



December 22, 2005

**HAND DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

2006 JAN 6 AM 11 28

**Re: Oil Conservation Division Case No. 13489:** Application of McQuadrangle, LC for statutory Unitization of the South Red Lake II Unit Area, Eddy County, New Mexico.

**REQUEST FOR EXTENSION OF TIME FOR RATIFICATION**

Dear Mr. Fesmire;

On July 19, 2005, the Oil Conservation Division entered Order No. R-12386 which granted the application of McQuadrangle, LC in the above-referenced case and approved statutory unitization of the South Red Lake II Unit Area pursuant to the provisions of the Statutory Unitization Act. This order directed McQuadrangle to correct a typographical error in the definition of Unitized Interval to include only the Grayburg formation and to submit the revised Unit Agreement to all interest owners in the Unit Area for their ratification or re-ratification. [Order Paragraph (6)].

Order No. R-12386 also provides that if the persons owning the required percentage of interest in the South Red Lake II Unit do not approve the plan for unit operations within a period of six months from the date of the order, it shall cease to be effective unless the Division shall extend the time for ratification for good cause. [Order Paragraph (8)].

McQuadrangle requests that the time for ratification of the South Red Lake II Unit plan for unit operations be extended for an additional 90 days to April 19, 2006. Pursuant to Division Order No. R- 12386, McQuadrangle has revised the Unit Agreement and submitted it to the interest owners in the Unit Area. At this time 100% of the working interest has ratified the revised agreement and 100% of the royalty interest will have approved the agreement once the State Land Office and the Bureau of Land

**EXHIBIT B**

**Holland & Hart LLP**

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Management grant final approval to the Unit Agreement. In addition to these interest owners, there are a substantial number of overriding royalty interest owners in the Unit Area. McQuadrangle has sought ratifications from these owners and many have ratified. However, due to questions concerning sliding scale royalty on the federal lands, reduced royalty provisions in State of New Mexico Leases, and large overriding royalty burdens on certain tracts, McQuadrangle is having the percentage of each non-cost bearing interest confirmed by its title lawyer prior to the time we request a supplemental order from the Division confirming that all required ratification percentages have been obtained. While McQuadrangle is close to having this work completed, it appears we may not have all ratifications and final agency approvals ready to submit to the Division by January 19, 2006. McQuadrangle therefore requests and extension of the ratification period pursuant to Order Paragraph (8).

Your attention to this request is appreciated.

Very truly yours,

William F. Carr

cc: Mr. Delbert McDougal  
Jack McClendon, Esq.