

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

324 MCKENZIE STREET
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

02 JUL 30 AM 12:56

OIL CONSERVATION DIV.

July 30, 2002

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

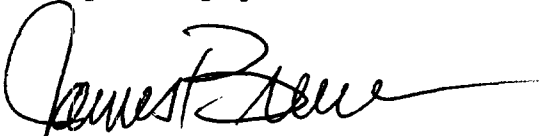
12917
Case ~~1299~~

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Synergy Operating, LLC. Please set this matter for the August 22, 2002 Examiner hearing. Thank you.

The application and advertisement are also on the enclosed disk under "SYN."

Very truly yours,



James Bruce

Attorney for Synergy Operating, LLC

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SYNERGY OPERATING,
LLC FOR COMPULSORY POOLING, SAN
JUAN COUNTY, NEW MEXICO.

No. 12917

CONSERVATION DIV.
JUL 30 AM 12:56

APPLICATION

Pursuant to Division Rule 1207.A(1)(b), Synergy Operating, LLC applies for an order pooling all mineral leasehold interests from the surface to the base of the Pictured Cliffs formation underlying the NE¼ of Section 25, Township 28 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the NE¼ of Section 25, and has the right to drill or re-complete a well thereon.

2. Applicant proposes to re-enter and work over the Omler Well No. 6, located 1190 feet from the north line and 1820 feet from the east line of the section, and seeks to dedicate the NE¼ of Section 25 to the well for all pools or formations developed on 160 acre spacing, including the Fulcher Kutz-Pictured Cliffs Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral leasehold interest owners in the NE¼ of Section 25 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral leasehold interest owners to participate in the drilling of the well, or to otherwise commit their interests to the well, a number of interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral leasehold

interest owners in the NE¼ of Section 25, pursuant to NMSA 1978 §70-2-17.

5. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of this application:

(a) No opposition is expected because the parties being pooled have been sent well proposals, and have expressed no opposition to working over the well, but have simply not responded to applicant's proposal. The names and addresses of the interest owners were obtained from current title files maintained by applicant.

(b) A plat outlining the spacing unit being pooled, and marking the location of the well, is attached hereto as Exhibit A. The well will test the Fulcher Kutz-Pictured Cliffs Gas Pool.

(c) Applicant seeks to dedicate the NE¼ of Section 25 to the well to form a standard 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within that vertical extent, including the Fulcher Kutz-Pictured Cliffs Gas Pool.

(d) The names of the leasehold interest owners in the NE¼ of Section 25, and their approximate interests, are listed on Exhibit B attached hereto. All working interest owners other than applicant are being pooled.

(e) A summary of applicant's efforts to obtain voluntary joinder for the work over is attached hereto as Exhibit C, along with copies of the correspondence with the interest owners.

(f) Attached hereto as Exhibit D is a discussion of the risks of re-entering and working over the well, which also contains production history and a log from an offset well. Due to drainage and mechanical risks, applicant requests the maximum cost plus 200% non-consent penalty.

(g) Applicant requests overhead rates of \$3602.00/month for re-entering and working over the well and \$398.00/month for a producing well. These rates are fair and reasonable, and are comparable to overhead rates charged by applicant and other operators of Pictured Cliffs wells in this area. Attached as Exhibit E is a copy of the 2001 Ernst & Young survey.

(h) Attached hereto as Exhibit F is an AFE for working over the well. The costs contained therein are fair and reasonable, and are comparable to costs for wells of this depth worked over by applicant and other operators of Pictured Cliffs wells in this area.

6. The pooling of all mineral interests underlying the NE¼ of Section 25 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the NE¼ of Section 25, from the surface to the base of the Pictured Cliffs formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of re-entering and working over the well, and allocating the cost thereof among the well's working

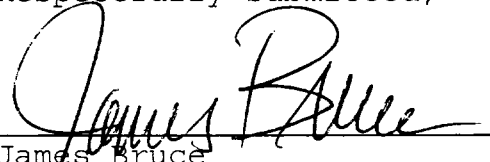
interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting those rates as provided in the COPAS accounting procedure; and

E. Setting a penalty for the risk involved in re-entering and working over the well in the event a working interest owner elects not to participate in the well.

**APPLICANT REQUESTS THAT, IN THE ABSENCE OF OBJECTION, THIS
MATTER BE TAKEN UNDER ADVISEMENT.**

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Synergy Operating, LLC

VERIFICATION

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

Patrick Hegarty, being duly sworn upon his oath, deposes and states that: He is a principal of Synergy Operating, LLC, and is authorized to make this verification on its behalf; he has read the foregoing application and knows the contents thereof; and the same are true and correct to the best of his knowledge, information, and belief.

Patrick Hegarty

Subscribed and sworn to before me this _____ day of July, 2002 by Patrick Hegarty.

