NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

May 17, 1999

Synergy Operating, L.L.C.
c/o Permits West, Inc.
37 Verano Loop
Santa Fe, New Mexico 87505
Attention: Brian Wood

Administrative Order NSL-4283

Dear Mr. Wood:

Reference is made to your application dated April 27, 1999 on behalf of Synergy Operating, L.L.C., as agent for Rutter & Wilbanks Corporation, for an unorthodox oil well to test the Entrada formation with the proposed Fajada Wash "7" Well No. 2 to be drilled 1110 feet from the North line and 2390 feet from the East line (Unit B) of Section 7, Township 20 North, Range 10 West, NMPM, McKinley County, New Mexico. The NW/4 NE/4 of Section 7 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit.

It is our understanding that Rutter & Wilbanks Corporation/Synergy Operating, L.L.C. is seeking an exception to New Mexico Oil Conservation Division ("Division") Rule 104.B(2)(c) based on its interpretation of a 3-D seismic survey of the immediate area, whereby it contends that a well drilled at the proposed location within the subject 40-acre unit will be at a more favorable geologic position within the potentially oil productive interval of the Entrada formation.

Further, all of Section 7, Township 20 North, Range 10 West, NMPM, McKinley County, New Mexico is included within a single fee lease in which Rutter & Willbanks Corporation is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract other than Rutter & Wilbanks Corporation/Synergy Operating, L.L.C.

The subject application has been duly filed under the provisions of Division Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec /