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Oil Conservation Division
1220 S. St. Francis Drive
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October 25, 2006

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Order No. R-12451/Case Nos. 13,537 (Lance Oil & Gas Company, Inc.) and
13,539(Synergy Operating, LLC)/W½ §22-29N-13W

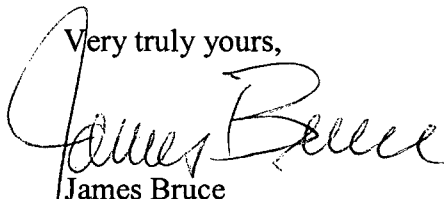
Dear Mr. Fesmire:

The above order required the operator (Lance) to commence the first well on the W½ §22 by February 27, 2006. Lance proposed to drill the first well in the NW¼ §22. Apparently Lance has obtained three extensions of the commencement deadline, to December 31, 2006. I was not provided with copies of the extension requests. In addition, in December 2005 my client (Synergy) paid Lance over \$240,000.00 as a consenting interest owner in both wells, which Lance is holding with no interest being paid to Synergy.

In its latest extension request, Lance claimed lack of rig availability as the reason for the extensions. Synergy believes that rigs are available; the inability of Lance to drill at its proposed location is because the well is in a reservoir. Synergy testified about this problem at the hearing in this case, and its testimony has proved accurate.

Based on the foregoing, Synergy requests that no further well commencement extensions be granted to Lance, because Synergy will be applying to re-open the cases to name Synergy as operator of the W½ §22.

Very truly yours,



James Bruce

Attorney for Synergy Operating, LLC

cc: W. Thomas Kellahin