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February 8, 2005

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: WF FRPC "17" Well No. 3 (API#30-045-32160)
Unit L, SW/4 and S/2 of Irregular Section 17, T29N, R14W
Application of Lance Oil & Gas Company, Inc.
for compulsory pooling,
San Juan County, New Mexico

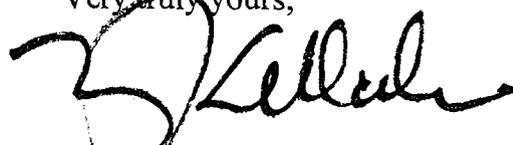
Case 13436

2005 FEB 8 PM 1 53

Dear Mr. Fesmire:

On behalf of Lance Oil & Gas Company, Inc., find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for March 3, 2005. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,


W. Thomas Kellahin

cc: Lance Oil & Gas Company, Inc.
Attn: Anne Jones

CASE 13436: Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying both the SW/4 and the S/2 of Irregular Section 17, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 322.07-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool and forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. These units are to be dedicated its WF FRPC "17" Well No. 3 (API# 30-045-32160) to be drilled at a standard location in Unit L of this section for downhole commingled production from the Basin Fruitland Coal Gas Pool and the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 1-1/2 miles East-Southeast from Kirtland, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF LANCE OIL & GAS COMPANY, INC.
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. *13436*

APPLICATION

Lance Oil & Gas Company, Inc. ("Lance") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests to the Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying both the SW/4 and the S/2 of Irregular Section 17, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 322.07-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool and forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. These units are to be dedicated its WF FRPC "17" Well No. 3 (API# 30-045-32160) to be drilled at a standard location in Unit L of this section for downhole commingled production from the Basin Fruitland Coal Gas Pool and the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Lance Oil & Gas Company, Inc. ("Lance") states:

1. Effective October 1, 2004, Lance became the successor to Richardson Operating Company ("Richardson").

2. Lance has a working interest ownership in the oil and gas minerals from the surface to the base of the Pictured Cliffs formation underlying the S/2 of Section 17, T29N, R14N, NMPM, San Juan County, New Mexico.

3. These gas spacing units are located within the boundaries of the Basin Fruitland Coal Gas Pool and the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool.

4. By letter dated, January 10, 2005, Lance as proposed to the other working interest or mineral owners that this well be drilled and downhole completed in the Pictured Cliffs and Fruitland coalbed formations to be dedicated to a standard 310.05 acre gas spacing and proration unit consisting of the S/2 an a standard 145.66-acre gas spacing and proration unit consisting of the SW/4 both in Section 17.

5. Despite its reasonable efforts, application has been unable to obtain a written voluntary agreement from certain uncommitted working interest and/or mineral interest owners as shown on **Exhibit "A"**.

6. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Lance needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

7. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A(1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 3, 2005.

WHEREFORE, Lance Oil & Gas Company, Inc, as applicant, requests that this application be set for hearing on March 3, 2005 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Lance Oil & Gas Company, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) Provisions for subsequent operations and procedures for an optional "infill" coalbed gas well.
- (4) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (5) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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**List of Unleased Mineral Owners
Nature & percent of interest
Lance Oil & Gas Company, Inc.
WF FRPC 17 #3
Fruitland Coal Formation S/2 Section 17 – T29N-R14W, NMPM
San Juan County, New Mexico**

| Name & Address | Acreage FC | % Interest FC |
|--|------------|---------------|
| West American Corporation Unable to locate, Bankrupt 1960's | 34.46 | 10.699537 |
| TOTAL UNLEASED | 34.46 | 10.699537 |

