

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 14,174

VERIFIED STATEMENT OF PATRICK HEGARTY

Patrick Hegarty, being duly sworn upon his oath, deposes and states:

1. I am a principal in and landman for Synergy Operating, LLC, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1210.A(1)(b), the following information is submitted in support of the application:

(a) No opposition to this application is expected because the mineral interest owners being pooled are either unlocatable or have simply not responded to well or lease proposals.

(b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland Coal formation underlying the E $\frac{1}{2}$ of Section 7, Township 29 North, Range 13 West, NMPM, to form a standard 320-acre gas spacing and proration unit for all 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 Powers 29-13-7 Well No. 110, to be drilled from a surface location 1953 feet from the north line and 752 feet from the west line of Section 7, to an orthodox bottomhole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 7.

(c) The parties being pooled, their interests in the well unit, and their last known addresses, are listed on Exhibit B.

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit C.

Oil Conservation Division
Case No. _____
Exhibit No. 1

- (e) Interest owners who are not locatable are highlighted in yellow on Exhibit B. To try to locate these interest owners, Synergy Operating, LLC examined the San Juan County records, telephone directories and records in the counties of the last known residences of the out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender.
- (f) One notice letter, to Mary Ann Parker, has not been picked up at the post office. Synergy Operating, LLC has been speaking with Ms. Parker's brother, John Pruitt, on a bi-weekly basis for almost a year. The minerals were tied up in a trust that recently conveyed its mineral interest to John Pruitt, Mary Ann Parker and Aubrey M Pruitt. After we obtained a copy of the conveyance we sent Mary Ann Parker a proposal letter to the address in the conveyance. John Pruitt informed the undersigned that he has been in contact with his sister about the drilling of the proposed well.
- (g) Synergy Operating, LLC has made a good faith effort to obtain the voluntary joinder of interest owners in the well.
- (h) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.
- (i) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of San Juan County.
- (j) Overhead charges of \$5,000/month for a drilling well, and \$500/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Synergy Operating, LLC requests that the rates be adjusted under the COPAS accounting procedure.
- (k) Applicant requests that it be designated operator of the well.

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

DISTRICT II
1801 W. Grand Avenue, Artesia, N.M. 88210

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Asteo, N.M. 87410

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name POWERS 29-13-7		*Well Number 110
*OGRID No. 163458	*Operator Name SYNERGY OPERATING, L.L.C.		*Elevation 5268'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	7	29N	13W		1953'	NORTH	752'	WEST	SAN JUAN

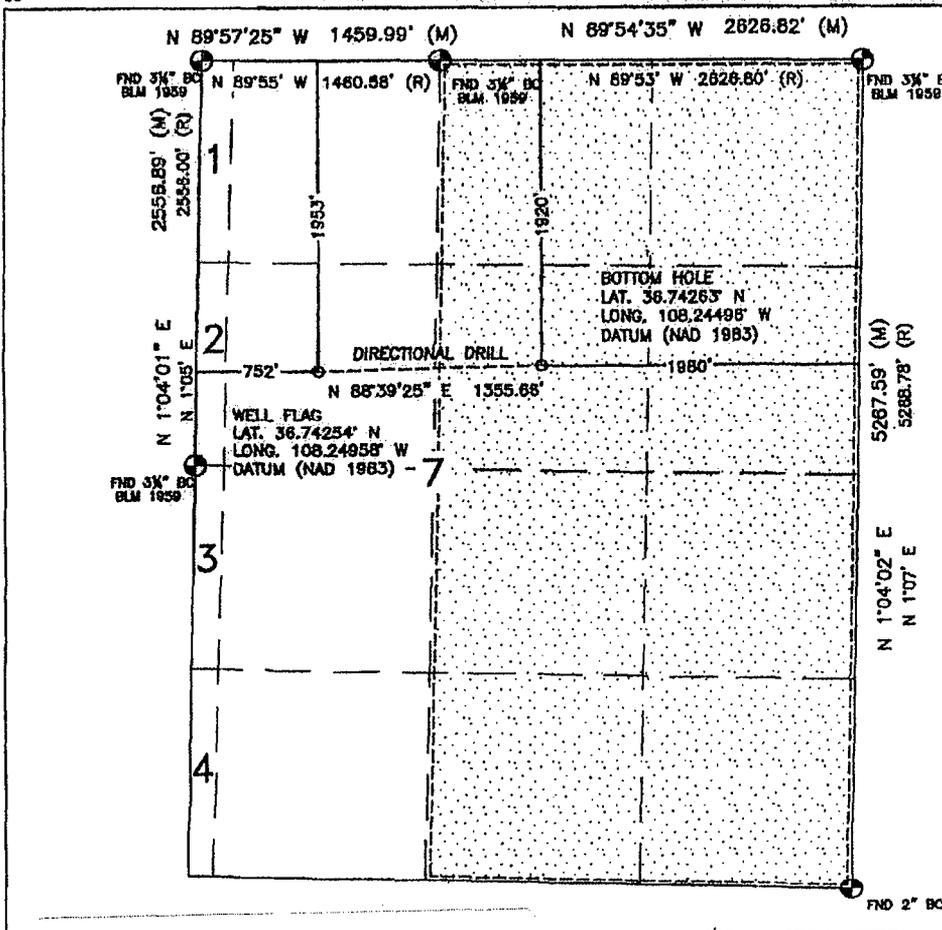
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	7	29N	13W		1920'	NORTH	1980'	EAST	SAN JUAN

¹² Dedicated Acres 320 Acres - (E/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or retained mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner or a compulsory pooling order heretofore entered by the division.

