

CBS OPERATING CORP.

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February 27, 2007
State of New Mexico
Department of Energy, Minerals & Natural Resources
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: 2007 Plan of Development
North Square Lake Unit
Eddy County, New Mexico

2007 MAR 2 PM 3:00

Ladies and Gentlemen:

Recap of 2006 Operations

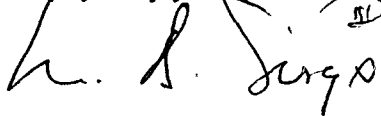
CBS Operating Corp. injected 434,000 BW into the North Square Lake Unit in 2006 compared to 274,000 BW in 2005. Additionally, CBS repaired and restored NSLU #145 to active injection status, and the NSLU #56 to active production status.

CBS completed remediations and filed closure documents on seven sites in the North Square Lake Unit. These sites were located at the NSLU Well Nos. 147, 172, 168, 52, 95, 158 and 148 battery site.

Plan of Development for 2007

- 1) CBS will restore to active injection status the NSLU #69 and plug and abandon NSLU #127 injector by June 1, 2007 subject to Agreed Order ACOI-136.
- 2) CBS will increase injection volumes at the North Square Lake Unit in 2007 and continue to apply enhanced recovery technologies to improve performance throughout the unit.
- 3) CBS will continue to restore or plug and abandon additional idle wellbores in the unit area, subject to Agreed Order ACOI-136.

Very truly yours,



M. A. Sirgo, III
Engineer

MAS/pr