

2005 JUN 23 PM 1 41

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
070 FARMINGTO

APPLICATION FOR PERMIT TO DRILL OR REENTER

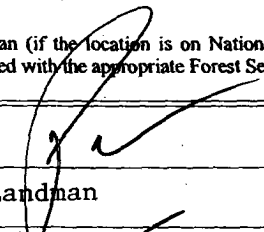
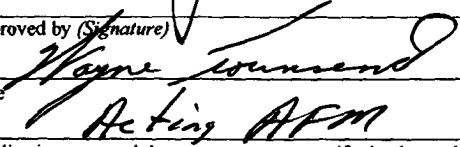
5. Lease Serial No.	NMNM-101551
6. If Indian, Allottee or Tribe Name	N/A
7. If Unit or CA Agreement, Name and No.	N/A
8. Lease Name and Well No.	Ropco / #2
9. API Well No.	30-045-33190
10. Field and Pool, or Exploratory	Basin Fr. Coal/Twin Mounds PC
11. Sec., T., R., M., or Blk. and Survey or Area	Sec. 7-T29N-R14W, NMPM
12. County or Parish	San Juan
13. State	NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	100'
16. No. of Acres in lease	238.55
17. Spacing Unit dedicated to this well	NW/4-PC 160.2 acres W/2-FC 374.8 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	50'
19. Proposed Depth	750'
20. BLM/BIA Bond No. on file	BLM Nationwide # 965001792
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	5268 GL
22. Approximate date work will start*	Upon approval
23. Estimated duration	2 weeks

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone
2. Name of Operator Lance Oil & Gas Company, Inc.
3a. Address Box 70, Kirtland, NM 87417
3b. Phone No. (include area code) 2005 598-5601
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1315 FNL & 1420 FWL At proposed prod. zone Same
14. Distance in miles and direction from nearest town or post office* 1 miles north of Kirtland, NM

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Paul Lehrman	Date 6-23-05
Title Sr. Landman		
Approved by (Signature) 	Name (Printed/Typed) Wayne Townsend	Date 7/22/05
Title Acting AFM	Office FFO	

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

See attached negative arch report from Western Arch report #WAS 0506a.

Also attached is Surface Owner Agreement.

NMOCD

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33190		*Pool Code 71629	*Pool Name Basin Fruitland Coal
*Property Code 300888	*Property Name ROPCO 7		*Well Number 2
*OGRD No. 229938	*Operator Name LANCE OIL & GAS COMPANY, INC.		*Elevation 5268

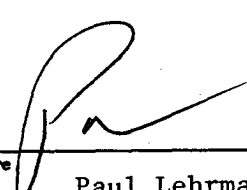

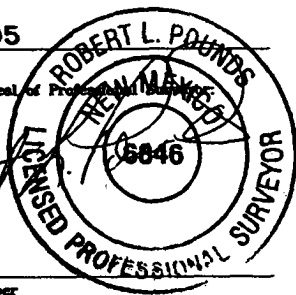
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	7	29 N	14 W		1315	NORTH	1420	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 320 314.8		*Joint or Infill		*Consolidation Code		*Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>16</div> <div>1420'</div> <div>5230.50' (R)</div> <div>1315'</div> <div>SECTION 7</div> <div>JUL 2005</div> <div>CEC 0322W</div> <div>2008</div> <div>5243.70' (R)</div> <div>(R) = BLM Record</div>	<div>17 OPERATOR CERTIFICATION</div> <div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</div> <div></div> <div>Signature Paul Lehrman</div> <div>Printed Name Sr. Landman</div> <div>Title 6-23-05</div> <div>Date</div>	
	<div>18 SURVEYOR CERTIFICATION</div> <div>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</div> <div>5/27/05</div> <div>Date of Survey</div> <div></div> <div>Signature and Seal of Professional Surveyor</div> <div>6846</div> <div>Certificate Number</div> <div></div>	

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Form C-102

Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-		*Pool Code 86620	*Pool Name Twin Mounds Fruitland Sand PC (Gas)
*Property Code	*Property Name ROPCO 7		*Well Number 2
*OGRID No. 229938	*Operator Name LANCE OIL & GAS COMPANY, INC.		*Elevation 5268

