

JIM PIERCE

OIL AND GAS PROPERTIES
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January 18, 2000

New Mexico Oil Conservation Division
811 South 1st Street
Artesia, New Mexico 88210

Attention: Mr. Tim W. Gum, District Supervisor

Re: Change of Operator/McQuadrangle, L.C.
Mason Phillips Properties of Florida
S. Redlake Grayburg Wells & Leasehold
Eddy County, New Mexico

Dear Mr. Gum:

Please accept this letter of explanation and request regarding the refusal of Mason Phillips Properties of Florida to execute any and all instruments related to the OCD requirements for Change of Operator into McQuadrangle, L.C., concerning all wells and leasehold formerly known as the South Redlake Grayburg Unit, Eddy County, New Mexico.

Delbert McDougal, etux, etal., (McDougal) acquired all right, title and interest in subject wells and leasehold from "Mason Phillips" by virtue of that certain Judgment entered in the Fifth Judicial District Court, County of Eddy, State of New Mexico Cause Number CV-98-463-JWF.

McDougal then assigned all interests into McQuadrangle, L.C., being the bonded entity recognized to conduct business within the State of New Mexico, by Assignment of Oil and Gas Leases dated August 6, 1999, recorded Book 360, Page 114, Eddy County Clerk Office.

Because of an ongoing lawsuit, "Mason Phillips" has refused to execute any and all instruments related to Transfer of Operations concerning subject wells.

With this in mind, we hereby request approval of all OCD forms required and presented, minus the signature of previous operator, covering the Transfer of Operations into McQuadrangle, L.C. of all wells and leasehold acquired via the civil lawsuit noted.

We appreciate your help and consideration.

Truly,

Jim Pierce
Landman

JP/lm