



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE
1000 RIO BRAZOS ROAD
AZTEC NM 87410
(505) 334-6178 FAX: (505) 334-6170
[http://emnr.state.nm.us/ocd/District III/district.htm](http://emnr.state.nm.us/ocd/District%20III/district.htm)

GARY E. JOHNSON
Governor

Jennifer A. Salisbury
Cabinet Secretary

April 30, 1999

Certified Receipt #Z 437 492 332

Glenn Papp
Synergy Operating LLC
P O Box 5513
Farmington, NM 87499-5513

30 045-22568
Santa Fe H #3

RE: Violations in the Snake Eyes Field Area, Section 20-21N-08W..

Dear Mr. Papp:

The three wells in the Snake Eyes field area belonging to Synergy lack proper well signing. These wells are the Santa Fe 20 #2 SWD, Santa Fe H 20 #1 and Santa Fe 20 #3.

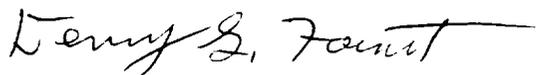
The Santa Fe H 20 #1 has an associated earthen pit, with no netting containing black oil and water in the pit. The Santa Fe 20 #3 has an associated pit with a single liner, no netting, containing a skim of black oil and water. The liner is broken and the liquid line is above the liner breaks.

These violations were documented during inspections on January 5, 1999. I met with Steve Dunn of Merrion Oil and Gas on January 6, 1999 to outline these problems and a number of others associated with various Entrada oil fields. Merrion responded with the enclosed letter dated January 27, 1999. I notified Pat Hegarty of Synergy Operating LLC by telephone as to the violations and requirements to bring these wells into compliance. Since this period I have talked to Glenn Papp about the situation twice.

The New Mexico Oil Conservation Division directs Synergy to immediately place well signs on the three wells cited above. These signs are to comply with NMOCD Rule 103, note new well signs are to include API number. The two earthen pits associated with these wells are to be closed to meet NMOCD guidelines. Synergy has until May 17, 1999 to submit a schedule for pit closure, oil is to be removed from the pits immediately.

If you have questions, please feel free to contact me at 505-334-6178, ext 15.

Yours truly,


Denny G. Foust
Environmental Geologist

Enclosure

XC: DGF File
Operator File
Well Files

MERRION

OIL & GAS

810 Rally Avenue
Farmington New Mexico 87401
Ph: 505-327-8801
Fax: 505-328-8900

January 27, 1999

VIA FACSIMILE

Mr. Denny Foust
Deputy Oil & Gas Inspector

NM Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Subject: Entrada Field Pit Cleanups

JAN 27 1999
COMMUNICATIONS

Dear Mr. Foust:

Merrion is submitting this letter because of our meeting three weeks ago.

As I indicated to you then, we are in the process of turning over operation of all of our Entrada fields but Ojo Encino to Synergy Operating, LLC. Consequently, at all but Ojo Encino we would propose to let Synergy Operating, LLC. take care of the deficiencies you identified for two reasons.

First, because Entrada oil is especially difficult to clean up when cold, we would want to delay any pit cleanups until late spring or early summer when the temperature would assist in the effort. By that time Synergy Operating, LLC will be the official operator of the affected fields.

Second, because of the impending change it would be prudent to wait to replace any well signs until the new operator takes over.

As to Ojo Encino, we would propose to go ahead and install a chicken wire netting over the pit during February and cleanup the pit during May 1999.

If this proposal meets with your approval please let me know.

I apologize for not responding sooner but I wanted to confirm that the operation change is eminent.

Sincerely,



Steven S. Dunn
Drilling & Production Manager

Cc: Patrick Hegarty, Synergy Operating, LLC

325-5449

RECEIVED
JAN 27 1999