

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
JAMES E. BRISTOL III
ANNE P. BROWNE
SUZANNE WOOD BRUCKNER
CRISTY J. CARBON-GAUL
MARK CHAIKEN
SUSAN G. CHAPPELLE
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
STEVAN DOUGLAS LOONEY

ELIZABETH J. MEDINA
VICTOR P. MONTOYA
JEAN C. MOORE
SARITA NAIR
MICHELLE K. OSTRYE
JAY D. 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

TWO PARK SQUARE
6565 AMERICAS PARKWAY, N.E.
ALBUQUERQUE, NEW MEXICO 87110
POST OFFICE BOX 1945
ALBUQUERQUE, NEW MEXICO 87103
505-883-2500
FAX 505-888-6565

317 PASEO DE PERALTA
SANTA FE, NEW MEXICO 87501
POST OFFICE BOX 2187
SANTA FE, NEW MEXICO 87504
505-988-5521
FAX 505-982-5297

WWW.SUTINFIRM.COM

September 27, 2006

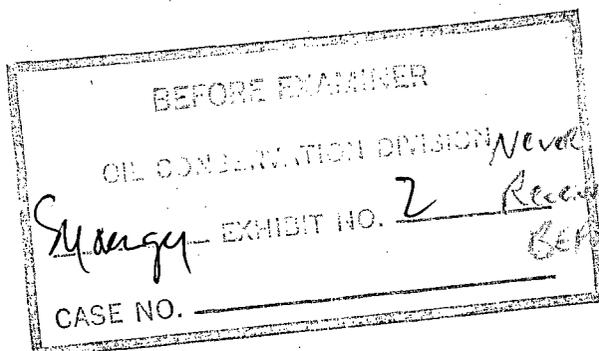
Justin Jones
Enterprise Field Services
614 Reilly Street
Farmington, NM 87401

Duff 105 in SW/4, Section 8, T29N,
R11W, San Juan County, NM

Dear Mr. Jones:

This follows our conversation earlier today. As I stated, our office represents Edwin Smith LLC with regard to its interests in the above referenced property. Edwin Smith LLC is the successor in interest to Earnest Smith, deceased. This letter is in response to yours of August 16, 2006, to Earnest Smith seeking a right of way and easement across the property for purposes of connecting the Duff 105 to the Chaco lateral. Please direct all future communications with Edwin Smith, LLC, through us.

Edwin Smith LLC and Jerry Walmsley, Trustee, Bypass Trust UW June H. Walmsley each own 1/2 of the undivided mineral and surface interests in the property. We have filed a lawsuit on behalf of both interest owners in the Eleventh Judicial District Court for New Mexico (San Juan County) as Smith and Walmsley v. Synergy Operating, LLC, et al., Cause No. D 1116 CV 06-59-6 to quiet title to the property and to confirm Synergy's status as a trespasser. Since the "true owners" of the Duff 105 well also own the surface estate, they already own the right of way across which the proposed gathering line would be placed. Ed Smith does not wish to depreciate the overall value of the surface property by splintering the surface rights by selling off additional right of ways. Therefore, Edwin Smith LLC respectfully declines to grant or sell an easement or right of way as requested in your letter.



From
EPFS
10-27-06
Shu

SUTIN THAYER & BROWNE
A PROFESSIONAL CORPORATION
LAWYERS

September 27, 2006
Page 2

Do not hesitate to call if you have any questions or require any further information.

Very truly yours,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 
Derek V. Larson
Albuquerque Office

cc: Scott Hall, Bill Eden, Jerry Walmsley
Edwin Smith
Synergy Operating, LLC.

DVL:ho
935098.doc

DUFF # 105
well file

HOLD HARMLESS AND INDEMNITY AGREEMENT

WITNESSETH:

WHEREAS, Synergy Operating, LLC did drill and does operate the Duff 29 11 8#105 well, API No. 3004533427, located 1885 FSL & 1085 FWL in the SW/4 of section 8 T29N R11W hereinafter referred to as the "Property", and

WHEREAS, Enterprise Products Operating, L.P will act as an Agent of Synergy Operating, LLC in order to make a well connection to the Property.

NOW THEREFORE, Synergy Operating, LLC shall indemnify and hold Enterprise Products Operating, L.P. harmless with respect to any claims, obligations, actions and liabilities, to or by third parties arising from claims of trespass involved with making a well connection to the Property.

