

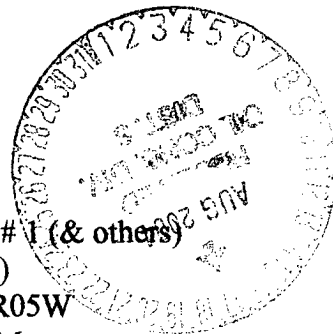


PO Box 5513
Farmington, NM 87499
(505) 325-5449
Fax (505) 325-6585

August 17, 2004

NMOCD – Aztec Office – Hand Delivered
Mr. Charlie Perrin
1000 Rio Brazos Road
Aztec, NM 87410

RE: Bois d' Arc Wash 36 # 1 (& others)
(API # 30-031-21007)
Unit J, Sec 36-T20NR05W
McKinley County, NM
Old Lease # VA-1683



Dear Charlie,

Please forward this C-144 to the attention of Denny Foust regarding this well. I wanted to discuss this well location(s) and its abandonment briefly in this letter.

Synergy is the operator of three (3) wells and/or proposed wells on this lease (South Half). One wellbore is still in existence and currently inactive in status. All the wells have similar names, so I wanted to write this letter to confirm our intention to comply with all NMOCD rules and regulations on all the wells.

The first well, referenced above, Bois d' Arc Wash 36 # 1 (API # 30-031-21007) was plugged and abandoned after installation of a cemented 8-5/8" surface casing string at 161'. The wellbore was plugged and abandoned with cement on 01-22-2002. A below ground DH marker was placed to facilitate the rig access for the re-drill of this well. The surface hole and casing were found to be severely deviated. The lined reserve pit was not used during this operation except to place cement returns during abandonment operations. No fluids were ever placed into the reserve pit. The C-144 form to close this reserve pit is attached. We had previously installed the above ground DH marker on 04-20-2004. All work, except for reseeding, should be complete by mid-week.

The second proposed well, the Bois d' Arc Wash 36 # 1-R (API # 30-031-21009) was never drilled. The permit expired on 01-28-2003. No Fluids were placed in the reserve pit for this well. This well should be approved for permanent abandonment with the # 1 above. This well was originally part of our coring program, but was canceled.

The third well, an existing well, is the Torreon Wash 36 State # 1 (API # 30-031-21006). This well has been inactive since February 2002, when it last produced from the Entrada formation. The well was uneconomic with last oil production of 13 BOPD and 250 BWPD. Propane had to be utilized to fuel the gas engine on this pump jack. Significant water hauling expenses also contributed to its lack of profitability.

Wash 36 # 1 – NMOCD
Final Abandonment Correspondence
08-17-2004

Synergy acquired this wellbore and the remaining surface equipment from Penwell Energy, the prior operator. Penwell removed the 640 pumpjack and the concrete base prior to our assumption of operations. Our plans were to utilize this wellbore as an Entrada Water Disposal well, if expansion of our Menefee exploration play continued, toward the southwest.

The well currently is completed openhole below the 7" production casing from 5491' to 5505'. 2-7/8" production tubing is configured with a 2.25" tubing pump at 5,316'. A tapered 7/8" and 1" sucker rod string, with polish rod, still remain in this well. Two (2) 400 bbl oil tanks and two (2) 400 bbl fiberglass water tanks, with landing remain at this wellsite.


The existing lease expired and was subsequently re-leased by Yates Petroleum at the April 2004 lease sale. The new lease number is (VA-3130). I will contact Yates Petroleum to see if they can utilize this wellbore and equipment. If Yates can utilize the wellbore, then Synergy and Yates will sign a letter agreement transferring the plugging and final abandonment responsibility to Yates. It only makes sense to explore this possibility for the benefit of New Mexicans.

If Yates can not utilize the wellbore, then Synergy will plug and abandon the well per NMOCD requirements. I would expect to have an answer from Yates within the next 30 days, regarding the final disposition of this well.

We also identified a 4" gas pipeline riser, owned by SG Interests in association with their Pot Mesa field. We plan to install guarding around this riser to prevent accidental damage to this piece of equipment.

In conclusion, please proceed with sending an inspector to review this wellsite. I can be reached at (505) 566-3725.

Warm regards,



Thomas E. Mullins
Engineering Manager

tem

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

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

Form C-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☒

Operator: Synergy Operating, LLC Telephone: 505-325-5449 e-mail address: Tom.Mullins@synergyoperating.com

Address: P.O. Box 5513 Farmington, NM 87499

Facility or well name: Bois'd Arc Wash 36 # 1 API #: 30-031-21007 U/L or Qtr/Qtr J Sec 36 T 20N R 5W

County: McKinley Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

Pit
Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined ☒ Unlined ☐
Liner type: Synthetic ☒ Thickness 12 mil Clay ☐
Pit Volume 2000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet	(20 points)
50 feet or more, but less than 100 feet	(10 points)
<u>100 feet or more</u>	<u>(0 points)</u>

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)
<u>No</u>	<u>(0 points)</u>

