

# Cabot-Cimarex - Should Shareholders Approve the Merger?

**Internal ID:** S&F-STR-173

**Topic:** Mergers & Acquisitions, Corporate Strategy, Risk Management

**Industry:** Oil & Gas Exploration & Production

**Source:** Strategy & Finance

**Publication date:** 5 October 2026

**License:** Not specified

**Decision date and information cutoff:** 13 August 2021, 11:59 p.m. Eastern

**Decision scope:** Shareholder approval of the fixed-ratio all-stock combination

**Case convention:** This is an author-created shareholder decision exercise. Company statements and transaction terms are historical; no later vote, closing or operating outcome is included.

## The decision

On 13 August 2021, Cabot Oil & Gas and Cimarex Energy filed Amendment No. 1 to Form S-4, containing a preliminary joint proxy/prospectus, ahead of shareholder meetings scheduled for 29 September. Cimarex shareholders would vote on the merger; Cabot shareholders would vote on the share issuance and a charter amendment required by the transaction. The agreement proposed a fixed exchange of 4.0146 Cabot shares for each eligible Cimarex share. [P1], joint-meeting notices and transaction summary; [P9], merger agreement summary.

The combination joined portfolios with very different hydrocarbon mixes and basin exposure. The companies said the scale and mix could support more flexible capital allocation and more stable cash generation across commodity cycles. They also targeted about \$100 million in annual general and administrative expense synergies. Those propositions had to be weighed against integration and execution risks, an exchange ratio that would not adjust for future changes in relative share prices, and each company's standalone alternatives.

**Assignment:** Should Cimarex shareholders approve the merger? Should Cabot shareholders approve the share issuance and charter amendment? Make a recommendation from each shareholder group's perspective using only information public by the cutoff. Assess the strategic case, fixed-ratio terms, expected synergies and forecast limitations. State what evidence would change your vote. The case does not ask for a valuation model or spreadsheet.

## Two distinct portfolios

At year-end 2020, Cabot reported 13.672 trillion cubic feet equivalent (Tcfe) of proved reserves, all natural gas and in the Marcellus. Cimarex reported 531.0 million barrels of oil equivalent (MMboe) of proved reserves; 68% were in the Permian and 84% were developed. The companies' SEC reserve estimates used prescribed pricing and engineering assumptions. BOE and Tcfe are energy conversions, not measures of equal economic value. Reserve totals alone do not establish relative value, productive opportunity or shareholder contribution. [P5], Item 2 and supplemental oil and gas disclosures; [P6], Item 2 and reserve tables.

## Exhibit 1. Year-end 2020 proved-reserve profiles

| Company | Proved reserves | Reported product/basin mix                                             | Important limit                                                                                |
|---------|-----------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Cabot   | 13.672 Tcfe     | 100% natural gas; Marcellus                                            | Gas volume does not translate directly into value; reserve estimates depend on SEC assumptions |
| Cimarex | 531.0 MMboe     | 68% Permian; 84% developed; reserves include oil, NGLs and natural gas | BOE aggregation does not make the products equivalent in value or economics                    |

Sources: [P5], Item 2 and supplemental disclosures; [P6], Item 2 and reserve tables. Units are shown as each issuer reported them; do not compare totals as a value ranking.

Cabot's second-quarter 2021 production was 2,205 million cubic feet equivalent per day, all natural gas, about 1% below its guidance; the company cited third-party compressor downtime and operational delays. Cimarex reported second-quarter production of 237.1 thousand barrels of oil equivalent per day, including 72.7 thousand barrels of oil per day. These are different product mixes and units; the figures offer operating context, not a direct ranking of scale or performance. [P10], Q2 highlights and operating data; [P7], "Highlights" and "Second-Quarter 2021 Summary."

Investors therefore faced more than a simple "more reserves" comparison. The merger's strategic thesis depended on whether the combined organization could use the distinct assets and capital opportunities more effectively than two standalone companies could, and whether any such benefit accrued to shareholders after costs and execution risk.

