The Audit Committee’s principal responsibilities include monitoring the integrity of the Company’s financial statements, the qualifications and independence of the external auditors, the performance of the Company’s internal audit function, the appropriateness

of the Company's accounting policies, the adequacy of internal controls, the mitigation of corporate and financial risks and the Company's compliance with legal and regulatory requirements.

The Compensation Committee's primary responsibilities are (i) to assist the Board of Directors in discharging its responsibilities in respect of compensation of the Chief Executive Officer and other executive officers; (ii) to review the relationship of compensation of both executive and non-executive employees to risk; (iii) to produce an annual report for inclusion in Cimarex's proxy statement on executive compensation, in accordance with applicable rules and regulations; and (iv) to periodically review and make recommendations to the Board regarding Board and committee compensation.

The Nominating and Corporate Governance Committee's responsibilities include (i) assessment of Board and Committee membership needs and recommendations regarding potential director candidates; (ii) to develop and implement policies and processes regarding corporate governance matters; (iii) to review and report to the Board regarding related party transactions; and (iv) to review and make recommendations about stockholder proposals that relate to corporate governance.

### **III. BOARD STRUCTURE**

#### **1. Board Size**

The Company's Certificate of Incorporation specifies that the Board will be composed of not fewer than six and not more than ten directors. The exact number of directors shall be fixed by resolution adopted by a majority vote of the directors then in office.

#### **2. Term Limits**

The Board does not believe it is appropriate or necessary to limit the number of terms a director may serve. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's continuation on the Board prior to the expiration of each director's term and at such other times as may be appropriate in particular circumstances.

#### **3. Directors' Tenure Policy**

The Board believes that it is in the best interests of the Company that:

- a. any management director whose employment at the Company terminates for any reason (including normal retirement) is expected to promptly resign from the Board, unless expressly agreed otherwise.
- b. any director who has a change of employer or primary occupation, or whose occupational responsibilities are substantially changed and create a conflict of interest from when the director was elected to the Board (excluding

retirement) will submit an offer of resignation to the Chairman of the Board (such resignation may be accepted or rejected by the Board after considering the recommendation of the Nominating and Corporate Governance Committee); and

- c. any director whose health or physical condition would prevent him or her from satisfactorily fulfilling the responsibilities of the position is expected to promptly resign from the Board.

The Board believes that, regardless of age, individuals are able to make a substantial contribution to the Company. Therefore, the Board has determined that no mandatory retirement age shall be imposed.

#### **IV. QUALIFICATIONS AND SELECTION**

##### **1. Independence of Directors**

The Board shall have a majority of directors who meet the criteria for independence required by applicable laws, rules, regulations and listing standards. The Board may adopt categorical standards to assist it in making such independence determinations. The Board will disclose the basis for its determination of director independence in the Company's annual proxy statement in accordance with applicable legal and regulatory requirements.

##### **2. Board Membership Criteria**

The Nominating and Corporate Governance Committee is responsible for evaluating and for periodically reviewing with the Board the appropriate mix of skills and characteristics required of Board members. The Nominating and Corporate Governance Committee shall consider the perceived needs of the Board at a given point in time and shall periodically review and update the criteria as it deems necessary.

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interest of the stockholders. The Board will endeavor to recommend qualified individuals who, if added to the Board, would provide the desired board skills and attributes, which may include judgment, skill, experiences with businesses and other organizations of comparable size, the interplay of the candidate's experiences with the experience of other directors, diversity of gender and ethnic background and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board.

##### **3. Service on Boards of Other Public Companies**

Non-management directors are not prevented from simultaneously serving on other public company boards. Subject to review and approval by the Chairman of the Nominating and Corporate Governance Committee, the recommended maximum number

of Boards of public companies on which a director serves should be: (i) in the case of a director who is the Chief Executive Officer of Cimarex, no greater than two companies, including Cimarex, and (ii) in the case of all other directors, no more than five companies, including Cimarex. A director should advise the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board.

