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CBS OPERATING CORP.

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February 24, 2011
State of New Mexico
Department of Energy, Minerals & Natural Resources
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: 2011 Plan of Development
North Square Lake Unit
Eddy County, New Mexico

Ladies and Gentlemen:

Recap of 2010 Operations

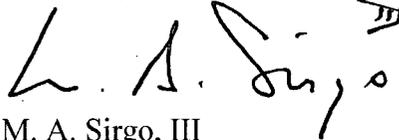
CBS Operating Corp. injected 731,448 BW into the North Square Lake Unit in 2010 compared to 820,781 BW in 2009. Production for 2010 was slightly higher than 2009. Production volumes for the North Square Lake Unit have increased by 46% since 2003 when CBS began its efforts to increase injection.

In 2010 CBS reactivated the North Square Lake Unit Well No. 142 to injection. CBS plugged old North Square Lake Unit injection Wells No. 59 and No. 20.

Plan of Development for 2011

- 1) CBS Operating Corp. intends on increasing injection capacity at the North Square Lake Unit by adding new pump capacity to the existing injection facility.
- 2) As a result of increasing injection capacity at the North Square Lake Unit, CBS Operating will complete pending new C-108 injection wells.

Very truly yours,



M. A. Sirgo, III
Engineer

MAS/pr