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CBS OPERATING CORP.

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March 2, 2009
State of New Mexico
Department of Energy, Minerals & Natural Resources
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: 2009 Plan of Development
North Square Lake Unit
Eddy County, New Mexico

Ladies and Gentlemen:

Recap of 2008 Operations

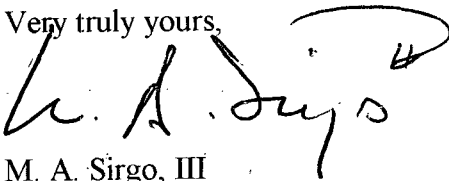
CBS Operating Corp. injected 775,456 BW into the North Square Lake Unit in 2008 compared to 319,000 BW in 2007. This resulted in a 15% increase in production in 2008 over 2007. Additionally, CBS repaired and restored NSLU #70 and NSLU #71 to active producing status as required under Agreed Order ACOI-136.

CBS Operating re-contoured and reseeded old abandoned well sites located on the North Square Lake Unit Well Nos. 62, 64, 136, 137, 127 and 151.

CBS Operating remediated surface spills from historical stuffing box leaks located at the North Square Lake Unit Well Nos. 24, 144, 123, 160, 149, 135, 114, 170, 156, 162, 158 and 106.

Plan of Development for 2009

- 1) CBS Operating will continue to increase injection volumes and employ enhanced recovery practices at the North Square Lake Unit.
- 2) CBS will reactivate the North Square Lake Unit Well No. 142 to active injection status.

Very truly yours,

M. A. Sirgo, III
Engineer

MAS/pr