

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

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August 2, 2005

HAND DELIVERED

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

Re: FRPC "22" Well No. 2 (API#30-045-33160)
Unit E, NW/4 and W/2 of Section 22, T29N, R13W
FRPC 22" Well No. 3
Unit M, SW/4 and W/2 of Section 22, T29N, R13W
Application of Lance Oil & Gas Company, Inc.
for compulsory pooling including two wellbores and
optional infill well coal-gas well provisions,
San Juan County, New Mexico

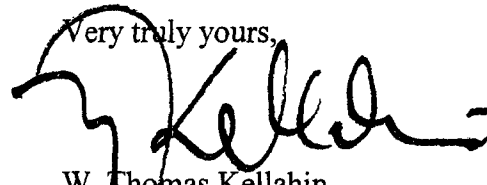
Case 13537

2005 AUG 2 PM 1 07

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 August 25, 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 13537: Application of Lance Oil & Gas Company, Inc. for compulsory pooling including optional infill well provisions, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Fulcher Kutz-Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying the following described acreage in Section 22, T29N, R13W, NMPM, San Juan County, New Mexico: (a) the W/2 of this section to form a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool to be dedicated to its FRPC "22" Well No. 2 (API# 30-045-33160) to be drilled at a standard gas well location in the NW/4 and to its FRPC "22" Well No. 3 to be drilled at a standard gas well location in the SW/4; and (b) the NW/4 and the SW/4 to form two standard 160-acre gas spacing and proration units for any production from the Pictured Cliffs formation, including but not limited to the Fulcher Kutz-Pictured Cliffs Gas Pool with the NW/4 dedicated to the FRPC "22" Well No. 2 and the SW/4 dedicated to the FRPC "22" Well No. 3 both for downhole commingled production from the Basin Fruitland Coal Gas Pool and the Fulcher Kutz-Pictured Cliffs Gas Pool. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed-gas well. Also to be considered will be the costs of drilling and completing these wells 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 1.2 mile south from Farmington, 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 INCLUDING
OPTIONAL INFILL WELL PROVISIONS,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 13537

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 Fulcher Kutz-Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying the following described acreage in Section 22, T29N, R13W, NMPM, San Juan County, New Mexico: (a) the W/2 of this section to form a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool to be dedicated to its FRPC "22" Well No. 2 (API# 30-045-33160) to be drilled at a standard gas well location in the NW/4 and to its FRPC "22" Well No. 3 to be drilled at a standard gas well location in the SW/4; and (b) the NW/4 and the SW/4 to form two standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the Fulcher Kutz-Pictured Cliffs Gas Pool with the NW/4 dedicated to the FRPC "22" Well No. 2 and the SW/4 dedicated to the FRPC "22" Well No. 3 both for downhole commingled production from the Basin Fruitland Coal Gas Pool and the Fulcher Kutz-Pictured Cliffs Gas Pool. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed-gas well. Also to be considered will be the costs of drilling and completing these wells 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 NW/4, the SW/4 and the W/2 of Section 22, T29N, R13N, 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 Fulcher Kutz-Pictured Cliffs Gas Pool.

4. By letter dated, June 2, 2005, Lance proposed to the other working interest or mineral owners its FRPC "22" Well No. 2 be drilled and dually completed in the Pictured Cliffs and Fruitland coalbed formations to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the W/2 and a standard 160-acre gas spacing and proration unit consisting of the NW/4 both in Section 22.

5. On June 17, 2005, the OCD-Aztec, approved an APD filed by Lance for its FRPC "22" Well No. 2 and assign API #30-045-33160.

6. By letters dated, July 13, 2005, Lance proposed to Synergy Operating, LLC both its FRPC "22" Well No. 2 (NW/4) and its FRPC "22" Well No. 3 (SW/4) be drilled and dually completed in the Pictured Cliffs and Fruitland coalbed formations to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the W/2 and standard 160-acre gas spacing and proration unit consisting of the NW/4 for the FRPC "22" Well No. 2 and the SW/4 for the FRPC "22" Well No. 3 all in Section 22.

