



# Black Hills Exploration and Production, Inc.

*A Black Hills Corporation Enterprise*

350 Indiana St., Suite 400, Golden, Colorado 80401

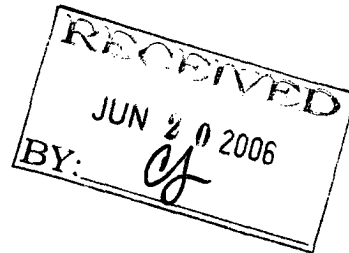
Jim Bob Byrd  
Senior Landman

Bus: (720) 210-1315  
Fax: (720) 210-1301

June 15, 2006

30-039-26/13

Synergy Operating, LLC  
P. O. Box 5513  
Farmington, New Mexico 87402  
Attn: Patrick G. Hegarty



RE: Wellbore & Production Testing  
Conoco Carson 29-04-24 #4H  
T29N, R4W, Sec. 24: S/2  
Rio Arriba County, New Mexico

Pat:

Per our earlier discussions, Black Hills Exploration and Production, Inc. ("BHEP") has encountered difficulties in the re-entry of the captioned wellbore. After having milled a window in the casing of the existing wellbore, BHEP has lost the drill bit and a portion of the drill string in the lateral portion of the wellbore in the Pictured Cliffs formation. A review of the wellbore schematic has revealed that the window was inadvertently cut in a portion of the Fruitland Coal and that some portion of the Fruitland may be open in the wellbore along with more than 1,000' of the Pictured Cliffs in which the drill string is currently located (and stuck).

BHEP would like to test the wellbore to determine whether or not the well is capable of producing at sustained economic rates. Data from the well obtained during drilling indicate that the gas is being produced from fractures in the Pictured Cliffs formation, but BHEP plans to test the gas from the well to determine its origin. Inasmuch as Synergy Operating, LLC is the owner of the Fruitland rights in the underlying lease and subject wellbore, BHEP respectfully requests that Synergy concur with the testing of the wellbore to determine commerciality and gas origin.

Richard White, senior geologist for BHEP, has forwarded to Tom Mullins with Synergy via email all of the data from the captioned well and the Conoco Carson 29-04-11 #2H well recently re-entered by BHEP. Enclosed with this package, per your past requests, are two (2) copies of the recorded Assignment and Bill of Sale from Synergy into BHEP. Please advise should you need any additional information.


If you concur with the plan of action for this well in the short term, please so indicate by executing a copy of this letter and returning the same to Black Hills care of the undersigned. At such time

as we have gathered additional information, we will re-visit the situation with Synergy in order to protect your correlative rights.

Thank you very much for your assistance in this matter. Please contact me at either 720-210-1315 or 303-204-1258 should you have any questions or concerns in this matter.

Sincerely,

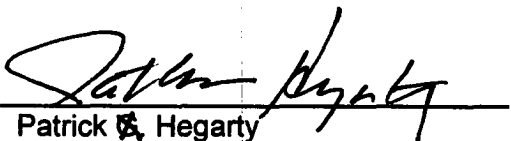

BLACK HILLS EXPLORATION AND PRODUCTION, INC.



Jim Bob Byrd  
Sr. Landman

CONCURRENCE TO PRODUCTION TEST THE CONOCO CARSON 29-04-24 #4H GRANTED  
THIS 17<sup>th</sup> DAY OF June, 2006.

SYNERGY OPERATING, LLC

By:   
Patrick A. Hegarty  


cc: Bureau of Land Management/Steve Mason



2030 AFTON PLACE  
FARMINGTON, N.M. 87401  
(505) 325-6622

ANALYSIS NO. MA260163  
CUST. NO. 51100 - 12055

### WELL/LEASE INFORMATION

CUSTOMER NAME	BLACK HILLS E & P/MALLON	SOURCE	N/A
WELL NAME	CARSON 29-04-24 #4	PRESSURE	12 PSI G
COUNTY/ STATE	RIO ARriba NM	SAMPLE TEMP	N/A DEG.F
LOCATION	N24-29N-04W	WELL FLOWING	Y
FIELD		DATE SAMPLED	6/6/2006
FORMATION	PC LATERAL	SAMPLED BY	BOB DURBIN
CUST.STN.NO.		FOREMAN/ENGR.	

REMARKS DEPTH-WINDOW IN 7" CASING  
3660'-3681'

ANALYSIS				
COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.316	0.0000	0.00	0.0031
CO2	0.989	0.0000	0.00	0.0150
METHANE	89.156	0.0000	902.53	0.4939
ETHANE	6.479	1.7318	114.92	0.0673
PROPANE	1.570	0.4323	39.60	0.0239
I-BUTANE	0.465	0.1521	15.16	0.0093
N-BUTANE	0.314	0.0990	10.27	0.0063
I-PENTANE	0.233	0.0853	9.34	0.0058
N-PENTANE	0.082	0.0297	3.29	0.0020
HEXANE PLUS	0.396	0.1742	20.36	0.0127
TOTAL	100.000	2.7043	1,115.47	0.6394

\* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

\*\* @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR	(1/Z)	1.0030
BTU/CU.FT (DRY) CORRECTED FOR	(1/Z)	1,118.5
BTU/CU.FT (WET) CORRECTED FOR	(1/Z)	1,099.9
REAL SPECIFIC GRAVITY		0.6410