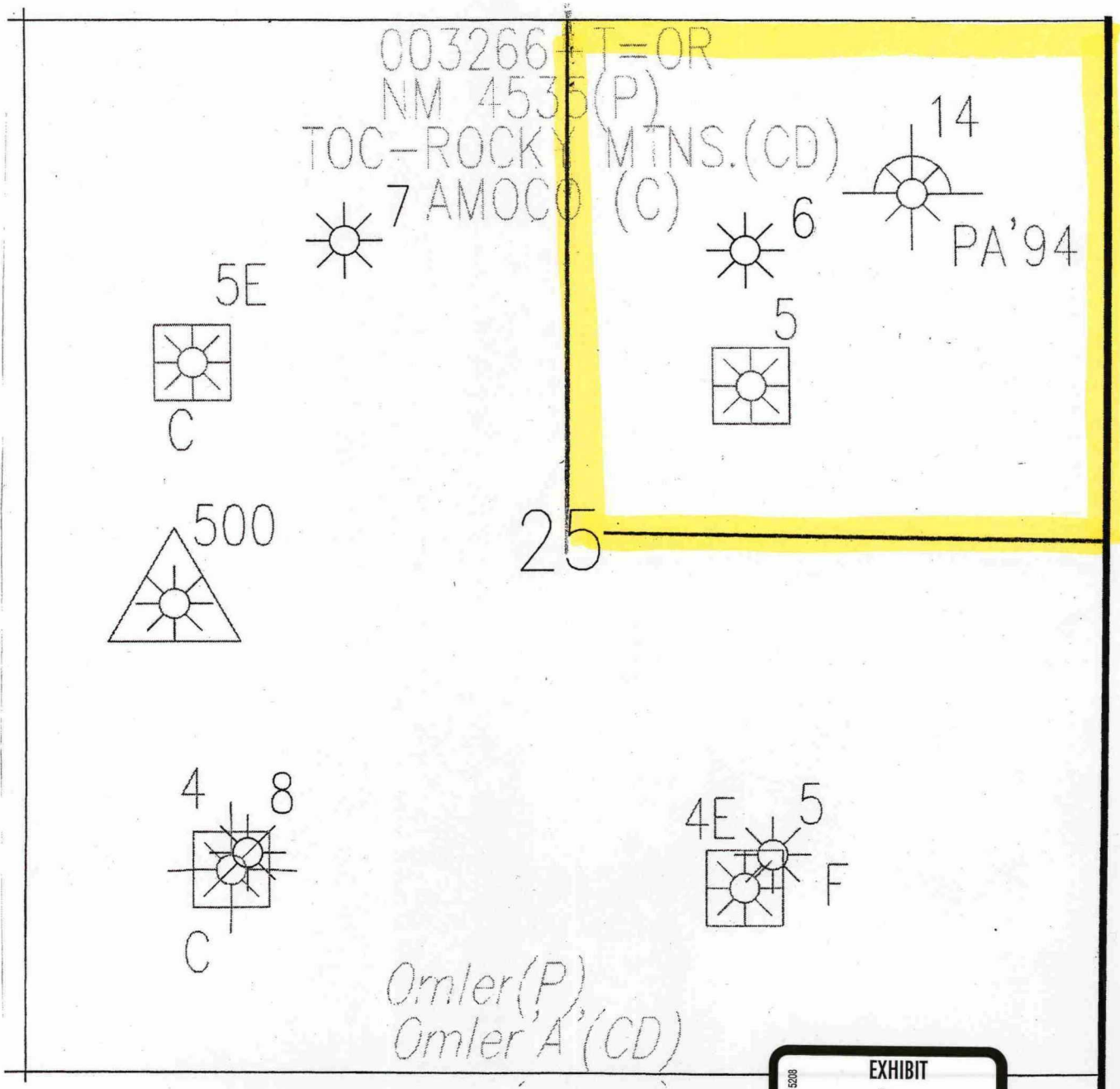
Notary Public

My Commission Expires:

PLAT

OMLER #6 WELL

NE/4 SECTION 25
1190' FNL, 1820' FEL
PICTURED CLIFFS FORMATION
TOWNSHIP 28 NORTH, RANGE 10 WEST
SAN JUAN COUNTY, NEW MEXICO



OMLER #6 LIST OF INTEREST OWNERS

INTEREST OWNER	% ORRI	% Working Interest
CATHARINE GRAY REMINICK	0.0022	
PAMELA GRAY BALDWIN	0.0022	
CYNTHIA G MILANI ESTATE	0.0022	
M SEAN SMITH	0.0025	
GEORGIA M SMITH	0.0049	
JOHN L GRAY	0.0067	
DAVID H GRAY	0.0090	
D MARTIN PHILLIPS AND LIANE M PHILLIPS	0.0100	
ROBERT L ZORICH	0.0125	
LINDA STONE BUSH	0.0146	
RONALD ROGER STONE ESTATE	0.0146	
LLOYD J MONEY & RUTH R MONEY TRUST	0.0156	
MARY A R HOWARD & ROBERT L HOWARD LIFE ESTATE	0.0156	
ESTATE OF FL TUCKER	0.0156	
W H HODGES	0.0188	
ROGERS-GIBBARD TRUST	0.0195	
JEREMY S DAVIS	0.0224	
WATERS S DAVIS III	0.0224	
MARIAN NORDAN HARWELL	0.0244	
ANITA NORDAN LINDSAY	0.0244	
SAMUEL D HAAS	0.0250	
HARRY D PORTER TRUST	0.0305	
GLADYS WATFORD TRUSTEE	0.0354	
VA JOHNSON FAMILY TRUST	0.0391	
BETTY T JOHNSON MARITAL TRUST	0.0391	
THE NORDAN TRUST	0.0488	
TRUSTEES OF ENCAP INVESTMENTS LC PROFIT SHARING PL	0.0500	
GARY R PETERSEN	0.0500	
CLAUDIA MARCIA LUNDELL GILMER	0.0721	
ROBERT WALTER LUNDELL	0.0721	
IRISH FAMILY TRUSTS	0.1000	
DONALD E FAGAN	0.1221	
LINDA JEANNE LUNDELL LINDSEY	0.1442	
EULA MAY JONSTON TRUST	0.1563	
BURLINGTON RESOURCES/SYNERGY	0.2500	
EC FIEDOREK DEFINED BENEFIT PLAN	0.2500	
ROBERT E BEAMON III	0.4814	
PURE RESOURCES LP	1.2737	44.5874
SAN JUAN BASIN POOL LTD	1.5000	
JERRY ANDREW		0.0391
BARBARA REESE DINGES		0.0417
DAVID ELBERT REESE		0.0417
REBECA ANN REESE WARD		0.0417
ELIZABETH GOODWIN REESE		0.0417
SALLY ANN MAHAFFEY		0.0833
NANCY J SPENCER		0.0833
FRED ELDON		0.0833
GEORGE E THOMPSON III		0.0833
SANDRA T CURRIE		0.0833
BETTY R HICKS		0.0833
GLORIA M KUBIK		0.0833
STELLA MADGE GREAR		0.0833
LILLY L NEWKIRK		0.0833
DAVID HENDERSON		0.1667
ASHLEY & SUSAN BRACKEN		0.1667
MAJOR CLAUD W		0.1875
JESSE S RAYBOURN		0.1875
MARY ANN PAGE-BRAUER		0.2333
MARY DOLL INGRAM MANAGEMENT TRUST		0.3906
HARRY B BOTTS		0.5000
SYNERGY OPERATING, LLC		52.6246
TOTALS	5.0000	100.0000