Glen O. Papp 6-14-08
Signature Date

GLEN O. PAPP
Printed Name

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JUNE 3, 2008
Date of Survey

Signature and Seal of Professional Surveyor:
David R. Russell

DAVID RUSSELL
Certificate Number 10201

EXHIBIT **A**

T 29 N R 13 W SECTION 7

4/7/2008

STAND-UP PLAT

TRUNCATED SECTION - TOTAL ACRG IN SEC. 499 A

SHORT SECTION	LOT 1- 4.64 A	NMNM 0468127 ELLIOT HALL HBP PREV. LS	NM117580 BAYLESS NWNWNE W2SWNWNE 15 A POWELL 25 A	POWERS 40 A
	NWNW-D	NENW-C 40.00 A	NWNE 40.00 A	NENE 40.00 A
	LOT 2 4.71 A	LOTS 5,7,8,11,12 FED NMNM117581 BAYLESS 24.03 A BLM - 15.97 AC	POWERS 40 A	1/2 POWERS - 20 1/2 BLAKE HEIRS-20
	SWNW-E	SENW-F 40.00 A	SWNE-G 40.00 A	SENE-H 40.00 A
	LOT 3 4.79 A	McDONALD FAMILY ETC.	POWERS 9.1275	
NWSW-L	NESW-K 40.00 A	NWSE-J 40.00 A	NESE-I 40.00 A	
LOT 4 4.86 A	McDONALD FAMILY ETC.			
SWSW-M	SESW-N 40.00 A	SWSE-O 40.00 A	SESE-P 40.00 A	

E/2	320.0000
W/2	179.0000
TOTAL ACRES	499.0000

EXHIBIT

B

CURRENT LIST OF OWNERSHIP - 29/13 S 7 (THE LIST)		THE LIST		7/24/08		10:30		L 3 & 4				
SYNERGY LEASED ACREAGE N2 & S2	LEASE	NE	NW	NWSE	NESE	SESE	SWSE	E2 SW	W2SW	E/2	W/2	TOTAL
CARLYE L. DALLAS	6/28/2007	0.83334		0.39580						1.22914	0.00000	1.22914
JAMES W. DALLAS (AS HEIR) -	6/28/2007	0.83333		0.39580						1.22913	0.00000	1.22913
JAMES W. DALLAS (PERSONAL)	6/28/2007			0.69800						0.69800	0.00000	0.69800
SHELTON B. DALLAS	3/26/2008	0.83333		0.39580						1.22913	0.00000	1.22913
ALBERT PORTER BLAKE (SON)	7/6/2007	2.50000		1.18750						3.68750	0.00000	3.68750
PAULA BRIGGGS (DAUGHTER)	7/17/2007	2.50000		1.18750						3.68750	0.00000	3.68750
RUBY HICKS (DAUGHTER)	11/30/2007	2.50000		1.18750						3.68750	0.00000	3.68750
SUZANNE JOHNSON (James S.)	12/26/2007	1.25000		0.59375						1.84375	0.00000	1.84375
KAY ROTH (James Sylvester Blake)	12/28/2007	1.25000		0.59375						1.84375	0.00000	1.84375
JIM PHILLIPS (incl Pat Rod Neumi)	12/21/2007	2.50000		1.18750						3.68750	0.00000	3.68750
DANNY HAYES	12/27/2007	1.25000		0.59375						1.84375	0.00000	1.84375
DARYL HAYES	2/8/2008	1.25000		0.59375						1.84375	0.00000	1.84375
PATRICIA ROBISON (10 HEIRS OF ALBERTA B.)	3/15/2008	2.50000		1.18750						3.68750	0.00000	3.68750
NESE - P. E. SITTON CORP.	1/14/2008			8.36364						8.36364	0.00000	8.36364
JOHN W. NORTON	2/14/2008			2.78788						2.78788	0.00000	2.78788
BARBARA L. NORTON	2/15/2008			2.78788						2.78788	0.00000	2.78788
S. HOWARD NORTON III	2/19/2008			2.78788						2.78788	0.00000	2.78788
ROBERT WALKER (ARRINGTON)	3/11/2008			0.72727						0.72727	0.00000	0.72727
MARY LOU WOOLSEY et al (ARRINGTON)	4/24/2008			1.69695						1.69695	0.00000	1.69695
SCOTT LEE IBEY	5/9/2008			1.18787						1.18787	0.00000	1.18787
CHRISTINE L. TUMINARO	5/6/2008			0.33939						0.33939	0.00000	0.33939
TABITHA C. DAVIDSON	5/9/2008			0.16970						0.16970	0.00000	0.16970
JOHN BURTON ARRINGTON	5/6/2008			0.72727						0.72727	0.00000	0.72727
THOMAS ARRINGTON	4/29/2008			0.72727						0.72727	0.00000	0.72727
JEAN A. ASHCRAFT												
BRITA HARTT (From Nichols)	8/13/2007			13.25250						13.25250	0.00000	13.25250
HELEN WHITTEMORE	10/29/2007			6.70150						6.70150	0.00000	6.70150
PAUL WM. FAUST	11/29/2007			3.35075						3.35075	0.00000	3.35075
Cheryl Keith	11/30/2007			3.35075						3.35075	0.00000	3.35075
GILBREATH	2/26/2008			3.38990						3.38990	0.00000	3.38990
SUN VILLAGE - WOODS	4/25/2008			0.20180						0.20180	0.00000	0.20180
SUN VILLAGE - KENNETT	5/1/2008			0.18490						0.18490	0.00000	0.18490
SUN VILL - ROBERT M. DAVIS et al	6/4/2008			0.18520						0.18520	0.00000	0.18520
SUN VILL - STEVEN & WENDELVYN MERRELL	6/26/2008			0.18500						0.18500	0.00000	0.18500
SUN VILL-DANNY J. AND FLOSSIE JORDAN	6/14/2008			0.24200						0.24200	0.00000	0.24200
JAKS ENT.	12/21/2007			6.36100						6.36100	0.00000	6.36100
DEVILBESS, NICK G.	11/16/2007			7.94140				8.01000		0.00000	8.01000	8.01000
ROBIN STRIMAN	6/4/2007			0.59000						0.59000	0.00000	0.59000
BATEMAN	5/31/2007											
MIKE THOMASON - McDONALD HEIR	8/6/2007											
MRS. EVE THOMASON, TRUST (McD)	8/10/2007											
MRS. EVE THOMASON, HEIR* (McD)	8/10/2007											
MRS. ENID TIDWELL, HEIR* (McD)	8/7/2007			1.20610						1.20610	0.00000	1.20610
WEST APACHE MINT STORAGE	2/28/2008			1.20610						1.20610	0.00000	1.20610
SANDRA COLLINS, PERS. REP.	3/10/2008											
CLARA JO HOWARD	6/3/2008											
MANN INC. (LOTS 2 & 3)	4/12/2008			0.88760								
R & C INVESTMENTS (LOTS 2 & 3)	4/12/2008			0.88760								
DON R. GRACE	6/17/2008											
DELLE MARIE CASSELLBERRY, TRUSTEE	7/16/2008			1.01000								
MARY A. NEWLON	7/10/2008											
TOTAL LSD		20.00000	1.77520	22.15150	22.30300	39.81530	5.79580	66.94640	2.86000	110.06560	71.58160	181.64720

