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OCT 28 2004

OIL CONS.  
DIVISIONPATRICK 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

October 26, 2004

Jim Pierce  
200 West First  
Roswell, New Mexico 88203Re: South Redlake II Unit  
Eddy County, New Mexico

Dear Mr. Pierce:

This office is in receipt of your letter of October 21, 2004 requesting our ratification to the South Redlake II Unit Agreement. We regret to inform you that the Commissioner of Public Lands cannot ratify the South Redlake II Unit Agreement. Please comply with State Land Office Rule 19.2.100.51 a copy of which has been enclosed.

When re-submitting your agreement for preliminary approval please submit the following:

1. A formal application letter requesting preliminary approval by the Commissioner of Public Lands.
2. The initial form of the Unit Agreement. The unit agreement form submitted is outdated and is not acceptable. Enclosed is a copy of our latest State, Federal and Fee Waterflood Unit agreement form. Updated copies of our unit agreement forms and rules and regulations can also be downloaded from our web site at <http://www.nmstatelands.org>.
3. Please submit an engineering report and geological data justifying the Unit boundaries. Also, please submit the worksheets and calculations used to determine the basis for allocation of unitized substances.
4. 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. If an operator plans to use fresh water in a proposed unit, the following specific information should be provided:
  - a) Laboratory analyses of water compatibility tests (Fresh vs. Salt Water).
  - b) Reservoir analyses for swelling clays and soluble salts.
    - I. Estimate of monthly make-up water required for operations.
  - c) Location and depth of area salt water wells or quantities of produced water available for injection.
5. Updated copies of Exhibits "A" and "B" and "C".
6. A copy of the Unit Operating Agreement.
7. A copy of your Initial Plan of Operation.

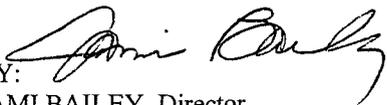
Jim Pierce  
October 26, 2004  
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8. A re-designation of well names and numbers.
9. The filing fee for a unit agreement is \$30.00 dollars for every section of partial section thereof. Please submit a \$120.00 filing fee.
10. On Exhibit "B", Tract Numbers 11 and 12, the correct Lessee of Record for State Lease No. B-11538-14 is ConocoPhillips and Atofina Petrochemical, Inc.
11. Please explain the commitment status of Tract No. 5. Will the tract participation in Tract No. 5 change after statutory unitization?
12. McQuadrangle, LC does not have a surface improvement damage bond filed with this office. Pursuant to State Land Office Rule 19.2.100.23 please submit a \$20,000 surface improvement damage bond to this office.
13. Please submit 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.
14. Section 24, Effective Date and Term of the South Redlake II Unit Agreement, states that "if this agreement does not become effective on or before August 31, 2003, it shall ipso facto expire on said date (hereinafter called expiration date)." As of this date the Commissioner of Public Lands has not approved this agreement. This agreement expired by its own terms on August 31, 2003.
15. Please submit a copy of the NMOCD and BLM's approvals of this agreement to this office.

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-Roswell, Attention Mr. Armando Lopez



**PATRICK H. LYONS**  
**COMMISSIONER**

*State of New Mexico*  
*Commissioner of Public Lands*

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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.

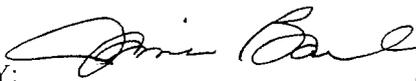
Enclosed are (5) Certificates of Approval.

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

**-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 • Santa Fe Park Commission • University of New Mexico • UNM Salina Lands & Water Resources • Western New Mexico University

UNIT NAME: SOUTH RED LAKE II UNIT  
OPERATOR: MCQUADRANGLE, LC  
COUNTY: EDDY

DATE	OCC CASE NO.	TOTAL	STATE	FEDERAL	INDIAN	SEGREGATION	TERM
APPROVED	OCC ORDER NO.	ACREAGE			FEE	CLAUSE	
EFFECTIVE	CASE NO. 13489	961.61	481.39	480.22	0.00	Modified	5 YEARS
05/01/2006	ORDER NO. R-12386						SO LONG AS

APPROVALS

SLO--4-11-2006  
OCD--7-19-2005

TOWNSHIP 17 SOUTH, RANGE 27 EAST  
SECTION 35: E/2, E/2SW/4, SE/4NW/4  
SECTION 36: SW/4NE/4, W/2

TOWNSHIP 18 SOUTH, RANGE 27 EAST  
SECTION 1: LOT 4  
SECTION 2: LOTS 1, 2, 3



**AMENDED EXHIBIT "B". SCHEDULE OF OWNERSHIP**

Schedule Showing All Lands and Leases Within the  
SOUTH REDLAKE II UNIT, EDDY COUNTY, NEW MEXICO