7. After its well proposal letters, Lance learned that Synergy was "top leasing" interests held by Lance and in direct competition with Lance for the development of the W/2 of this section.

8. On July 20, 2005, after receiving Lance's well proposal letters, Synergy Operating LLC ("Synergy") applied for and received OCD approval for an APD for its well in the SW/4 of this section.

9. On July 13, 2005, Lance received a letter dated July 13, 2005 from Synergy Operating, LLC proposing wells that conflict with those being proposed by Lance for the W/2 of this section.

10. On July 20, 2005, seven days after sending its well proposal letter to Lance, Synergy filed its application for compulsory pooling of the W/2 of this section that is docketed as OCD Case 13539 and currently pending hearing on the August 11, 2005 docket.

11. On July 27, 2005, a representative of Lance met with Mr. Patrick Hegarty, a principal of Synergy, who declined to settle this matter.

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

13. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed gas well. **See Exhibit "B" attached.**

14. 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.

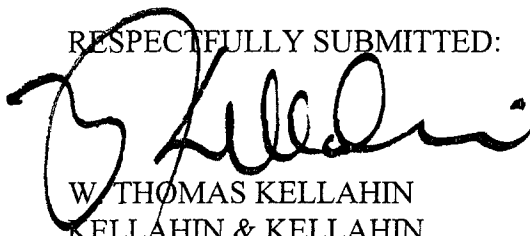
15. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A(1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

16. 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 August 25, 2005.

WHEREFORE, Lance Oil & Gas Company, Inc, as applicant, requests that this application be set for hearing on August 25, 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 these wells to be drilled at standard well locations 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 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:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
Telephone: (505) 982-4285
Fax: (505) 982-2047

WILLIAM F. CARR, ESQ.
HOLLAND & HART
110 N. Guadalupe
Santa Fe, New Mexico 87501
(505) 988-4421
(505) 983-6043

UNLEASED MINERAL OWNERS SEC 22 T29N-R13W

MINERAL INTEREST OWNER	ADDRESS	CITY, STATE, ZIP
Raul (Peralta) & Faviola Garcia, husband and wife	Carlson Road No 12 C	Santa Fe, NM 87508-7508
Emma Shorty f/k/a Emma Tsosie	1603 S. Butler Avenue	Farmington, NM 87401-6799
Victor V. & Marilyn Davie, M.D.	unknown	
Eugene N. & Rosmary Davie, M.D	unknown	
La Ascencion, LLC	P.O. Box 6724	Farmington, NM 87499-7499
Alberto & Yolanda Alonzo, Jr., husband and wife	1115 S. Monterey	Farmington, NM 87401-7401
Donato & Maria Isabel Valencia De Monroy, husband and wife, as joint tenants	1122 Bowen Avenue	Farmington, NM 87401-6606
Bob M. Browning, Trustee of the Bob M. & Gwyneth H. Browning Revocable Trust	333 Browning Parkway	Farmington, NM, 87401-7992
Wesley George & Lynette Justice, husband and wife	103 N. Mesa Verde Avenue	Aztec, NM 87410-1929
William P. Herrera	1211 S. Monterey	Farmington, NM 87401-6609
Janice Hardesty, a widow	32 CR 3291	Aztec, NM 87410
Jose A. & Pearl C. Archuleta, husband and wife, as joint tenants	3423 Ridgeway Drive	Los Alamos, NM 87544-2139
Leona M. Lewis, a widow	1400 E. 23rd Street	Farmington, NM 87401-7401
Maximiliano & Roselia Robles, husband and wife, as joint tenants	4208 Beckland Drive	Farmington, NM 87402
Rosario Martinez, a married woman	1208 S. Butler	Farmington, NM 87401-7401
Dante A. Siracusa & Dorris M. Siracusa, Trustees of the Siracusa Trust under Trust Agreement dated 8/5/80	unknown	
Tadco, Inc., a New Mexico corporation	1140 Randolph Road	Farmington, NM 87401-6626
The Word of Life Christian Center, Inc., a New Mexico non-profit corporation	317 E. Murray Drive	Farmington, NM 87401 - 6617
Leonard D. Bixler, a married man	318 E. Spruce	Farmington, NM 87401-6632
Cecil A. & Yvonne J. Lovato, h/w, j/t	322 Spruce	Farmington, NM 87401-7401
Gerardo Cruz & Cesar Cruz, j/t	601 Poplar Street	Farmington, NM 87401-7401
Louise Bowen, a widow	1215 Randolph Avenue	Farmington, NM 87401-6627
Douglas Ware & Emma Bell Brown, husband and wife, as joint tenants	36 Road 3063	Aztec, NM 87410-9528
Frank A. Deanda, a married man	321 Spruce Street	Farmington, NM 87401-6631
Gonzalo A. & Patricia A. Archuleta, husband and wife, and Paul C. Archuleta, a single man, as joint tenants	321 Spruce Street	Farmington, NM 87401-6631
Gerardo Monroy, a married man	1122 S. Bowen	Farmington, NM 87401-7401
Andre & Tawna Plamer, husband and wife, as joint tenants	4136 Buckingham Rd. #D	Los Angeles, CA 90008



