

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

MARCH 1, 2005

OPERATOR

SYNERGY OPERATING, LLC

CONTRACT AREA: W/2 SECTION 8, T.29N, R11W, N.M.P.M.

Fruitland Coal Formation

COUNTY OR PARISH OF SAN JUAN STATE OF NEW MEXICO

COPYRIGHT 1982 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT
WORTH, TEXAS, 76137-2791, APPROVED
FORM. A.A.P.L. NO. 610 - 1982 REVISED

OIL CONSERVATION DIVISION

CASE NUMBER 13663

EXHIBIT NUMBER 10

Fruitland Coal Formation

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of March, (year) 2005.

Synergy Operating, LLC, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those in Articles _____, have been made to the form.

OPERATOR

SYNERGY OPERATING, LLC


Mark Hegarty, PRINCIPAL

NON-OPERATORS

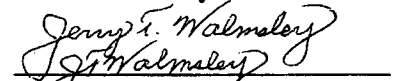
BURLINGTON RESOURCES OIL & GAS COMPANY

The Heirs of Claude Smith

Earnest Smith, Executor of Estate

WALMSLEY

June Walmley Estate


Jerry T. Walmsley, Executor of Estate

**SIGN & RETURN
THIS COPY**

EXHIBIT "A"

Duff 29-11-8#104, W/2 Sec. 8, T29N, R11W

Attached to and made a part of that certain Operating Agreement dated March 1,
between Synergy Operating, LLC, as Operator, and Burlington Resources Oil &
Gas Company et al. as Non-Operators.

UNIT AREA, DEPTHS AND FORMATION COVERED

W/2 of section 8 of Township 29 North, Range 11 West San Juan Co., N.M.
Limited to the Fruitland Coal formation.

ADDRESS OF THE PARTIES

OPERATOR:

Synergy Operating, LLC
PO Box 5513
Farmington, New Mexico 87499

NON-OPERATORS:

Burlington Resources Oil & Gas Co.
P.O. Box 4289
Farmington, New Mexico 87499

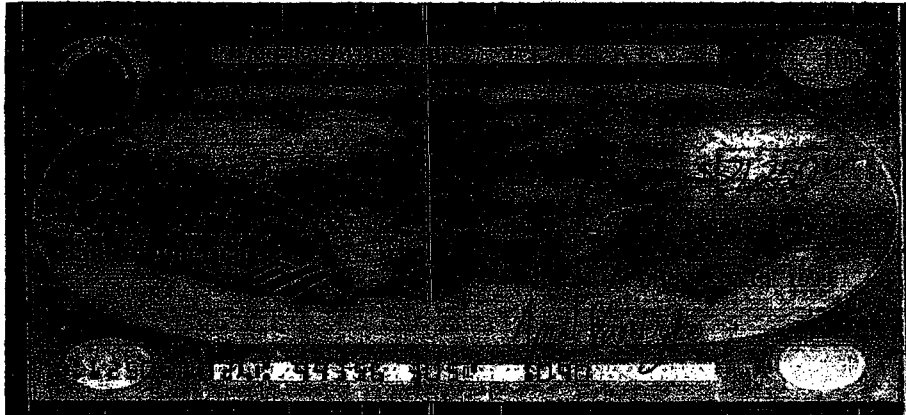
June Walmsley Estate
c/o Jerry T. Walmsley
801 West Paradise Road
Spokane, WA 99224

The Heirs of Claude Smith
c/o Ed Smith
40758 Jasper Drive (mailing Address)
Kingsberg, CA 93631-1316

