

SUTIN THAYER & BROWNE
A PROFESSIONAL CORPORATION
LAWYERS

IRWIN S. MOISE (1906-1984)
LEWIS R. SUTIN (1908-1992)
FRANKLIN JONES (1919-1994)
RAYMOND W. SCHOWERS (1948-1995)
GRAHAM BROWNE (1935-2003)
BENJAMIN ALLISON
C. SHANNON BACON
PAUL BARDACKE
CHRISTINA BISSIAS
ANNE P. BROWNE
SUZANNE WOOD BRUCKNER
CRISTY J. CARBON-GAUL
MARK CHAIKEN
SUSAN G. CHAPPELL
GERMAINE R. CHAPPELLE
MARIA MONTOYA CHAVEZ
SAUL COHEN

MICHAEL J. GOLDEN
GAIL GOTTLIEB
SUSAN M. HAPKA
HELEN HECHT
JAY D. HERTZ
ROBERT G. HEYMAN
CHRISTOPHER A. HOLLAND
HENRY A. KELLY
KERRY KIERNAN
PETER S. KIERST
RACHEL S. KING
ANDREW P. KNIGHT
TWILA B. LARKIN
DEREK V. LARSON
C. JOSEPH LENNIHAN
STEVEN DOUGLAS LOONEY
ELIZABETH J. MEDINA

VICTOR P. MONTOYA
JEAN C. MOORE
SARITA NAIR
MICHELLE K. OSTRYE
JULIA L. PETERS
DAVID ROSENBLUM
FRANK C. SALAZAR
RONALD SEGEL
RAY SHOLLENBARGER
ANDREW J. SIMONS
JEANNE Y. SOHN
MICHAEL G. SUTIN
NORMAN S. THAYER
BENJAMIN E. THOMAS
ROBERT J. WERNER
CHRISTINA S. WEST

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SANTA FE, NEW MEXICO 87504
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August 24, 2006

David Catanach
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Case No. 13,663 - Synergy Operating
SW/4 Section 8-29N-11W

Dear Mr. Catanach:

Further to Mr. Bruce's June 29, 2006, letter to you describing Joseph Robbins' interest as a mineral interest, we have located the attached Warranty Deed Record No. 87 from Mr. Robbins' great aunt, Martha Blitzkie, to Franklin Lanier (predecessor in interest to the Smiths) of one-half of her interest in the subject property. Mrs. Blitzkie reserves "a royalty of one-sixteenth (1/16) of all oil/or/and gas produced from said described real estate..." This reserved royalty interest passed through devise and descent to Joseph Robbins. 1/16 of 1/2 is 1/32 of the whole. 1/32 is 3.125%. This indicates Mr. Robbins' 3.125% interest is a royalty interest. Mr. Robbins owned no working interest to Farm-out to Synergy. Thus, aside from Mr. Robbins' timely rescission of that Farm-out, Synergy cannot rely on a royalty interest to support an application to drill.

Sincerely,

SUTIN, THAYER & BROWNE
A Professional Corporation

By



Derek V. Larson
Albuquerque Office

DVL:hdp
Enclosure

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cc: Scott Hall
James Bruce
Gail MacQuesten
Ed Smith
Joe Robbins

928246.doc

508.

WARRANTY DEED RECORD No. 87 SAN JUAN COUNTY, NEW MEXICO

FROM

TO

State of New Mexico, San Juan County, ss.

I hereby certify that this instrument was filed for record on the
24 day of Nov. , A. D. 1933, at 10
o'clock A. M., and duly recorded in Book 37 Page 508
of the records of said County.

J.G. Lanier

COUNTY CLERK.

Leta E. Lanier

DEPUTY.

This Indenture. Made this 1st day of May in the year of our Lord one thousand nine hundred
and thirty three, between

Martha Blitzkie and C.B. Blitzkie her husband of Aztec, New Mexico

, parties of the first part, and

Franklin E. Lanier....

, party of the second part,

Witnesseth, That the said parties of the first part, for and in consideration of the sum of

Five-----

to them

in hand paid by the said parties of the second part, the receipt whereof is hereby confessed and acknowledged, by

Granted, Bargained, Sold, Remised, Conveyed, Released and Confirmed, and by these presents do Grant, Bargain, Sell, Remise, Convey, Release and Confirm unto the said parties of the second part, their heirs and assigns, ~~except as hereinafter reserved~~ except as to said reservations, all the following described lots or parcels of land and real estate, situate, lying and being in the County of San Juan, State of New Mexico, to-wit:

an undivided one-half (1/2) interest in and to the Southwest Quarter of Section Eight (8) Township Twenty-Nine (29) North, Range Eleven (11) west, expressly reserving unto the grantors herein, their heirs and assigns forever, a royalty of one-sixteenth (1/16) of all oil/or/and gas produced from said described real estate, and subject to the reservations as contained in the patent to grantor Martha Blitzkie from the United States of America, as said patent is recorded of the records of said county in book 59 at page 246 thereof.

Together with all and singular, the lands, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof; and all the estate, right, title, interest, claim and demand whatsoever, of the said part of the first part, either in law or equity, of, in and to the above bargained, sold, conveyed, released and confirmed, hereditaments and appurtenances, ~~excepting as to said reservations~~ excepting as to said reservations.

To Have and To Hold. The said premises above bargained and described with the appurtenances, unto the said parties of the second part, their heirs and assigns, forever. And the said parties of the first part, for themselves, their heirs, executors and administrators, doth covenant and agree, to and with the said parties of the second part, their heirs and assigns, that at the time of the executing and delivery of these presents they are well seized of the premises above conveyed as of a good, sure, perfect and indefeasible estate of inheritance, in law, in fee simple, and have good right, full power and lawful authority to grant, bargain, sell and convey the same in manner and form aforesaid, and that the same are free and clear from all former and other grants, bargains, sales, liens, taxes, assessments and incumbrances of whatever kind and nature soever;

and the above bargained premises in the quiet and peaceful possession of the parties of the second part, their heirs and assigns, against all and every person or persons lawfully claiming or to claim the whole or any part thereof, the said parties of the first part shall and will warrant and forever defend ~~except as to said reservations above set forth.~~ except as to said reservations above set forth.

In Witness Whereof, The said parties of the first part have hereunto set their hand and seal the day and year first above written.

SIGNED, SEALED AND DELIVERED IN PRESENCE OF

F.E. Lanier

(50¢ Rev. Stamp 11/24/33).

F.E.L.

Martha Blitzkie (SEAL)

C.B. Blitzkie (SEAL)

(SEAL)

(SEAL)

State of New Mexico, County of San Juan, ss.

On this 1st day of May, 1933, before me personally appeared

Martha Blitzkie and C.B. Blitzkie wife and husband

to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

In Witness Whereof, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

My commission expires February 3, 1936.

George F. Bruington

(Seal).

NOTARY PUBLIC.