Enterprise Products Operating, L.P. shall indemnify and hold Synergy Operating, LLC harmless for any claim, obligation, action or liability that is a direct result of activities performed on the Property by Enterprise Products Operating, L.P, or by persons under Enterprise Products Operating, L.P's direction, relating to injury or death of any person, or persons whomsoever, common law causes of action, such as negligence, gross negligence, or fault imposed by statute, rule, regulation or otherwise.

IN WITNESS WHEREOF Synergy Operating, LLC and Enterprise Products Operating, L.P have executed this Agreement this 4th day of ~~November~~ December 2006.

Enterprise Products Operating, L.P Synergy Operating, LLC

By: Luther Langston

Luther Langston, Attorney in Fact

By: Patrick Hegarty

Patrick Hegarty, Principal

STATE OF NEW MEXICO

§

COUNTY OF SAN JUAN

§

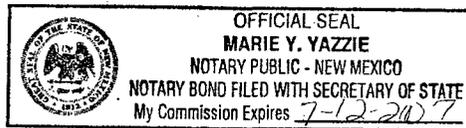
This instrument was acknowledged before me on this the 27 day of November, 2006, by Luther Langston, an officer of ENTERPRISE FIELD SERVICES, LLC

Notary Public

Marie Y. Yazzie

My Commission Expires:

7-12-2007



STATE OF NEW MEXICO

§

COUNTY OF SAN JUAN

§

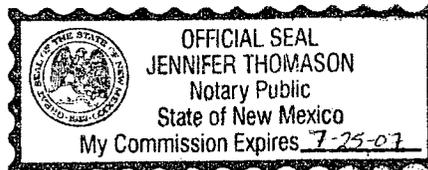
This instrument was acknowledged before me on this the 4th day of December, 2006, by Patrick Hegarty, an officer of Synergy Operating, LLC

Notary Public

Jennifer Thomason

My Commission Expires:

July 25, 2007



Duff #105 Enterprise Indemnity

Subject: hold Enterprise harmless

Date: Tuesday, September 26, 2006 11:41 AM

From: Patrick Hegarty <patrick.hegarty@synergyoperating.com>

To: Justine Jones jujones@eprod.com

Category: Work

Justin:

Here is some hold harmless language that will work in protecting both parties:

Synergy shall indemnify and hold Enterprise harmless with respect to any claims, obligations, actions and liabilities to or by third parties arising from claims of trespass involved with making a well connection to the Duff #105 well. Enterprise shall indemnify and hold Synergy harmless for such claim, obligation, action or liability that is a direct result of activities performed on the Property by Enterprise, or by persons under Enterprise's direction. relating to injury or death of any person, or persons whomsoever, common law causes of action such as negligence, gross negligence, or fault imposed by statute, rule, regulation or otherwise.

Best Regards,
Patrick Hegarty
Principal
Synergy Operating, LLC
direct: 505-334-4993
general: 505-325-5449
fax: (505) 566-3750.
cell: 505-330-6431
email: patrick.hegarty@synergyoperating.com

Mailing Address:
P.O. Box 5513
Farmington, New Mexico 87499

Street Address:
Quality Business Center

Subject: Duff #104 Well SW/4 section 8, T29N R11W
Date: Friday, September 15, 2006 5:24 PM
From: Patrick Hegarty <patrick.hegarty@synergyoperating.com>
To: Justine Jones jnjones@eprod.com
Category: Work

Justin:

All of the attached assignments are undivided interests, meaning that Synergy Operating, LLC owns greater than a 6.25% interest in the surface of the SW/4 of section 8 T29N R11W. Our attorney has assured us that Synergy can use the surface for drilling purposes. Plus all the other surface owners also are mineral owners, so all surface owners will be profiting from the gas production from this well. That fact has a tendency to eliminate most all objections to pipeline operations. Regardless, Synergy as a surface owner will sign a hold harmless agreement for the purposes of hooking up said well.

Patrick Hegarty
Principal
Synergy Operating, LLC
direct: 505-334-4993
general: 505-325-5449
fax: (505) 566-3750.
cell: 505-330-6431
email: patrick.hegarty@synergyoperating.com

Concerning the hookup of the Kelly FC#2 well in the NW/4 of section 13 T27N R13W being 1550' FNL & 1680' FWL. I called Velda Hurst @ 599-2171 and left her a message, could you please forward on this email to let her know that we need a hookup for this well.

It is my understanding that a El Paso/Enterprise pipeline already exists on or near the Kelly FC#2 well pad. The pipeline connected the following well now plugged:

API No.: 3004506703

Legal: F-12-27N-13W

Footages: 1650 FNL & 1650 FWL

Well Name & Number: Navajo #1X

Operator: Benson Montin Geer Drilling Corporation