#### **4. Selection of Directors**

The Board is responsible for selecting director nominees for election to the Board and for filling vacancies on the Board and newly created directorships that may occur between annual meetings of stockholders. The Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board and Chief Executive Officer, is responsible for identifying individuals qualified to serve on the Board and recommending such individuals to the Board. The Nominating and Corporate Governance Committee will also consider written proposals for nominees for director from stockholders. Such proposals shall be submitted to the Secretary of the Company in compliance with the Bylaws of the Company.

#### **5. Board Policy on Director Elections**

The Board shall nominate for election or re-election only candidates who agree to promptly tender, following the annual meeting at which they are elected or re-elected as directors, irrevocable resignations that will be effective upon (i) the failure to receive more favorable votes than votes cast against him or her for election at the next annual meeting at which they face re-election and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with this Corporate Governance Guideline.

If an incumbent director fails to receive more favorable votes than votes cast against him or her for re-election, the Nominating and Corporate Governance Committee will act on an expedited basis following the meeting at which an election of directors was held to determine whether to recommend that the Board accept the director's resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation. The director whose resignation is under consideration shall abstain from participating in any decision regarding his or her resignation. The Board shall publicly disclose its decision regarding acceptance of the resignation within ninety (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 for his or her remaining term and until his or her successor is elected and qualified.

If the Board determines to accept the resignation, then the Board may fill the resulting vacancy pursuant to the Bylaws or may decrease the size of the Board in compliance with the Company's Certificate of Incorporation.

## **V. DIRECTOR AND EXECUTIVE OFFICER STOCK OWNERSHIP**

### **1. Directors**

Each non-management director is required to own Cimarex stock with a value equal to five times his or her annual Board cash retainer. Directors have five years after the later to occur of the adoption of the Director Stock Ownership Guidelines or from the date of their initial election to the Board to comply with the guidelines. Unvested restricted stock, unvested restricted stock units and deferred compensation units shall be counted in calculating ownership, but shares subject to options shall not be counted. For further information, refer to the Company's Director Stock Ownership Guidelines available on the Company's website at [www.cimarex.com](http://www.cimarex.com).

### **2. Executive Officers**

The Chief Executive Officer is expected to own Cimarex stock with a value equal to six times his or her annual base salary, and each executive officer who reports to the Chief Executive Officer is expected to own stock with a value equal to three times his or her annual base salary. Executive officers shall have three years after the later to occur of the adoption of the Executive Stock Ownership Guidelines or from the date of his or her election to comply with the guidelines. Unvested restricted stock, unvested restricted stock units and performance awards of stock shall be counted in calculating ownership, but shares subject to options shall not be counted. For further information, refer to the Company's Executive Stock Ownership Guidelines available on the Company's website at [www.cimarex.com](http://www.cimarex.com).

## **VI. BOARD MEETINGS**

### **1. Frequency and Length of Meetings**

The annual schedule for regular meetings of the Board will be submitted and approved by the Board in advance. Board meetings will be for such length of time as may be required to cover the subjects on the scheduled agenda. Special meetings of the Board may be called by the Chairman of the Board, the Vice Chairman, if there be one, or a majority of the Board of Directors. The lead director has authority to call meetings of non-management directors. Directors are expected to attend Board meetings and the meetings of committees on which they serve, and to spend the time required and meet as frequently as necessary to properly discharge their responsibilities.

## **2. Selection of Agenda for Board Meetings**

The Chairman of the Board will establish the agenda for each Board meeting. The lead director will review the agenda and provide input to the Chairman of the Board. The lead director also will solicit agenda items from non-management directors. The agenda for each meeting will be distributed to directors in advance. Board members may suggest items for inclusion on the agenda and, subject to the will of the majority of those directors present, may raise for discussion at any Board meeting subjects not on the agenda.

