



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSSELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM109695X
3180 (06300)

SEP 28 2004

OFFICE COPY

Jim Pierce
Petroleum Building, Suite 859
200 W. First Street
Roswell, NM 88203

Dear Mr. Pierce:

Your application of August 23, 2004, filed with the BLM on behalf of McQuadrangle, LC, requests the designation of the expansion of the South Red Lake II Unit area, No. NMNM109695X, embracing 881.61 acres, more or less, Eddy County, New Mexico, as logically subject to secondary recovery operations under the unitization provisions of the Mineral Leasing Act as amended. Expansion of the unit will increase the unit area by 80.00 acres to 961.61 acres.

Pursuant to unit plan regulations 43 CFR 3180 and Section 4 of the unit agreement, the land requested as outlined on your plat marked Exhibit A, South Red Lake II Unit, Eddy County, New Mexico, is hereby designated as a logical unit area expansion for the purpose of conducting secondary recovery operations by waterflooding.

Your basis for allocation of unitized substances are acceptable. This designation is valid for a period from one year from the date of this letter.

If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the BLM for final approval, please include a revised Exhibit C as the percentages do not equal 100.00%, the proposed effective date of the expansion, and a revised plan of operations.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13489 Exhibit No. 7

Submitted by:

MCQUADRANGLE, LC

Hearing Date: June 16, 2005

Inasmuch as this unit agreement involves State lands, a copy of the letter is being sent to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely,



L Larry D. Bray
Assistant Field Manager,
Lands and Minerals