

Authorization for Expenditure

Lance Oil and Gas Company, Inc.

1099 18th Street, Ste. 1200
Denver, CO 80202-1955
(303) 452-5603

Business Unit/District: San Juan Pseudo API # 29140711aPCc30
Well Name & Number: W.F. Ropco 7 #2 AFE No. 607800
Location: SEC. 7 Township 29 N Range: 14 W Property #: 0
Footage 1,315 FNL 1420 FWL QuarterQuarter NENW API #: 29140711aPCc30
County: San Juan State: New Mexico Date: 11/02/05
Field/Unit/Area: Basin Fruitland Coal / Pictured Cliffs Budget Year: 2005
Proposed Total Depth: 750' Target Reservoir: Fruitland Coal/ Pictured Cliffs Project Type: DRILL
Anticipated Spud Date: 08/01/05 Est. Completion Date: 01/31/06 Cost Center: 14100.00
Project Description: Drill, complete, equip and install flowlines on a FC/PC gas well at the above location. Est. TD 750'.
Special Lease Considerations: Well will be cored by Corion and analyzed by Ticora Geosciences.

SUMMARY OF ESTIMATED COSTS

INTANGIBLE COSTS

Permitting and Site Work

	Sub Acct.#	Acct.# 2660	Acct.# 2665	TOTAL
Land Surface Use	0043	\$0	\$0	\$0
Surveying & Staking	0001	\$1,500	\$0	\$1,500
Permits	0036	\$1,500	\$0	\$1,500
Surface Damages & Restoration	0003	\$9,500	\$0	\$9,500
Title	0042	\$5,000	\$0	\$5,000
Site Prep, Roads, Pits	0002	\$7,200	\$0	\$7,200

Rig Costs

Drilling Contract	0004	\$18,375	\$17,500	\$35,875
Rig Trans, Erection, Removal	0007	\$2,500	\$500	\$3,000
Fuel, Power, Water	0010	\$3,500	\$0	\$3,500
Water Purchase	0048	\$0	\$0	\$0
Bits, Reamers, Tools	0008	\$0	\$5,200	\$5,200
Mud & Chemicals	0011	\$4,000	\$1,500	\$5,500
Drilling Supplies	0009	\$0	\$0	\$0

Equipment and Services

Cementing	0012	\$3,100	\$8,200	\$11,300
Plugging Expense	0026	\$0	\$0	\$0
Casing Crews	0021	\$0	\$2,500	\$2,500
Rental Equipment	0023	\$1,400	\$2,000	\$3,400
Trucking & Hauling	0024	\$3,000	\$2,500	\$5,500
Welding	0039	\$700	\$0	\$700
Other Contract Labor	0026	\$3,000	\$800	\$3,800
Environmental & Safety	0040	\$0	\$0	\$0
Fishing Tools & Service	0041	\$0	\$0	\$0
Other Services, Stimulation, Treatments	0014	\$0	\$120,000	\$120,000

Evaluation

Electric Surveys, Logs, Surveys, Perforating	0015	\$5,500	\$4,500	\$10,000
Drill Stem Test, Mud Logging, Core work	0013	\$70,000	\$0	\$70,000

Supervision

Geological & Engineering	0027	\$3,300	\$0	\$3,300
Labor, Company	0029	\$0	\$0	\$0

Overhead, Allocated Costs, and Contingency

Overhead	0032	\$4,500	\$0	\$4,500
Road Infrastructure Allocated	0050	\$0	\$0	\$0
Electrical Infrastructure Allocated	0049	\$0	\$0	\$0
Water Management Infra Allocated	0046	\$0	\$0	\$0
Miscellaneous and Contingency	0038	\$7,379	\$8,260	\$15,639

Fruitland Coal Intangibles		\$150,954	\$86,730	\$237,684
Pictured Cliffs Intangibles		\$4,000	\$86,730	\$90,730
TOTAL INTANGIBLE		\$154,954	\$173,460	\$328,414