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650	1,112.4	CYLINDER #	4167
DRY BTU @ 14.696	1,115.9	CYLINDER PRESSURE	12 PSIG
DRY BTU @ 14.730	1,118.5	DATE RUN	6/6/2006
DRY BTU @ 15.025	1,140.9	ANALYSIS RUN BY	DAWN BLASSINGAME

BLACK HILLS E & P/MALLON  
WELL ANALYSIS COMPARISON

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LEASE : CARSON 29-04-24 #4

N/A

6/7/2006

STN.NO. :

PC LATERAL

51100 -

12055

MTR.NO. :

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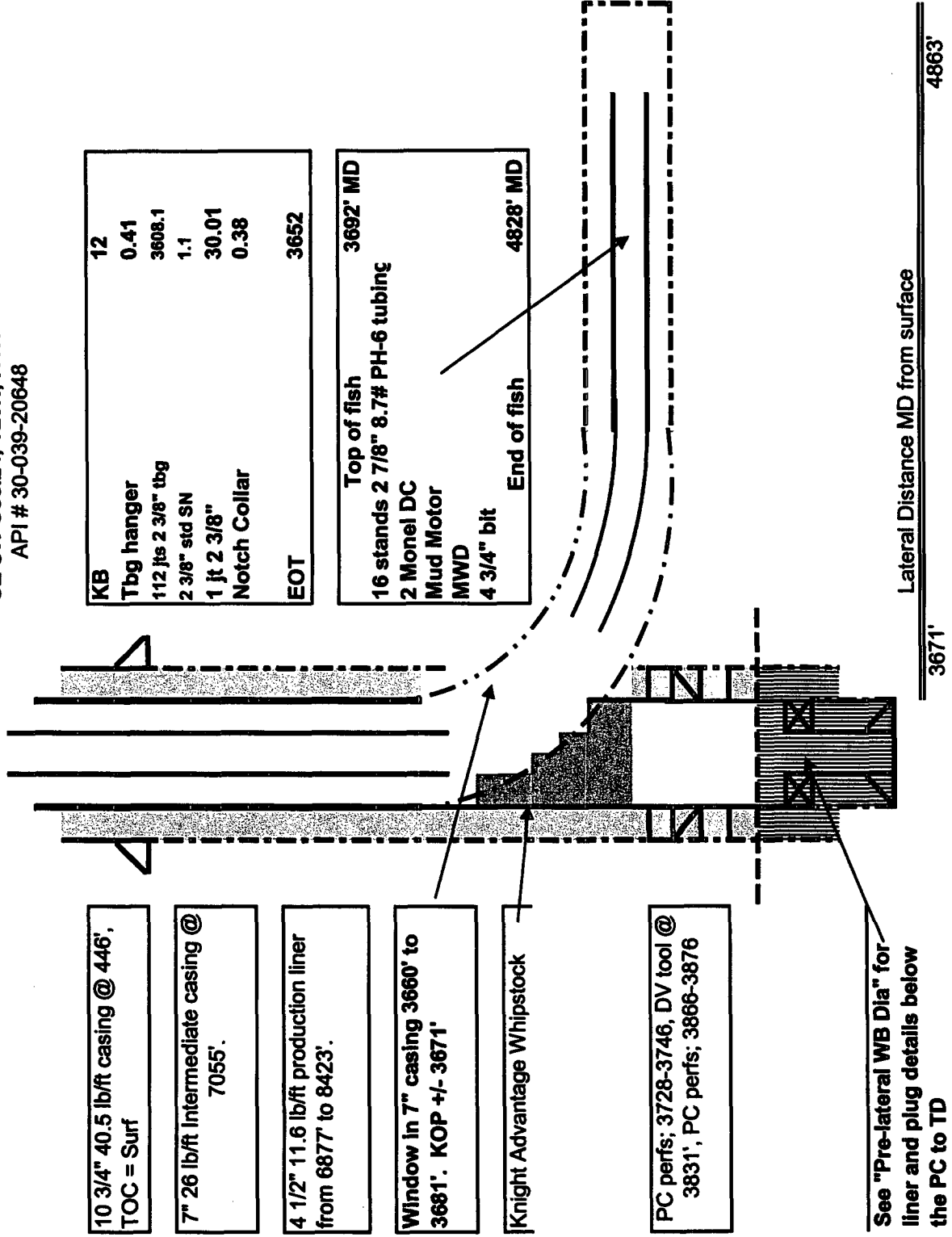
SMPL DATE 6/6/2006  
TEST DATE 6/6/2006  
RUN NR. MA260163

NITROGEN 0.316  
CO2 0.989  
METHANE 89.156  
ETHANE 6.479  
PROPANE 1.570  
I-BUTANE 0.465  
N-BUTANE 0.314  
I-PENTANE 0.233  
N-PENTANE 0.082  
HEXANE + 0.396

BTU 1,118.5  
GPM 2.7043  
SP.GRAV. 0.6410

**Carson 29-04-24 #4**  
**Post Completion Well Bore Diagram**  
**SE SW Sec.24, T29N, R4W**  
**API # 30-039-20648**

6/7/2006



**Carson 29-04-24 #4H**  
**Pre-lateral Wellbore Diagram**  
API # 30-039-20648  
UNIT N SE SW, Sec 24, T29N, R04W Rio Arriba, NM  
Spud 12-28-1973

Elev. GL= 7012'  
Elev. KB= 7025'