## **3. Board Materials Distributed in Advance**

Information and data that are important to the Board's understanding of the Company's business will be distributed in writing to directors the week before a scheduled Board meeting and as far in advance as is practicable before special Board meetings. Directors have a responsibility to review these materials in advance of such scheduled or special meetings. The Company's officers will strive to make the information clear and concise yet comprehensive, and will make an ongoing effort to solicit suggestions from non-management directors on how to best meet their information needs. Directors will also receive and are expected to review the earnings reports, significant press releases and other information designed to keep them informed of material aspects of the Company's business, performance and prospects.

## **4. Executive Sessions of Non-Management Directors**

To promote open and unfettered discussion among non-management directors, the non-management directors shall meet following each regularly scheduled meeting of the Board in an executive session, provided that the executive session held on the same date as the annual meeting of the stockholders shall include only non-management directors who are independent, as defined by applicable laws, rules, regulations and listing standards.

## **5. Independent Lead Director**

Whenever the Chairman of the Board is not an independent director, the independent directors shall select from among themselves an independent lead director. The lead director shall preside at one or more executive sessions of the non-management directors held pursuant to Section VI.4. of these Guidelines, act as Chairman of the Nominating and Corporate Governance Committee and serve as liaison between the Chairman of the Board and the other Board members. The independent lead director shall be identified in the Company's annual proxy statement to facilitate communications by stockholders and employees with the non-management directors.

## **VII. BOARD COMMITTEES**

### **1. Number and Structure**

The Board will at all times have an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. These Committees and all of the members of these Committees will satisfy and comply with the independence requirements of all applicable laws, rules, regulations and listing standards. Committee members will be recommended by the Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board and Chief Executive Officer, and approved by the Board and may be removed from the Committee by the Board in its discretion. The Board may also form additional committees. A non-management director may attend any Committee meeting *ex officio* with the concurrence of the chairman of such Committee.

Consideration may be given to rotating committee members periodically, but the Board does not believe that such a rotation should be mandated as a policy because there may be reasons at a given point in time to maintain an individual director's committee membership.

### **2. Committee Agenda**

The chairman of each Committee, in consultation with appropriate members of the applicable Committee and management, will develop the Committee's agenda. At the beginning of the year, each Committee will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen).

### **3. Committee Charter**

Each Committee will develop, maintain and comply with a charter describing, among other things, its duties and responsibilities in accordance with applicable legal and regulatory requirements. Additional committees formed or maintained by the Board may, under the leadership of their respective chairmen, develop and maintain charters describing their respective duties and responsibilities. Charters developed or amended will be reviewed by the appropriate Committee and approved by the Board. Each Committee shall, on an annual basis, review and reassess the adequacy of its charter.

### **4. Disclosure of Committee Activities**

The Chairman of each Committee will report to the Board, no later than the next regularly scheduled meeting of the Board following a Committee meeting, on all significant matters discussed, actions taken and recommendations made by the Committee. The Chairman and other Committee members will have an opportunity to comment on Committee activities at each Board meeting.

## **5. Number of Audit Committee Directorships**

Members of the Audit Committee shall not simultaneously serve on the audit committee of more than three public company boards (including the Company's).

## **VIII. BOARD AND COMMITTEE ACCESS TO MANAGEMENT, COUNSEL AND ADVISORS**

### **1. Board Access to Management and Counsel**

Directors will have open access to the Company's management and counsel. Directors may contact members of management without permission of the Chief Executive Officer. However, they should use judgment to ensure that this contact is not distracting to Company business operations. Other than correspondence relating to the activities of a Committee which is sent by the Chairman of such Committee to the officer designated as the coordinator for such Committee, correspondence from a Board member to management should be copied to the Chief Executive Officer and Chairman of the Board.

Furthermore, the Board encourages management to, from time to time, invite employees into Board meetings who (i) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (ii) are managers with future potential that senior management believes should be given exposure to the Board.

### **2. Board and Committee Access to Advisors**

The Board and each Committee shall have the authority to engage independent or outside counsel, accountants or other advisors, in each case of its choice and as it determines to be necessary or appropriate. All related fees and costs of such advisors shall be paid promptly by the Company in accordance with its normal business practices.