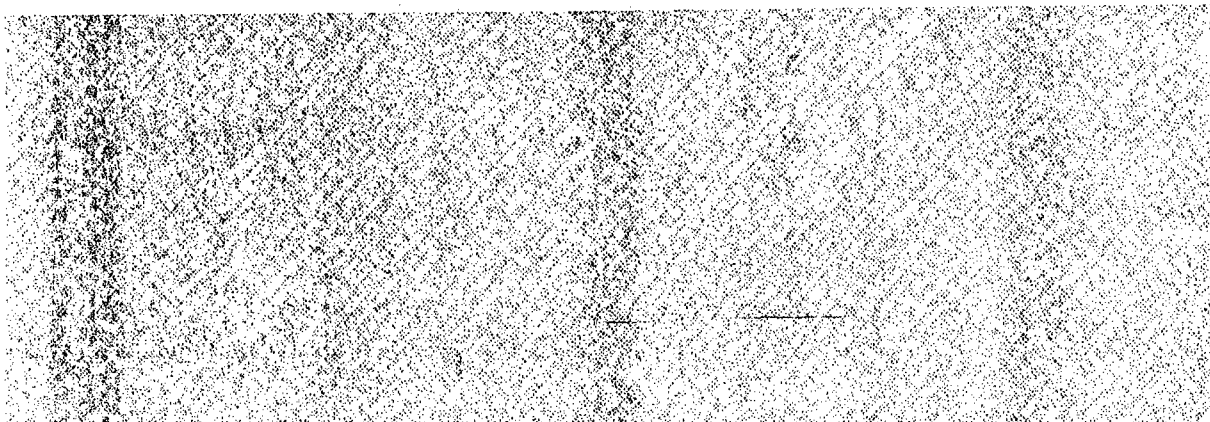
Joseph C. Robbins
The Heirs of George B., Bessie H., J.R. & India B. Robbins
2136 Lakeshore Drive
Chapel Hill, North Carolina 27514

.015625 Division of Interest -	
Synergy Operating, LLC et al	18.7500%
June Walmsley Estate	6.2500%
The Heirs of Claude Smith	23.4375%
The Heirs of George B. Robbins	1.5625%

<u>Burlington Resources Oil & Gas Company</u>	<u>50.00%</u>
TOTAL	100.00%



Enter
Same as Hartman Check
Entered



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OPERATOR

SYNERGY OPERATING, LLC

Patrick Hegarty
Patrick Hegarty, PRINCIPAL

NON-OPERATORS

BURLINGTON RESOURCES OIL & GAS COMPANY LP
By BROG GP Inc., its sole General Partner

The Heirs of Claude Smith

John F. Zent
JOHN F. ZENT
ATTORNEY-IN-FACT

WFM
SF

Ernest Smith
Ernest Smith, Executor of Estate

June Walmley Estate

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER

Jerry T. Walmsley
Jerry T. Walmsley, Executor of Estate

* SUBJECT TO THAT CERTAIN CONDITIONAL LETTER AGREEMENT DATED **December 28**, 2005
BETWEEN BURLINGTON RESOURCES OIL & GAS COMPANY LP AND SYNERGY OPERATING, LLC.

BURLINGTON RESOURCES

San Juan Division

Synergy Operating LLC

Attn: Patrick Hegarty

PO Box 5513

Farmington, NM 87499

December 28, 2005

RE: **Conditional Letter Agreement**

Duff 29-11-8 #104

W/2 Section 8, T29N-R11W

San Juan County, New Mexico

Dear Mr. Hegarty:

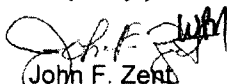
Please find enclosed an executed signature page to the Operating Agreement dated March 1, 2005. Burlington's acceptance of this Operating Agreement will be conditional based upon the following revisions to same:

- Article VI. Drilling and Development, A. Initial Well: Revise July 1st, 2005 date to April 1st, 2006.
- Exhibit "C", Section "III". 1.iii: Line 54 is stricken in its entirety, and Line 53 marked with an "X". The costs listed Lines 49 through 51 shall be covered by the Overhead Rates.
- Exhibit "D": Insert following text. "Burlington Resources Oil & Gas Company LP is a self insured Limited Partnership and declines any additional insurance beyond what is statutory."

Upon your approval, please execute and return one (1) copy of this letter to the attention of Mae Tsosie at the letterhead address.

If you have any questions in this regard, please contact Ben Malone at 505-326-9749.

Very truly yours,


John F. Zerk
Attorney-in-Fact *JSB*

Enclosures

JFZ/WBM/mjb
Contract File: 28983200

AGREED TO AND ACCEPTED THIS 25th DAY OF JANUARY, 2006.

SYNERGY OPERATING, LLC

BY: 

NAME: PATRICK HEGARTY

TITLE: PRINCIPLE