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February 12, 2006

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

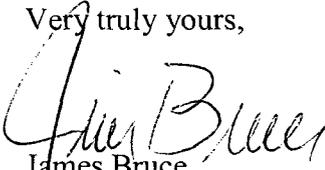
Case 13663

2006 FEB 14 PM 1 01

Dear Florene:

Enclosed for filing, on behalf of Synergy Operating, LLC, are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the March 16, 2006 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Synergy Operating, LLC

PARTIES BEING POOLED

Edwin Smith, LLC
Earnest Smith/Edwin Smith
40758 Jasper Drive
Kingsbury, California 93631

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 13663

APPLICATION

Synergy Operating, LLC applies for an order pooling all mineral interests from the surface to the base of the Fruitland Coal formation underlying the W $\frac{1}{2}$ of Section 8, Township 29 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$ of Section 8, and has the right to drill a well thereon.
2. Applicant proposes to drill its Duff 29-11-8 Well No. 105, at an orthodox location in the SW $\frac{1}{4}$ of Section 8, to a depth sufficient to test the Fruitland Coal formation, and seeks to dedicate the following acreage to the well:
 - (a) The W $\frac{1}{2}$ of Section 8 to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Basin-Fruitland Coal Gas Pool; and
 - (b) The SW $\frac{1}{4}$ of Section 8 to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 8 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to

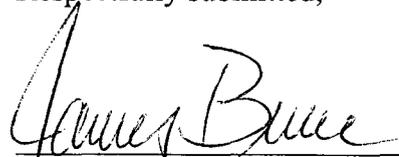
the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 8, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 8 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 8, from the surface to the base of the Fruitland Coal formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Synergy Operating, LLC

PROPOSED ADVERTISEMENT

Case No. 13663 : **Application of Synergy Operating, LLC for compulsory pooling, San Juan County, New Mexico.** Applicant seeks an order pooling all 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, and in the following manner: The W/2 to form a standard 320-acre gas spacing and proration unit for any pools or formations developed on 320-acre spacing within that vertical extent, including the Basin-Fruitland Coal Gas Pool; and the SW/4 to form a standard 160-acre gas spacing and proration for any pools or formations developed on 160-acre spacing within that vertical extent. The units are to be dedicated to the proposed Duff 29-11-8 Well No. 105, to be drilled at an orthodox location in the SW/4 of Section 8. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 6 miles south-southwest of Aztec, New Mexico.

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