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
<u>200 feet or more, but less than 1000 feet</u>	<u>(10 points)</u>
1000 feet or more	(0 points)

Ranking Score (Total Points)

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments: No cuttings ever used. Wellsite constructed well plugged and abandoned. Plugged with only surface casing in place. Re-Drill was permitted but never drilled.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 8-17-04

Printed Name/Title Thomas E. Mullins

Signature [Signature]

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

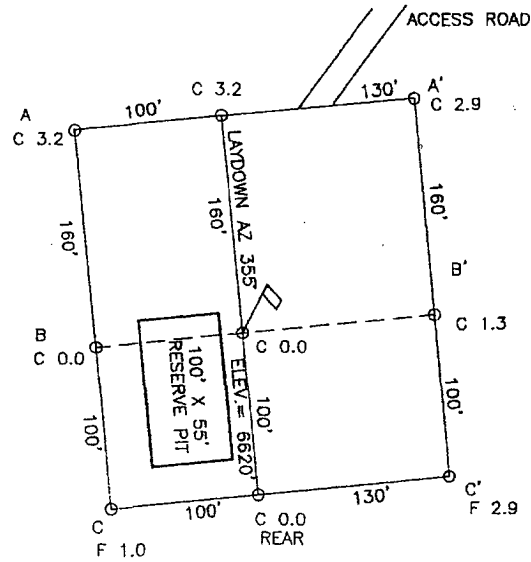
Printed Name/Title DEPUTY OIL & GAS INSPECTOR DIST. 03

Signature [Signature]

Date: AUG 17 2004

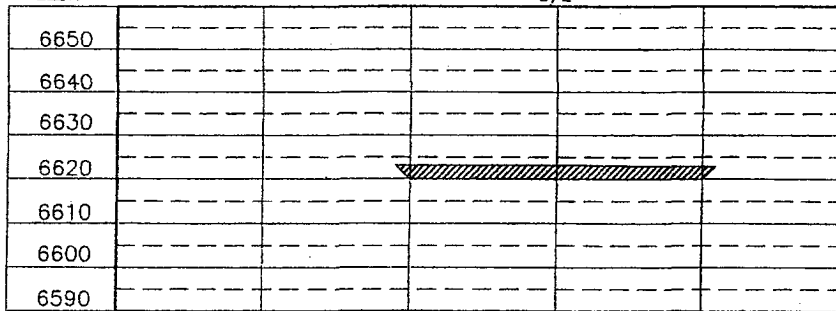
Approved Hans J. Herrera 8/24-04.

COMPANY: BOIS d' ARC Offshore, Inc.
 LEASE: WASH #36-1
 FOOTAGE: 1960' FSL, 1485' FEL
 SEC.: 36, TWN: 20-N, RNG: 5-W, NMPM
 ELEVATION: 6620'



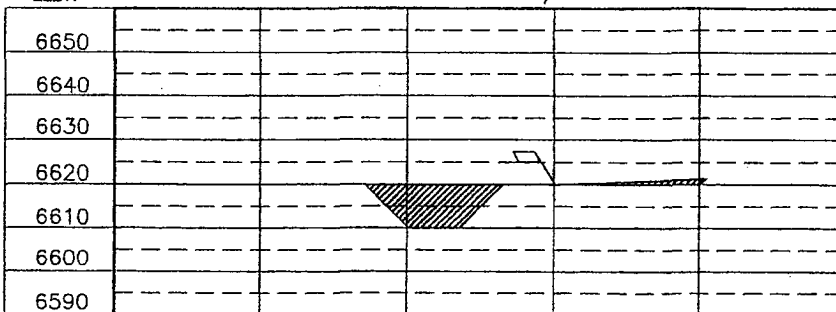
ELEV. A-A'

C/L



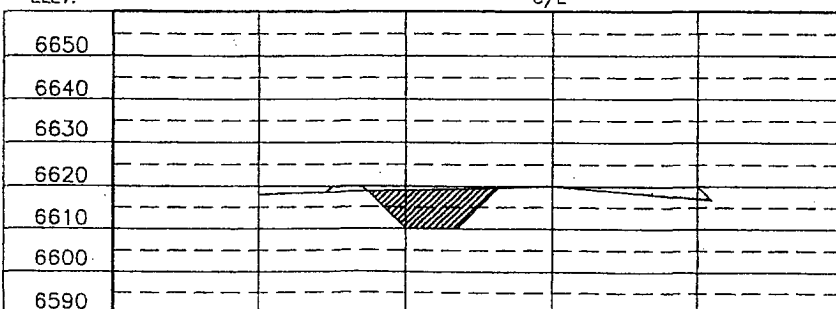
ELEV. B-B'

C/L



ELEV. C-C'

C/L



DRAWN BY: A.G. ROW#: BD002 CADFILE: BD002CF8 05/10/01

REVISED: REMOVE BLOW PIT BY: B.L. DATE: 7/26/01
 REVISED: CHANGE PAD SIZE BY: B.L. DATE: 6/18/01

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15088 Farmington, NM 87401
 Phone (505) 326-1772 Fax (505) 326-6019