## **IX. EVALUATION AND MANAGEMENT SUCCESSION**

### **1. Annual Performance Evaluations**

The Board shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. Each Committee shall conduct an annual performance evaluation. The Nominating and Corporate Governance Committee shall assist the Board and the Committees with establishing a process for the performance evaluations, which should include a solicitation of comments from all directors with respect to the Board self-evaluation and from each Committee member with respect to each Committee's performance evaluation.

### **2. Chief Executive Officer Evaluation**

The Compensation Committee will meet in an executive session without management to evaluate the performance of the Chief Executive Officer at least once a year for the

purpose of recommending to the Board the compensation of the Chief Executive Officer. The evaluation should be based on criteria including leadership and vision, performance of the business, accomplishment of strategic objectives, the handling of extraordinary events and development of management. The Chairman of the Compensation Committee shall report to the Board the Committee's recommendation of the Chief Executive Officer's compensation.

### **3. Management Succession**

The Board shall work in cooperation with the Compensation Committee to develop policies and principles with respect to the search for and evaluation of potential successors to the Chief Executive Officer and senior management. The Chief Executive Officer should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals in the event that he or she should unexpectedly retire or be otherwise unable or unwilling to perform his or her respective duties. At least annually, and more frequently if appropriate, the Chief Executive Officer should present his or her recommendations to the Board of Directors in an executive session of the non-management directors. Following such presentation, the non-management directors will review the recommendations in an executive session chaired by the lead independent director.

## **X. BOARD ORIENTATION AND COMPENSATION**

### **1. Director Orientation and Continuing Education**

The Board shall conduct an orientation program for all new directors, which should be conducted as soon as practicable following the annual meetings at which new directors are elected or following the appointment of a new director by the Board in order to fill an existing or newly created vacancy on the Board. This orientation may include presentations by senior management to familiarize new directors with the Company's strategic plans, significant financial, accounting and risk management issues, compliance programs, Code of Business Conduct and Ethics, senior management, the internal audit department and the independent auditor.

The Board encourages, but does not require, directors periodically to pursue continuing education opportunities in the form of programs, sessions or materials with respect to the responsibilities of directors of public companies and will reimburse directors for reasonable expenses incurred in connection with such continuing education.

### **2. Director Compensation**

The Compensation Committee will recommend to the Board the form and amount of director compensation, taking into consideration whether directors are being compensated in a manner consistent with the compensation strategy of the Company, competitive

market practices using peer company review and applicable legal and regulatory requirements.

## **XI. GENERAL**

### **1. Reporting of Concerns to Non-Management Directors**

Anyone who has a concern about the Company may communicate that concern directly to the lead independent director. Such communications may be mailed to the Corporate Secretary or may be communicated to the Cimarex Energy Co. Confidential Hotline (1-866-519-1898). All such communications will be forwarded to the lead independent director for his or her review. The lead independent director may take any action deemed appropriate or necessary, including the retention of independent or outside counsel, accountants or other advisors, with respect to any such communication addressed to the lead independent director. No adverse action will be taken against any individual making any such communication to the lead independent director.

### **2. Periodic Review of Guidelines**

The operation of the Board is a dynamic and evolving process. Accordingly, these Corporate Governance Guidelines will be reviewed at least annually by the Nominating and Corporate Governance Committee and any recommended revisions will be submitted to the Board for consideration.

### **3. Intent**

These Corporate Governance Guidelines are intended to be a statement of general principles to guide the Board in formulating corporate policy in accordance with applicable laws, rules and regulations. The Corporate Governance Guidelines are not rules or Bylaws. They may be amended from time to time by the Board upon the recommendation of the Nominating and Corporate Governance Committee. In addition, the Board may on occasion depart from these Corporate Governance Guidelines when circumstances indicate that a departure is in the best interest of the Company and its stockholders.

### **4. Disclosure of Guidelines**

These guidelines will be posted on the Company's website and also will be available in print to any stockholder requesting a copy. Such availability on the Company's website and in print will be noted in the Company's annual report to stockholders.