¹⁰ Surface Location

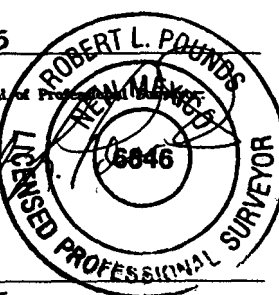
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	7	29 N	14 W		1315	NORTH	1420	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160/157.2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 1420' 5230' (R)	5230.50' (R)	SECTION 7 1315' 1420' 5230' (R)	160 Acres ///NW/4 PC	5230' (R)	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Paul Lehrman</u> Printed Name <u>Sr. Landman</u> Title <u>6-23-05</u> Date
					¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 5/27/05 Date of Survey Signature and Seal of Professional Surveyor  6846 Certificate Number
	5243.70' (R)				

(R) = BLM Record

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1600 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-045-
5. Indicate Type of Lease Federal NMNM- STATE <input type="checkbox"/> FEE <input type="checkbox"/> 101551
6. State Oil & Gas Lease No. N/A
7. Lease Name or Unit Agreement Name Ropco 7 #2
8. Well Number Ropco 7 #2
9. OGRID Number 229938
10. Pool name or Wildcat Basin Fr. Coal/Twin Mounds PC
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5268' GR
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>
Pit type <u>Drilling</u> Depth to Groundwater <u>> 50'</u> Distance from nearest fresh water well <u>> 500'</u> Distance from nearest surface water <u>> 1000'</u>
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume _____ bbls; Construction Material <u>Impervious Plastic</u>

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Lance Oil & Gas Company, Inc.

3. Address of Operator
Box 70, Kirtland, NM 87417

4. Well Location
 Unit Letter C : 1315 feet from the North line and 1420 feet from the West line
 Section 7 Township 29N Range 14W NMPM San Juan County NM

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:
 PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:
 REMEDIAL WORK ☐ ALTERING CASING ☐
 COMMENCE DRILLING OPNS. ☐ P AND A ☐
 CASING/CEMENT JOB ☐

OTHER: ☐ OTHER: Pit Permit ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Pit Permit pursuant to NMOCD rule 50.
 Will be built and closed according to rules.

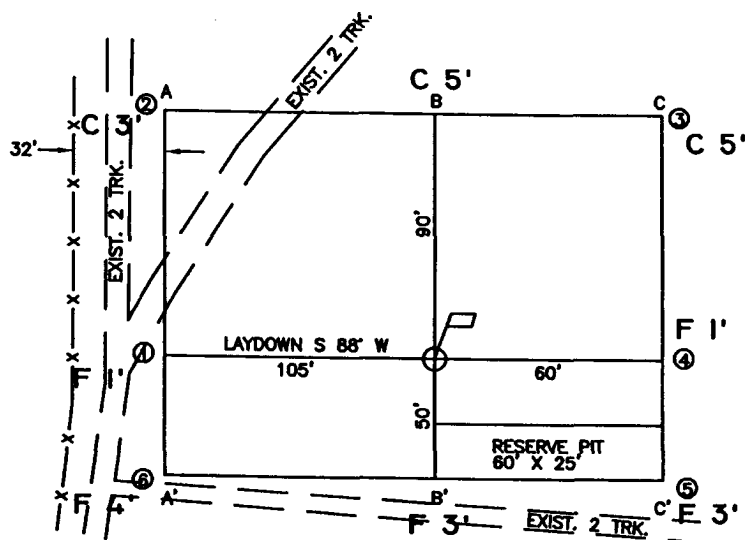
I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE _____ TITLE Sr. Landman DATE 6-23-05

Type or print name Paul Lehrman
 For State Use Only

E-mail address: plehrman@westerngas.com Telephone No. 598-5601
 Ext. 57

APPROVED BY: _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 12 DATE JUL 25 2005
 Conditions of Approval (if any): _____



६

5290	.	.	.	.	.	.	.	.	.
5280	.	.	.	.	.	.	.	.	.
5270	.	.	.	.	.	.	.	.	.
5260	.	.	.	.	.	.	.	.	.
5250	.	.	.	.	.	.	.	.	.