## The transaction and its forecast

The companies announced the agreement in May. The amended proxy described an all-stock transaction at 4.0146 Cabot shares per eligible Cimarex share. Based on the companies' fully diluted estimates, ownership of the proposed combined company was expected to be approximately 49.5% for legacy Cabot shareholders and 50.5% for legacy Cimarex shareholders. The fixed exchange ratio means the number of shares is set; the relative market value delivered to each group can change as the two share prices move before closing. [P1], transaction summary and merger agreement; [P3], transaction terms.

Management targeted approximately \$100 million of annual G&A synergies, with realization expected to begin within 18 months to two years following closing. This statement does not promise that the full annual run rate would be achieved at that point. The disclosure did not independently validate the savings, give a detailed implementation schedule or establish the one-time costs needed to achieve them. [P1], boards' rationale, pp.85-87; [P3], "Strong Synergies."

The investor presentation showed preliminary cumulative free cash flow of approximately \$4.7 billion for 2022-2024 under assumptions of \$55 per barrel WTI and \$2.75 per MMBtu NYMEX natural gas. On a separate page, the presentation explicitly states that its forecast includes \$100 million of target synergies. Both are management estimates, not realized results; the G&A target was separately described as a target expected to begin realizing within 18 months to two years after closing, without promising the full run rate then. The FCF forecast depends on

operating, capital, commodity-price and synergy assumptions; it does not by itself show incremental value over the companies' standalone plans. [P4], pp.18 and “2022-2024 Cumulative FCF” chart and price footnote; [P3], “Strong Synergies.”

## Exhibit 2. Deal terms and management targets

| Item                      | Disclosed term or estimate                                                                                           | Classification and limitation                                                                                                                                                  |
|---------------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exchange ratio            | 4.0146 Cabot shares per eligible Cimarex share                                                                       | Fixed contractual term; relative value can move with share prices                                                                                                              |
| Expected ownership        | Approximately 49.5% legacy Cabot / 50.5% legacy Cimarex                                                              | Fully diluted company estimate, not an appraisal of each portfolio's intrinsic value                                                                                           |
| Enterprise value          | Approximately \$17 billion using 21 May closing prices                                                               | Transaction-date market-based estimate, not current or intrinsic value at the cutoff                                                                                           |
| G&A synergies             | Approximately \$100 million annual target; realization expected to begin within 18 months to two years after closing | Management target; timing is not a full-run-rate promise; implementation costs and execution remain uncertain                                                                  |
| Cumulative free cash flow | Approximately \$4.7 billion in 2022-2024 at \$55/bbl WTI and \$2.75/MMBtu NYMEX gas                                  | Preliminary management forecast; P4 p.18 explicitly states that this estimate includes \$100 million of target synergies. It is not a realized result or standalone comparison |

Sources: [P1], transaction summary and board rationale; [P3], transaction terms and “Strong Synergies”; [P4], cumulative FCF chart and footnote.

The transaction was also a governance choice. The proxy set out proposed leadership, board representation and other terms intended to govern the combined company. Those provisions could influence how capital is allocated and how competing priorities are resolved, but shared governance alone would not establish operating value. Shareholders could also own both public companies independently, or diversify across a wider portfolio, without combining their organizations.

## What the financial opinions do and do not answer

Cabot's and Cimarex's boards received fairness opinions from J.P. Morgan and Tudor, Pickering, Holt & Co. (TPH), respectively. Both opinions were dated 23 May 2021, and neither had been updated as of the August 13 proxy filing. The opinions addressed whether the exchange ratio was fair, from a financial point of view, to the respective board under stated assumptions. They were not recommendations to shareholders and did not establish the value of the transaction at closing. [P1], advisor opinions, pp.91-109 and Annexes B/C.

