

District I
1025 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Ave., Artesia, NM 88210

District III
1000 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
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 8173

APPLICATION FOR PERMIT TO DRILL

Operator Name and Address LANCE OIL & GAS COMPANY, INC. 1099 18th Street Denver, CO 80202		OGRID Number 229938
		API Number 30-045-32968
Property Code 300885	Property Name ROPCO 18	Well No. 001

Surface Location

UL or Lot	Section	Township	Range	Lot 1/4	Feet From	N/S Line	Feet From	E/W Line	County
H	18	29N	14W	1	1500	N	665	E	San Juan

Proposed Pools

BASIN FRUITLAND COAL (GAS) 71629
TWIN MOUNDS FRUITLAND SAND FC (GAS) 86620

Work Type New Well	Well Type GAS	Cable/Rotary	Lease Type Private	Ground Level Elevation 5158
Multiple Y	Proposed Depth 700	Formation Pictured Cliffs Formation	Contractor	Spud Date 06/15/2005

Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	24	120	100	0
Prod	7.875	5.5	15.5	700	130	0

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	2000	2000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Electronically Signed By: Mary Mondragon

Title: Supervisor Production

Date: 03/14/2005 Phone: 303-450-3587

OIL CONSERVATION DIVISION

Electronically Approved By: Charlie Perrin

Title: Manager

Approval Date: 03/24/2005 Expiration Date: 03/24/2006

Conditions of Approval:
There are conditions See Attached.

**BEFORE THE
OIL CONSERVATION DIVISION**
Case No. 13648 Exhibit No. **3**
Submitted By:
Lance Oil & Gas, Inc
Hearing Date: March 2, 2006
BEFORE THE

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

¹ API Number 30-045	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code	⁵ Property Name ROPCO 18	⁶ Well Number 1
⁷ GRID No. 229938	⁸ Operator Name LANCE OIL & GAS COMPANY, INC.	⁹ Elevation 5158

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
H	18	29 N	14 W		1500	NORTH	665	EAST	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 N/2 322.94	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO VARIABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	N 89°54' E	5280'	N/2 FC 322.94	1500'	5235.62'	17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>
	SECTION 18					
NORTH	N 89°26' E	5253.6'				18 SURVEYOR CERTIFICATION <i>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.</i>
						12/10/04 Date of Survey Signature and Seal of Professional Surveyor: <i>Thomas Pence</i> Certificate Number 16605

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-	² Pool Code 86620	³ Pool Name Twin Mounds Fruitland Sand PC (Gas)
⁴ Property Code	⁵ Property Name ROPCO 18	¹¹ Number 1
⁷ GRID No. 229938	⁸ Operator Name LANCE OIL & GAS COMPANY, INC.	⁹ Elevation 5158

¹⁰ Surface Location

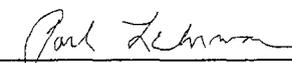
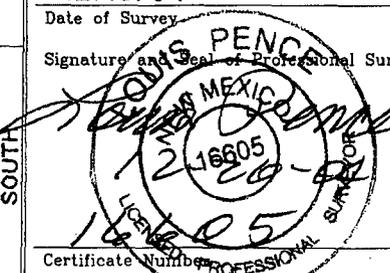
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	18	29 N	14 W		1500	NORTH	665	EAST	SAN JUAN

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 NE 188.85	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁶ Order No.
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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 N 89°54' E 5280' SECTION 18 N 89°26' E	5235.62' NE/4 PC 188.85 Acres 1500' 665'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Printed Name Paul Lehrman Title Sr. Landman Date 3-14-05
		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. Date of Survey 12/10/04 Signature and Seal of Professional Surveyor:  Certificate Number 161605
		5253.6'

Permit Conditions Of Approval
C-101, Permit 8173

Operator: LANCE OIL & GAS COMPANY, INC. , 229938

Well: ROPCO 18 #001

OCD Reviewer	Condition
SHAYDEN	Notice is to be given to the OCD prior to construction of the pit(s)
SHAYDEN	Pit construction and closure must satisfy all requirements of O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines

Submit 3 Copies To Appropriate District Office
 District I
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 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. 30-045-32968
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Ropco 18
8. Well Number #1
9. OGRID Number 229938
10. Pool name or Wildcat Twin Mounds PC/Basin Fr. Coal

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 H : 1500 feet from the North line and 665 feet from the East line
 Section 18 Township 29N Range 14W NMPM San Juan County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5158 GR

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

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

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> OTHER: Change Fruitland Spacing <input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>
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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.

Lance Oil & Gas Company hereby requests the Fruitland Coal spacing be changed from the N/2 dedication to the E/2 dedication. Revised C-102 showing allocation and acreage is attached hereto. This well has not been drilled.



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 [Signature] TITLE Sr. Landman DATE 4-20-05

Type or print name Paul Lehrman E-mail address: plehrman@westerngas.com Telephone No. 598-5601
 For State Use Only DEPUTY OIL & GAS INSPECTOR, DIST. 35 APR 21 2005

APPROVED BY: [Signature] TITLE _____ DATE _____

Conditions of Approval (if any): _____

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⁴ Property Code		⁵ Property Name ROPCO 18			⁶ Well Number 1
⁷ GRID No. 229938		⁸ Operator Name LANCE OIL & GAS COMPANY, INC.			⁹ Elevation 5158

¹⁰ Surface Location

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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 E/2 293.87	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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 N 89°54' E 5280' ///-E/2 Fruitland Coal SECTION 18 NORTH N 89°26' E		17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature Paul Lehrman Printed Name Sr. Landman Title 4-20-05 Date
		18 SURVEYOR CERTIFICATION <i>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.</i> 12/10/04 Date of Survey Signature and Seal of Professional Surveyor:
		Certificate Number

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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. 30-045-32968
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Ropco 18
8. Well Number #1
9. OGRID Number 229938
10. Pool name or Wildcat Basin Fruitland Coal//Twin Mounds PC

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Lance Oil & Gas Company, Inc.

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 Section 18 Township 29N Range 14W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 5158' GR

Pit or Below-grade Tank Application or Closure

Pit type Drilling Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

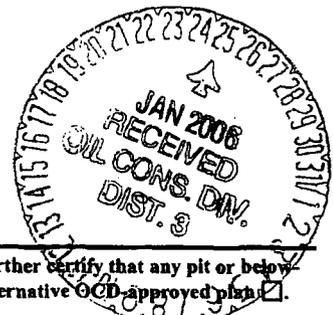
12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: <u>Above Ground Pit Permit</u> <input checked="" type="checkbox"/>		OTHER: _____ <input type="checkbox"/>	

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.

Lance Oil & Gas Company, Inc. will not operate with a lined pit, but will use an above-ground closed loop system.

Therefore, operator requests authorization to operate with an above-ground closed loop system.



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 OGD approved plan .

SIGNATURE Thomas M. Erwin TITLE Senior Production Engineer DATE 1/20/06
 Thomas M. Erwin, P. E. E-mail address: terwin@westerngas.com Telephone No. (505) 598-5601 Ext. 63

For State Use Only

APPROVED BY: Derry TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 3 DATE JAN 25 2006
 Conditions of Approval (if any): _____