



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

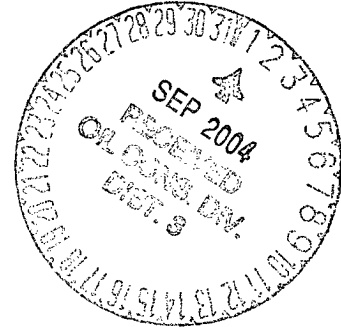
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



IN REPLY REFER TO:
NM -013885 et al. (wc)
3162.3-2 (07100)

30-045-22723

August 27, 2004



Synergy Operating, LLC
Attn: Thomas E. Mullins
P.O. Box 5513
Farmington, NM 87499

Dear Mr. Mullins:

Reference is made to the following well on Federal oil and gas lease NM-013885:

**Federal No.1, located 888' FNL and 1678' FWL, Sec. 24, T.29 N., R.12 W.,
San Juan County, New Mexico.**

We received your Subsequent Report and Completion Report on July 23, 2004, for the referenced well outlining your procedures used in temporarily abandoning the Pictured Cliffs formation with a CIBP and recompleting this wellbore to the Fruitland Coal formation. We also received your Sundry Notice of Intent on August 13, 2004 stating your intent to temporarily abandon the Pictured Cliffs formation and recomplete this well bore to the Fruitland Coal formation. This office has no record of prior approval, written or verbal, being given to conduct these operations.

In view of the foregoing, you are in violation of 43 CFR 3162.3-2, Subsequent Well Operations, which requires prior approval before commencing the work you performed on this well. This however, is considered a minor violation and will serve as notice that if violations of this sort occur in the future you will be subject to a monetary assessment.

Under provisions of 43 CFR 3163.3, you may request an Administrative Review of the assessment described above. Such request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such request shall not result in a suspension of the order(s) unless the reviewing official so determines. Procedures governing appeals form instructions, orders or decisions are contained in 43 CFR 3154, 4 and 43 CFR 4.400 et seq.

If you have any questions regarding the above contact Matt Halbert @ (505) 599-6350 or undersigned @ (505) 599-6367.

Sincerely,

/s/ Jim Lovato

Jim Lovato
Senior Technical Advisor
Petroleum Management Team

Enclosures (3)
cc: NMOCD (Aztec, NM)