



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

April 11, 2006

Holland & Hart LLP
P. O. Box 2208
Santa Fe, NM 87504-2208

Attn: Mr. William F. Carr

Re: Final Approval
South Redlake II Unit
NMOCD Statutory Unitization Case Nos. 13489, Order No. R-12386
Eddy County, New Mexico

Dear Mr. Carr:

This office is in receipt of your letters of February 28, 2006 and April 5, 2006, wherein on behalf of McQuadrangle, LC you have requested final approval of the South Redlake II Unit Agreement, Eddy County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the South Redlake II Unit Agreement, Eddy County, New Mexico. Also, approved on this date, is your initial plan of operation for the above mentioned unit area. It is our understanding that no fresh water will be used in this unit agreement. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

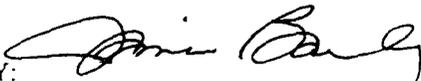
Enclosed are (5) Certificates of Approval.

This unit agreement shall become effective on the first day of the calendar month next following the approval of this agreement by the BLM, the Land Commissioner and the Oil Conservation Division. Please submit a copy of the "Certificate of Effectiveness" pursuant to Article 24 of the South Redlake II Unit agreement.

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

pc: Reader File
OCD-Attention: Roy Johnson
BLM-Attention: Ms. Alexis Swoboda
TRD-Attention: Mr. Valdean Severson
RMD-Attention: Mr. Kurt Mcfall

EXHIBIT E

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys 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

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

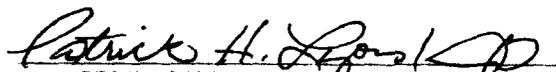
MCQUADRANGLE, LC
SOUTH REDLAKE II UNIT
EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Unit Agreement for the development and operation of acreage which is described within the referenced Agreement, dated MARCH 1, 2003 which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the 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 area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation. I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 11TH day of APRIL, 2006.


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of the State of New Mexico

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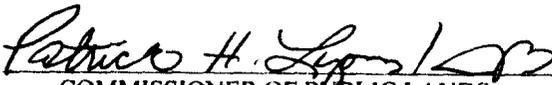
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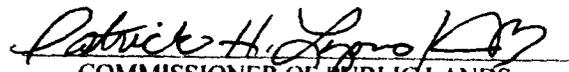
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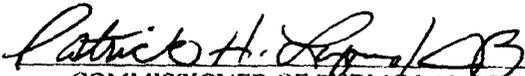
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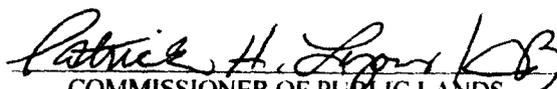
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COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



United States Department of the Interior

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

IN REPLY REFER
NMNM109695X
3180 NM(513)

DEC 19 2005

Holland & Hart LLP
Attention: William F. Carr
P. O. Box 2208
Santa Fe, NM 87504-2208

Gentlemen:

Your application for the first expansion of the South Red Lake II Unit No. NMNM109695X, Eddy County, New Mexico, filed on behalf of McQuandrangle, LC, has been approved as of this date. Approval of the first expansion, effective as of the first day of the month after approval for the expansion is granted by the Commissioner of Public Lands and the BLM, increases the size of the unit from 881.61 acres to 961.61 acres. Please furnish this office with a copy of the Commissioner of Public Land's approval letter and the effective date of the unit.

You are required to furnish the Commissioner of Public Lands and other interested principals with appropriate evidence of this approval.

Sincerely,

Larry D. Bray
for: Assistant Field Manager,
Lands and Minerals

Enclosures