

January 30, 2012

U.S. Department of the Interior  
Bureau of Land Management  
Attn: Jim Lovato  
1235 La Plata Highway, Suite A  
Farmington, Nm 87401

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2012 JAN 31 P 1:31

- ✓ New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87504  
Attention: Will Jones  
Senior Petroleum Geologist

New Mexico Commissioner of Public Land  
State Land Office  
Attn: Ms. Jami Bailey, Director  
Oil, Gas and Minerals Division  
P.O. Box 1148  
Santa Fe, NM 87504-1148

Mr. Derek Padilla  
Santa Fe National Forest  
Cuba Ranger District  
P.O. Box 130  
Cuba, NM 87013

Re: CANADA OJITOS UNIT  
RIO ARRIBA COUNTY, NM  
2012 PLAN OF DEVELOPMENT

Gentlemen:

Set out below is Summary of Operations for 2011 and Operator's Plan of Development for 2012.

1. Summary of 2011 Operations:  
Two new wells were completed in the Niobrara "C" Zone and began producing in June 2011.

A summary of work on the individual wells within the unit is included after Schedule I.

There were no changes to the participating area or Exhibits A and B.

2. A list of all wells and their status is shown on the attached Schedule I. The #19 (A-14 and the #36 (K-31) will be returned to production in early Spring.
3. Schedule II, 2011 production statistics and companion graphs are attached.
4. Plan of Development for 2012:  
An amended Air Permit was received in early January allowing the replacement of Compressor #1 with a larger unit. This should be completed by the end of January.  
Completions of additional zones in the COU #46y (P-27) and the COU #47 (N-4) are being planned.  
The lack of success of the two horizontal wells drilled by EnerVest that offset the Unit to the West dictates further analysis of horizontal development within the Unit. We continue to study the horizontal plays in similar formations in Wyoming, Colorado, and Texas for insights into development within the Unit. There are no "new drills" planned for 2012.

We request your approval of this 2012 Plan of Development for the Canada Ojitos Unit.

