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William F. Carr

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May 1, 2003

**HAND DELIVERY**

Richard Ezeanyim, P.E.  
Chief Engineer  
Engineering Bureau  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: CBS Operating Corporation  
North Square Lake Unit Pressure Maintenance Project  
Oil Conservation Division Order No. R-11435-A

Dear Mr. Ezeanyim;

This supplements my letter of March 26, 2003 that addressed the current status of the efforts of CBS Operating Corporation in the North Square Lake Unit Area and its efforts to comply with the requirements of Oil Conservation Division Order No. R-11435-A.

Since March 26, 2003, in preparation for meetings and possible hearings before the Division, CBS contacted the State Engineer's office and is compiling the most complete data available on the existence of fresh water, or lack thereof, in the area of its operations.

Shortly after assuming operations of the North Square Lake Unit, CBS Operating Corporation filed drilling permits for the first phase of the pressure maintenance project contemplated under the Division's order. These permits were filed in December 2002. The permits have yet to be approved as a result of the BLM's efforts to assure and address all issues related to the cumulative impact of the project. These issues include wildlife, archaeology, surface use and recreational considerations. CBS ultimately had to contract a third party biologist for wildlife issues and is conducting block archaeological surveys over large areas of the unit, versus just surface locations. CBS and the BLM expect to have reached an agreement on all issues governing development of the project sometime in June, at which time we will be issued permits allowing

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CBS to commence the project covered by the Division's order. This agreement will ultimately dictate the development of North Square Lake Unit.

While this proceeds, CBS continues its work on the wells in the Unit Area. CBS has now repaired and restored to production 38 wells and believes it has completed the consolidation of tank batteries that will be required by the BLM. In March, bradenhead tests were run on all eleven of the CBS injection wells that confirmed their mechanical integrity. These tests were witnessed by Division field personnel.

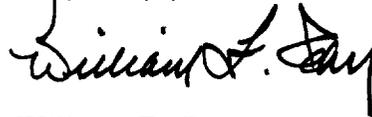
CBS is continuing to invest substantial resources in this effort and is anxious to resolve all regulatory issues concerning this project. We will be happy to meet with the Division at any time to review our efforts and can report our progress to you at any time and in any manner you desire.

While the issues with Order No. R-11435-A that are addressed in my March 26, 2003 letter still remain, no activity is being conducted on these properties that was not previously authorized by the Division. If CBS was not attempting to clean up this project area and implement enhanced recovery operations, I believe the hearings that resulted in Order No. R-11435-A would not have been needed for no additional regulatory proceedings or approvals would have been required.

In my March letter, I pointed out that the authority granted by the Order R-11435-A expires of its own terms on May 30, 2003. CBS again requests that the Division grant an extension of this authority while we conclude our negotiations with the BLM and resolve the remaining regulatory issues concerning our efforts to implement a pressure maintenance project in the North Square Lake Unit.

You consideration of this request is appreciated.

Very truly yours,



William F. Carr

cc: Mr. David Cotner  
Mr. John L. Cox