८

5290				
5280				
5270				
5260				
5250				

6

5290	.	.	.	.
5280	.	.	.	.
5270	.	.	.	.
5260	.	.	.	.
5250	.	.	.	.

ELEVATION: 5268

FILE NAME: 5579C02

**P.O. BOX 3651
FARMINGTON, NM 87499
OFFICE: (505) 334-0408**

Lance Oil & Gas Company, Inc.
Ropco 7 #2
1315' FNL & 1420' FWL
Section 7, T29N, R14W, NMPM
San Juan County, New Mexico

DRILLING PROGRAM

1. ESTIMATED FORMATION TOPS:

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Subsea Elevation</u>
Kirtland Shale	000'	005'	+5,268'
Fruitland Coal S9	385'	390'	+4,883'
Basal Fruitland Coal S8	425'	430'	+4,843'
Pictured Cliffs Ss	550'	555'	+4,718'
Total Depth (TD)*	750'	705'	+4,518'

*All elevations reflect the ungraded ground level of 5,268'

2. NOTABLE ZONES:

<u>Gas Zones</u>	<u>Water Zones</u>	<u>Coal Zones</u>
Fruitland	Fruitland Coal	Fruitland Coal
Pictured Cliffs		

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Centralizers will be run through usable water zones to ensure that the casing is centralized through these zones. Number of centralizers will be based on API standards. A turbulizing centralizer will be run to ensure an adequate cement procedure just below the base of the lowest usable water zone. Oil and gas shows will be tested for commercial potential based on the well site representatives recommendations.

3. PRESSURE CONTROL:

The drilling contract has not yet been awarded, thus the exact BOP model to be used is unknown. (A typical 2,000 psi model has been attached to the end of the drilling program.) Double ram or annular system with a rotating head will be used. All ram preventers and related equipment will be hydraulically tested at nipple up and after any use under pressure to 1000 psi.

Blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. BOP equipment will include a floor safety valve, choke manifold rated to 2000 psi. Maximum expected pressure is less than 500 psi.

Drilling Program
Lance Oil & Gas Company, Inc.

Page Two

4. CASING AND CEMENTING PROGRAM:

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>GL Setting Depth</u>
12 1/4"	8 5/8"	24	J-55	New	120'
7 7/8"	5 1/2"	15.5	J-55	New	750'

Surface casing will be cemented to surface with ≈ 120 cu.ft. (≈ 100 sx) Howco Type II. Volume is based on 100% excess, yield of 1.20 cu.ft./sk, and slurry weight of 15.6 ppg. WOC = 12 hours. Pressure test surface casing to 600 psi for 30 minutes.

Production casing hole will first be cleaned of rock chips by circulating at least 150% of hole volume with drilling fluid to surface. Thirty barrels of fresh water will then be circulated. Lead with ≈ 142 cu.ft. (≈ 80 sx) Howco TX1 Lightweight (yield = 1.82 cu.ft./sk, slurry weight = 12.0 ppg). Tail in with ≈ 62 cu.ft. (≈ 45 sx) Howco TX 1 Lightweight (yield = 1.29 cu.ft./sk, weight = 13.5 ppg). Total cement volume is ≈ 200 cu.ft. based on 50% excess and circulating to surface. If hold conditions and experience in the area allow, the excess may be reduced. WOC time will be as recommended by cementing company specifications but will not be less than 6 hours.

Production casing will have 5 1/2" cement guide shoe and self fill float collar. Float will be placed one joint above the shoe. Six centralizers will be spaced every other joint starting above the shoe. Additional centralizers will be run, one every fourth joint with one centralizer in the shoe joint of the 8-5/8" surface casing.

5. MUD PROGRAM:

Surface casing hole will be drilled with fresh water. Production casing hole will be drilled with a fresh water polymer mud. Weighting material will be drill solids or, if needed, barite. Maximum expected mud weight will be 8.7 ppg. Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well while drilling.

6. CORING, TESTING, & LOGGING:

Coring of the S8 and S9 coals are planned. Open hole logs will be run. Proposed Logs will include DIL/GR/CNL, and will be run from TD to surface.

7. DOWNHOLE CONDITIONS:

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be approximately ~~≈ 250~~ psi.

500

BLOW OUT PREVENTER (B.O.P.)