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Robert L. McMinn, a single man	1322 Randolph Road	Farmington, NM 87401-7401
Armando & Graciela Ortega, husband and wife, as joint tenants	1302 Randolph	Farmington, NM 87401
Shana L. & Peggy Brewer, husband and wife, as joint tenants	5804 Halls Way	Farmington, NM 87402-7402
Woodrow W. & Mildred Killen, husband and wife, as joint tenants	unknown	
Mike & Gregoria Mora, husband and wife, as joint tenants	406 Sycamore Street	Farmington, NM 87401
Renae A. Byrd	72926 1/2 Road	Grand Junction, CO 81506-1506
Mabel Penn, a single woman	P.O. Box 1833	Farmington, NM 87499-1833
James B. & Beverly M. Roberts, husband and wife, as joint tenants	1301 S. Monterey	Farmington, NM 87401-6611
Rodney Howard & Melody A. McKinney, husband and wife, as joint tenants	1305 S. Monterey	Farmington, NM 87401
Jose & Olga Campuzano, husband and wife, as joint tenants	812 Tamarack	Farmington, NM 87401-6767
Suzette A. Opdycke, an unmarried woman	608 Poplar Street	Farmington, NM 87401-7401
Luciano S. & Eva Pauline Diaz, husband and wife, j/t	P.O. Box 15161	Farmington, NM 87499-7499
Marsha J. Kennett, a single woman	524 Northgate Lane	Farmington, NM 87401
Leonard Barber	618 Poplar	Farmington, NM 87401-6674
Alberto & Olivama Martinez, husband and wife, as joint tenants	619 Poplar	Farmington, NM 87401
Lillian Frank and Matthew S. Frank, as joint tenants	613 Poplar	Farmington, NM 87401-7401
Luis A. & Rosa I. Flores, husband and wife, as joint tenants	P.O. Box 1219	Flora Vista, NM 87415-7415
Abel Pete Esquibel, a single man	P.O. Box 5504	Farmington, NM 87499-5504
Cesar A. & Elvira Cruz, husband and wife, as joint tenants	601 Poplar Street	Farmington, NM 87401-6675
Raymond & Helen Vigil, husband and wife, as joint tenants	1408 Bluffview Drive	Farmington, NM 87401-7401
Leonard Bryan Moore and Christopher Bryan Moore, as joint tenants	1424 York Avenue	Farmington, NM 87401-7401
Larry J. & Debbie S. Hilliard, Sr., husband and wife, as joint tenants	1226 S. Bluffview	Farmington, NM 87401-7206
Matthew & Maria A. Dodson, husband and wife, as joint tenants	1320 S. Bluffview Avenue	Farmington, NM 87401
Marguerite Rowe	unknown	
Marion Noel	11674 Community Center D Northglenn, CO	
Ernest Fichtner	unknown	

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Frances Syverson	unknown	
Virginia Lee	unknown	
Mary Martin, widow of Vearl V. Martin	317 CR 3100	Aztec, NM 87410
Celia Lucero	924 S. Bowen	Farmington, NM 87401-7401
Toby & Helen Chavez, husband and wife, as joint tenants	801 3/4 E. Murray Drive	Farmington, NM 87401-7401
The Real Estate Corporation of Local Union No. 16, International Hodcarries, Building & Common Laborers Union of America	801 E. Murray Drive	Farmington, NM 87401-6651
William T. & Nannie M. McCarty, husband and wife, and Mary Louise Farrell, a married woman, as joint tenants	3110 West Fox Run Way	San Diego, CA 92111
David J. Holguin, a married man	1115 S. Bluffview	Farmington, NM 87401-7401
Arthur Valdez, a single man	717 Poplar Street	Farmington, NM 87401-7401
Carlos & Romelia Gallegos, husband and wife, as joint tenants	712 Poplar Street	Farmington, NM 87401-6660
Virginia Valencia, a single woman	709 Poplar Street	Farmington, NM 87401-6659
Emma Jean Brewer, a single woman	7855 CR 3520	Flora Vista, NM 87415-7415
Francisco Saul & Pilar Mendoza Estrada, husband and wife, as joint tenants	718 Poplar Street	Farmington, NM 87401-6660
Guillermo or Rosa Lopez a/k/a Rosa M. Holguin Montelongo	722 Poplar Street	Farmington, NM 87401-6660
Emilio & Irma Ortega, husband and wife, as joint tenants	1213 S. Butler	Farmington, NM 87401
Porfirio & Ermelinda Jaquez, husband and wife, as joint tenants	1112 Bluffview	Farmington, NM 87401-7401
Joseph M. Sandoval, a single man	702 E. Spruce	Farmington, NM 87401-6662
Felix Jaquez, a married man	704 E. Spruce Street	Farmington, NM 87401-6662
Ferdinand & Martha Ann Hostetter, husband and wife, as joint tenants	unknown	
John F. & Judith L. Selph, husband and wife, as joint tenants	701 E. Spruce Street	Farmington, NM 87401-6661
Gumaro & Elaine Munoz, husband and wife, as joint tenants	1201 S. Butler	Farmington, NM 87401-6645
Miguel & Rose Montoya, husband and wife, as joint tenants	1113 S. Butler Avenue	Farmington, NM 87401
Abigael E. & Patricia C. Ribota, husband and wife, as joint tenants	1111 S. Butler Avenue	Farmington, NM 87401-6643
Virginia Valencia, a married woman	709 Poplar Street	Farmington, NM 87401-6659

