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Farmington Field Office  
Bureau of Land Management

**Chuza Oil Company**

**551 West Cordova Rd. #376**

**Santa Fe, NM 87505**

**Phone: 505-690-7803**

**Fax: 505-212-2075**

APPROVED

Approval of this POD  
does not constitute  
approval of specific APD's

**Farmington Field Office  
Bureau of Land Management  
6251 College Boulevard, Suite A  
Farmington New Mexico, 87402**

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 2012 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. There are also 3 water injection wells on the unit for the purpose of enhanced recovery. Since acquiring the Unit for Parawon Operating as of June 1, 2011, Chuza Oil Company has not drilled any further wells.

**2012 Plan of Development:** Chuza Oil Company respectfully asks the regulatory bodies to consider that the 2012 plan of development consist of the drilling of two horizontal exploratory wells, as provided for by Section 9 of the Unit Agreement. The wells in question, Northeast Hogback Unit #73 and Northeast Hogback Unit #74, have already been approved by the Bureau of Land Management, Farmington Field Office. Chuza Oil Company intends to submit a sundry request for each well individually that would allow us to change the down-

OCD Case# 14853  
Chuza Oil Company  
June 7, 2012  
Ex# 2

ACCEPTED FOR RECORD

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FARMINGTON FIELD OFFICE

hole portion of the wells to be altered from the currently-permitted vertical wellbore to include a single horizontal lateral in each well.

**Well Casing Program:** The well casing programs for both the Northeast Hogback Unit #73 and the Northeast Hogback Unit #74 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. The producing string of casing may be set and cemented on top, partially through or completely through the producing zone or zones.

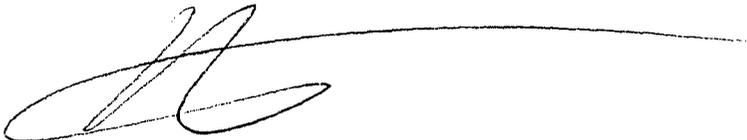
**Offset Obligations:** Appropriate and adequate measures will be taken to prevent drainage of unitized substances from lands subject to the Northeast Hogback Unit Agreement or, pursuant to applicable regulations, fair and reasonable compensatory royalty will be paid as provided for by Section 17 of 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, 2012.

**Effective Date:** This plan of development shall have been effective as of January 1, 2012.

Very truly yours,

Chuza Oil Company

A handwritten signature in black ink, appearing to read 'Patrick L. Padilla', with a long horizontal line extending to the right.

Patrick L. Padilla, President