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RECEIVED

DEC 06 2004

OIL CONSERVATION  
DIVISION

December 1, 2004

Attention: Armando A. Lopez  
Bureau of Land Management  
2909 West Second Street  
Roswell, NM 88021

Commissioner of Public Lands  
Attention: Pete Martinez  
Oil, Gas and Minerals Division  
New Mexico State Land Office  
P. O. Box 1148  
Santa Fe, NM 87504-1148

Attention: Roy Johnson  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87503

Re: 2004-2005 Plan of Development and Operation  
Cat Head Mesa Unit Area  
Socorro County, New Mexico

Gentlemen:

Primero Operating, Inc., Operator of the Cat Head Mesa Unit Agreement No. NMNM 106852X, Socorro County, New Mexico, requests your approval of the following proposed 2004-2005 Plan of Development and Operation of the Cat Head Mesa Unit Area and the summary of operations conducted under the 2003 Plan.

1. Summary of operations conducted under the 2003 Plan of Development and Operation. As reported in various Sundry Notices and Reports (a) the October 23, 2003 re-entry and attempted completion of the No. 1 Cat Head Mesa (now No. 1 CHMU) well (API No. 30-53-20012) was unsuccessful and the well was plugged and abandoned October 30, 2003 and (b) the No. 1 Dulce Draw State (now No. 2 CHMU) well (API No. 30-053-20014) which was successfully re-entered July 15, 2004 flowed gases containing carbon dioxide and helium at various rates from several perforated intervals in the Abo Formation and is planned for the testing of additional zones prior to completion.
2. The 2004-2005 Plan of Development and Operation of the Cat Head Mesa Unit Area. Primero has applied for and obtained approval from the New Mexico Oil Conservation Division for the permit to

drill the No. 3 CHMU well (API No. 30-053-20037) at a location in the SESW of Section 3, T. 4 S., R. 9 E. Primero proposes (a) to commence the drilling of the No. 3 CHMU well on or before April 1, 2004, (b) to delay the completion of the No. 2 CHMU well in order to utilize the results from the No. 3 CHMU well to enhance completion planning for the No. 2 CHMU well and (c) subject to finalization of a contract with the Bureau of Land Management Amarillo Field Office for helium rights on the federal lands in the Unit Area, to commence within six months after completion of the No. 2 CHMU well, the drilling of the No. 4 CHMU well at a site "located minimum of two miles from" the No. 1 and No. 2 CHMU wells as provided for in Section 9 of the Agreement.

If you approve please so indicate in the space provided below and return a copy of this letter to us.

Very truly yours,

Primero Operating, Inc.

By: Ben Donegan  
Ben Donegan, Agent

We approve the proposed 2004-2005 Plan of Development and operation of the Cat Head Mesa Unit Area and summary of operations conducted under the 2005 Plan of Development and Operation described above:

\_\_\_\_\_  
Bureau of Land Management

\_\_\_\_\_  
Date

\_\_\_\_\_  
New Mexico Commissioner of Public Lands

\_\_\_\_\_  
Date

RE Blum  
\_\_\_\_\_  
New Mexico Oil Conservation Division

12/7/04  
\_\_\_\_\_  
Date

BD/nn

Encls.