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**New Mexico Oil Conservation Division
District 4 Office
1220 South St. Francis Drive
Santa Fe, New Mexico 87505**

January 24, 2014

Ladies and Gentlemen:

In compliance with Section 10 of the Unit Agreement for the Development and Operation of the Northeast Hogback Unit, San Juan County, New Mexico, Dated July 1, 1959, Chuza Oil Company, as Unit Operator, respectfully submits for your approval the 2014 Plan of Development for this Unit.

History of Development: There are 23 producing oil wells in the unit at this time, and all of them are producing from the Gallup formation. As outlined in the 2013 Plan of Development for the Northeast Hogback Unit, Chuza has just completed drilling operations on the Northeast Hogback Unit #73H and #74H and is scheduling completion operations for both wells as of the date of this letter. Both of these wells will also produce from the Gallup formation. There are also 3 water injection wells on the unit for the purpose of enhanced recovery.

2014 Plan of Development: Chuza Oil Company respectfully asks the regulatory bodies to consider that the 2014 plan of development consist of the drilling of four additional horizontal development wells, as provided for by Section 9 of the Unit Agreement. The wells in question, Northeast Hogback Unit #75H, #76H, #77H and #78H are currently in the process of being permitted. Chuza Oil Company intends to locate these wells in accordance with the designation of the Northeast Hogback Unit as a Non-Standard Project Area and follow all regulatory guidelines as outlined in the order (NM OCD Order No. R-13607).

Well Casing Program: The well casing programs for the Northeast Hogback Unit #75H, #76H, #77H and #78H will be generally that used on similar



wells in San Juan County, including such surface casings and other casing as may be required by the Bureau of Land Management, Farmington Field Office, and the New Mexico Oil Conservation Division and will be very similar in design to the approved casing programs used in Northeast Hogback Unit #73H and #74H. The producing string of casing may be set and cemented on top, partially through or completely through the producing zone or zones.

Offset Obligations: Appropriate and adequate measures will be taken to prevent drainage of unitized substances from lands subject to the Northeast Hogback Unit Agreement or, pursuant to applicable regulations, fair and reasonable compensatory royalty will be paid as provided for by Section 17 of the aforementioned Unit Agreement.

Further Development: This plan of development shall constitute the drilling obligations of the Unit Operator under the terms of the Northeast Hogback Unit Agreement for the period ending December 31, 2014.

Effective Date: This plan of development shall have been effective as of January 1, 2014.

Very truly yours,

Patrick L. Padilla
President
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