As one market-based cross-check, the proxy relayed sell-side analyst price-target comparisons. The median implied exchange ratio was 4.0000x for all analysts reviewed and 3.9520x for the analysts covering both companies, against the proposed 4.0146 ratio. These 12-month analyst targets were undiscounted, heterogeneous forecasts; they were not intrinsic valuations or substitutes for assessing standalone prospects and transaction-specific value. [P1], pp.98, “Trading prices and estimates,” and 109, “Equity Research Analysts’ Price Targets.”

## The shareholder choice

Supporters could argue that unlike commodity and basin exposures would smooth cash generation, create more flexibility to direct capital toward attractive opportunities and make the companies more resilient through cycles. A larger combined organization might also remove duplicated G&A. The central question is whether those benefits require a merger and whether they exceed integration costs, execution risk and value transferred by the fixed ratio.

Skeptics could argue that investors can diversify on their own, while the merger adds integration work and divides future value under a ratio set months before the vote. A forecast that includes the targeted synergies may overstate what the transaction adds unless compared consistently with two standalone plans. On the other hand, each standalone business is exposed to its own commodity and basin conditions, and the proposed internal capital-allocation flexibility might be difficult to reproduce through portfolio ownership alone. The proxy does not quantify that incremental flexibility.

The special meetings were scheduled for 29 September 2021: Cabot shareholders at 10:00 a.m. Central Daylight Time and Cimarex shareholders at 9:00 a.m. Mountain Daylight Time. [P1], special-meeting notices. The choices before shareholders were distinct: Cimarex holders were asked to approve the merger agreement; Cabot holders were asked to approve the issuance of shares and related charter amendment.

## Your recommendation

Prepare a concise voting memo for each shareholder group. Recommend approval or rejection, identify the strongest argument on the other side, and explain how the fixed ratio allocates future value. Assess whether the stated portfolio differences and G&A target support benefits that independent shareholders could not achieve by holding both companies. Identify the assumptions behind the 2022-2024 cash-flow forecast and the evidence still missing. Explain what change in standalone prospects, relative share values, costs or merger terms would alter your vote.

Do not treat reserve BOE as value, risk smoothing as proof of value creation, the fairness opinions as a shareholder recommendation, or management's forecast as an outcome. Use only information available at the cutoff; the vote results, closing and combined-company performance are outside the case.

## Sources and conventions

**P1.** Cabot Oil & Gas and Cimarex Energy, [Amendment No. 1 to Form S-4 containing the preliminary joint proxy/prospectus](#), filed 13 August 2021. Joint-meeting notices; transaction summary; board rationale and advisor opinions; pp.98 and 109 for analyst-target comparisons; forecast discussion and merger agreement summary.

**P3.** Cabot Oil & Gas and Cimarex Energy, [transaction announcement and Form 8-K exhibit](#), 24 May 2021; terms, rationale and “Strong Synergies.”

**P4.** Cabot Oil & Gas and Cimarex Energy, [investor presentation filed as Form 425](#), 24 May 2021; “2022-2024 Cumulative FCF” chart and price footnote, and p.18's explicit note that the forecast includes \$100 million of target synergies.

**P5.** Cabot Oil & Gas, [2020 Form 10-K](#), filed 26 February 2021; Item 2 and supplemental oil and gas disclosures.

**P6.** Cimarex Energy, [2020 Form 10-K](#), filed 26 February 2021; Item 2 and supplemental reserve tables.

**P7.** Cimarex Energy, [Q2 2021 earnings release](#), 3 August 2021; “Highlights” and “Second-Quarter 2021 Summary.”

**P9.** Cabot Oil & Gas and Cimarex Energy, merger agreement, 23 May 2021, as amended; summarized in [P1], Annex A.

**P10.** Cabot Oil & Gas, [Q2 2021 earnings release](#), 30 July 2021; highlights and operating data.

Historical reserve estimates, current operating results, transaction terms, management targets and forecasts are labeled separately. No source published after 13 August 2021 is used. Competitive-positioning claims not supported by cutoff-eligible primary evidence are omitted.