Regards,



Mike Dimond  
President

Enclosures

SCHEDULE I  
STATUS OF CANADA OJITOS UNIT WELLS 12/31/2011

| Well Name      | Footage<br>Section - Twp - Range       | Latitude/<br>Longitude    | Elevation | Status                            |
|----------------|----------------------------------------|---------------------------|-----------|-----------------------------------|
| COU #1 (O-9)   | 1080' FSL, 1920' FEL<br>SWSE-9-26N-1W  | N36.29.707<br>W106.56.711 | 7750 GR   | Producing                         |
| COU #2 (K-13)  | 1785' FSL, 2120' FWL<br>NESW-13-25N-1W | N36.23.691<br>W106.53.735 | 7088 GR   | Producing                         |
| COU #3 (A-14)  | 1125' FNL, 450' FWL<br>NENE-14-25N-1W  | N36.24.125<br>W106.54.255 | 7130 DF   | Producing                         |
| COU #4 (P-11)  | 1020' FSL, 800' FEL<br>SESE-11-25N-1W  | N36.24.472<br>W106.54.339 | 7214 GR   | Producing                         |
| COU #5 (B-18)  | 835' FNL, 1495' FEL<br>NWNE-18-25N-1E  | N36.40.277<br>W106.87.168 | 7203 DF   | Producing                         |
| COU #6 (L-11)  | 1908' FSL, 523' FWL<br>NWSW-11-25N-1W  | N36.24.614<br>W106.55.149 | 7220 GR   | Producing                         |
| COU #7 (A-23)  | 680' FNL, 620' FEL<br>NENE-23-25N-1W   | N36.38.817<br>W106.90.529 | 7141 GR   | Producing                         |
| COU #8 (A-16)  | 850' FNL, 1030' FEL<br>NENE-16-25N-1W  | N36.24.159<br>W106.56.561 | 7532 KB   | Plugged & Abandoned               |
| COU #9 (C-2)   | 1280' FNL, 1610' FWL<br>NENW-2-25N-1W  | N36.27.161<br>W106.56.141 | 7278 GR   | Producing                         |
| COU #10 (O-33) | 175' FSL, 2090' FEL<br>SWSE-33-26N-1W  | N36.26.070<br>W106.56.745 | 7533 GR   | Producing                         |
| COU #11 (E-10) | 2145' FNL, 825' FWL<br>SWNW-10-25N-1W  | N36.24.810<br>W106.56.158 | 7329 GR   | Producing                         |
| COU #12 (A-22) | 525' FNL, 825' FEL<br>NENE-22-25N-1W   | N36.23.359<br>W106.55.432 | 7343 GR   | Producing                         |
| COU #13 (L-27) | 1415' FSL, 740' FWL<br>NWSW-27-26N-1W  | N36.27.161<br>W106.56.141 | 7463 KB   | Producing                         |
| COU #14 (C-34) | 595' FNL, 2145' FWL<br>NENW-34-25N-1W  | N36.21.603<br>W106.55.897 | 7427 KB   | Producing                         |
| COU #16 (L-3)  | 1791' FSL, 523' FWL<br>NWSW-3-24N-1W   | N36.20.268<br>W106.56.215 | 7549 KB   | Recovering load oil/Producing Gas |
| COU #17 (G-1)  | 1980' FNL, 1880' FEL<br>SWNE-1-24N-1E  | N36.34.171<br>W106.89.026 | 7140 GR   | Shut In                           |
| COU #18 (C-5)  | 900' FNL, 1700' FWL<br>NENW-5-25N-1E   | N36.43.156<br>W106.86.075 | 7482 KB   | Producing                         |
| COU #19 (A-14) | 495' FNL, 495' FEL<br>NENE-14-24N-1W   | N36.31.667<br>W106.90.437 | 7096 GR   | Recovering load oil/Producing Gas |
| COU #21 (G-32) | 1800' FNL, 1675' FEL<br>SWNE-32-26N-1W | N36.26.575<br>W106.57.734 | 7560 GR   | Producing                         |
| COU #22 (F-20) | 1700' FNL, 1790' FWL<br>SENW-20-26N-1W | N36.28.370<br>W106.58.095 | 7724 GR   | Producing                         |
| COU #23 (N-22) | 1302' FSL, 1413' FWL<br>SWSW-22-26N-1W | N36.28.015<br>W106.56.067 | 7494 KB   | Producing                         |

