

March 9, 2007

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

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

2007 MAR 12 AM 11 26

Re: CANADA OJITOS UNIT
RIO ARRIBA COUNTY, NM
2007 PLAN OF DEVELOPMENT

Gentlemen:

Set out below is Summary of Operations for 2006 and Operator's Plan of Development for 2007.

1. Summary of 2006 Operations:
No new wells were drilled.
The No. 9 (C-2) was returned to production
The No. 16 (L-3) was re-worked and put on pumping unit.
The No. 18 (C-5) was converted to a producing well and as of December 31, 2007 was awaiting surface equipment.
The No. 24 (J-8) was plugged and abandoned.
The No. 31 (N-31) was plugged and abandoned.
The No. 32 (J-6) was returned to production.
The No. 33 (F-18) was re-worked and put on pumping unit.
Approximately seven high pressure separators on wells were cleaned out and overhauled for more efficient operation.
Gas injection was discontinued.

Gas uplift was discontinued.

The Ajax DPC 600 Compressor at Simon Canyon was replaced with an Ajax DPC 230.

The three Ajax DPC 600 compressors, two Ajax DPC 230 compressors, and the eight Ajax DPC 115 Compressors from Stage I, II, and III were removed and replaced with one Ajax DPC 230.

The Gas Plant concrete pad was removed.

Plans for the PC wells were postponed indefinitely.

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.
3. Schedule II, 2006 production statistics and companion graph is attached.
4. Plan of Development for 2007:

Pumping unit from the P & A'd #31 (N-31) will be moved to the #43 (H-8).

The #5 (B-18), # 17 (G-1), and #19 (A-14) will be converted from injection to producing wells.

Clean-outs, workovers, and installation of plungers or pumping units are planned for the #1 (O-9), #2 (K-13), #4 (P-11), #7 (A-23), #9 (C-2), #12 (A-22), #34 (F-19), and #44 (B-22).

Permitting for additional Mancos wells will be started.

We request your approval of this 2007 Plan of Development for the Canada Ojitos Unit.

Regards,

Mike Dimond
President

Enclosures

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

Well Name	Footage Section - Twp - Range	Latitude/ Longitude	Elevation	Summary of Work
COU #1 (O-9)	1080' FSL, 1920' FEL SWSE-9-26N-1W	N36.29.707 W106.56.711	7750 GR	
COU #2 (K-13)	1785' FSL, 2120' FWL NESW-13-25N-1W	N36.23.691 W106.53.735	7088 GR	Returned to production Jan-06
COU #3 (A-14)	1125' FNL, 450' FWL NENE-14-25N-1W	N36.24.125 W106.54.255	7130 DF	
COU #4 (P-11)	1020' FSL, 800' FEL SESE-11-25N-1W	N36.24.472 W106.54.339	7214 GR	
COU #5 (B-18)	835' FNL, 1495' FEL NWNE-18-25N-1E		7203 DF	
COU #6 (L-11)	1908' FSL, 523' FWL NWSW-11-25N-1W	N36.24.614 W106.55.149	7220 GR	
COU #7 (A-23)	680' FNL, 620' FEL NENE-23-25N-1W		7141 GR	
COU #8 (A-16)	850' FNL, 1030' FEL NENE-16-25N-1W	N36.24.159 W106.56.561	7532 KB	
COU #9 (C-2)	1280' FNL, 1610' FWL NENW-2-25N-1W	N36.27.161 W106.56.141	7278 GR	
COU #10 (O-33)	175' FSL, 2090' FEL SWSE-33-26N-1W	N36.26.070 W106.56.745	7533 GR	
COU #11 (E-10)	2145' FNL, 825' FWL SWNW-10-25N-1W	N36.24.810 W106.56.158	7329 GR	
COU #12 (A-22)	525' FNL, 825' FEL NENE-22-25N-1W	N36.23.359 W106.55.432	7343 GR	
COU #13 (L-27)	1415' FSL, 740' FWL NWSW-27-26N-1W	N36.27.161 W106.56.141	7463 KB	
COU #14 (C-34)	595' FNL, 2145' FWL NENW-34-25N-1W	N36.21.603 W106.55.897	7427 KB	
COU #16 (L-3)	1791' FSL, 523' FWL NWSW-3-24N-1W	N36.20.268 W106.56.215	7549 KB	Returned to production Apr-06
COU #17 (G-1)	1980' FNL, 1880' FEL SWNE-1-24N-1E		7140 GR	
COU #18 (C-5)	900' FNL, 1700' FWL NENW-5-25N-1E		7482 KB	Converted from injection to gas producer
COU #19 (A-14)	495' FNL, 495' FEL NENE-14-24N-1W		7096 GR	
COU #21 (G-32)	1800' FNL, 1675' FEL SWNE-32-26N-1W	N36.26.575 W106.57.734	7560 GR	
COU #22 (F-20)	1700' FNL, 1790' FWL SENW-20-26N-1W	N36.28.370 W106.58.095	7724 GR	
COU #23 (N-22)	1302' FSL, 1413' FWL SWSW-22-26N-1W	N36.28.015 W106.56.067	7494 KB	
COU #24 (J-8)	1650' FSL, 1650' FEL NWSE-8-25N-1W	N36.24.586 W106.57.739	7437 GR	Plugged & Abandoned Jun-06
COU #25 (B-32)	231' FNL, 2218' FEL NWNE-32-25N-1W	N36.21.647 W106.57.873	7599 GR	

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

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SCHEDULE II
CANADA OJITOS UNIT
2005 PRODUCTION STATISTICS

	OIL (BOPM)	GAS (MCF/M)	WATER (BWPM)	GAS INJECTION* (MCF/M)
January	7541	25682	231	15056
February	6128	20121	190	8074
March	6650	43784	51	4688
April	7088	57378	94	0
May	6501	34622	180	0
June	8552	39226	57	0
July	6429	34145	0	0
August	5423	26523	160	0
September	6492	24947	61	0
October	6962	31775	10	0
November	6757	41432	5	0
December	9220	32934	2	0
Totals	83743	412569	1041	27818

CANADA OJITOS UNIT 2006 PRODUCTION

