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RRR 7005 1820 0002 8601 3821

June 11, 2007

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

Attn: Florence Davidson

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Re:
Actual Costs
Madrid 29-13-06 #111 & #112
Case No. 13662
Order No. R-12595

As per Order Number R-12595, Synergy Operating has attached an itemized schedule of the actual well costs accrued for the drilling, completion and equipping of the aforementioned wells. The request for compulsory pooling, Case No. 13662, was heard by the New Mexico Oil Conservation Division on both March 3 and June 26, 2006 and the subsequent order was issued on July 10, 2006.

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: Madrid 29-13-6 #112 (Drill, Complete & Equip Fruitland Coal Well)

Acct Code		Actual Costs
INTANGIBLE DRILLING		
3300	Site Access - Survey & Staking	1,626.95
3301	Site Access - Preparation & Acquisition	11,747.29
3303	Rig Mobilization	907.91
3304	Drilling - Footage	39,805.38
3308	Mud & Additives	3,406.57
3311	Water to Rig Pit	3,627.09
3312	Equipment Rental (Surface)	6,829.99
3315	Openhole Logging	3,905.50
3318	Drilling Supervision	1,018.19
3321	Cementing - Drilling	16,296.13
3331	Safety Svc/BOP	1,278.05
3333	Anchors Sets & Test	878.72
3338	Casing Crew	1,774.49
	TOTAL Intangible Drilling	<u>93,102.26</u>
TANGIBLE DRILLING		
3419	Surface Casing & Accessories	4,858.09
3425	Wellhead	549.76
	TOTAL Tangible Drilling	<u>5,407.85</u>
INTANGIBLE COMPLETION		
4403	Completion Rig	5,489.89
4408	Stimulation Treatments	73,591.96
4409	Completion Fluids	3,508.03
4411	Trucking	4,168.15
4412	Equipment Rentals	3,185.13
4415	Logging & Perforating	6,669.69
4417	Contract Services	119.20
4423	Water to Disposal	1,514.91
4430	Flowback Iron	1,591.43
	TOTAL Intangible Completion	<u>99,838.39</u>
TANGIBLE COMPLETION		
4419	Production Casing	16,008.57
4502	Upper Wellhead	2,454.60
4503	Tubing	4,962.17
4504	Downhole Equipment	253.03
	TOTAL Tangible Completion	<u>23,678.37</u>
FACILITY COSTS		
5604	Installation	3,092.01
5617	Contract Services	8,867.92
	TOTAL Facility Costs	<u>11,959.93</u>

TANGIBLE EQUIPPING

5501	Sucker Rods & Assessories	3,736.95
5502	Valves & Fittings	10,447.20
5503	Downhole Pump	2,666.07
5504	Pumpjack & Base	14,566.93
5506	Flowline	40,291.55
5507	Separators	5,075.76
5508	Storage Tanks	4,896.64
5510	Engines & Motor	7,995.92
5511	Metering Equipment	<u>10,000.00</u>
	TOTAL Tangible Equipping	99,677.02

TOTAL ACTUAL COSTS

333,663.82

Synergy Operating LLC

Project: Madrid 29-13-6 #111 (Drill, Complete & Equip Fruitland Coal Well)

Acct Code		Actual Costs
LAND COSTS		
	Leasehold Acquisition Costs	58,053.71
	TOTAL Land Costs	<u>58,053.71</u>
INTANGIBLE DRILLING		
2205	Permits	85.60
3300	Site Access - Survey & Staking	1,804.53
3301	Site Access - Preparation & Acquisition	14,762.80
3304	Drilling - Footage	37,766.93
3308	Mud & Additives	2,911.49
3311	Water to Rig Pit	3,234.21
3312	Equipment Rental (Surface)	2,663.72
3315	Openhole Logging	2,835.50
3318	Drilling Supervision	1,018.19
3321	Cementing - Drilling	15,609.40
3331	Safety Svc/BOP	1,156.97
3333	Anchors Sets & Test	833.80
3338	Casing Crew	<u>3,126.12</u>
	TOTAL Intangible Drilling	87,809.26
TANGIBLE DRILLING		
3419	Surface Casing & Accessories	3,527.12
3425	Wellhead	<u>549.76</u>
	TOTAL Tangible Drilling	4,076.88
INTANGIBLE COMPLETION		
4403	Completion Rig	6,786.10
4408	Stimulation Treatments	86,329.52
4409	Completion Fluids	3,917.01
4411	Trucking	6,168.29
4412	Equipment Rentals	3,341.25
4415	Logging & Perforating	6,592.15
4417	Contract Services	619.20
4423	Water to Disposal	307.44
4430	Flowback Iron	3,023.06
4435	Portable Toilet	<u>209.72</u>
	TOTAL Intangible Completion	117,293.74
TANGIBLE COMPLETION		
4419	Production Casing	12,604.31
4502	Upper Wellhead	2,454.60
4503	Tubing	<u>5,328.85</u>
	TOTAL Tangible Completion	20,387.76

FACILITY COSTS

5604	Installation	2,277.01
5617	Contract Services	<u>11,890.91</u>
	TOTAL Facility Costs	14,167.92

TANGIBLE EQUIPPING

5501	Sucker Rods & Assessories	3,789.52
5502	Valves & Fittings	9,204.46
5503	Downhole Pump	2,666.07
5504	Pumpjack & Base	14,566.91
5506	Flowline	41,471.28
5507	Separators	5,075.76
5508	Storage Tanks	4,896.64
5510	Engines & Motor	7,995.91
5511	Metering Equipment	<u>10,000.00</u>
	TOTAL Tangible Equipping	99,666.55

TOTAL ACTUAL COSTS**401,455.82**