*ALL ROYALTY 15%, UNLESS NOTED OTHERWISE

II - UNLEASED	RRR	1ST F.P. LTR	NE	NW	NWSE	NESE	SESE	SWSE	E2 SW	W2 SW	E/2	W/2	TOTAL
CITY OF FARMINGTON - W2SW 1.8176 ac			0.13970					0.35000	1.70360	1.81760	0.35000	1.81760	2.16760
NM STATE HWAY DEPT.								3.30300	1.70360	0.1124	3.44270	1.81600	5.25870
A. LORRAINE POWERS TRUST		Grn Card Rec'd	124.86030		9.12750						133.98780	0.00000	133.98780
JOHN L. PRUITT								4.93752			4.93752		4.93752
AUBREY M. PRUITT								4.93752			4.93752		4.93752
MARY ANN PARKER								4.93752			4.93752		4.93752
CLARENCE GWYN PRUITT		Grn Card Rec'd						1.71771			1.71771	0.00000	1.71771
DOVY ANN LEDFORD		Grn Card Rec'd						1.71771			1.71771	0.00000	1.71771
LARRY LEE PRUITT		Grn Card Rec'd						1.71771			1.71771	0.00000	1.71771
TIMOTHY RAY PRUITT		Grn Card Rec'd						1.71771			1.71771	0.00000	1.71771
JAMES EDWARD PRUITT		Grn Card Rec'd						1.10174			1.10174	0.00000	1.10174
BARBARA KRONIG		Grn Card Rec'd						1.65261			1.65261	0.00000	1.65261
SANDRA WITTEN		Grn Card Rec'd						1.10174			1.10174	0.00000	1.10174
CHERYL NORDSTRUM		Grn Card Rec'd						0.55087			0.55087	0.00000	0.55087
SANDRA KAY PRUITT		RRR NOT SENT						1.82042			1.82042	0.00000	1.82042
LINDA GAY DUNCAN		RRR NOT SENT						1.82042			1.82042	0.00000	1.82042
DWIGHT D. ARTHUR, TRUSTEE		NOT SENT						11.35000			11.35000	0.00000	11.35000
JESS GAREN MARKLE		NOT SENT			0.69500						0.69500	0.00000	0.69500
SUN VILL-C. DENNIS BEASLEY et ux 326-274:		NOT SENT				0.18470					0.18470	0.00000	0.18470
ARRINGTON FAMILY - REID ARRINGTON		LEASING			0.72720						0.72720	0.00000	0.72720
AMY MUEHLEBACH		LEASING			3.39400						3.39400	0.00000	3.39400
TOTAL UNLEASED			125.00000	0.00000	9.82250	4.12120	0.18470	33.38420	13.05360	1.93000	172.51260	14.98360	187.49620
III - PARTICIPANTS:													
BAYLESS - FED. LS			15.00000	24.03000							15.00000	24.03000	39.03000
BLM UNLSD		???		15.97000							0.00000	15.97000	15.97000
ELLIOTT-HALL				44.64000							0.00000	44.64000	44.64000
McELVAIN FROM CITY - LOT 2				2.93480							0.00000	2.93480	2.93480
RICHARDSON LS - LOT 4										4.86000	0.00000	4.86000	4.86000
CLAYTON INVESTMENT COMPANY		NEED OP. AGR						0.82000			0.82000	0.00000	0.82000
TOTAL PARTICIPATING			15.00000	87.57480	0.00000	0.00000	0.00000	0.82000	0.00000	4.86000	15.82000	92.43480	108.25480
IV - UNABLE TO LOCATE:													
ESTHER T. CHELITE		DECEASED				3.39360					3.39360	0.00000	3.39360
GEORGE ARTHUR ENGLAND						0.72720					0.72720	0.00000	0.72720
ANITA JEANNE MCCOLLUM						0.72720					0.72720	0.00000	0.72720
THELMA McFARLAND						0.72720					0.72720	0.00000	0.72720
RUTH PEARSON, DECEASED (SON GEORGE?)						8.00060					8.00060	0.00000	8.00060
E. B. & MARY RIPPEOE		UNKNOWN				4.50000					4.50000	0.00000	4.50000
ROSS HARWOOD		UNKNOWN				2.50000					2.50000	0.00000	2.50000
RAFAELITA CHAVEZ		UNKNOWN				1.02600					1.02600	0.00000	1.02600
TOTAL UNLOCATABLES						8.02600					21.60180		21.60180
TOTAL I, II, III, IV			160.00000	89.35000	40.00000	40.00000	40.00000	40.00000	80.00000	9.65000	320.00000	179.00000	499.00000

(THE LIST - CURRENT OWNERSHIP 7-29-13)

Also know that we cannot drill on your land, unless you allow it. If you sign the oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to make an additional \$5,000.00. We will pay your family an additional \$5,000.00 for the right to locate a well on a parcel of land that you choose. Again let me repeat we will only use your land to drill a well and lay a pipeline if you want to make an additional \$5,000.00.

Attached is an explanation of why the State government regulates the number of wells that can be drilled in an area. The state makes sure every mineral owner is properly protected. The picture shows what drilling looked like before the state was involved.

I included three extra copies of this letter with envelopes for your children. My cell phone number is: 505-330-6431. I am willing to stop by your place, or you are welcome to visit us here at our office near the college to look at a map of possible drilling locations and meet the people who manage drilling operations.

Sincerely,

Synergy Operating, LLC



Patrick Hegarty
Principal

Enclosures:

Oil & Gas Leases

Well-Cost Estimate

Government Regulation Explanation with picture of 1930s well derricks



PO Box 5513
 Farmington, NM 87499
 (505) 325-5449
 Fax (505) 566-3750

mailed 6/11/08

June 6, 2008

Registered Mail RRR

Clarence G. Pruitt
 2501 Glade Rd.
 Farmington, NM 87401

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
 Powers 29-13-7 #110 located in the E/2 Sec. 7,
 T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own 1.71772 mineral acres in the east half of Section 7. This is good news because your family could receive regular checks, if we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill,
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$3,489.12, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$257.66 and a proportionate 15% Royalty interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on enclosed lease states that **NONE** of

g of oil and gas wells. Our state
 d picture shows what drilling looked

or 599-4903 with questions.

SENDER - COMPLETE THIS SECTION	RECIPIENT - COMPLETE THIS SECTION ONLY
<ul style="list-style-type: none"> 1 Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. 2 Print your name and address on the reverse so that we can return the card to you. 3 Attach this card to the back of the mailpiece, or on the front if space permits. <p>Article Addressed to:</p> <p style="text-align: center;">CLARENCE G. PRUITT 2501 GLADE RD. FARMINGTON, NM 87401</p>	<p>A. Signature <input checked="" type="checkbox"/> <i>Margery Pruitt</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Margery Pruitt</i> C. Date of Delivery <i>6-13</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below: _____</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

Article Number (Transfer from service label) **7007 1490 0001 3015 1779**



PO Box 5513
 Farmington, NM 87499
 (505) 325-5449
 Fax (505) 566-3750

June 9, 2008

Registered Mail RRR

Dovy Ann Ledford
 P. O. Box 5302
 Farmington, NM 87499

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
 Powers 29-13-7 #110 located in the E/2 Sec. 7,
 T29N, R13W San Juan County, New Mexico

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Option Three - Do nothing:

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Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to be paid more money. Again let me repeat, we will only use your land to drill a well and lay an associated pipeline if you want to make more money, otherwise the enclosed lease states that **NONE** of

SENDER - COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

DOVY ANN LEDFORD
P. O. BOX 5302
FARMINGTON, NM 87499

ADDRESSEE - COMPLETE THIS SECTION (NON-DELIVERABLE)

A. Signature
X Dovy Ann Ledford Agent
 Addressee

B. Received by (Printed Name)
Dovy Ann Ledford

C. Date of Delivery
 JUN 12 2008

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below No

2. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

of oil and gas wells. Our state picture shows what drilling looked like. Call me at 505-599-4903 with questions.

Article Number (Transfer from service label) **7007 1490 0001 3015 1762**

S Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540



PO Box 5513
 Farmington, NM 87499
 (505) 325-5449
 Fax (505) 566-3750

June 11, 2008

Registered Mail RRR

Larry L. Pruitt
 900 West 30th St.
 Farmington, NM 87401

File

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
 Powers 29-13-7 #110 located in the E/2 Sec. 7,
 T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own 1.71772 mineral acres in the east half of Section 7. This is good news because your family could receive regular checks, if we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill.
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$3,489.12, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$257.66 and a proportionate 15% Royalty Interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to be paid more money. Again let me repeat, we will only use your land to drill a well and lay an associated pipeline if you want to make more money, otherwise the enclosed lease states that **NONE** of your land will be used for drilling a well.

of oil and gas wells. Our state picture shows what drilling looked

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**LARRY L. PRUITT
 900 WEST 30TH ST.
 FARMINGTON, NM 87401**

ADDRESSEE: COMPLETE THIS SECTION

A. Signature
 X *Larry L. Pruitt* Addressee

B. Received by (Printed Name) _____ C. Date of Delivery _____

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

or 599-4903 with questions.