SCHEDULE I  
STATUS OF CANADA OJITOS UNIT WELLS 12/31/2011

| Well Name       | Footage<br>Section - Twp - Range       | Latitude/<br>Longitude          | Elevation | Status                               |
|-----------------|----------------------------------------|---------------------------------|-----------|--------------------------------------|
| COU #24 (J-8)   | 1650' FSL, 1650' FEL<br>NWSE-8-25N-1W  | N36.24.586<br>W106.57.739       | 7437 GR   | Plugged & Abandoned                  |
| COU #25 (B-32)  | 231' FNL, 2218' FEL<br>NWNE-32-25N-1W  | N36.21.647<br>W106.57.873       | 7599 GR   | Producing                            |
| COU #26 (K-31)  | 1650' FSL, 1650' FWL<br>NESW-31-25N-1W | N36.21.104<br>W106.59.220       | 7437 GR   | Recovering load oil/Producing<br>Gas |
| COU #27 (K-8)   | 1680' FSL, 2166' FEL<br>NWSE-8-24N-1W  | N36.19.383<br>W106.57.862       | 7517 GR   | Producing                            |
| COU #28 (B-29)  | 393' FNL, 2367' FEL<br>NWNE-29-25N-1W  | N36.22.494<br>W106.57.843       | 7496 GR   | Producing                            |
| COU #29 (E-6)   | 1850' FSL, 870' FWL<br>SWNW-6-25N-1W   | N36.25.756<br>W106.59.382       | 7493 GR   | Producing                            |
| COU #30 (F-30)  | 1755' FNL, 2418' FWL<br>SESW-30-25N-1W | N36.22.276<br>W106.59.050       | 7671 GR   | Producing                            |
| COU #31 (N-31)  | 900' FSL, 1650' FWL<br>SESW-31-26N-1W  | N36.26.215<br>W106.59.258       | 7569 GR   | Plugged & Abandoned                  |
| COU #32 (J-6)   | 1650' FSL, 1650' FEL<br>NWSE-6-25N-1W  | N36.25.508<br>W106.58.861       | 7444 GR   | Recovering load oil/Producing<br>Gas |
| COU #33 (F-18)  | 2310' FWL, 2265' FNL<br>SWNW-18-25N-1W | N36.23.930<br>W106.59.152       | 7617 GR   | Producing                            |
| COU #34 (F-19)  | 1340' FNL, 1903' FWL<br>SWNW-19-25N-1W | N36.23.201<br>W106.59.181       | 7652 GR   | Producing                            |
| COU #35 (D-17)  | 1200' FNL, 300' FWL<br>NWNW-17-25N-1W  | N36.24.121<br>W106.58.415       | 7465 GR   | Recovering load oil/Producing<br>Gas |
| COU #36 (A-20)  | 1200' FNL, 415' FEL<br>NENE-20-25N-1W  | N36.23.218<br>W106.57.540       | 7432 GR   | Producing                            |
| COU #37 (G-5)   | 1700' FNL, 2310' FEL<br>SWNE-5-24N-1W  | N36.20.578<br>W106.57.920       | 7551 GR   | Producing                            |
| COU #38 (F-7)   | 1650' FNL, 2310' FEL<br>SESW-7-25N-1W  | N36.24.907<br>W106.59.095       | 7444 GR   | Producing                            |
| COU #43 (H-8)   | 1632' FNL, 1189' FEL<br>SENE-8-26N-1W  | N36.20.100<br>W106.57.644       | 7785 GR   | Producing                            |
| COU #44 (B-22)  | 227' FNL, 2800' FWL<br>NWNE-22-26N-1W  | N36.28.624<br>W106.55.759       | 7575 GR   | Producing                            |
| COU #45 (N-28)  | 500' FSL, 2200' FWL<br>SESW-28-25N-1W  | N36.21.794<br>W106.56.956       | 7532 GR   | Producing                            |
| COU #46Y (P-27) | 449' FSL, 281' FEL<br>SESE-27-25N-1W   | N36.21.45.920<br>W106.55.18.927 | 7296 GR   | Producing                            |
| COU #47 (N-4)   | 574' FSL, 1809' FWL<br>SESW-4-25N-1W   | N36.25.16.949<br>W106.57.1.666  | 7392 GR   | Producing                            |

