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December 16, 2005

HAND DELIVERED

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

Re: Application of Lance Oil & Gas Company, Inc.
for compulsory pooling,
San Juan County, New Mexico

Case 1362

2005 DEC 16 PM 1:21

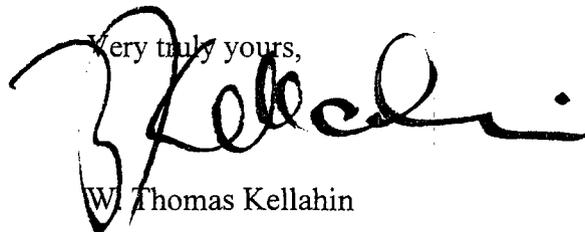
W.F. Ropco "7" Well No. 2, Unit C -- NW/4 Section 7, T29N R14W
API#30-045-33190, Dedications NW/4 PC & W/2 FC

W. F. Ropco "7" Well No. 3, Unit M--SW/4 Section 7, T29N, R14W
API#30-045-33416, Dedications SW/4 & W/2 FC

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 January 19, 2006. 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 13627: 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 NW/4, the SW/4 and the W/2 of Section 7, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-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 West Kutz-Pictured Cliffs Gas Pool. These units are to be dedicated its WF Ropco "7" Well No. 2 (API# 30-045-33190) to be drilled at a standard gas well location in Unit C of this section and to its WF Ropco "7" Well No. 3 (API# 30-045-33416) to be drilled at a standard gas well location in Unit M of this section both to be downhole commingled production from the Basin Fruitland Coal Gas Pool and the West Kutz-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 1/2 miles northeast 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. 13627

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 NW/4, the SW/4 and the W/2 of Section 7, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-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 West Kutz-Pictured Cliffs Gas Pool. These units are to be dedicated its WF Ropco "7" Well No. 2 (API# 30-045-33190) to be drilled at a standard gas well location in Unit C of this section and its WF Ropco "7" Well No 3 (API# 30-045-33416) to be drilled at a standard gas well location in Unit M both to be downhole commingled production from the Basin Fruitland Coal Gas Pool and the West Kutz-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 NW/4, SW/4 and W/2 of Section 7, 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 West Kutz-Pictured Cliffs Gas Pool.

4. By letter dated November 3, 2005, Lance proposed to the other working interest or mineral owners that these wells be drilled and downhole commingled 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 two standard 160-acre gas spacing and proration unit consisting of the NW/4 and the SW/4 all in Section 15.

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.

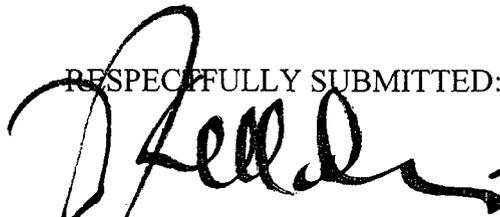
7. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A(1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

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 January 19, 2006.

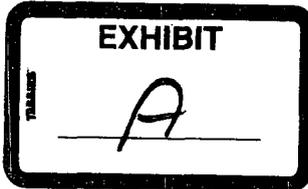
WHEREFORE, Lance Oil & Gas Company, Inc, as applicant, requests that this application be set for hearing on January 19, 2006 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the 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 these wells;
- (3) 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%;
- (4) 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;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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TOWNSHIP 29 NORTH, RANGE 14 WEST, SECTION 7, WEST HALF