Summary Of Efforts To Join Parties

In late April and early May Synergy mailed a letter to each of the 61 interest owners in the Omler #6 well, advising them of Synergy's plans to workover said well and asking them to join in this venture. Due to the poor response to this first letter we mailed a second letter in late May by Registered mail, Return Receipt, Requested. To date all but three U.S. Postal Receipt cards have been returned. Both letters asked for their participation in this well workover venture.



April 23, 2002

Re: Reduction/Conversion of Overriding Royalty
Omler #6, NE/4 sec. 25, T28N, R10W
Log and Test Pictured Cliffs (P.C.)
BLM Lse#. SF-077085
San Juan County, New Mexico

Dear Name of Person:

You own a portion of the 33.6875% total royalty burdening the above captioned lease and Omler #6 well. This royalty burden is excessive and needs to be reduced in order to improve the economic viability of reworking Omler #6 well, which has been shut in for many years. Burlington Resources owns this well and has scheduled it to be plugged. Synergy Operating, LLC has entered into an agreement with Burlington to attempt to save this well from being plugged.

Synergy will attempted to re-establish production, if the royalty burden can be reduced,. The Net Revenue Interest of this lease and well is 66.3125%; with a total royalty burden of 33.6875%. Please reference the attached well discussion, and an estimation of cost (AFE).

In an attempt to improve the economic viability of this project, we ask that you consider one of the following two options:

1. Convert your royalty to a working interest, with each percentage of royalty being exchanged for double the percentage of working interest, under the attached AAPL Operating Agreement.
2. Reduce your royalty in half in the Pictured Cliffs horizon only in the captioned lands until 300% of all costs have been recovered. At which time your royalty will revert back to the full percentage..

Reducing the excessive royalty burdens is essential before the proposed operation can be commenced. This well has not produced for many years, this is an opportunity to generate additional revenue where there was none.

If acceptable, please indicate your acceptance of: Option 1 or 2 in the space provided below and return one copy of this letter. If you select the working Interest option #1, please also sign the attached signature page of the attached AAPL Operating Agreement, and return it to.

If you wish to discuss this matter further, please contact Patrick Hegarty at (505) 334-4993. Your assistance in this matter is appreciated.

Sincerely
Synergy Operating, LLC

Agreed To And Accepted this ___ day of _____2002,
As to OPTION # _____ above.

Patrick Hegarty
Principal

By: _____

Name: _____

Title: _____

PH/mac

enclosures

Robert Ready
Pure Resources LP
500 W. Illinois
Midland, Texas 79701

May 17, 2002
RRR - Return Receipt Requested

Re: Conversion of Pure's 6.25% Overriding Royalty to a 50% Working Interest
Omler #6, NE/4 sec. 25, T28N, R10W San Juan Co., N.M.

Dear Mr. Ready:

Our April 23rd offer has been withdrawn effective May 15th, 2002. We withdrew this offer because it appears that 6.25% of Pure's 6.847168% royalty interest automatically converts to a 50% working interest in the event daily production, averaged on a monthly basis, falls below 500,000 cubic feet of gas per well per day. Please reference the attached Title Opinion and associated agreements.

Listed below are three options for Pure's consideration as a 50% WI owner:

1. **Sell** Pure's 50% working interest in the Omler #6 well and 160 acre proration unit, restricted to the Pictured Cliffs formation for \$5000. If Pure selects option #1 we will promptly mail an assignment with a check.
2. **Do not participate** in the reworking of the Omler #6 well, and agree to a 300% non-consent election under the previously mailed AAPL Operating Agreement. If Pure selects option #2 please sign and return one copy of the Operating Agreement signature page.
3. **Participate** in the reworking of the Omler #6 well, under said Operating Agreement, as a 50% working interest. If Pure selects option #3 please sign and return one copy of the Operating Agreement signature page and the Authority For Expenditure (AFE).

Please indicate Pure's acceptance of one of the above options in the space provided below and return one copy of this letter with the other paperwork discussed above, if applicable. Please call me @ (505) 334-4993 if you have any questions. Your assistance in this matter is appreciated.

Sincerely
Synergy Operating, LLC

Agreed To And Accepted this __ day of ____, 2002,
As to Option # _____ above.

Patrick Hegarty
Principal

By: _____

Name: _____

Title: _____

PH/mac

Enclosures

Ron Lanning
Chase Oil Corporation
PO Box 1767
Artesia, NM 88211-1767

May 17, 2002
RRR - Return Receipt Requested

Re: Conversion of your 10% Overriding Royalty to a 10% Working Interest
Omler #6, NE/4 sec. 25, T28N, R10W San Juan Co., N.M.

Dear Mr. Lanning:

As discussed, our April 23rd offer has been withdrawn effective May 15th, 2002. We withdrew this offer because Chase's 10% royalty interest automatically converts to a 10% working interest in the event daily production averaged on a monthly basis falls below 500,000 cubic feet of gas per well per day. Please reference the attached Title Opinion and associated agreements.

