

**SOUTH REDLAKE II UNIT
EDDY COUNTY, NEW MEXICO**

CERTIFICATE OF EFFECTIVENESS

The Oil Conservation Division of the Energy, Minerals and Natural Resources Department, State of New Mexico, hereby certifies as follows:

1. In accordance with the provisions of the New Mexico Statutory Unitization Act [NMSA 1978, §§ 70-7-1 through 70-7-21 (1978)], the Oil Conservation Division entered Order No. R-12386, dated July 19, 2005, which granted the application of McQuadrangle, L.C. for statutory unitization of the South Redlake II Unit Area comprised of 961.61 acres of Federal and State of New Mexico lands in the Grayburg formation, Red Lake Queen-Grayburg-San Andres Pool, Eddy County, New Mexico.

2. Pursuant to the Statutory Unitization Act, the South Redlake II Unit becomes effective when the plan of operations approved by the Division has been approved in writing by those persons who will be required initially to pay at least seventy-five percent (75%) of the costs of unit operations and also by the owners of at least seventy-five percent (75%) of the production proceeds therefrom that will be credited to interests free of costs. [NMSA 1978, § 70-7-8.A (1978)]

3. On April 28, 2006 the Division entered Order No. R-12386-A and found that pursuant to Section 70-7-8 and Paragraphs 6 and 7, Page 7 of Order No. R-12386, the plan for unit operations for the South Redlake II Unit has been approved by at least seventy-five percent of the owners of cost bearing interest and 75% of the owners of non-cost bearing interest in the South Redlake II Unit Area and that the Unit can now become effective pursuant to Order No. R-12386.

4. Accordingly, Division Order No. R-12386 is in full force and effect and the unit agreement and unit operating agreement for the South Redlake II Unit became

effective as of May 1, 2006 at 7:00 a.m. Mountain Standard Time for the area known as the South Redlake II Unit Area.

5. The horizontal limits of this unit area shall be comprised of the following described Federal and State of New Mexico land in Eddy County, New Mexico:
~~of Federal and State lands:~~

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 35: E/2, E/2 SW/4, SE/4 NW/4

Section 36: W/2, SW/4 NE/4

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 1: Lot 4

Section 2: Lots 1, 2 and 3, more or less,

6. The vertical limits of the unitized formation to be included within the proposed Unit Area extends from an upper limit described as 100 feet below mean sea level or at the top of the Grayburg formation, whichever is higher, to a lower limit at the base of the Grayburg formation; the geologic markers having been previously found to occur at 1,430 feet and the base of which is found at 1,762 feet in the Carper-Sivley Joint Account Magruder Well No. 13, located 330 feet from the South line and 480 feet from the East line of Section 35, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, as recorded on Welex Electric log taken on March 28, 1960, said log being measured from a Kelly bushing elevation of 3,654 feet above sea level.

IN WITNESS WHEREOF, THIS CERTIFICATE IS EXECUTED THIS __ DAY OF APRIL, 2006.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
DIRECTOR