**SUMMARY OF 2011 WORK ON CANADA OJITOS UNIT WELLS  
ALL IN RIO ARriba COUNTY, NEW MEXICO**

| <b>Well Name</b> | <b>Footage<br/>Section - Twp - Range</b> | <b>Latitude/<br/>Longitude</b> | <b>Elevation</b> | <b>Summary of Work</b>                                                           |
|------------------|------------------------------------------|--------------------------------|------------------|----------------------------------------------------------------------------------|
| COU #1 (O-9)     | 0<br>SWSE-9-26N-1W                       | N36.29.707<br>W106.56.711      | 7750 GR          |                                                                                  |
| COU #2 (K-13)    | 1785' FSL, 2120' FWL<br>NESW-13-25N-1W   | N36.23.691<br>W106.53.735      | 7088 GR          | Plunger repair;                                                                  |
| COU #3 (A-14)    | 1125' FNL, 450' FWL<br>NENE-14-25N-1W    | N36.24.125<br>W106.54.255      | 7130 DF          | Plunger repair;                                                                  |
| COU #4 (P-11)    | 1020' FSL, 800' FEL<br>SESE-11-25N-1W    | N36.24.472<br>W106.54.339      | 7214 GR          |                                                                                  |
| COU #5 (B-18)    | 835' FNL, 1495' FEL<br>NWNE-18-25N-1E    | N36.40.277<br>W106.87.168      | 7203 DF          |                                                                                  |
| COU #6 (L-11)    | 1908' FSL, 523' FWL<br>NWSW-11-25N-1W    | N36.24.614<br>W106.55.149      | 7220 GR          | Chemical paraffin treatments; Replace downhole Pump                              |
| COU #7 (A-23)    | 680' FNL, 620' FEL<br>NENE-23-25N-1W     | N36.38.817<br>W106.90.529      | 7141 GR          | Modify PU guards;                                                                |
| COU #9 (C-2)     | 1280' FNL, 1610' FWL<br>NENW-2-25N-1W    | N36.27.161<br>W106.56.141      | 7278 GR          | Plunger repair;                                                                  |
| COU #10 (O-33)   | 175' FSL, 2090' FEL<br>SWSE-33-26N-1W    | N36.26.070<br>W106.56.745      | 7533 GR          | Chemical paraffin treatments; replace downhole pump & rods                       |
| COU #11 (E-10)   | 2145' FNL, 825' FWL<br>SWNW-10-25N-1W    | N36.24.810<br>W106.56.158      | 7329 GR          | Regular Hot Oil treatments, downhole pump changes (2); PU belt guard; Replace PU |
| COU #12 (A-22)   | 525' FNL, 825' FEL<br>NENE-22-25N-1W     | N36.23.359<br>W106.55.432      | 7343 GR          | Chemical paraffin treatments; PU guards;insulate tank;                           |
| COU #13 (L-27)   | 1415' FSL, 740' FWL<br>NWSW-27-26N-1W    | N36.27.161<br>W106.56.141      | 7463 KB          | PU guards; Replace downhole pump & tubing                                        |
| COU #14 (C-34)   | 595' FNL, 2145' FWL<br>NENW-34-25N-1W    | N36.21.603<br>W106.55.897      | 7427 KB          | Replace downhole pump & rods; PU guards                                          |
| COU #16 (L-3)    | 1791' FSL, 523' FWL<br>NWSW-3-24N-1W     | N36.20.268<br>W106.56.215      | 7549 KB          |                                                                                  |
| COU #17 (G-1)    | 1980' FNL, 1880' FEL<br>SWNE-1-24N-1E    | N36.34.717<br>W106.89.026      | 7140 GR          |                                                                                  |
| COU #18 (C-5)    | 900' FNL, 1700' FWL<br>NENW-5-25N-1E     | N36.43.156<br>W106.86.075      | 7482 KB          | Replace plunger & downhole assemb.                                               |
| COU #19 (A-14)   | 495' FNL, 495' FEL<br>NENE-14-24N-1W     | N36.131.667<br>W106.90.437     | 7096 GR          |                                                                                  |
| COU #21 (G-32)   | 1800' FNL, 1675' FEL<br>SWNE-32-26N-1W   | N36.26.575<br>W106.57.734      | 7560 GR          | PU guards                                                                        |
| COU #22 (F-20)   | 1700' FNL, 1790' FWL<br>SENW-20-26N-1W   | N36.28.370<br>W106.58.095      | 7724 GR          |                                                                                  |
| COU #23 (N-22)   | 1302' FSL, 1413' FWL<br>SWSW-22-26N-1W   | N36.28.015<br>W106.56.067      | 7494 KB          | Hot oil treatments; PU Guards                                                    |
| COU #25 (B-32)   | 231' FNL, 2218' FEL<br>NWNE-32-25N-1W    | N36.21.647<br>W106.57.873      | 7599 GR          | Hot oil treatments; PU guards; Replace PU Eng; replace downhole pump             |