Listed below are three options for Chase's consideration as a working Interest owner:

1. **Sell** Pure's 10% working interest in the Omler #6 well and 160 acre proration unit, restricted to the Pictured Cliffs formation for \$3,000. If you select option #1 we will promptly mail you an assignment and check.
2. **Do not participate** in the reworking of the Omler #6 well, and agree to a 300% non-consent election under the previously mailed AAPL Operating Agreement. If Chase selects option #2 please sign and return one copy of the Operating Agreement signature page.
3. **Participate** in the reworking of the Omler #6 well, under said Operating Agreement, as a 10% working interest. If Chase selects option #3 please sign and return one copy of the Operating Agreement signature page and the Authority For Expenditure (AFE).

Please indicate Chase's acceptance of one of the above options in the space provided below and return one copy of this letter with the other paperwork discussed above, if applicable. Please call me @ (505) 334-4993 if you have any questions. Your assistance in this matter is appreciated.

Sincerely
Synergy Operating, LLC

Agreed To And Accepted this __ day of ____ 2002,
As to OPTION # ____ above.

Patrick Hegarty
Principal

By: _____

Name: _____

Title: _____

PH/mac

Enclosures

Omler ORR



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

May 21, 2002

RRR - Return Receipt Requested

BARBARA REESE DINGES
6510 SHADOW CREST ST
HOUSTON, TX 752840738

SIGN & RETURN
THIS COPY

Re: Conversion of your 0.005208 Overriding Royalty to 0.041664 Working Interest Omler #6,
NE/4 sec. 25, T28N, R10W San Juan Co., N.M.

Dear Ms. Barbara Reese Dinges:

In our last letter dated April 23, we asked that you voluntarily reduce your override, or convert it to a working interest in order to improve the economics necessary to workover the Omler #6 gas well. Please note that our April 23 offer was withdrawn effective May 15. A number of you accepted our April 23 offer, before it was withdrawn and elected to reduce your royalty in half, or double it as working interest and participate in the proposed workover of the Omler #6 gas well. We will honor this prior agreement for those of you that accepted it, or you can choose one of the NEW options listed below.

We withdrew our April 23 offer because Burlington Resources' records revealed that your royalty interest automatically converts to a working interest in the event daily production averaged on a monthly basis falls below 500,000 cubic feet of gas per well per day, see enclosed Title Opinion.

Listed below are three NEW options for you to consider based on the fact that you are now a working interest owner in the amount captioned above:

1. **Sell** your interest in the Omler #6 well and associated 160 acre proration unit in the Pictured Cliffs horizon only, for \$500.00 per one percent of your royalty interest (captioned above). We will mail you an assignment and check if you choose option #1. Further, you may want to consider selling all your interest in the entire lease, which we will promptly evaluate and send you an offer.

2. **Do not participate** in the reworking of the Omler #6 well, and agree to a 300% non-consent election. This means that we must recover all the costs associated with the workover and operating said well before your WORKING INTEREST is recognized. Please execute and return the signature page to the attached AAPL Operating Agreement.

3. **Participate** in the workover of the Omler #6 well, under the terms an provisions of the attached AAPL Operating Agreement. Please execute and return the signature page to the attached: AAPL Operating Agreement and Authority For Expenditure.

Please indicate your acceptance of options: 1, 2, or 3 in the space provided below and return one copy of this letter and related paperwork, if you selected option #2, or #3. Feel free to call me at (505) 334-4993, if you want to discuss this matter further. We appreciated your attention.

Sincerely,
Synergy Operating, LLC

Patrick Hegarty
Patrick Hegarty
Principal

PH/mac

Enclosures
Omler ORR

Thanks. We will decline this offer.
Agreed To And Accepted this ___ day of ___ 2002,
As to OPTION # ___ above.

By: *Barbara Dinges*

Name: *BARBARA DINGES*
Title: *President Natural Gas Co. Inc*
Day Time Telephone #: *713 723 7333*

Description of Risk

There are many risks associated with reworking the Omler #6 well. The largest risk is that of drainage. This well was first drilled in 1954 and has produced a little over 3/4 of 1 billion cubic feet of gas. The prior operator, Burlington Resources intended to plug this well, before Synergy took over operations. Burlington Resources' engineers felt this well had properly drained the quarter section. Further, the well has a casing integrity problem. The risk involved with repairing the casing is great. Wells have been known to require many months of rig time and thousands of yards of cement to repair holes in the casing. General operation in old wellbores is very problematic due to the poor condition of the pipe. The well file indicates that a paraffin problem exists.

In conclusion, we are faced with the following risks associated with working over the Omler #6 well:

- 1) Drainage – the acreage may already depleted,
- 2) Bad Casing – there are definite indicators that the casing maybe Swiss cheese,
- 3) Operational – 48 year old wellbores are known to be problematic,
- 4) Paraffin – We have evidence of paraffin being in the wellbore.



OLMER #6 WELL WELL DISCUSSION

Current Status: Currently SI Pictured Cliffs producer, appears to have a casing leak in the 5-1/2" that caused scale damage to the formation, and the well may not be deep enough in the PC, no tubing in hole. Csg pressure is less than 40 psig.

Summary of proposed work: Log well w/ GR-CCL to determine if PC needs to be drilled deeper (If not deep enough, GIH w/ 4-3/4" bit picking up 3-1/2" workstring and DO to desired depth), run packer picking up 3-1/2" workstring, Pressure Test 5-1/2" x 3-1/2" annulus, acidize OH PC, swab test & evaluate.

This procedure would follow-up on the initial testing procedure written by Glen Papp.

Utilizing the 3-1/2" tubing string, a 4-3/4" hole would be drilled to ensure the entire PC interval is opened. The 3-1/2" tubing would then be cemented to surface as production casing, isolating any and all casing leaks. A cased hole GR strip would run to identify the PC sand body and approximately 15 perforations holes would be placed in the 3-1/2" casing. A small acid breakdown and ball-off would be performed with 15% HCl acid followed by a Nitrogen Foam and Sand Stimulation with 30,000 lbs of proppant. The well would be cleaned up to a flowback pit, and then placed to the sales line producing up the 3-1/2" production casing (a tubingless completion). After initial testing, if required, an 1-1/2" production tubing string may be installed.

Synergy believes that by running the 3-1/2" tubing and cementing this string to surface, the casing failures will be properly re-mediated and by restimulating the Pictured Cliffs formation we will allow for better well production.

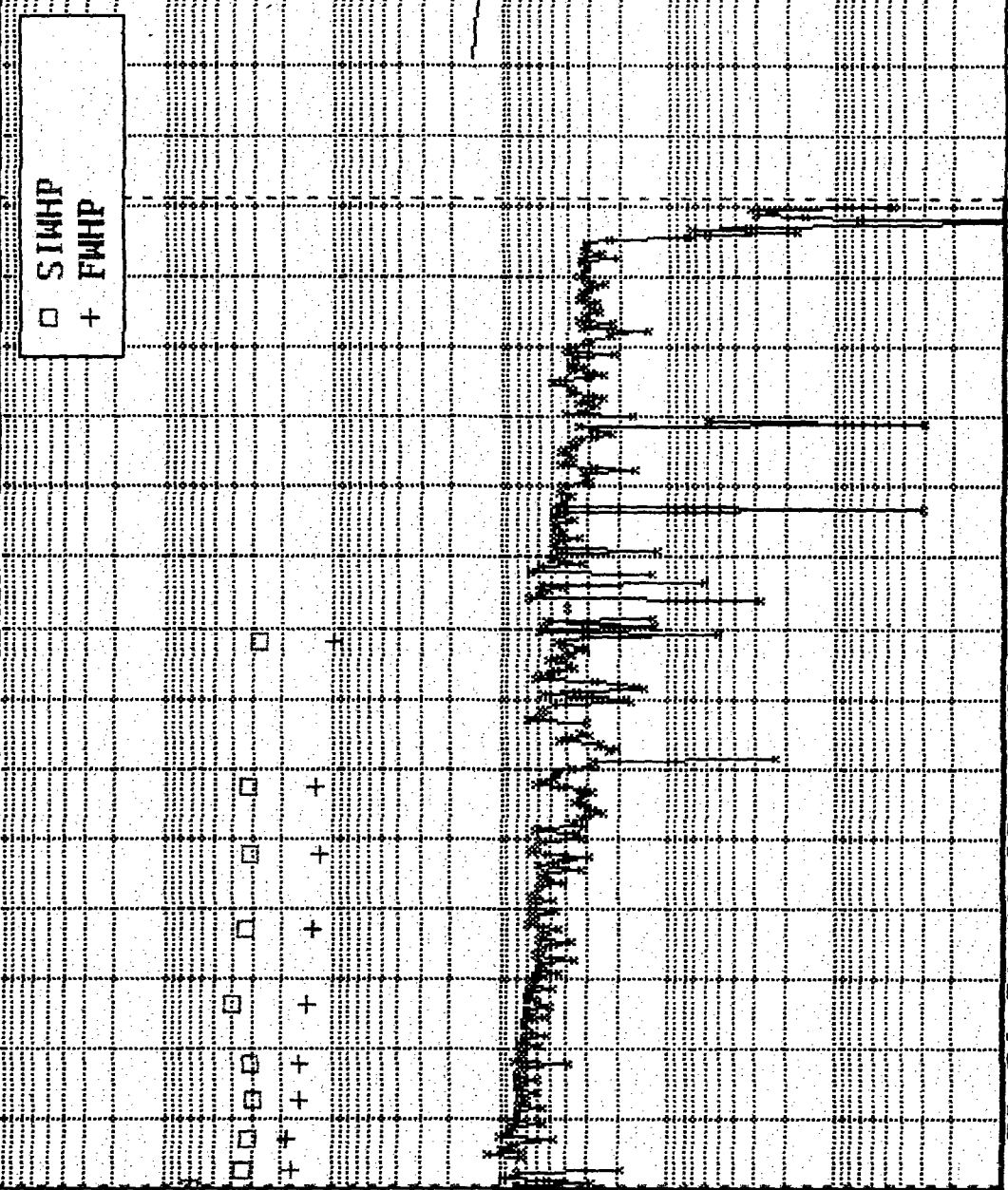
The attached AFE represents the full costs for the entire project including the previous (\$ 43,000) estimate for the testing process.

Well History: The Omler #6 was drilled as an open hole producer in December of 1954. 5-1/2" casing was set at 1961' (Top of PC @ 1957', per BNR) and cemented w/ 100-sxs, the Open Hole section was drilled from 1961-2000'. The well was initially frac'd w/ 9900-Gals of Oil w/ 2200# Sand. The well IP'd at 615-MCF/D, with an ISIP = 674#. The well was completed w/ 1" tubing. The tubing was pulled out of the hole & laid down on May 3, 2001, according to the BNR supervisor on location, the tubing was coated with a "Talcium powder type dust". A coiled tubing unit was rigged up on May 20, 2001 (the well had a SICP = 195#, it blew down in 3-minutes), to clean fill and unload the hole, however no fill or fluid were found in the hole. No work has been performed since.

