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

May 1, 2015

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 2015 Plan of Development for this Unit.

**History of Development:** There are 25 producing oil wells in the unit at this time, and all of them are producing from the Gallup formation. As outlined in the 2014 Plan of Development for the Northeast Hogback Unit, Chuza has drilled and completed the Northeast Hogback Unit #73H and #74H as of the date of this letter, and both of these wells also produce from the Gallup formation. There are also 3 water injection wells on the unit for the purpose of enhanced recovery.

**2015 Plan of Development:** Chuza Oil Company respectfully asks the regulatory bodies to consider that the 2014 plan of development consist of production enhancing improvements to existing producing wells on the Northeast Hogback Unit, and the possibility of plugging and abandoning some wells that may be considered economically challenging to produce.

**Well Casing Program:** For any and all future contemplated drilling operations on the Northeast Hogback Unit, the well casing programs 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. 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, 2015.

**Effective Date:** This plan of development shall have been effective as of January 1, 2015.

Very truly yours,

A handwritten signature in black ink, appearing to read "Patrick L. Padilla", is written over a large, light-colored oval shape.

Patrick L. Padilla

President

Chuza Oil Company

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