

CBS OPERATING CORP.  
P. O. BOX 2236  
MIDLAND, TX 79702-2236  
PHONE 432/682-5671 FAX 432/683-7546

RECEIVED

JUN 04 2004

Oil Conservation Division  
1220 S. Saint Francis Drive  
Santa Fe, NM 87505

June 1, 2004

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

Re: 2004 Plan of Development  
North Square Lake Unit  
Eddy County, New Mexico

Ladies and Gentlemen:

Recap of 2003 Operations

During the year 2003, CBS Operating Corp. completed the reduction at the North Square Lake Unit of 35 sales points into three central batteries and one satellite battery.

A final EA was approved by the Bureau of Land Management outlining development issues to be addressed over the life of the project.

CBS Operating filed applications with the New Mexico Oil and Gas Commission to receive authority to inject water into 23 pressure maintenance wells.

Approximately 27 old unit wells were restored to production.

Ten new infill-producing wells were drilled with six being completed by year-end 2003.

Plan of Development for 2004

CBS respectfully submits the following development plan for calendar year 2004.

- 1) Continue well remediation of old wellbores in the field.

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- 2) Complete the remaining four new wells that were drilled in 2003, evaluate and pursue further workover and restimulation work.
- 3) File ten additional Notice of Staking and new well drilling applications.
- 4) Implement additional pressure maintenance operations into wellbores that receive approval from the New Mexico Oil and Gas Conservation Division.
- 5) Further consolidate existing injection infrastructure in the field to initiate pressure maintenance in the newly approved areas of the unit.

Please do not hesitate to contact me if there are any questions or if I may be of assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read "David Cotner", written over a horizontal line.

David Cotner  
President

MAS/pr