OMLER : 006 : 230-043-0450719977200

Prop 258

WATER	10000	1000	100	10	10	1	1	1	1
OIL/GAS	1000	100	10	10	10	0.1	0.1	0.1	0.1
OIL	1000	100	10	10	10	0.1	0.1	0.1	0.1
GAS	10000	1000	100	10	10	1	1	1	1



- ☒ GAS Mcf/d
- ☐ OIL Bbl/d
- ☐ OIL/GAS
- ☐ WATER Bbl/d

RateTime
Semi Log

Cum 795,409

Date 3/1/2002

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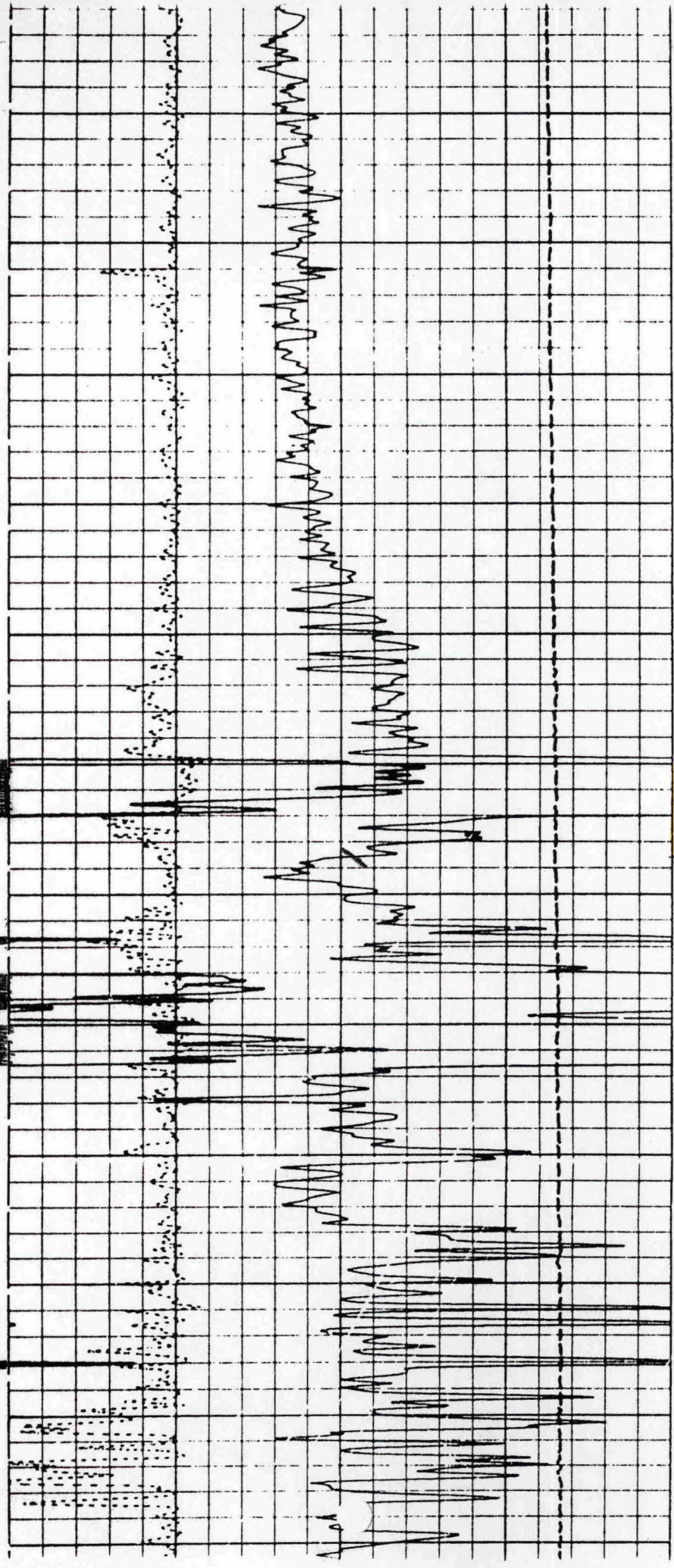
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Existing OH Pictured Cliffs Production History



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2200

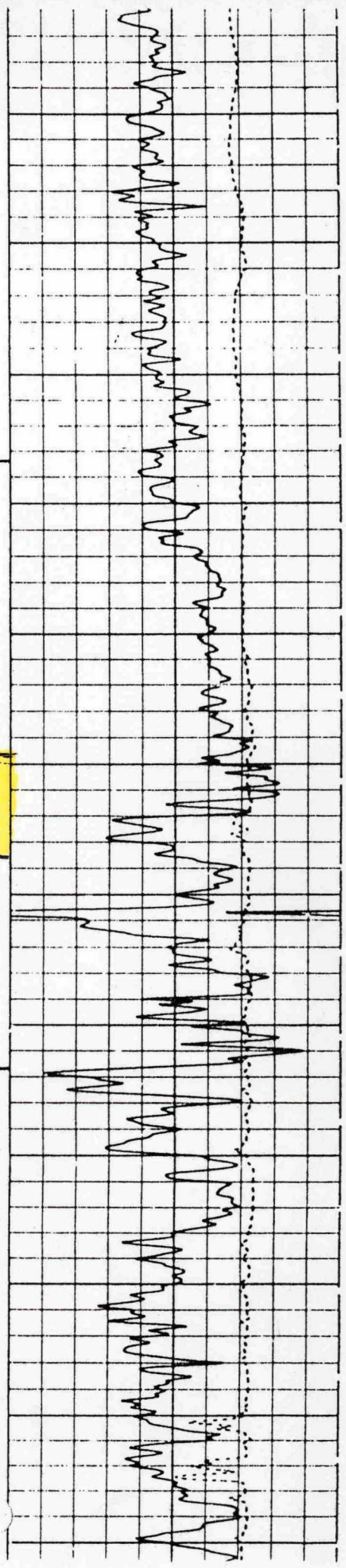
2100

2000

1900

1800

OPEN
HOLE



OMLER A # 14 960' FNL, 950' FEL - SEC 25 - T28N-R10W

5929' 51

2001 Survey of Fixed-Rate Combined Overhead Charges for Oil & Gas Production

The following are the results of the Ernst & Young 19th annual survey of combined fixed-rate overhead charges. These results are based on responses to a questionnaire distributed in October, 2000.

This year's questionnaire was structured to obtain information for drilling and producing rates of oil and gas wells at varying depths. Rates were reported by county and state and as of April 1 of the survey year. Data was limited to company operated wells only.

Rates reported here are by state only. Rates reported by country and state are available at www.ey.com/us/energy.

The following information is provided for each state:

1. Number of Responses.
2. Number of Wells.
3. Minimum, Mean, Median, and Maximum rates for both drilling and producing wells.

As in the past, participants were asked to identify the type and size of their company. This part of the survey produced the following results:

89 % of the respondents are independents with assets of less than \$50 million.

94% of the respondents are privately owned companies.

Although Ernst & Young has solicited and compiled the information included in this publication, they have not verified the responses and therefore make no representation as to the accuracy of the submitted data. Reported fixed overhead rates can vary due to such factors as inclusion/exclusion of salaries and wages for technical personnel, and the particular vintage of COPAS accounting procedures used. For purposes of this survey, information on major construction overhead, catastrophe overhead, or supervisor elections was not requested. This survey represents negotiated fixed overhead rates and is not intended to be used to set overhead rates for new contracts or amendments. Rates should be negotiated to reflect the Operator's actual cost of providing overhead service.

Source: Ernst & Young, National Office of Energy Services, 1221 McKinney, Suite 2400, One Houston Center, Houston, TX 77010.

New Mexico

Blumberg No. 5208

EXHIBIT

E

Monthly Drilling Well Fixed Overhead Rates

Monthly Producing Well Fixed Overhead Rates

Responses	Wells	Depth	Minimum	Average	Median	Maximum	Minimum	Average	Median	Maximum
25	318	0 - 5,000	\$1,430	\$3,602	\$3,500	\$6,000	\$100	\$398	\$334	\$656
25	300	5,001 - 10,000	\$2,000	\$4,759	\$5,014	\$7,000	\$200	\$573	\$525	\$2,011
14	130	10,001 - 15,000	\$5,500	\$6,751	\$6,750	\$7,605	\$540	\$718	\$700	\$1,039
5	6	15,001 - 20,000	\$8,000	\$8,123	\$8,000	\$8,614	\$800	\$870	\$800	\$1,150
		Over 20,000								
181	3,191	No Depth Limit	\$250	\$4,654	\$5,038	\$10,497	\$50	\$615	\$578	\$2,273

SYNERGY OPERATING, LLC
Authority For Expenditure (AFE)

WIO AFE # 2

AFE No. 1002-01A

Well Name: Omler #6 (PC Test & Restimulation)
Location: 1190' FNL, 1820' FSL, Sec 25, T28N-R10W
Work Description: Deepen OH, Run 3-1/2" Test, Cement & Frac

County, St: San Juan, NM

220		INTANGIBLE DRILLING COSTS			
220	306	DRILLING BITS & ACCESSORIES			\$1,200
220	312	RENTAL EQUIPMENT (SURFACE)			\$800
220	313	RENTAL EQUIPMENT (SUB-SURFACE)			\$850
220	333	ANCHORS SET & TEST			\$750
		SUB-TOTAL			\$3,600
225		TANGIBLE DRILLING COSTS			
225	322	CASING FLOAT EQUIP, CENTRALIZERS / TURBOS			\$0
225	323	LINER			\$0
225	324	LINER HANGER			\$0
225	325	WELLHEAD			\$2,500
		SUB-TOTAL			\$2,500
230		INTANGIBLE COMPLETION COSTS			
230	401	SITE & ACCESS IMPROVEMENTS			\$2,000
230	403	COMPLETION RIG	5	2500	\$12,500
230	404	SERVICE RIG	2	1200	\$2,400
230	407	WIRELINE SERVICES			\$0
230	408	STIMULATION TREATMENTS			\$38,500
230	409	COMPLETION FLUIDS & TRANSPORTATION			\$3,000
230	411	TRUCKING			\$2,100
230	412	TANK & FLOAT RENTALS			\$0
230	413	PACKER & PLUG RENTALS			\$1,500
230	415	LOGGING AND PERFORATING			\$4,500
230	416	PRODUCTION TESTING			\$0
230	417	CONTRACT SERVICES (Hot Oil, Etc....)			\$0
230	418	COMPLETION SUPERVISION	5	550	\$2,750
230	419	PRODUCTION CASING & ACCESSORIES			\$0
230	420	COMPLETION RIG MOB & DEMOBILIZATION			\$3,000
230	422	CEMENTING COMPLETION			\$0
230	423	WATER TO DISPOSAL FACILITY			\$0
230	424	AIR PACKAGE W/ OPERATOR	3	1500	\$4,500
230	425	SLICKLINE UNIT			\$0
230	426	CASING CREW			\$0
230	427	MISCELLANEOUS			\$0
230	448	CONTINGENCY			\$6,500
230	449	OPERATOR OVERHEAD	5	450	\$2,250
		SUB-TOTAL			\$85,500
240		TANGIBLE COMPLETION COSTS			
240	502	UPPER WELLHEAD TREE			\$0
240	503	TUBING	2100	4	\$8,400
240	504	DOWNHOLE EQUIPMENT			\$0
240	506	PURCHASED PACKERS, NIPPLES, CHECKS ...			\$0
240	527	MISCELLANEOUS			\$0
		SUB-TOTAL			\$8,400
245		TANGIBLE EQUIPPING COSTS			
245	501	SUCKER RODS AND ACCESSORIES			\$0
245	502	VALVES AND FITTINGS			\$2,500
245	503	DOWNHOLE PUMP			\$0
245	504	PUMPJACK BASE AND TANK			\$0
245	505	FLUID HANDLING EQUIPMENT			\$0
245	506	FLOWLINE			\$0
245	507	SEPARATORS			\$2,500
245	508	STORAGE TANKS			\$2,500
245	527	MISCELLANEOUS			\$500
		SUB-TOTAL			\$8,000
250		FACILITY COSTS			
250	603	PIPELINE			\$0
250	604	INSTALLATION			\$0
250	606	COMPRESSORS/PUMPS/PRIME MOVERS			\$0
250	611	SAFETY EQUIPMENT			\$0
250	617	CONTRACT SERVICES			\$2,000
250	618	SUPERVISION			\$0
250	619	ROAD BASE & GRAVEL			\$0
250	627	MISCELLANEOUS			\$0
		SUB-TOTAL			\$2,000
TOTAL INTANGIBLE COSTS					\$91,100
TOTAL TANGIBLE COSTS					\$18,900
GRAND TOTAL:					\$110,000

Estimated by: Glen O. Papp & Thomas E. Mullins

Date Written: 5-29-02

Synergy Approvals: *Dotie Hegarty*

Date Approved: 5-30-02

Partner Approvals: _____

Date Approved: _____

Burnberg No. 5208

EXHIBIT

F

PARTIES BEING POOLED

OMLER #6

INTEREST OWNER	% ORRI	% Working interest
CATHARINE GRAY REMINICK	0.0022	
PAMELA GRAY BALDWIN	0.0022	
CYNTHIA G MILANI ESTATE	0.0022	
M SEAN SMITH	0.0025	
GEORGIA M SMITH	0.0049	
JOHN L GRAY	0.0067	
DAVID H GRAY	0.0090	
D MARTIN PHILLIPS AND LIANE M PHILL	0.0100	
ROBERT L ZORICH	0.0125	
LINDA STONE BUSH	0.0146	
RONALD ROGER STONE ESTATE	0.0146	
LLOYD J MONEY & RUTH R MONEY TRUS	0.0156	
MARY A R HOWARD & ROBERT L HOWARI	0.0156	
ESTATE OF FL TUCKER	0.0156	
W H HODGES	0.0188	
ROGERS-GIBBARD TRUST	0.0195	
JEREMY S DAVIS	0.0224	
WATERS S DAVIS III	0.0224	
MARIAN NORDAN HARWELL	0.0244	
ANITA NORDAN LINDSAY	0.0244	
SAMUEL D HAAS	0.0250	
HARRY D PORTER TRUST	0.0305	
GLADYS WATFORD TRUSTEE	0.0354	
VA JOHNSTON FAMILY TRUST	0.0391	
BETTY T JOHNSTON MARITAL TRUST	0.0391	
THE NORDAN TRUST	0.0488	
TRUSTEES OF ENCAP INVESTMENTS LC I	0.0500	
GARY R PETERSEN	0.0500	
CLAUDIA MARCIA LUNDELL GILMER	0.0721	
ROBERT WALTER LUNDELL	0.0721	
IRISH FAMILY TRUSTS	0.1000	
DONALD E FAGAN	0.1221	
LINDA JEANNE LUNDELL LINDSEY	0.1442	
EULA MAY JONSTON TRUST	0.1563	
BURLINGTON RESOURCES/SYNERGY	2.0000	
EC FIEDOREK DEFINED BENEFIT PLAN	0.2500	
ROBERT E BEAMON III	0.4814	
PURE RESOURCES LP	1.2737	44.5874
SAN JUAN BASIN POOL LTD	1.5000	
JERRY ANDREW		0.0391
BARBARA REESE DINGES		0.0417
DAVID ELBERT REESE		0.0417
REBECA ANN REESE WARD		0.0417
ELIZABETH GOODWIN REESE		0.0417
SALLY ANN MAHAFFEY		0.0833
NANCY J SPENCER		0.0833
FRED ELDON		0.0833
GEORGE E THOMPSON III		0.0833
SANDRA T CURRIE		0.0833
BETTY R HICKS		0.0833
GLORIA M KUBIK		0.0833
STELLA MADGE GREAR		0.0833
LILLY L NEWKIRK		0.0833
DAVID HENDERSON		0.1667
ASHLEY & SUSAN BRACKEN		0.1667
MAJOR CLAUD W		0.1875
JESSE S RAYBOURN		0.1875
MARY ANN PAGE-BRAUER		0.2333
MARY DOLL INGRAM MANAGEMENT TRUST		0.3906
HARRY B BOTTS		0.5000
SYNERGY OPERATING, LLC		52.6246
TOTALS	6.7500	100.0000

PROPOSED ADVERTISEMENT

Case 12917 : Application of Synergy Operating, LLC for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the NE¼ of Section 25, Township 28 North, Range 10 West, NMPM, to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Fulcher Kutz-Pictured Cliffs Gas Pool. The unit is to be dedicated to the Omler Well No. 6, to be re-entered and worked over at a location 1190 feet from the north line and 1820 feet from the east line of Section 25. Also to be considered will be the cost of re-entering and working over the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in re-entering and working over the well. The unit is located approximately _____ miles _____ of Aztec, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

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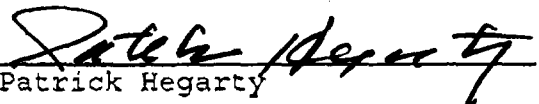
VERIFICATION

STATE OF NEW MEXICO)

) ss.

COUNTY OF SAN JUAN)

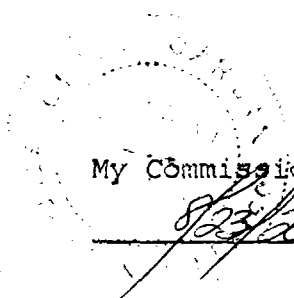
Patrick Hegarty, being duly sworn upon his oath, deposes and states that: He is a principal of Synergy Operating, LLC, and is authorized to make this verification on its behalf; he has read the foregoing application and knows the contents thereof; and the same are true and correct to the best of his knowledge, information, and belief.


Patrick Hegarty

Subscribed and sworn to before me this 30th day of July, 2002 by Patrick Hegarty.


Notary Public

My Commission Expires:


8/23/2003