

BEN DONEGAN
3224 CANDELARIA NE
ALBUQUERQUE, NEW MEXICO 87107

Phone 505 884-2780
Fax 505 888-2621

March 23, 2006

Attention: Alexis Swoboda
Bureau of Land Management
2909 West Second Street
Roswell, NM 88021

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

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

2006 MAR 27 PM 12 33

Re: 2006 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 2006 Plan of Development and Operation of the Cat Head Mesa Unit Area and the summary of operations conducted under the 2004-2005 Plan.

1. Summary of operations conducted under the 2004-2005 Plan of Development and Operation. The completion of the No. 2 CHMU (formerly the No. 1 Dulce Draw State) well continues to be delayed awaiting results from the current testing and completion of the No. 3 CHMU well. The No. 3 CHMU well was drilled to a total depth of 3,491' and 5½" casing was cemented at 3,204' after nine days of unsuccessful fishing for 287' of stuck drill collars. Following inconclusive test results from several intervals, the well flowed 280 mcf/d of gas (67.64% N₂, 26.32% CO₂ and 3.44% He) after frac of Abo sands from 3,143-3,175'. A March 13, 2006 Fekete analysis of a 142 hour buildup test of the 3,143-3,175' interval indicated that the zone could yield 1,000 mcf/d if the well "is properly cleaned up and a skin of zero is obtained." Further testing of the well of the well is planned. Copies of the No. 3 CHMU well Fekete analysis, drilling and completion history and gas analyses are enclosed and are also on the Primero Operating, Inc. website.

March 23, 2006

Page 2

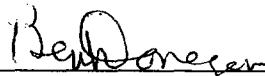
2. The 2006 Plan of Development and Operation of the Cat Head Mesa Unit Area. Further testing of the No. 3 CHMU well is planned to be followed by the completion of the No. 2 CHMU well to be followed by the drilling of the No. 4 CHMU well at a location on federal land not less than two miles from the No. 1 and No. 2 CHMU wells as provided in Section 9 of the Unit 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, Agent

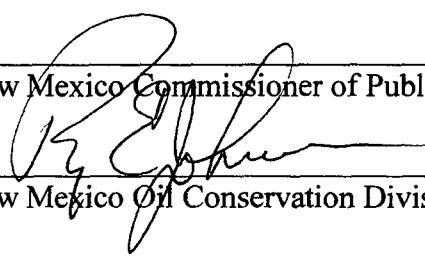
We approve the proposed 2006 Plan of Development and Operation of the Cat Head Mesa Unit Area and summary of operations conducted under the 2004-2005 Plan of Development and Operation described above:

Bureau of Land Management

Date

New Mexico Commissioner of Public Lands

Date



New Mexico Oil Conservation Division

Date

BD/nn
Encls.

3/30/06

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

April 11, 2006

Primero Operating, Inc.
3224 Candelaria NE
Albuquerque, New Mexico 87107

Attn: Mr. Ben Donegan

Re: 2006 Plan of Development
Cat Head Unit
Socorro County, New Mexico

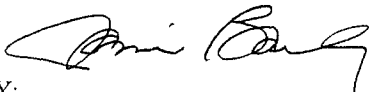
Dear Mr. Donegan:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS



BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

PL/JB/cpm
xc: Reader File



BLM

-State Land Office Beneficiaries -

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