MINERAL OWNER	ADDRESS	CITY, STATE, ZIP	QUARTE R	SW % PC	W/2 % FC	NW % PC
Jon D. Sherwood and Tamie P. Sherwood, husband and wife	UNKNOWN	Corona, NM	SW/4	4.0875%	2.0438%	
Richard D. Crum and Valerie Crum, husband and wife	P.O. Box 813	Kirtland, NM 87417-0813	SW/4	0.8250%	0.4125%	
Robert Bruce Foutz and Rosemary Foutz, husband and wife	4408 Driftwood Ave. NW	Albuquerque, NM 87114-5033	SW/4	1.4625%	0.7313%	
Rodney Guillory and Susan Guillory, husband and wife, as joint tenants	6 CR 6345	Kirtland, NM 87417	SW/4	0.3125%	0.1563%	
Eldon Brent Brady and Glenda B. Brady, husband and wife, as joint tenants	P.O. Box 1745	Kirtland, NM 87417-1745	SW/4	0.9375%	0.4688%	
Allen Armer and Lisa D. Armer, husband and wife, as joint tenants	470A CR 6100 NBU 24	Kirtland, NM 87417	SW/4	0.1625%	0.0813%	
Mary Jane Green, a widow	ADDRESS UNKNOWN		SW/4	2.8781%	1.4391%	
Kenneth F. Shrum and Dianne R. Shrum	P.O. 2095	Kirtland, NM 87417-2095	SW/4	0.1813%	0.0906%	
Thomas M. Fisher and Donita R. Fisher, husband and wife, as joint tenants	P.O. Box 188	Shiprock, NM 87420	SW/4	0.3813%	0.1906%	
Chapel of Memories, LLC, a New Mexico Limited Liability Company	4310 Sara Rd. SE	Rio Rancho, NM 87124	SW/4	0.4375%	0.2188%	
Jimmy Lester McDonald, a single man	7 RD 6351	Kirtland, NM 87417-9842	SW/4	0.6813%	0.3406%	
Haskell Wayne Howell	8 CR 6351	Kirtland, NM 87417	SW/4	1.4313%	0.7156%	
Donald Howell and Timi T. Howell, husband and wife, as joint tenants	P.O. Box 164	Kirtland, NM 87417	SW/4	0.5688%	0.2844%	
James F. Maher and Josephine Maher, husband and wife	366 North Main Street 13-12	Hurricane, UT 85737	SW/4	0.5688%	0.2844%	
Lottie S. Knudsen, surviving joint tenant	551 North Vineyard #106	Mesa, AZ 85201	SW/4	1.0500%	0.5250%	
Charles W. Wheeler, a single man	450 CR 6100	Kirtland, NM 87417-9313	SW/4	0.2313%	0.1156%	
Frances L. Johnson, Trustee under Trust Agreement (04/07/77)	P.O. Box 1036	Kirtland, NM 87417-1036	SW/4	0.5125%	0.2563%	
Nelda Adair, Trustee of the Nelda Adair Living Trust	444 CR 6100	Kirtland, NM 87417	SW/4	9.8125%	4.9063%	
Marion Lee Wells and Shauna R. Wells, husband and wife, as joint tenants	P.O. Box 407	Kirtland, NM 87417-0407	SW/4	0.2690%	0.1345%	
Robert C. Kater and Joyce F. Kater, Trustees of the Robert C. & Joyce F. Kater Living Trust (01/05/99)	5704 Holmes	Farmington, NM 87402	SW/4	0.2690%	0.1345%	
J.B. Hunt and Joyce D. Hunt, husband and wife, as joint tenants	P.O. Box 448	Kirtland, NM 87417-9847	SW/4	0.2690%	0.1345%	
Sarah George, single and Benjamin N. Yazzie, married, as joint tenants	609 Clark Avenue	Farmington, NM 87401-3603	SW/4	0.0871%	0.0436%	
Charla Stanfield, a married man dealing in his sole and separate property	ADDRESS UNKNOWN		SW/4	0.0675%	0.0338%	
Lenora Tso, a single woman	P.O. Box 471	Kirtland, NM 87417-0471	SW/4	0.0668%	0.0334%	
