

7006 0100 0005 5713 2652

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ALBUQUERQUE, NM 87103

Postage	\$ 0.39
Certified Fee	2.40
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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.64

UNIT ID: 0500  
APR 5 2006  
Clerk: UM1000  
USPS  
04/05/06

Sent To  
Derek Larson  
Sutin, Thayer & Browne  
P.O. Box 1945  
Albuquerque, New Mexico 87103

PS Form 3800, June 2002 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Derek Larson  
Sutin, Thayer & Browne  
P.O. Box 1945  
Albuquerque, New Mexico 87103

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  
X *[Signature]* ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number 7006 0100 0005 5713 2652  
(Transfer from service label)

PS Form 3811, February 2004 Domestic Return Receipt Synergy - du fl 102595-02-M-1540

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER C

Synergy



PO Box 5513  
Farmington, NM 87499  
(505) 325-5449  
Fax (505) 566-3750

April 3, 2005

RRR Registered Mail

Edwin Smith,  
Edwin Smith, LLC  
40758 Jasper Drive  
Kingsbury, CA 93631-1316

RE: Second well: Duff 29-11-8#105, W/2.

Dear Mr. Smith:

We will meet again before the NMOCD on Thursday on May 11<sup>th</sup>, in part due to the fact that I did not send your attached November letter by Certified Mail. I purposely did not send the November letter by Certified mail, and telephoned you in an attempt to continue our open line of communication. It will not be long before the five attorneys involved with this matter, walk away with the majority of the profits that this drilling venture might generate, if the wells are successful, especially if gas prices continue to drop.

You own an unquestioned 47% of the working interest in the SW/4, being 23.5% of the W/2, of the 320 acres required by the New Mexico Oil Conservation Division to drill a Fruitland Coal well. As you know you can participate in this proposed well by paying roughly 23.5% of \$440,000 of anticipated well costs, or \$103,400.00 net.

Being that your interest is not in any way in question, you may conclude, at some point that paying well costs is more productive than paying lawyers. If that realization ever occurs please return the signature page to the previously mailed Operating Agreement. Please realize that BR owns 50% of both wells. Your call to BR will confirm that if Synergy does not operate these two wells, BR will assume the duty under the governing AAPL Operating Agreement. Being that your interest is not in question and there is NO WAY BR will allow you to operate, there does not appear to be any potential return on investment on your legal expenses?

Again let me state that I am always available to talk, via my cell phone: 505-330-6431.

Sincerely,  
Synergy Operating, LLC



Patrick Hegarty  
Principal

Enclosures



PO Box 5513  
Farmington, NM 87499  
(505) 323-5449  
Fax (505) 566-3750

November 16, 2005

Edwin Smith, Edwin Smith, LLC and Earnest Smith  
40758 Jasper Drive  
Kingsbury, CA 93631-1316

RE: Operating Agreement W/2 Sec. 8, T29N, R11W  
First well: Duff 29-11-8#104, NW/4&  
Second well: Duff 29-11-8#105, SW/4.

Dear Ed:

Good news; we hope to begin drilling the the Duff 29-11-8#104 in the NW/4 of section eight next month. Being that rigs are hard to obtain we have decided to consider drilling the second well in the SW/4 too. The name of this second well will be: Duff 29-11-8#105. Please note that the New Mexico Oil Conservation Division allows two wells in a 320/ac proration unit for the Fruitland Coal formation.

I previously mailed you an Operating Agreement necessary to drill a Fruitland Coal test wells in the W/2 Sec. 8, T29N, R11. You own 47% of the working interest in the SW/4, being 23.5% of the E/2, of the 320 acres required by the New Mexico Oil Conservation Division to drill a Fruitland Coal well.

As you know you can either: Participate, Go non-consent, Farmout, or Sell your interest in this proposed well. Participation will cost you roughly 23.5% of \$440,000 of anticipated well costs, or \$103,400.00 net. Being that you elected to participate in the first well we are assuming that you want to participate in the second well too.