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Johnny R. Martinez, personal representative of the Estate of Joe E. Martinez, deceased	2308 E. 10th Street	Farmington, NM 87401-7502
Ruel M. & Ruth A. Holden, husband and wife, as joint tenants	1004 Sycamore	Farmington, NM 87401-7240
William M. & Flora Youell, husband and wife, as joint tenants	1010 Sycamore Drive	Farmington, NM 87401-7240
Marshall Dale & Kimberly Sue Holden, husband and wife, as joint tenants	1012 Sycamore	Farmington, NM 87401
Reyes & Ruth Vigil, husband and wife, as joint tenants	1412 Bluffview Drive	Farmington, NM 87401-7401
Raymond & Helen Vigil, husband and wife, as joint tenants	1408 Bluffview Drive	Farmington, NM 87401-7401
Javier & Teresa Teran, husband and wife, as joint tenants	1406 Bluffview Avenue	Farmington, NM 87401-7401
Annie Shorthair	1409 Gullledge Road	Farmington, NM 87401-7213
Vernon C. & Edna Earl Ayers, husband and wife, as joint tenants	unknown	
Jose A. & Cecilia Gonzalez, h/w, j/t	1012 Tamarack	Farmington, NM 87401-7401
Edna J. Graves	P.O. Box 215	Farmington, NM 87499-0215
Estate of C.B. Bowen, deceased	1012 Tamarack	Farmington, NM 87401-7401
Larry Browning	P.O. Box 2184	Bloomfield, NM 87413-7413
Ramon & Emma Palomino, Jr., husband and wife, as joint tenants	1001 Tamarack Street	Farmington, NM 87401-7401
Melvin B. Cordry, a single man	1007 Tamarack	Farmington, NM 87401
Oscar Cepeda & Ana Maria Monclova, j/t	1007 Tamarack	Farmington, NM 87401
H. Brent & Norma N. Albin	1009 Tamarack	Farmington, NM 87401-7245
Eliza W. Otis, a widow		
Amanda C. Vigil, a single woman	1408 Bluffview Drive	Farmington, NM 87401-7401
Elisaida G. Montoya	1407 Bluffview Drive	Farmington, NM 87401-7401
Josephine F. Richards	8810 Horizon Blvd. NE	Albuquerque, NM 87113
Emily D. Sandoval		
Rita P. Southwick, married	1407 Bluffview Drive	Farmington, NM 87401-7401
Jimmy W. & Gloria R. Mihelich, husband and wife, as joint tenants	P.O. Box 1993	Farmington, NM 87499-1993
Alfred & Jane W. Yazzie, husband and wife, as joint tenants	1505 Bluffview Drive	Farmington, NM 87401-7401
Patrick Amos Cortez & Brother Brian Cortez, as joint tenants	2630 N. Dustin Avenue	Farmington, NM 87401
J.T. & Eloise Hastings, husband and wife, as joint tenants	(no address found)	

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Raymond E. Duran, a single man	4900 Poquita	Farmington, NM 87402-7402
Leo & Celia Resecker, husband and wife, as joint tenants	404 Ouray Avenue	Farmington, NM 87401-4600
Stanley M. Zygmunt, Trustee of the Stanley m. Zygmunt Living Trust	2610 Highland Place	Farmington, NM 87401-9026
Jim & Florence M. Shay, husband and wife, as joint tenants	708 Poplar Street	Farmington, NM 87401-6660
Amalia Serrano Family Trust	709 Peach Street	Farmington, NM 87401-6653
Virginia Valencia, a married woman	709 Poplar Street	Farmington, NM 87401-6659
C.C. & Gladys Christenson, husband and wife, as joint tenants	unknown	
City of Farmington	800 Municipal Drive	Farmington, NM 87401
John R. Herron and Fern A. Herron, Trustees	9 Suzanne Ct	Los Lunas, NM, 87031-7031
Donald W. & Vivian J. McAtee, husband and wife, as joint tenants	unknown	
Charles L. & Beatrice T. McDonald, husband and wife, as joint tenants	2208 Camino Rio	Farmington, NM, 87401-8150
Elton L. & Joyce L. Wright, husband and wife, as joint tenants	1625 Silver St Sp A	Farmington, NM, 87401-4608
Dellar A. Kennedy, an unmarried man	310 Pima Ave	Farmington, NM, 87401-6717
Bob M. Browning and Gwyneth H. Browning, Trustees under Trust Agreement 11/26/85	333 Browning Parkway	Farmington, NM, 87401-7992
Wells Fargo Bank of New Mexico, N.A., Trustee, Margaret Wegert and Aline Wegert Revocable Trust, 7/19/68	4601 E. Main	Farmington, NM 87402-8667
Russell Lee Gardner, a single man, and Jesse W. & Patsy J. Gardner, husband and wife, as joint tenants	502 Pima Avenue	Farmington, NM 87401-6721
Derald N. & Frances Hawkes, husband and wife, as joint tenants	unknown	
Genaro D. & Roaslie E. Maez, husband and wife, as joint tenants	402 Taos Avenue	Farmington, NM 87401-7401
Roger Dean Hoskins	603 Pima Avenue	Farmington, NM 87401-7401
Randall Marc Hoskins	unknown	
Gary W. & Angelita F. Owens, husband and wife, as joint tenants	605 Pima Avenue	Farmington, NM 87401-4607
Felix Munoz, a single man	1017 Acacia St	Farmington, NM, 87401-8502
Cruzberto & Gloria Varela, husband and wife, as joint tenants	725 W Animas No 9	Farmington, NM, 87401-7401
Robert R. Stallings & Elva M. Sylvia-Stallings, husband and wife, as joint tenants	600 Taos Ave.	Farmington, NM 87401-6737

