

SYNERGY OPERATING

**Letters to Mineral Interest
and Leasehold Owners
Dated July 1st, 7th & 13th**

BEFORE EXAMINER
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>4</u>
CASE NO. _____



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

June 30, 2005

Via Registered Mail

Jay Burnham - City Attorney
City of Farmington
800 Municipal Drive
Farmington, New Mexico 87401

RE: Two Proposed Fruitland Coal and Pictured Cliff Test Wells located in the
W/2 Sec. 22, T29N, R13W San Juan County, New Mexico

Dear Mr. Burnham:

Good news, Synergy Operating, LLC is planning to drill as many as two Fruitland Coal and Pictured Cliff test wells in the W/2 Section 22, T29N, R13W that will generate revenue for the City of Farmington. Based upon our preliminary title examination, the City of Farmington is shown to own mineral interests in the two 160 acre Pictured Cliffs' proration units and one 320 acre Fruitland Coal proration unit, as stipulated by the New Mexico Oil Conservation Division.

The City has a number of options to consider regarding our proposed wells that are:

- 1) The City can participate, or
- 2) Go non-consent, or
- 3) Farmout, keeping a 30% royalty, or
- 4) The City can sell.

Participation will cost the City based upon the number of net mineral acres the City owns in the W/2 of section 22, of T29N, R13W. The anticipated cost of drilling, completing and hooking up two TWO Fruitland Coal, Pictured Cliff test wells is \$800,000. Or, the City can elect to be subject to a penalty, based on multiple payouts, under a mutually agreed AAPL Operating Agreement, or under a force pool order issued by the New Mexico Oil Conservation Division. Or, the City can farmout its mineral interest, receiving a 30% inclusive and proportionately reduced royalty that will deliver to Synergy a proportionately reduced 100% working interest and 70% net revenue interest. Or, the City can sell its minerals for a mutually agreed sum of money.

This is good news because all of the above options will generate revenue for the City. Feel free to call me with your questions at: 505-334-4993 direct, or my cell at 505-330-6431. Your attention to this matter will be appreciated.

Sincerely,
Synergy Operating, LLC

Patrick Hegarty
Principal

Enclosure

XC: Michael D. Sullivan, Planning Manager
City of Farmington

YOUR FILE COPY



Synergy Operating, LLC

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

July 1, 2005

Via Certified Mail

Name here

RE: Two Proposed Fruitland Coal and Pictured Cliff Test Wells located in the
W/2 Sec. 22, T29N, R13W, San Juan County, New Mexico

To whom it may concern

Synergy Operating, LLC is planning to drill as many as two Fruitland Coal and Pictured Cliff test wells in the W/2 Section 22, T29N, R13W that will generate revenue for you. Based upon our preliminary title examination, you are shown to own mineral interests in the two 160 acre Pictured Cliffs proration units and one 320 acre Fruitland Coal proration unit. The well unit size is mandated by the New Mexico Oil Conservation Division.

You has a number of options to consider regarding our proposed wells that are:

- 1) Participate in the wells as a working interest owner, or
- 2) Farmout, keeping a 30% royalty, or
- 3) Sell.

Participation will cost you, based upon the number of net mineral acres you owns in the W/2 of Section 22, of T29N, R13W. The anticipated cost of drilling, completing and hooking up two TWO Fruitland Coal/Pictured Cliff test wells is approximately \$800,000 (well cost estimates are enclosed). If you desire this option, we will send you an AAPL Operating Agreement. Or, you can farmout its mineral interest, receiving a 30% inclusive and proportionately reduced royalty that will deliver to Synergy a proportionately reduced 100% working interest and 70% net revenue interest. Or, you can sell its minerals for a mutually agreed sum of money.

This is good news because all of the above options will generate revenue for you. Feel free to call me with your questions at: 505-334-4993 direct. Your prompt attention to this matter will be appreciated.

Sincerely,

Synergy Operating, LLC

Patrick Hegarty
Principal

Enclosure

YOUR FILE COPY



Synergy Operating, LLC

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

July 1, 2005

Via Certified Mail

Michael Rogers
BP America Production Company
501 Westlake Park Boulevard
Houston, Texas 77079

RE: Two Proposed Fruitland Coal and Pictured Cliff Test Wells located in the
W/2 Sec. 22, T29N, R13W San Juan County, New Mexico

Gentlemen:

Synergy Operating, LLC is planning to drill as many as two Fruitland Coal and Pictured Cliff test wells in the W/2 Section 22, T29N, R13W. Based upon our preliminary title examination, BP is shown to own mineral interests covering the S/2 of the SW/4. As such BP would own 50% of the SW/4 160 acre Pictured Cliffs' proration unit and 25% of the 320 acre Fruitland Coal proration unit.

BP has a number of options to consider regarding our proposed wells that are:

- 1) Participate as a working Interest owner, or
- 2) Farmout, keeping a 30% royalty, or
- 3) Sell.

Participation will cost BP based upon the number of net mineral acres BP owns in the W/2 of section 22, of T29N, R13W. The anticipated cost of drilling, completing and hooking up two TWO Fruitland Coal, Pictured Cliff test wells is \$800,000 (well cost estimates are enclosed). If BP elects to participate we can send you a proposed AAPL Operating Agreement for review and approval. BP can farmout its mineral interest, receiving a 30% inclusive and proportionately reduced royalty that will deliver to Synergy a proportionately reduced 100% working interest and 70% net revenue interest. BP can sell its minerals for a mutually agreed sum of money.

Feel free to call me with your questions at: 505-334-4993 direct, or my cell at 505-330-6431. Your attention to this matter will be appreciated.

Sincerely,
Synergy Operating, LLC

Patrick Hegarty
Principal

Enclosure

Mass Mailing BP

YOUR FILE COPY



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

July 13, 2005

US Mail, Emailed and Hand Delivered

Jerry Sullivan,
LANCE OIL & GAS COMPANY INC.
Western Gas Resources Inc.
1099 18th Street, SUITE 1200
DENVER, COLORAD 80202

RE: Two Proposed Fruitland Coal and Pictured Cliff Test Wells located in the
W/2 Sec. 22, T29N, R13W San Juan County, New Mexico

Dear Jerry:

Pursuant to our discussions enclosed please find our proposed AAPL Operating Agreement and an Authority For Expenditure (AFE) for signature, which would allow the production of natural gas, from the Fruitland coal and/or Pictured Cliffs horizons, covering the W/2 of section 24 T29N, R12W with Synergy as Operator.

If acceptable please have both of the enclosed Operating Agreement and AFE executed returning one as indicated. Synergy will invoice Western/Lance for actual costs.

Your attention to this matter will be appreciated.

Sincerely,
Synergy Operating, LLC



Patrick Hegarty
Principal

Enclosure

XC: Paul Lehrman

Lance Oil & Gas