2. Article Number
 (Transfer from service label) **7007 1490 0001 3015 1755**

PS Form 3811, February 2004 Domestic Return Receipt 102404-02-000-1-040



PO Box 5513
 Farmington, NM 87409
 (505) 325-5449
 Fax (505) 566-3750

June 9, 2008

826-4594

Registered Mail RRR

Timothy R. Pruitt
 2415 Glade Rd.
 Farmington, NM 87401

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
 Powers 29-13-7 #110 located in the E/2 Sec. 7,
 T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own 1.71772 mineral acres in the east half of Section 7. This is good news because your family could receive regular checks, if we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill,
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$3,489.12, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$257.66 and a proportionate 15% Royalty Interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to be paid more money. Again let me repeat, we will only use your land to drill a well and lay an associated pipeline if you want to make more money, otherwise the enclosed lease states that **NONE** of your land will be used for drilling a well.

...line of oil and gas wells. Our state picture shows what drilling looked

...r 599-4903 with questions.

SENDER COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

TIMOTHY R. PRUITT
 2415 GLADE RD.
 FARMINGTON, NM 87401

RECIPIENT COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
x Margery Pruitt

B. Received by (Printed Name) Date of Delivery
Margery Pruitt *6-13*

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number
 (Transfer from service label)

7007 1490 0001 3015 1748

R Form 3811



PO Box 5513
 Farmington, NM 87499
 (505) 325-5449
 Fax (505) 566-3750

June 11, 2008

Registered Mail RRR

James E. Pruitt
 6617 NW Melody Lane
 Parkville, Missouri 64152

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
 Powers 29-13-7 #110 located in the E/2 Sec. 7,
 T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own 1.10174 mineral acres in the east half of Section 7. This is good news because your family could receive regular checks, if we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill,
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$2,237.90, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$165.26 and a proportionate 15% Royalty Interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to be paid money. As a last resort, we will only use your land to drill a well if the enclosed lease states that **NONE** of

of oil and gas wells. Our state picture shows what drilling looked

or 599-4903 with questions.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

JAMES E. PRUITT
6617 NW MELODY LANE
PARKVILLE, MISSOURI 64152

CONFIDENTIAL: THIS SECTION IS FOR THE RECIPIENT

A. Signature
 James E. Pruitt Agent
 Addressee

B. Received by (Printed Name) C. Date of Delivery
JAMES E. PRUITT *6-19-08*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) **7007 1490 0001 3015 1731**

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

June 11, 2008

Registered Mail RRR

Barbara A. Kronig
1121 Acoma Pl.
Farmington, NM 87401

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
Powers 29-13-7 #110 located in the E/2 Sec. 7,
T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own 1.85261 mineral acres in the east half of Section 7. This is good news because your family could receive regular checks. If we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill,
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$3,356.86, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$247.89 and a proportionate 15% Royalty Interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to be paid more money. Again let me repeat, we will only use your land to drill a well and lay an associated pipeline if you want to make more money, otherwise the enclosed lease states that **NONE** of your land will be used for drilling a well.

of oil and gas wells. Our state picture shows what drilling looked

or 599-4903 with questions.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

BARBARA A. KRONIG
1121 ACOMA PL.
FARMINGTON, NM 87401

ADDRESSEE: COMPLETE THIS SECTION ON DELIVERY

A. Signature
Barbara Kronig Agent Addressee

B. Received by (Printed Name) _____ C. Date of Delivery _____

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number
(Transfer from service label) **7007 1490 0001 3015 1724**

S Form 3811, February 2004 Domestic Return Receipt 102585-02-44-1540



PO Box 5513
 Farmington, NM 87499
 (505) 325-5449
 Fax (505) 566-3750

June 11, 2008

Registered Mail RRR

Sandra Sue Witten
 P. O. Box 593
 Boise, Idaho 73933

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
 Powers 29-13-7 #110 located in the E/2 Sec. 7,
 T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own 1.10174 mineral acres in the east half of Section 7. This is good news because your family could receive regular checks, if we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill,
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$2,237.90, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$165.28 and a proportionate 15% Royalty interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that NONE of your land will be used for drilling a well. The only way we can locate a well on

will only use your land to drill a well enclosed lease states that NONE of

of oil and gas wells. Our state picture shows what drilling looked

or 599-4903 with questions.

<p>SENDER COMPLETE THIS SECTION</p> <ul style="list-style-type: none"> ■ Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. <p>1. Article Addressed to:</p> <p style="text-align: center;">SANDRA SUE WITTEN P. O. BOX 593 BOISE, ID 73933</p>	<p>ADDRESSEE COMPLETE THIS SECTION</p> <p>A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>x <i>Sandra Witten</i></p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p><i>Sandra Witten</i> <i>6-20-08</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p> <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> <p>2. Article Number (Transfer from service label) 7007 1490 0001 3015 1717</p>
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June 11, 2008

Registered Mail RRR

Cheryl Nordstrom
3813 N. Butler
Farmington, NM 87401

s/o destination

RE: Proposed Gas Fruitland Coal / Pictured Cliffs Test Well
Powers 29-13-7 #110 located in the E/2 Sec. 7,
T29N, R13W San Juan County, New Mexico

We are drilling a gas test well that will involve your lands located in Section 7, of T29N, R13W. Based upon our examination of title you own .55087 mineral acres in the east half of Section 7. This is good news because you could receive regular checks, if we successfully drill a commercial gas well involving your minerals.

