



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

2006 JUL 10 PM 4 11

Catanach

July 5, 2006

Registered Mail RRR

Florence Davidson
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Derek Larson
Sutton Thayer & Browne, P.C.
Two Park Square #1000
Albuquerque, N. M. 87110

Re: Well Costs as of June 21, 2006.
NMOCD Case# 13486 Duff 29-11-8#105 Well Costs

Ladies and Gentlemen:

Enclosed please find a copy of letters dated June 21, 2006 from Synergy setting out costs associated with the captioned well as of the date of said letter. Be advised that not all the costs associated with the above well have been received. For example, it is my understanding that Synergy is anticipating an invoice from Enterprise Products Co LP for making the pipeline connection for said well, as well as other invoices.

Also, this second letter documents that Synergy sent a copy of said well's costs that was mailed to Mr. Smith to his attorney too.

Sincerely,
Synergy Operating, LLC


Patrick Hegarty
Principal

PH/mac

Enclosure

XC: Jim Bruce
PO Box 1056
Santa Fe, New Mexico 87504

Duff #104 Well Costs



PO Box 5513
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RRR 7005 1820 0002 8601 3654

June 21, 2006

Edwin Smith, LLC
40758 Jasper Dr
Kingsburg, CA 93631-1316

Attn: Edwin Leroy Smith

Re:
Actual Costs
Duff 29-11-8 #104 Well
Case No. 13486
Order No. R-12376

As per Order Number R-12376, Synergy Operating has attached an itemized schedule of the actual well costs accrued for the drilling, completion and equipping of the aforementioned well. The request for compulsory pooling, Case No. 13486, was heard by the New Mexico Oil Conservation Division on June 16, 2005 and the subsequent order was issued on July 1, 2005.

Should you have any questions, or need additional information, please contact me at (505) 325-5449, Ext #2 during business hours, or at the above letterhead address.

Sincerely,



Glen O. Papp, P.E.
Operations Manager

Attachments
xc: file

Synergy Operating LLC

Project: Duff 29-11-8 #104 (Drill & Complete 2000' Fruitland Coal well)

	Acct Code	Actual Costs
FACILITY COSTS		
	5604 Installation	5,289.55
	5617 Contract Services	4,651.78
	TOTAL Facility Costs	9,941.33
INTANGIBLE COMPLETION		
	4403 Completion Rig	15,243.36
	4408 Stimulation Treatments	97,271.02
	4409 Completion Fluids	4,694.13
	4411 Trucking	5,539.77
	4412 Equipment Rentals	5,609.04
	4415 Logging & Perforating	10,730.31
	4417 Contract Services	8,086.00
	4418 Completion Supervision	637.12
	4430 Flowback Iron	2,194.79
	TOTAL Intangible Completion	150,005.54
INTANGIBLE DRILLING		
	3300 Site Access - Survey & Staking	2,469.35
	3301 Site Access - Preparation & Acquisition	10,840.76
	3303 Rig Mobilization	927.65
	3304 Drilling - Footage	46,079.88
	3308 Mud & Additives	3,294.49
	3311 Water to Rig Pit	4,702.11
	3315 Openhole Logging	3,875.84
	3318 Drilling Supervision	1,199.92
	3321 Cementing - Drilling	17,276.70
	3333 Anchors Sets & Test	748.82
	TOTAL INTANGIBLE DRILLING	91,415.52
TANGIBLE COMPLETION		
	4419 Production Casing & Accessories	23,380.51
	4502 Upper Wellhead	3,812.29
	4503 Tubing	7,612.37
	4504 Downhole Equipment	253.03
	TOTAL Tangible Completion	35,058.20
TANGIBLE DRILLING		
	3419 Surface Casing & Accessories	2,705.98
	TOTAL Tangible Drilling	2,705.98

TANGIBLE EQUIPPING

5501	Sucker Rods & Assessories	5,887.16
5502	Valves & Fittings	8,227.25
5503	Downhole Pump	2,888.76
5504	Pumpjack & Base	9,004.71
5507	Separators	4,990.81
5508	Storage Tanks	7,578.03
5510	Engines & Motors	<u>7,041.52</u>
	TOTAL Tangible Equipping	45,618.24

TOTAL ACTUAL COSTS

334,744.81



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RRR 7005 1820 0002 8601 3647

June 21, 2006

Oil Conservation Division
1220 South St. Francis Dr
Santa Fe, NM 87505

Attn: Florence Davidson

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Actual Costs
Duff 29-11-8 #104 Well
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Order No. R-12376

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Should you have any questions, or need additional information, please contact me at (505) 325-5449, Ext #2 during business hours, or at the above letterhead address.

Sincerely,

A handwritten signature in black ink that reads "Glen O. Papp". The signature is written in a cursive style.

Glen O. Papp, P.E.
Operations Manager

Attachments
xc: file

Synergy Operating LLC

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5510	Engines & Motors	7,041.52
	TOTAL Tangible Equipping	<u>45,618.24</u>

TOTAL ACTUAL COSTS 334,744.81

Project: Duff 29-11-8 #104 (Drill & Complete 2000' Fruitland Coal Well)

**Used Equipment Inventory Transferred from Stock at Fair Market
Value to the well**

Acct Code		Costs
Tangible Equipping		
5510	Engines	\$6,000.00
5504	Pumpjack and Base	\$9,000.00
5508	Storage Tanks	\$3,500.00
5502	Valves and Fittings	\$391.16

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FORM 3811-2000-001-001

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:



Florence Davidson
 NM Oil Conservation Division
 1220 St. Francis Drive
 Santa Fe, N.M. 87505

COMPLETE THIS SECTION ON DELIVERY

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

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label)

7005 1820 0002 8601 3708

PS Form 3811, February 2004

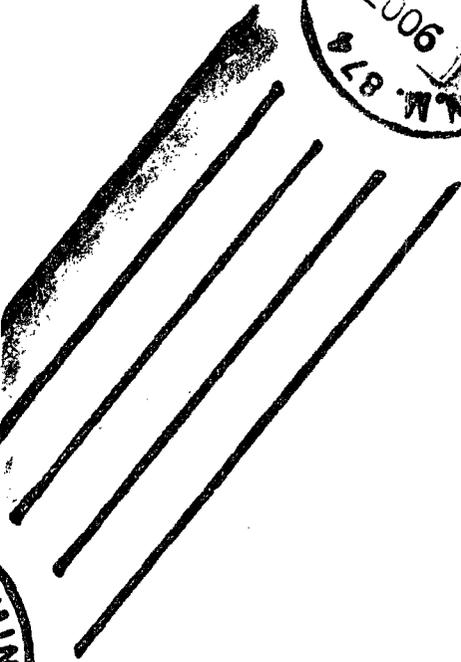
Domestic Return Receipt

102595-02-M-1540

Synergy Operating
P.O. Box 5513
Farmington, NM 87499



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Florence Davidson
NM Oil Conservation Division
1220 St. Francis Drive
Santa Fe, N.M. 87505



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