

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED BY THE OIL
CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING;**

**IN THE MATTER OF THE APPLICATION OF MCQUADRANGLE, LC FOR
STATUTORY UNITIZATION OF THE SOUTH REDLAKE II UNIT AREA,
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 13489 (Reopened)
ORDER NO. R-12386-A**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 13, 2006, at Santa Fe, New Mexico before Examiner David K. Brooks.

NOW, on this 28th day of April, 2006, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-12386, entered on July 19, 2005, the Division approved the application of McQuadrangle, LC ("McQuadrangle") for statutory unitization of the South Redlake II Unit Area located in Sections 35 and 36, Township 17 South, Range 27 East, and Sections 1 and 2, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Order No. R-12386 required that McQuadrangle revise its South Redlake II Unit Agreement to reflect the correct unitized interval and provided that the "order shall not become effective unless and until the owners of 75 percent of the working interest and 75 percent of the royalty interest in the South Redlake II Unit have approved the plan for unit operations as required by Section 70-7-8, NMSA 1978."

(4) An amended Unit Agreement was re-submitted for approval to all working interest owners and all non-cost bearing owners in the Unit Area pursuant to Division Order No. R-12386.

(5) On January 6, 2006, prior to the expiration of the six-month time period provided in Order R-12386, McQuadrangle, by letter to the Division Director, requested an extension of the time for ratification of the unit agreement through April 19, 2006.

(6) Good cause existed for the extension of the time provided for securing ratifications. Prior to the expiration of the six-month time provided in Order R-12386, McQuadrangle had secured ratification by the owners of 100% of the working interest in the South Redlake II Unit. However, the complexities of computing the percentages of various overriding royalties necessitated that additional title investigation be conducted prior to presenting ratifications to the owners of overriding royalty interests. Accordingly, the requested extension should be granted.

(7) On February 28, 2006, McQuadrangle wrote the Division Director and requested the entry of a supplemental order confirming that all necessary ratifications have been obtained, and that the South Redlake II Unit has become effective pursuant to Order No. R-12386. The Division advised McQuadrangle that the original unitization case would be reopened, and all ratifications should be presented at that time.

(8) McQuadrangle appeared at the hearing and presented ratifications and unit approvals from affected government agencies that establish that 100% of the working interests have approved the amended agreement, that 100% of the royalty interests have approved the amended agreement and that the owners of more than 75.522% of the non-cost bearing interests have approved the amended agreement.

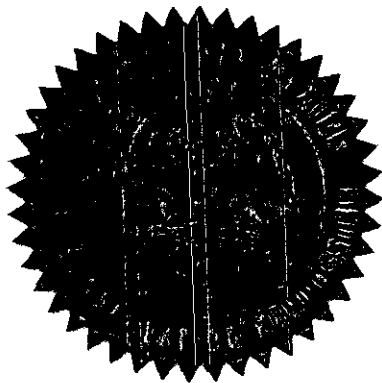
(9) McQuadrangle seeks a supplemental order pursuant to the provisions of N.M.S.A. § 70-7-8 finding that the amended Unit Agreement setting forth the plan for unit operations prescribed by the Division for the South Redlake II Unit has been approved by the owners of interests that, collectively, will bear at least 75% of the costs of unit operations, and also by the owners of at least 75% of the production proceeds that will be credited to interests which are free of costs, and that the Unit can now become effective pursuant to Order No. R-12386.

IT IS THEREFORE ORDERED THAT:

(1) The application of McQuadrangle, L.C. for a supplemental order pursuant to the provisions of N.M.S.A. § 70-7-8 (2006) confirming that the plan for unit operations has been approved by the owners of 75% of the cost bearing interest and the owners of 75% of the 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, is hereby approved.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director