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United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Wyoming State Office Reservoir Management Group
2987 Prospector Drive
Casper, Wyoming 82604-2968



In Reply Refer To:
3186
(3186.1)
Red Hills Unit
NMNM071019X

MAY 02 2019

Cimarex Energy Company
Attn: Amithy Crawford
600 N. Marienfeld Street
Suite 600
Midland, TX 79701

Re: Paying Well Determination
Red Hills Unit No. 16H
SHL: NW $\frac{1}{4}$ NW $\frac{1}{4}$, Sec. 33, T.25S, R.33E. (Lease NMNM024368A)
BHL: SW $\frac{1}{4}$ SW $\frac{1}{4}$, Sec. 4, T.26S, R.33E (Lease NMNM89425)
Red Hills Unit
Lea County, New Mexico

Dear Ms. Crawford:

We have determined that the Red Hills Unit No. 16H well is capable of producing unitized substances from the Bone Spring Formation in paying quantities as defined in Section 9 of the unit agreement. This well was completed in the Bone Spring Formation on August 28, 2018.

Consequently, an application for an initial Bone Spring Formation Participating Area "A" shall be filed with the Reservoir Management Group pursuant to Section 11 of the unit agreement by May 24, 2019. The effective date for this PA will be August 28, 2018.

If you have any questions, please call Lewis Tromp, Petroleum Engineer, at (307) 261-7628.

Sincerely,

/s/ J. David Chase

J. David Chase
Chief, Reservoir Management Group

cc: NMSO, James Glover
CFO, Chris Walls
ONRR, Glen Reese
New Mexico State Land Office, Randy Bayliss
—New Mexico Oil Conservation Division, William Jones