Terrell K. Davis & Pauline Davis, husband and wife, as joint tenants	P.O. Box 3104	Kirtland, NM 87417-3104	SW/4	0.0643%	0.0321%	
Heriberto Trevizo and Kimberly Trevizo, husband and wife, as joint tenants	P.O. Box 1642	Kirtland, NM 87417-1642	SW/4	0.8609%	0.4304%	
Clayton F. Bond and Winifred M. Bond, Trustees of the Clayton F. & Winifred M. Bond Living Trust (06/21/01)	32 CR 6400	Kirtland, NM 87417	SW/4	6.2500%	3.1250%	
Todd M. Ackley and J. Corley Ackley, husband and wife, as joint tenants	20 CR 6400 NBU 25	Kirtland, NM 87417-9846	SW/4	1.0563%	0.5281%	
Thomas F. Conrad, a single man	P.O. Box 358	Kirtland, NM 87417-0358	SW/4	2.6000%	1.3000%	
Robert E. Martin and Jeanette Martin, husband and wife, as joint tenants	25 RD 4901	Bloomfield, NM 87413	SW/4	0.5625%	0.2813%	
Paul C. Henderson, a single man	P.O. Box 169	Kirtland, NM 87417-0169	SW/4	0.1578%	0.0789%	
Harold W. Anderson and Laura K. Anderson, husband and wife, as joint tenants	5 CR 6360 NBU 53	Kirtland, NM 87417-9593	SW/4	0.2383%	0.1191%	
Bobby D. Anderson	5 CR 6360 NBU 53	Kirtland, NM 87417-9593	SW/4	0.2383%	0.1191%	
Clayton F. Bond	32 CR 6400	Kirtland, NM 87417	SW/4	4.3659%	2.1830%	
Theo G. Bond	c/o Barty Bond, 2304 East 17th Street	Farmington, NM 87401	SW/4	4.3659%	2.1830%	
Bonna L. Bond, deceased	P.O. Box 961	Kirtland, NM 87417-0961	SW/4	0.9916%	0.4958%	
Bank of the Southwest	P.O. Box 630	Farmington, NM 87499-0630	NW/4	2.1060%	1.0530%	
P. Mark Duncan and Becky Lynn Duncan, husband and wife, as joint tenants	17 CR 6050	Farmington, NM 87401-9607	NW/4	3.1250%	1.5625%	
United Food Stores No. 1, Inc., a New Mexico Corporation	900 Schofield Lane	Farmington, NM 87401	NW/4	0.4594%	0.2297%	
Ronald Dwain Dial and Paula Sue Dial, husband and wife, as joint tenants	c/o Ronald H. Phelps, 100 North Main	Aztec, NM 87410	NW/4	0.1562%	0.0781%	
Linda Ferguson, a married woman	P.O. Box 702	Kirtland, NM 87417-0702	NW/4	0.3125%	0.1563%	
Linda Ferguson and George Ferguson, as joint tenants	P.O. Box 702	Kirtland, NM 87417-0702	NW/4	0.3125%	0.1563%	
Glenn Meryle Sill and/or Pary Lee Sill, Trustees of the Glenn Meryle Sill Living Trust (10/01/01)	P.O. Box 1200	Farmington, NM 87499-1200	NW/4	0.5384%	0.2692%	
State Highway Department of New Mexico	P.O. Box 1149	Santa Fe, NM 87504-1149	NW/4	0.0290%	0.0145%	
Central Consolidated School District No. 22	P.O. Box 1199	Shiprock, NM 87420	NW/4	0.1779%	0.0889%	
CBST Company, a New Mexico Corporation	431 RD 2800	Aztec, NM 87410	NW/4	0.5691%	0.2845%	
Estate of Gary A. Boothe, a married man	P.O. Box 1775	Farmington, NM 87499-1775	NW/4	0.1969%	0.0984%	
Douglas A. Bradford, a single man	1300 Basin Road	Farmington, NM 87401-8104	NW/4	0.1969%	0.0984%	
Marilyn Bond, a married woman	ADDRESS UNKNOWN		NW/4	0.3007%	0.1503%	
				52.6764%	26.3382%	18.3193%