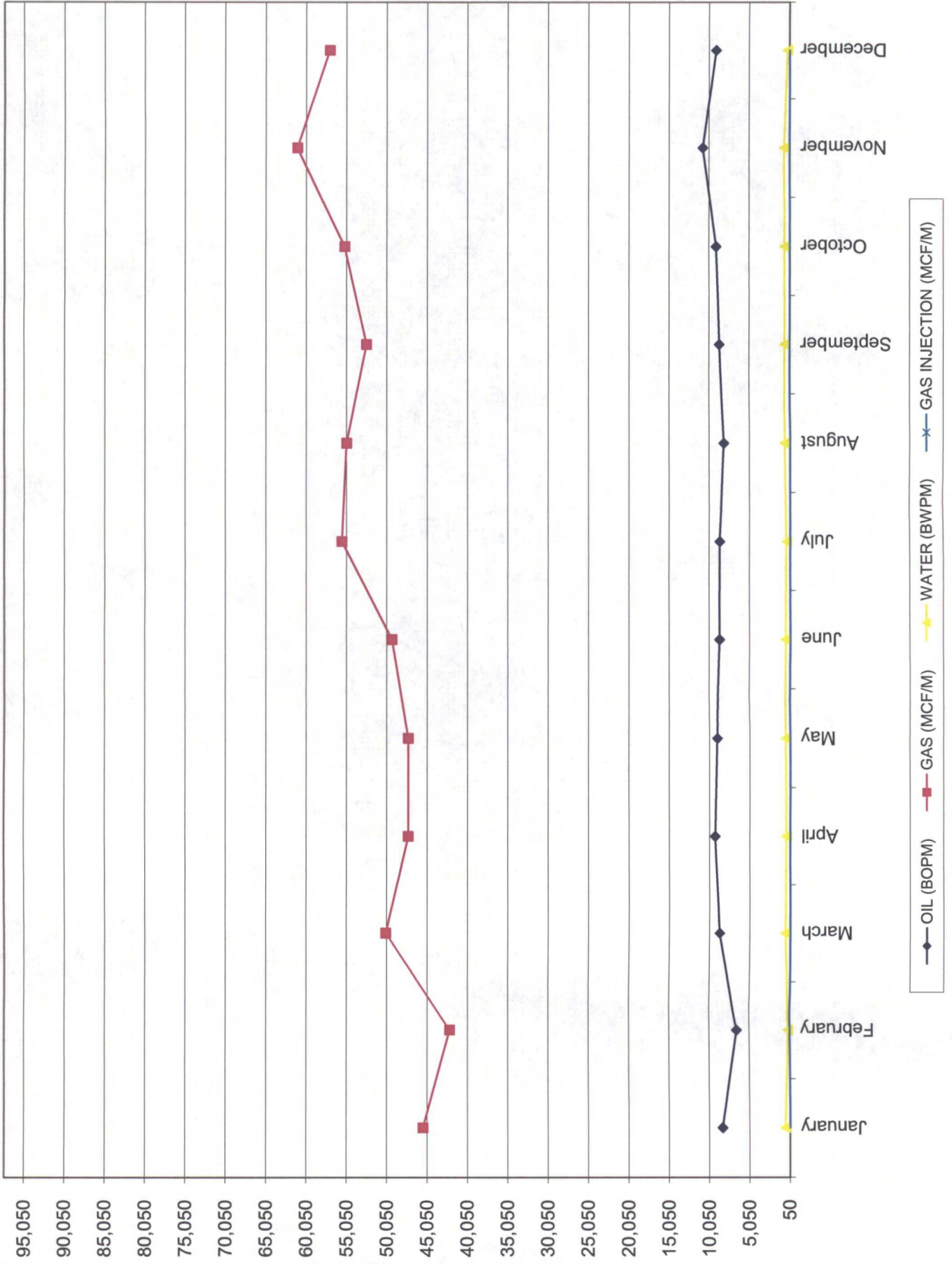
**SUMMARY OF 2011 WORK ON CANADA OJITOS UNIT WELLS  
ALL IN RIO ARriba COUNTY, NEW MEXICO**

