

CBS OPERATING CORP.

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March 8, 2005

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

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Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505
Re: 2005 Plan of Development
North Square Lake Unit
Eddy County, New Mexico

Ladies and Gentlemen:

Recap of 2004 Operations

During the year 2004, CBS Operating Corp. commenced efforts to implement pressure maintenance operations to support the recently drilled infill producing wells at the North Square Lake Unit.

Surface facility work included a "make-up" water pipeline as well as upgrades to the existing Grier water station to handle increased injection volumes.

Wellbore work was commenced on five previously approved C-108 application wells. It is anticipated injection will commence in these wells during early 2005.

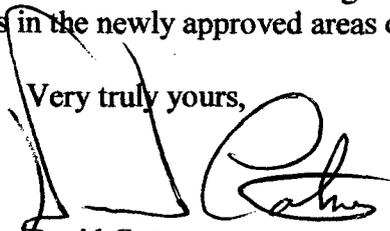
In 2004, CBS brought 19 of 37 outstanding noncompliance wells into compliance. Six of these wells were located on the North Square Lake Unit.

Plan of Development for 2005

CBS respectfully submits the following development plan for calendar year 2005.

- 1) Continue well remediation of old wellbores in the field.
- 2) Close all existing drilling pits associated with the new infill drilling locations.
- 3) Initiate pressure maintenance operations in the newly approved areas of the unit.

Very truly yours,


David Cotner
President

MAS/pr