NW14

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13627 Exhibit No. **13**
Submitted By:
Lance Oil & Gas, Inc
Hearing Date: January 19, 2006

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SUMMARY OF ESTIMATED COSTS		Dry Hole	Complete	TOTAL
TANGIBLE COSTS	Sub Acc.#	Acct. 2670	Acct. 2675	Total:
Conductor & Surface Casing	0002	\$1,985		\$ 1,985
Wellhead & Subsurface Equip	0007	\$300	\$1,300	\$ 1,600
Intermediate Casing	0003	\$0		\$ -
Production Casing/ Liners	0004		\$7,875	\$ 7,875
Tubing	0006		\$2,373	\$ 2,373
Pumping Unit & Equipment	0008		\$14,000	\$ 14,000
Engines and Power Equip	0028		\$8,000	\$ 8,000
Electrical	0026		\$0	\$ -
Sucker Rods and Downhole pump	0009		\$2,910	\$ 2,910
Install Costs Surface Equip	0020		\$2,000	\$ 2,000
Tanks	0011		\$0	\$ -
Valves & Fittings	0014		\$2,000	\$ 2,000
Pipe	0001		\$0	\$ -
Trunkline Costs	0024		\$0	\$ -
Flow Lines & Connections	0015		\$45,000	\$ 45,000
Meter Building and Meter	0025		\$3,000	\$ 3,000
Automation Equipment	0029		\$2,000	\$ 2,000
Miscellaneous Equipment	0038		\$0	\$ -
Software and Communications Equip	0030		\$0	\$ -
Separators, Heater, Treater	0012		\$4,000	\$ 4,000
Emission Control Combustors	0021		\$0	\$ -
Buildings	0016		\$0	\$ -
Fences & Cattle Guards	0017		\$0	\$ -
Water Management	0031		\$0	\$ -
Fruitland Coal Tangible		\$ 1,284.80	\$47,229	\$ 48,514
Pictured Cliffs Tangible		\$ 1,000.00	\$47,229	\$ 48,229
TOTAL TANGIBLE		\$ 2,285	\$ 94,458	\$ 96,742
Fruitland Coal Total of Intangible and Tangible Costs		\$ 152,239	\$ 133,959	\$ 286,197
Pictured Cliffs Total of Intangible and Tangible Costs		\$ 5,000	\$ 133,959	\$ 138,959
TOTAL OF INTANGIBLE AND TANGIBLE COSTS		\$ 157,239	\$ 267,918	\$ 425,156

Working Interest Owners:		WI %	Drilling	Completion	TOTAL
FC	Lance Oil and Gas Company	100.0000%	\$ 152,239	\$ 133,959	\$ 286,197
		0.0000%	\$ -	\$ -	\$ -
	TOTAL FC	100.0000%	\$ 152,239	\$ 133,959	\$ 286,197
PC	Lance Oil and Gas Company	100.0000%	\$ 5,000	\$ 133,959	\$ 138,959
		0.0000%	\$ -	\$ -	\$ -
	TOTAL PC	100.0000%	\$ 5,000	\$ 133,959	\$ 138,959
0.00 TOTAL		TOTAL	\$ 157,239	\$ 267,918	\$ 425,156

Lance Oil and Gas Company APPROVALS

	NAME	Title	Signature	Date
AFE Originator:	Justin Sandifer	SJBU Engineer		
AFE Project Manager	Doug Barone	SJBU Field Superintendent		
AFE Project Manager	David Gomendi	SJBU Manager		
Land Approved by:	Mark Petry	Land Manager		
Recommended By:	Bill Lyons	Senior Geoscientist		
Recommended By:				
Approved By:	Jeffery E. Jones	Vice President, Production		

THE ABOVE COSTS ARE UNDERSTOOD TO BE FOR ESTIMATING PURPOSES ONLY

PARTNER APPROVAL

☐ Approved☐ Disapproved☐ Article 6.g.

Company Name: _____

Name: _____

Title: _____

Date: _____