| <b>Well Name</b>        | <b>Footage<br/>Section - Twp - Range</b> | <b>Latitude/<br/>Longitude</b>  | <b>Elevation</b> | <b>Summary of Work</b>                                                            |
|-------------------------|------------------------------------------|---------------------------------|------------------|-----------------------------------------------------------------------------------|
| COU #26 (K-31)          | 1650' FSL, 1650' FWL<br>NESW-31-25N-1W   | N36.21.104<br>W106.59.220       | 7437 GR          |                                                                                   |
| COU #27 (K-8)           | 1680' FSL, 2166' FEL<br>NWSE-8-24N-1W    | N36.19.383<br>W106.57.862       | 7517 GR          |                                                                                   |
| COU #28 (B-29)          | 393' FNL, 2367' FEL<br>NWN-29-25N-1W     | N36.22.494<br>W106.57.843       | 7496 GR          | Chemical paraffin treatments; PU clutch; hot oil;                                 |
| COU #29 (E-6)           | 1850' FSL, 870' FWL<br>SWNW-6-25N-1W     | N36.25.756<br>W106.59.382       | 7493 GR          | Chemical paraffin treatments; replace downhole pump; hot oil                      |
| COU #30 (F-30)          | 1755' FNL, 2418' FWL<br>SESW-30-25N-1W   | N36.22.276<br>W106.59.050       | 7671 GR          | Chemical paraffin treatments; clean location; hot oil;                            |
| COU #32 (J-6)           | 1650' FSL, 1650' FEL<br>NWSE-6-25N-1W    | N36.25.508<br>W106.58.861       | 7444 GR          |                                                                                   |
| COU #33 (F-18)          | 2310' FWL, 2265' FNL<br>SWNW-18-25N-1W   | N36.23.930<br>W106.59.152       | 7617 GR          | Clean out                                                                         |
| COU #34 (F-19)          | 1340' FNL, 1903' FWL<br>SWNW-19-25N-1W   | N36.23.201<br>W106.59.181       | 7652 GR          | Clean out                                                                         |
| COU #35 (D-17)          | 1200' FNL, 300' FWL<br>NWNW-17-25N-1W    | N36.24.121<br>W106.58.415       | 7465 GR          |                                                                                   |
| COU #36 (A-20)          | 1200' FNL, 415' FEL<br>NENE-20-25N-1W    | N36.23.218<br>W106.57.540       | 7432 GR          |                                                                                   |
| COU #37 (G-5)           | 1700' FNL, 2310' FEL<br>SWNE-5-24N-1W    | N36.20.578<br>W106.57.920       | 7551 GR          |                                                                                   |
| COU #38 (F-7)           | 1650' FNL, 2310' FEL<br>SESW-7-25N-1W    | N36.24.907<br>W106.59.095       | 7444 GR          |                                                                                   |
| COU #43 (H-8)           | 1632' FNL, 1189' FEL<br>SENE-8-26N-1W    | N36.20.100<br>W106.57.644       | 7785 GR          | PU guards; Replace PU Engine                                                      |
| COU #44 (B-22)          | 227' FNL, 2800' FWL<br>NWN-22-26N-1W     | N36.28.624<br>W106.55.759       | 7575 GR          | Plunger repair;                                                                   |
| COU #45 (N-28)          | 500' FSL, 2200' FWL<br>SESW-28-25N-1W    | N36.21.794<br>W106.56.956       | 7532 GR          | Replace guided rods; replace downhole pump; clean location;                       |
| COU #46Y (P-27)         | 449' FSL, 281' FEL<br>SESE-27-25N-1W     | N36.21.45.920<br>W106.55.18.927 | 7296 GR          | Hydraulic Fracture treatment of Niobrara "C"<br>Install PU and commence producing |
| COU #47 (N-4)           | 574' FSL, 1809' FWL<br>SESW-4-25N-1W     | N36.25.16.949<br>W106.57.1.666  | 7392 GR          | Hydraulic Fracture treatment of Niobrara "C"<br>Install PU and commence producing |
| Unit Participating Area |                                          |                                 |                  | Blade roads; maintain landfarm & Evap Pond;<br>Paint and Clean yard               |