Tract Number	Description of Lands	Acres	Serial Number and Expiration	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
1.	Section 35: SW/4SE/4, SE/4SW/4 T17S, R27E	80	LC-028755-A HBP	USA/All Sliding Scale	OXY USA WTP, LP	Losee, et al 5.00%	McQuadrangle, LC 100%
2.	Section 35: SE/4NW/4, SE/4NE/4 T17S, R27E	80	LC-050158 HBP	USA/All Sliding Scale	BP America Production Co.	Trigg, et al 5.00%	McQuadrangle, LC 100%
2A.	Section 35: NE/4NE/4 T17S, R27E	40	LC-050158 HBP	USA/All Sliding Scale	BP America Production Co.	Trigg, et al 5.00%	McQuadrangle, LC 100%
3.	Section 35: W/2NE/4 T17S, R27E	80	LC-055561 HBP	USA/All Sliding Scale	Occidental Permian, LTD.	Cockburn, et al 5.00%	McQuadrangle, LC 100%
4.	Section 35: SE/4SE/4, NE/4SW/4, N/2SE/4 T17S, R27E	160	LC-057798 HBP	USA/All Sliding Scale	OXY USA WTP, LP	Donohue, et al 5.00%	McQuadrangle, LC 100%
5.	Section 1: Lot 4 (NWNW) T18S, R27E	40.22	LC-0624121 HBP	USA/All Sliding Scale	BP America Production Co.	Paul Slayton, et al 5.00%	McQuadrangle, LC 100%
6 Federal Tracts totaling 480.22 Acres or 49.94% of the Unit Area.							
6.	Section 2: Lot 3 (NENW) T18S, R27E	40.60	2029-75 HBP	State of NM 12.5%	OXY USA WTP, LP	Paton, et al 12.5%	McQuadrangle, LC 100%
7.	Section 36: E/2SW/4 T17S, R27E	80	B-752-2 HBP	State of NM 12.5%	Wm. P. Dooley	Wm. P. Dooley, et al 16.25%	McQuadrangle, LC 100%
8.	Section 2: Lot 2 (NWNE) T18S, R27E	40.46	B-1483-26 HBP	State of NM 12.5%	OXY USA WTP, L.P.	Laura Kaempf, et al 12.5%	McQuadrangle, LC 100%

9.	Section 36: SE/4NW/4 T17S, R27E	40	<i>C.S.</i> B-8318-134 HBP	State of NM 12.5%	BP America Production Co.	Harlan Steed, et al 16.25%	McQuadrangle, LC 100%
10.	Section 2: Lot 1 (NENE) T18S, R27E	40.33	<i>C.S.</i> B-9299-4 HBP	State of NM 12.5%	BP America Production Co.	Hudson, et al 15.00%	McQuadrangle, LC 100%
11.	Section 36: NW/4SW/4 T17S, R27E	40	<i>C.S.</i> B-11538-14 HBP	State of NM	Conoco Phillips; Fina Oil & Chemical Co.	Manix Energy LLC, et al 16.25 %	McQuadrangle, LC 100%
12.	Section 36: NE/4NW/4 T17S, R27E	40	<i>C.S.</i> B-11538-14 HBP	State of NM 12.5%	"	"	McQuadrangle, LC 100%
13.	Section 36: SW/4SW/4 T17S, R27E	40	<i>C.S.</i> E-379-5 HBP	State of NM 12.5%	Occidental Permian, LP	McQuadrangle, LC, et al 10.00%	McQuadrangle, LC 100%
14.	Section 36: SW/4NE/4 T17S, R27E	40	<i>C.S.</i> E-1059-2 HBP	State of NM 12.5%	BP America Production Co.	"	McQuadrangle, LC 100%
15.	Section 36: W/2NW/4 T17S, R27E	80	<i>C.S.</i> V-5512 HBP	State of NM 16.67%	Southwestern Energy Prod. Company	Southwestern Energy Prod. Company	Southwestern Energy Production Company 100%

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10 State Tracts Totaling 481.39 Acres or 50.06% of Unit Area

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Total Federal Acreage:	480.22 Acres or 49.94%
Total State Acreage:	481.39 Acres or 50.06%
Total Acreage in Unit Area:	961.61 Acres or 100.00000%



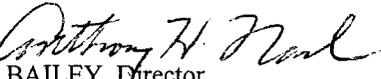
Holland & Hart  
May 17, 2005  
Page 2

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  
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FOIA