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Leo Patrick Abeyta, a single man	P O Box 901	Ignacio Co, 81137-0901
Jimmy R. & Linda L. Wharton, husband and wife, as joint tenants	502 Taos Ave	Farmington, NM, 87401-6748
Carolyn J. Mullins and James A. Mullins	500 Taos Ave	Farmington, NM, 87401-6748
Bernard McDaniel and Marjorie McDaniel, husband and wife	314 Concho Dr	Farmington, NM, 87401-7401
Adrian & Patricia Lozano, husband and wife, as joint tenants	501 Taos Ave	Farmington, NM, 87401-6734
Robert K. Norton	515 Taos Ave.	Farmington, NM 87401-6749
Lillian G. Hunt	511 Concho Drive	Farmington, NM, 87401-6765
Robert K. & Venna Jeanne Norton, husband and wife, as joint tenants	515 Taos Ave.	Farmington, NM 87401-6749
Eldon & Helen E. Pemberton, husband and wife, as joint tenants	517 E Taos	Farmington, NM, 87401-6749
Wilma Maxine Jones, an unmarried woman	514 Concho Drive	Farmington, NM 87401-6791
Dennis M. Hembo and Dorothy Berry, as joint tenants	400 Concho Dr	Farmington, NM, 87401-6704
Gregory Stewart & Silvia Strauss, husband and wife, as joint tenants	unknown	
Bernard & Marjorie McDaniel, husband and wife, as joint tenants	314 Concho Dr	Farmington, NM, 87401-7401
Richard Neuhaus, a single man	310 Concho Dr.	Farmington, NM 87401-6702
Allen W. Hale & Ruthie D. Vigil-Hale, husband and wife	1815 S Miller Ave	Farmington, NM, 87401-6778
Anna M. Salazar, a single woman	305 Concho Dr	Farmington, NM, 87401-7401
Roger & Pauline Freeman, husband and wife, as joint tenants	Attention: Freeman Desmo	Cleburne, TX 76031-3341
Jerry & Teresa L. Bemis, husband and wife, as joint tenants	unknown	
James I. Valdez, a single man	200 West 20th Street	Farmington, NM 87401
Kurt Klipsch and Shelly Klipsch	505 Concho Dr	Farmington, NM, 87401-6765
Julia A. Hefner	511 1/2 Concho Dr	Farmington, NM, 87401-6765
Lori Jackson	6520 Chantalle	Farmington, NM, 87401-7401
Donald W. Head	1824 S Butler	Farmington, NM, 87401-7401
James K. & Grace Anna McNeley, Trustees	18102 Cr G	Cortez, CO 81321-1321
Helen Hayes or Carol Ann Acker, Trustees under Trust Agreement 6/4/80	P.O. Box 2355	Farmington, NM 87499-2355
C.F. & Emma Chavez, husband and wife, as joint tenants	299 E Aztec Blvd	Aztec, NM, 87410-1946

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Jesus & Linda Y. Monclova, husband and wife, as joint tenants	401 Ouray Ave	Farmington, NM, 87401-4602
Pauline M. Shoffstall, a widow	unknown	
Derald N. & Frances L. Hawkes, husband and wife, as joint tenants	unknown	
Evelyn J. Hines, a widow	unknown	
Enious & Lorraine Wabington, husband and wife, as joint tenants	501 Ouray Ave	Farmington, NM, 87401-6712
Dewey & Geneva Walker, husband and wife, as joint tenants	unknown	
Delbert & Sue Hines, husband and wife, as joint tenants	unknown	
Salvador & Nora Jaramillo, husband and wife, as joint tenants	604 Charloff Place	Farmington, NM 87401-8526
Ricardo Gomez, a married man dealing with his sole and separate property	302 Taos Ave.	Farmington, NM 87401-7401
Benny B. & Eileen Sanchez, husband and wife, as joint tenants	300 Taos Ave	Farmington, NM, 87401-6723
Pauline H. Martin, a widow	1795 S. Butler Ave.	Farmington, NM 87401-6744
Dewey & Geneva Walker, husband and wife, as joint tenants	unknown	
Jerry Emel Dixon	401 Concho Drive	Farmington, NM 87401-6703
 Synergy Operating LLC	 PO Box 5513	 Farmington, NM 87499
BP AMOCO	501 Westlake Park Boulevard	Houston, TX 77079-3092
Lance Oil & Gas Company Leases		