SCHEDULE II  
CANADA OJITOS UNIT  
2008 PRODUCTION STATISTICS

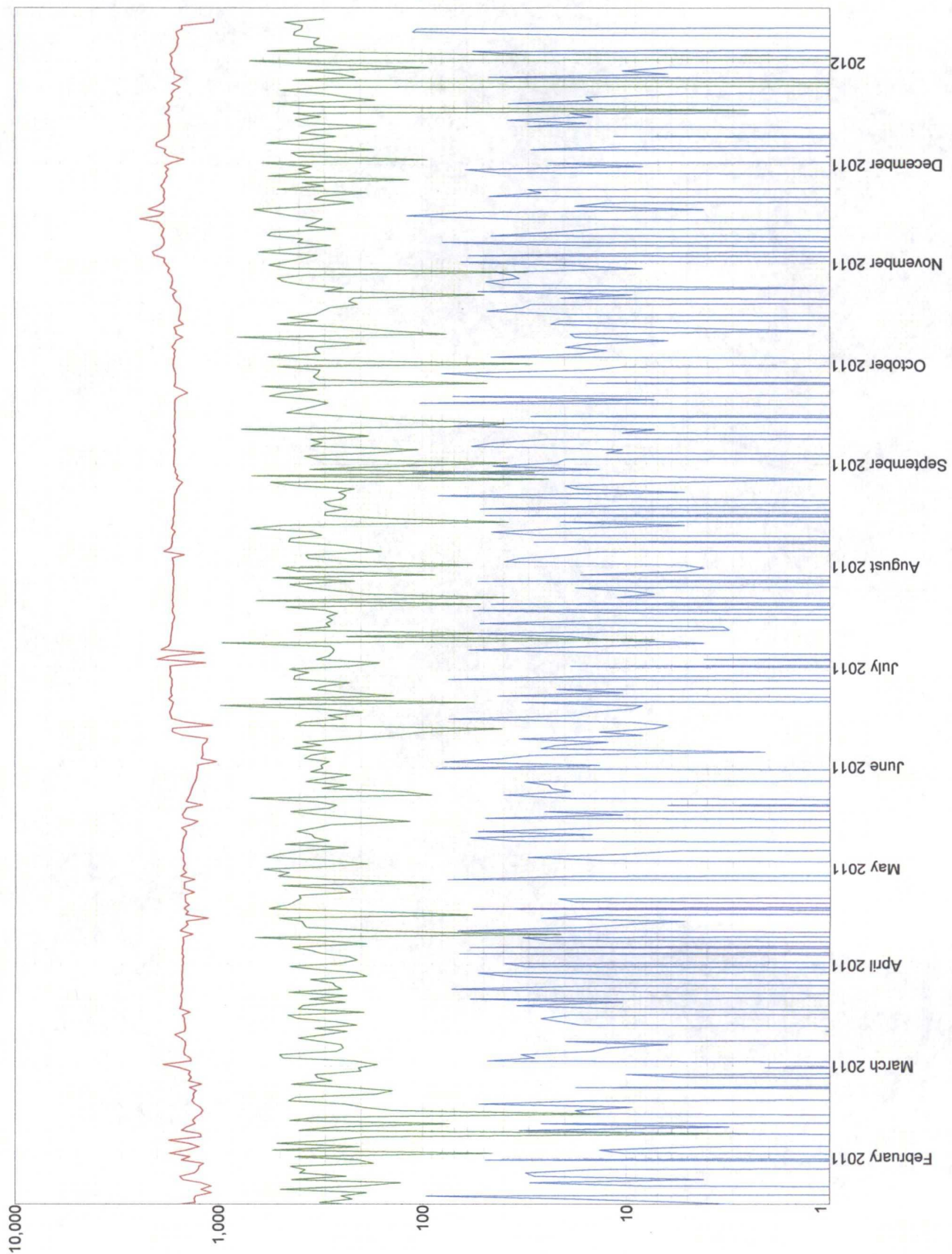
|           | OIL (BOPM) | GAS (MCF/M) | WATER<br>(BWPM) | GAS<br>INJECTION<br>(MCF/M) |
|-----------|------------|-------------|-----------------|-----------------------------|
| January   | 8,410      | 45,556      | 627             | 0                           |
| February  | 6,639      | 42,263      | 243             | 0                           |
| March     | 8,791      | 50,147      | 623             | 0                           |
| April     | 9,368      | 47,376      | 505             | 0                           |
| May       | 9,096      | 47,368      | 581             | 0                           |
| June      | 8,774      | 49,394      | 596             | 0                           |
| July      | 8,734      | 55,609      | 495             | 0                           |
| August    | 8,241      | 55,049      | 709             | 0                           |
| September | 8,780      | 52,587      | 671             | 0                           |
| October   | 9,166      | 55,290      | 696             | 0                           |
| November  | 10,834     | 61,151      | 732             | 0                           |
| December  | 9,167      | 57,131      | 313             | 0                           |
|           |            |             |                 |                             |
| Totals    | 106,000    | 618,921     | 6,791           | 0                           |

# CANADA OJITOS UNIT 2011 PRODUCTION



Oil (bbl)  
Gas (mcf)  
Water (bbl)

COU



Oil (bbl)  
Gas (mcf)  
Water (bbl)

COU