Listed below are three options for you to consider regarding our proposed well:

- One, you can participate in the well we drill,
- Two, you can sign an oil and gas lease and receive a cash bonus and royalty, or
- Three, you can do nothing. Allow me to review each of your options separately:

Option One - Participate:

Participation in our test well will cost you \$1,118.95, which is your proportionate share of the well's anticipated total cost of approximately \$650,000.00, based upon the attached well-cost estimate. If you wish to participate, please let us know and we will send you an invoice and an Operating Agreement for your further consideration.

Option Two - Lease:

You can elect to lease. We would pay you a bonus consideration of \$82.63 and a proportionate 15% Royalty Interest.

Option Three - Do nothing:

You may elect to do nothing. The New Mexico Oil Conservation Division requires that we try to obtain your permission before we drill this well. Rest assured your family should someday receive money from the well that we drill, but only after we have collected about two and one half times the amount we spend to drill, complete and equip the well. After we recoup this amount of money, you will own a working interest in the well, meaning that you will be responsible for your proportionate share of operating costs and plugging obligations.

Also know that we cannot drill on your land, unless you allow it. If you sign the enclosed oil and gas lease, it includes language to make sure that **NONE** of your land will be used for drilling a well. The only way we can locate a well on your land is if your family wants to be paid more money. Again let me repeat, we will only use your land to drill a well and lay an associated pipeline if you want to make more money. The enclosed lease states that **NONE** of

SENDER COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

CHERYL NORDSTROM
3613 N. BUTLER
FARMINGTON, NM 87401

ADDRESSEE COMPLETE THIS SECTION ON DELIVERY

A. Signature: *Cheryl Nordstrom* Agent Addressee

B. Received by (Printed Name): *Cheryl Nordstrom*

C. Date of Delivery: *JUN 18 2008*

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below.

3. Service Type: Certified Mail Express Mail Return Receipt for Merchandise C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

of oil and gas wells. Our state picture shows what drilling looked or 599-4903 with questions.





PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750

May 29, 2008

Mary Ann Parker
5015 E. Weldon Av.,
Phoenix, AZ 85018

Re: Mineral Interest
Township 29 North, Range 13 West
Portion of S/2 Section 7, San Juan County, New Mexico

Dear Ms. Parker:

According to a review of the County Records, it appears that the Heirs of Theresa Christine Pruitt own 14.81255 acres of Mineral Rights, more or less, in the South Half of Section 7, Township 29 North, Range 13 West, San Juan County, New Mexico. See Exhibit "A" attached.

Synergy Operating is interested in drilling two wells in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a proportionate 15% Royalty Interest, and a bonus of \$150.00 per acre for a paid-up lease. As a Tenant in Common, your mineral rights appear to be 4.93752 Acres.

Enclosed please find three copies of an Oil and Gas Lease. NOTE that this lease does not allow surface occupancy: this means no oil and gas operation can be located on your land. If acceptable, please sign all three copies in the presence of a notary public, returning two copies in the envelope provided. We will mail a check to you in the amount of \$740.63 within seven days of receipt of the executed lease.

In addition, we have enclosed an Affidavit of Heirship form to be signed in the presence of a notary public. This affidavit is needed because we have been unable to locate the will of Ada F. Pruitt; when filed in the county records, this document will help to clarify your ownership.

If you have any questions, please call me at my direct line ~~505-566-3702~~ or Cell 505-793-7214.

599-4903

Sincerely,

Synergy Operating, LLC

Dorothy Winer
Lease Analyst



PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750

May 29, 2008

Aubrey M. Pruitt
3839 E. Crocus Drive
Phoenix, AZ 85032

Re: Mineral Interest
Township 29 North, Range 13 West
Portion of 5/2 Section 7, San Juan County, New Mexico

Dear Mr. Pruitt:

According to a review of the County Records, it appears that the Heirs of Theresa Christine Pruitt own 14.81255 acres of Mineral Rights, more or less, in the South Half of Section 7, Township 29 North, Range 13 West, San Juan County, New Mexico. See Exhibit "A" attached.

Synergy Operating is interested in drilling two wells in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a proportionate 15% Royalty Interest, and a bonus of \$150.00 per acre for a paid-up lease. As a Tenant in Common, your mineral rights appear to be 4.93752 Acres.

Enclosed please find three copies of an Oil and Gas Lease. NOTE that this lease does not allow surface occupancy; this means no oil and gas operation can be located on your land. If acceptable, please sign all three copies in the presence of a notary public, returning two copies in the envelope provided. We will mail a check to you in the amount of \$740.63 within seven days of receipt of the executed lease.

In addition, we have enclosed an Affidavit of Heirship form to be signed in the presence of a notary public. This affidavit is needed because we have been unable to locate the will of Ada F. Pruitt: when filed in the county records, this document will help to clarify your ownership.

If you have any questions, please call me at my direct line 505-566-3702 or Call 505-793-7214.

Sincerely,

Synergy Operating, LLC

Dorothy Winer
Dorothy Winer
Lease Analyst

577-4903
Sheila,
Thanks for returning
my call.
I enjoyed speaking
with you.
d.



PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750

May 29, 2008

mailed 5/30/08

John L. Pruitt
2704 West Apache St.
Farmington, NM 87401

Re: Mineral Interest
Township 29 North, Range 13 West
Portion of S/2 Section 7, San Juan County, New Mexico

Dear John:

According to a review of the County Records, it appears that the Heirs of Theresa Christine Pruitt own 14.81255 acres of Mineral Rights, more or less, in the South Half of Section 7, Township 29 North, Range 13 West, San Juan County, New Mexico. See Exhibit "A" attached.

Synergy Operating is interested in drilling two wells in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a proportionate 15% Royalty Interest, and a bonus of \$150.00 per acre for a paid-up lease. As a Tenant in Common, your mineral rights appear to be 4.93752 Acres.

Enclosed please find three copies of an Oil and Gas Lease. NOTE that this lease does not allow surface occupancy; this means no oil and gas operation can be located on your land. If acceptable, please sign all three copies in the presence of a notary public, returning two copies in the envelope provided. We will mail a check to you in the amount of \$740.63 within seven days of receipt of the executed lease.

In addition, we have enclosed an Affidavit of Heirship form to be signed in the presence of a notary public. This affidavit is needed because we have been unable to locate the will of Ada F. Pruitt: when filed in the county records, this document will help to clarify your ownership.

If you have any questions, please call me at my direct line 505-566-3702 or Cell 505-793-7214.

577-4903

Sincerely,

Synergy Operating, LLC

Dorothy
Dorothy Winer
Lease Analyst

*Printed new
letterhead before mailing*



PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 325-6585

February 15, 2008

LINDA GAY DUNCAN
7104 N. 63RD DRIVE
GLENDALE, AZ 85301

623.221.3810
Cell 623.533.9614

Re: Mineral Rights Reserved in Section 7, SE/4
T29N R13W, San Juan County, New Mexico

Dear Ms. Duncan:

Our review of the San Juan County records indicates that the heirs of John Gaines and Oleta Pruitt own 3.64085 Acres of mineral rights in SWSE Section 7, Farmington, New Mexico. See attached Exhibit "A".

Synergy Operating is interested in drilling one or two wells in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a proportionate 15% royalty interest, and a bonus of \$150.00 per acre for a paid-up lease. As an heir of John Gaines and Oleta Pruitt, your mineral rights may be 1.82043 acres. At this time, we are not certain of the correct division of interest. Our final determination will be made by a Title Analyst.

Enclosed are three copies of an Oil and Gas Lease. If acceptable, please have all copies signed in the presence of a Notary Public, returning two copies in the envelope provided. We will mail a check to you for \$273.07 within seven days of receipt of the executed documents.

If you have further questions, my direct line is 505-599-4903.

Sincerely,

Synergy Operating, LLC

Dorothy Winer
Lease Analyst



PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750

February 15, 2008

SANDRA KAY PRUITT
19016 N. 71ST DR.
GLENDALE, AZ 85308

623.561.0881
Cell 623.505.8148

Re: Mineral Rights Reserved in Section 7, SE/4
T29N R13W, San Juan County, New Mexico

Dear Ms. Pruitt:

Our review of the San Juan County records indicates that the heirs of John Gaines and Oleta Pruitt own 3.64085 Acres of mineral rights in SWSE Section 7, Farmington, New Mexico. See attached Exhibit "A".

Synergy Operating is interested in drilling one or two wells in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a proportionate 15% royalty interest, and a bonus of \$150.00 per acre for a paid-up lease. As an heir of John Gaines and Oleta Pruitt, your mineral rights may be 1.82043 acres. At this time, we are not certain of the correct division of interest. Our final determination will be made by a Title Analyst.

Enclosed are three copies of an Oil and Gas Lease. If acceptable, please have all copies signed in the presence of a Notary Public, returning two copies in the envelope provided. We will mail a check to you for \$273.07 within seven days of receipt of the executed documents.

If you have further questions, my direct line is 505-599-4903.

Sincerely,

Synergy Operating, LLC

Dorothy Winer
Lease Analyst



PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750

February 11, 2008

Kay Pruitt
19016 N. 71st Drive
Glendale, AZ 85308

Dear Ms. Pruitt:

Enclosed are copies of the only documents that were recorded in San Juan County in regard to Oleta Pruitt since 1993.

- 1 - Notice of Oleta G. Pruitt Living Trust, dated May 17, 1993.
- 2 - Notice of a Revocable Trust, dated March 5, 2003.
- 3 - Warranty Deed signed by Tracy Williamson as Trustee of the Oleta G. Pruitt Living Trust dated May 17, 1993. (Notice it lists the older trust.)

It is very important to obtain copies of both of these Trusts and your father's probate.

John Booth is listed in the current Farmington phone book with the same address you gave me - and phone number - 505-325-0380, so you should be able to reach him, if needed.

We are doing our best to obtain all information available for you. I will go to the District Court to try to find a probate for John Gaines Pruitt. My direct office number is 505-599-4903; if I can't be reached there you can call my cell.

Sincerely,

A handwritten signature in cursive script that reads "D. Winer".

Dorothy Winer
Lease Analyst



Synergy Operating, LLC

March 5, 2008

Jess Garren Markle
880 Deer Trail
Farmington, NM 87401

Re: Mineral Interest - Lot Two of the Deer Trail Subdivision
Township 29 North, Range 13 West, Section 7
City of Farmington, San Juan County, NM

Dear Mr. Markle:

The offer we made to you on May 24, 2007 was based on the oil and gas lease that Richardson Production Co. had with the previous owner of your land. The lease expired in 1999 and was not renewed by Richardson.

