

**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:**

**REOPENED
CASE NO. 13663
ORDER NO. R-12629-A**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 12, 2007, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim

NOW, on this 28th day of June, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) By Order No. R-12629 issued on September 12, 2006, the Division pooled all uncommitted mineral interests from the surface to the base of the Fruitland Coal formation underlying the following-described acreage in Section 8, Township 29 North, Range 11 West, NMPM, San Juan County, New Mexico, in the following manner:

The W/2 to form a standard 320-acre gas spacing and proration unit for all formations and/or pools spaced on 320 acres within this vertical extent, which presently include the Basin-Fruitland Coal Gas Pool; and

The SW/4 to form a standard 160-acre spacing and proration unit for all formations and/or pools spaced on 160 acres within this vertical extent.

(3) The above-described units ("the Units") were dedicated to the applicant's proposed Duff 29-11-8 Well No. 105 (API# 30-045-33427) to be drilled at a standard gas well location 1885 feet from the South line and 1085 feet from the West line (Unit L) of Section 8.

(4) Synergy Operating, LLC ("Applicant") was designated the operator of the subject well and of the Units.

(5) Order No. R-12629 requires that the subject well be drilled and completed within 120 days after commencement.

(6) The Applicant failed to complete the well within the time frame set forth in the Order and consequently Order No. R-12629 expired.

(7) The Applicant sought administrative approval to re-instate Order No. R-12629 for an extension of time to complete the subject well, but because of the objection of Edwin Smith, LLC, a working interest owner in the Units, the matter was set for hearing to allow the Applicant the opportunity to demonstrate good cause thereof.

(8) The Applicant's witness testified that the delay in completing the well as required by Order No. R-12629 was due to a denial of access to the pipeline by Enterprise Gas (formally El Paso Field Services EPFS). The witness further testified that the well would be damaged if the well is completed and not immediately put on production.

(9) The counsel for Edwin Smith, LLC argued that Synergy Operating, LLC could have connected the well to Enterprise Gas (EPFS) pipeline since the well is only 100 feet from the pipeline.

(10) The counsel for June Hill Walmsley, another interest owner in the Units, argued that if the Division chooses to re-instate the compulsory pooling order for the well, that it does so in a manner consistent with the ruling of the 11th Judicial District Court.

(11) On February 12, 2007, the 11th Judicial District Court in San Juan County entered an order requiring that the operator (Synergy Operating, LLC) suspend all production proceeds from the well until title is determined, and that Synergy Operating, LLC shall place all the proceeds attributable to all of the interests in the Duff wells beginning as of the date of entry of the order into an interest bearing bank account. The Court also ordered that such deposits shall not be withdrawn from the account for any reason except by order of the Court.

(12) The Division concludes as follows:

(a) Synergy Operating, LLC could not complete the well as required by Order No. R-12629 because of mitigating circumstances. It did not have the right of way to the Enterprise Gas (EPFS) pipeline and could not have connected its well to Enterprise Gas pipeline without permission.

(b) The compulsory pooling order should be re-instated in order to prevent waste and protect correlative rights

(c) The Division should be consistent with the rulings of the 11th Judicial District Court.

IT IS THEREFORE ORDERED THAT:

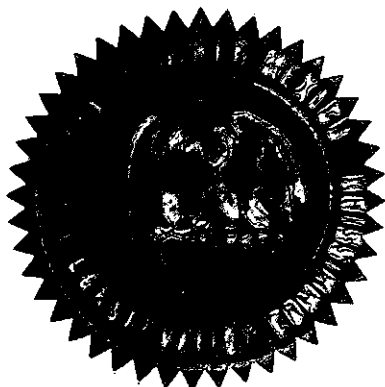
(1) The application of Synergy Operating, LLC requesting re-instatement of Order No. 12629 is hereby granted

(2) All the pertinent provisions of Order No. R-12629 are still in full force and effect.

(3) Synergy Operating, LLC shall suspend all production proceeds from the well until title is determined, and shall place all the proceeds attributable to all of the interests in the Duff wells into an interest bearing bank account, and such deposits shall not be withdrawn from the account for any reason in accordance with the orders of the 11th Judicial District Court.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director