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April 12, 2005

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Synergy Operating, LLC, are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the May 5, 2005 hearing. Thanks.

Very truly yours,



James Bruce

Attorney for Synergy Operating, LLC

2005 APR 12 PM 2 25

Case 13486

Parties Being Pooled

Margaret Hassleman Jones  
Margaret M. Drabek  
Egid Schmitt and wife Edith Schmitt  
Eleanor Schmitt  
Dorothy Schmitt  
Mildred Schmitt  
Alice Schmitt  
Pauline Kellogg  
(addresses unknown)

Earnest Smith and  
Edwin Smith  
40758 Jasper Drive  
Kingsbury, California 93631

June Walmsley Estate  
c/o Jerry T. Walmsley  
801 West Paradise Road  
Spokane, Washington 99224

June Walmsley Estate  
c/o Jana Nelson  
4003 East Broadway  
Spokane, Washington 99202

PROPOSED ADVERTISEMENT

Case No. 13486 : **Application of Synergy Operating, LLC for compulsory pooling, San Juan County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland Coal formation underlying the W/2 of Section 8, Township 29 North, Range 11 West, NMPM, to form a standard 320-acre gas spacing and proration for any pools or formations developed on 320-acre spacing within that vertical extent, including the Basin-Fruitland Coal Gas Pool. The unit is to be dedicated to the Duff 29-11-8 Well No. 104, to be drilled at an orthodox location in the NW/4 of Section 8. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 6 miles south-southwest of Aztec, New Mexico.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2005 APR 12 PM 2 25

APPLICATION SYNERGY OPERATING,  
LLC FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

Case No. 13486

APPLICATION

Synergy Operating, LLC applies for an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal Gas Pool underlying the W $\frac{1}{2}$  of Section 8, Township 29 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$  of Section 8, and has the right to drill a well thereon.
2. Applicant proposes to drill its Duff 29-11-8 Well No. 104, at an orthodox location in the NW $\frac{1}{4}$  of Section 8, to a depth sufficient to test the Fruitland Coal formation, and seeks to dedicate the W $\frac{1}{2}$  of Section 8 to the well to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Basin-Fruitland Coal Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$  of Section 8 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$  of Section 8, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 8 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 8, from the surface to the base of the Basin-Fruitland Coal Gas Pool;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
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(505) 982-2043

Attorney for Synergy Operating, LLC