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() Pursuant to Division Rule 104, an optional infill well may be drilled and produced within this 320-acre spacing unit or subsequent operations conducted for either the original well or the infill well in accordance with the following provisions:

- (a) Lance Oil & Gas Company, Inc., or its successor, shall continue to be the operator of the parent well and the infill well;
- (b) The operator or any working interest owner who consents to and has paid its share of costs of the original well, pursuant to either an voluntary agreement or a compulsory pooling order, may propose drilling of an infill well or subsequent operations of either the original well or the infill well by giving written notice of the proposed well to all working interest owners and all unleased mineral owners with the 320-acre pooled unit. Any such proposal shall specify the work to be performed, the location, proposed depth, objective formations and the estimated costs of the operation.
- (c) The parties receiving such a notice shall have thirty (30) day election period after receipt of this notice within which to notify the proposing party whether they elect to participate in the costs of the subsequent operations or the infill well. Failure of a party receiving such notice to deliver to the proposing party an written election, plus payment for this share of the total costs, within a thirty (30) day election period shall constitute an election by that party not to participate in the costs of the well or the proposal operation and shall be "a non-consenting party."
- (d) Any non-consenting party shall be subject to a 200% risk penalty charge for that well or the operations.
- (e) Production from the original well cannot be used to pay for the costs of the infill well or can production from the infill well be used to pay for the costs of the original well. The recovery of costs for subsequent operations shall be paid by the production from the well on which those operations were conducted.
- (f) If all parties elect to participate in the infill well or in subsequent operations ("a consenting party"), the operator shall, within ninety (90) days after the expiration of the thirty (30) day election period, actually commence and conduct operations with due diligence at the risk of expense of all parties.
- (g) If less that all parties elect to participate in the infill well or the subsequent operations, then all parties who elected not to participate shall be considered non-consenting working interest owners and all the provisions of this order shall apply to the drilling of the infill well or the subsequent operations with the FOLLOWING EXCEPTIONS:
 - a. The proposing party shall be solely responsible for carrying the no-consenting working interest owner's interest subject to the risk penalty charge provided for in the order. The proposing party may enter into an agreement, or

recognize an existing agreement, that provides for the sharing of the non-consenting interest by the consenting parties. The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall notify the Division and all other parties of such decision.

- b. If the operator is a non-consenting working interest owner in the infill well, the consenting parties shall either: (a) request the operator to perform the work required for the account of the consenting parties, or (b) designate one of the consenting parties as operator of the infill well. If the infill well results in a producer of oil and/or gas in paying quantities, one of the consenting parties shall be designated as operator and shall complete and equip the well to produce at the sole costs and risk of the consenting parties and thereafter the operator designated by this compulsory pooling order shall operate this well at the expense and for the account of the consenting working interest owners.
- c. To be entitled to the benefits of this order, the operator, or the designated consenting party, shall within ninety (90) days after the expiration of the thirty (30) day election period, actually commence and conduct the operations with due diligence at the sole risk and expense of the consenting parties.
- d. If operations for the drilling of an infill well results in a dry hole, the consenting parties shall plug and abandon the well and restore the surface location at their sole costs, risk and expense.

() If operations for the drilling of a proposed infill well or any subsequent operation for either the original well or the infill well have not been commenced within the time provided, and if any party still desires to drill the infill well, written notice proposing same must be resubmitted in accordance with the provision hereof as if no prior proposal had been made