



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

May 17, 2005

Holland & Hart
P. O. Box 2208
Santa Fe New Mexico 87504-2208

Attn: Ms. Ocean Munds-Dry

Re: South Redlake II Unit
Preliminary Approval
Eddy County, New Mexico

Dear Ms. Munds-Dry:

This office is in receipt of your letter of May 9, 2005 wherein on behalf of McQuadrangle, L.C. you have requested preliminary approval to the proposed South Redlake II Unit Agreement. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 1.045, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation from the Bureau of Land Management.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13482 Exhibit No. 8

Submitted by:

MCQUADRANGLE, LC

Hearing Date: June 16, 2005

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande J. School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

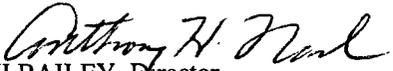
Holland & Hart
May 17, 2005
Page 2

5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. Please submit one original and one copy of the Unit Agreement.
7. A copy of the Unit Operating Agreement (if applicable).
8. A re-designation of all well names and numbers.
9. Pursuant to Section 11 of the Unit Agreement, please submit your initial plan of operation for approval.
10. Pursuant to State Land Office Rule Number 19.2.100.51 the Commissioner of Public Lands discourages the use of fresh water in waterflood units in cases where salt water is practical. It is our understanding that fresh water will not be used in this unit.
11. Your \$120 filing fee has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

For

pc: Reader File
OCD-Attention: Roy Johnson
BLM-Roswell, Attention Mr. Armando Lopez