Our main objective is to avoid having to initiate legal action before the New Mexico Oil Conservation Division necessary to drill this second well. As such, please return the signature page to the previously mailed Operating Agreement. If we do not receive the signature page to said Operating then we will have NO CHOICE but to initiate another Force Pool proceeding before the Oil Conservation Division.

Your attention to this matter will be appreciated.

Sincerely,  
Synergy Operating, LLC



Patrick Hegarty  
Principal

Enclosures

Authorization for Expenditure  
Duff 29-11-8#105

10/10/05  
Pg. 1 of 2

Well ID: NM 0105  
Legal: T29N R11W Sec. 8: W/2  
County: San Juan  
State: NM  
Total Depth: 1750'

Drill & Complete Fruitland Coal & Test PC

	Est. Dry Hole Cost	Est. Drilling/Completion Cost
<b>FACILITY COSTS</b>		
Buildings/Noise Abatement		2,000.00
TOTAL FACILITY COSTS		2,000.00
<b>INTANGIBLE COMPLETION</b>		
Completion Rig		20,000.00
Stimulation Treatments		100,000.00
Completion Fluids		9,000.00
Trucking	7,000.00	7,000.00
Equipment Rentals	3,000.00	3,000.00
Logging & Perforating		7,000.00
Contract Services	17,000.00	17,000.00
Completion Supervision		2,000.00
Production Casing & Accessories	22,000.00	22,000.00
Air Package & Mobilization	8,000.00	8,000.00
Portable Toilet	500.00	500.00
TOTAL INTANGIBLE COMPLETION	57,500.00	195,500.00
<b>INTANGIBLE DRILLING</b>		
Site Access-Survey	1,500.00	1,500.00
Site Access-Preparation & Acquisition	15,000.00	15,000.00
Rig Mobilization	7,000.00	7,000.00
Drilling-Footage	45,000.00	45,000.00
Mud & Additives	6,000.00	6,000.00
Water to Rig Pit	6,000.00	6,000.00
Equipment Rental (Surface)	3,000.00	3,000.00
Openhole Logging	5,000.00	5,000.00
Drilling Supervision	3,000.00	3,000.00
Cementing-Drilling		12,000.00
BOP Rental	3,000.00	3,000.00
Safety Svc/BOP Testing	1,000.00	1,000.00
Anchor Sets & Test	1,000.00	1,000.00
Casing Crew	2,000.00	2,000.00
TOTAL INTANGIBLE DRILLING	98,500.00	110,500.00

Authorization for Expenditure  
Duff 29-11-8#105

Pg. 2 of 2

	Est. Dry Hole Cost	Est. Dry/Completion Cost
<b>TANGIBLE COMPLETION</b>		5,500.00
Wellhead		<u>7,000.00</u>
Tubing		12,500.00
<b>TOTAL TANGIBLE COMPLETION</b>		
<b>TANGIBLE DRILLING</b>		<u>6,000.00</u>
Surface Casing & Accessories	<u>6,000.00</u>	6,000.00
<b>TOTAL TANGIBLE DRILLING</b>	6,000.00	
<b>TANGIBLE EQUIPPING</b>		3,000.00
Sucker Rods & Accessories		8,000.00
Valves & Fittings		2,500.00
Downhole Pump		14,000.00
Pumpjack & Base		10,000.00
Flowline		11,000.00
Separators		10,000.00
Storage Tanks		6,000.00
Engines & Motors		<u>9,000.00</u>
Metering Equipment		73,500.00
<b>TOTAL TANGIBLE EQUIPPING</b>		
<b>SUB-TOTAL COST ESTIMATE</b>	266,500.00	400,000.00
10% Contingency	<u>26,650.00</u>	<u>40,000.00</u>
<b>TOTAL COST ESTIMATE</b>	293,150.00	440,000.00

Accepted by:

Entity Name: \_\_\_\_\_

By: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_