Since that time, we have thoroughly researched the recorded documents of Section 7. We have found that three-fourths (3/4) of the mineral rights in this acreage were reserved by the original owners back in 1952. This means that only one-fourth of the mineral rights, being .695 mineral acres, went to you.

Synergy Operating is interested in drilling a well in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a 15% royalty interest, and our revised bonus offer is \$105.00 for a paid-up lease on your .695 mineral acres.

Enclosed please find three copies of an Oil and Gas Lease. NOTE that this lease does not allow surface occupancy; no oil and gas operation can be located on your land. If acceptable, please sign in the presence of a Notary Public, returning two copies in the envelope provided. We will send a check to you for \$105.00, within seven days of receipt of the executed documents.

We have a Notary in our office; if you prefer, you may stop by our office and have your signature notarized while we prepare the check for you. Please note that we have moved since you last visited us; our new building is at 3510 Messina Dr. Messina Dr. is across College Blvd., directly east of our previous office at the San Juan College Quality Center for Business.

Please call if you have questions; my direct line is 505-599-4903, my cell phone number is 505-793-7214.

Sincerely,

Synergy Operating, LLC

Dorothy Winer
Lease Analyst

PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750



PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 566-3750

April 25, 2008

C. Dennis and Frances R. Beasley
2410 Riverview Lane
Farmington, NM 87401

326.2743

Re: Mineral Rights in Section 7, South Half
T29N R13W, San Juan County, New Mexico

Dear Mr. and Mrs. Beasley:

Our review of the San Juan County records indicates that you own mineral rights in Lot 9 of .1847 Acres, more or less, in the south half of Section 7, Farmington, New Mexico.

Synergy Operating is interested in drilling a well in T29N, R13W - Section 7. We are offering an oil and gas lease for a three (3) year term, with a proportionate 15% royalty interest, and a bonus of \$150.00 per acre for a paid-up lease.

Enclosed are three copies of an Oil and Gas Lease with No Surface Occupancy. If acceptable, please have all copies signed in the presence of a Notary Public, returning two copies in the envelope provided. We will mail a check to you for \$50.00 within seven days of receipt of the executed documents.

Please call if you have questions; my direct line is 505-599-4903, cell phone number 505-793-7214.

Sincerely,

Synergy Operating, LLC

A handwritten signature in cursive script that reads "D. Winer".

Dorothy Winer
Lease Analyst

BAYLESS- Powers #110 well

Synergy Operating LLC
Authorization for Expenditure

Powers 29-13-7 #110

Drill, complete & equip 1100' (TVD) directional Fruitland Coal well

Location: T29N-R13W, Sec 7, U/L: E or F County: San Juan State: NM
E/2 (320-acres)

Operator: Synergy Operating

FACILITY COSTS		Gras Amount
5604	Installation	15,000.00
5617	Contract Services	20,000.00
TOTAL Facility Costs		35,000.00

INTANGIBLE COMPLETION		Gras Amount
4403	Completion Rig	17,000.00
4408	Stimulation Treatments	80,000.00
4409	Completion Fluids	10,000.00
4411	Trucking	40,000.00
4412	Equipment Rentals	6,000.00
4416	Logging & Perforating	15,000.00
4418	Completion Supervision	4,000.00
4423	Water to Disposal	3,000.00
4424	Air Package &	6,000.00
4430	Flowback Iron	4,000.00
4435	Portable Toilet	1000.00
TOTAL Intangible Completion		186,000.00

INTANGIBLE DRILLING		Gras Amount
3300	Site Access - Survey & Staking	2,000.00
3301	Site Access -	10,000.00
3303	Rig Mobilization	15,000.00
3304	Drilling - Footage	75,000.00
3308	Mud & Additives	4,000.00
3311	Water to Rig Pit	5,000.00
3312	Equipment Rental	20,000.00
3315	Openhole Logging	5,000.00
3317	Other Contract Services	75,000.00
3318	Drilling Supervision	4,000.00
3321	Cementing - Drilling	21,000.00
3324	Water/Mud to Disposal	25,000.00
3326	BOP Rental	3,000.00
3330	Wellsite Geologist	12,000.00
3331	Safety Svc/BOP Testing	1,500.00
3333	Anchors Sets & Test	1,000.00
3338	Casing Crew	4,000.00
TOTAL Intangible Drilling		282,500.00

EXHIBIT 

**SIGN & RETURN
THIS COPY**

TANGIBLE COMPLETION		Gross Amount
4419	Production Casing & Accessories	25,000.00
4502	Upper Wellhead	3,000.00
4503	Tubing	6,000.00
TOTAL Tangible Completion		34,000.00

TANGIBLE DRILLING		Gross Amount
3419	Surface Casing &	4,000.00
3425	Wellhead	2,000.00
TOTAL Tangible Drilling		6,000.00

TANGIBLE EQUIPPING		Gross Amount
5501	Sucker Rods &	10,000.00
5502	Valves & Fittings	15,500.00
5503	Downhole Pump	4,000.00
5504	Pumpjack & Base	18,000.00
5506	Flowline	10,000.00
5507	Separators	10,000.00
5508	Storage Tanks	14,000.00
5510	Engines & Motors	8,000.00
5511	Metering Equipment	12,000.00
5515	Noise Abatement	5,000.00
TOTAL Tangible Equipping		106,500.00
TOTAL COST ESTIMATE		650,000.00

Date: 8/12/08

Accepted By: Kevin H. Mc Cord
Signature

Kevin H. Mc Cord
Print Name

Operational Manager

Robert L. Bayless, Producer LLC