

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

- [D] Other: Specify \_\_\_\_\_

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A]  Working, Royalty or Overriding Royalty Interest Owners  
 [B]  Offset Operators, Leaseholders or Surface Owner  
 [C]  Application is One Which Requires Published Legal Notice  
 [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

Paul Lehrman

Print or Type Name

Signature

Sr. Landman

Title

12/7/04

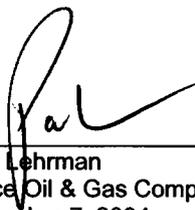
Date

plehrman@westerngas.com  
 e-mail Address

**REQUEST FOR ADMINISTRATIVE APPROVAL  
FOR NON-STANDARD LOCATION  
FOR LANCE OIL & GAS COMPANY, INC.  
NW CHA CHA 43  
2110' FNL & 1850' FEL, SECTION 25, TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM,  
SAN JUAN COUNTY, NEW MEXICO  
WEST KUTZ -PICTURED CLIFFS (GAS) (79680)**

- 1) The referenced well is located on Navajo Tribal surface, Navajo Tribal minerals. The proposed location is non-standard because it was originally drilled as a Cha Cha Gallup Oil well and has now been reentered, plugged back and completed as a West Kutz PC well using the existing wellbore. According to NMOCD rules well locations depending on formation drilled must be 660' from the quarter section lines. The existing well location is 2110' from the North line and 1850' from the East line of Section 25. Therefore the proposed NW Cha Cha #43 location is approximately 130' too far South. It would not be prudent to drill a separate well when this well was available and found to be sound mechanically.
- 2) C-102 (Exhibit "A") is attached showing the well location and the proration unit for the proposed Pictured Cliffs well. A Sundry Notice (3160-5) for this well to was submitted to the Navajo Nation/Bureau of Land Management, Farmington Field Office on February 8, 2002, for approval of pipeline right-of-way and has been approved by the agencies. This well has been completed and is ready to flow gas upon approval of this request and an approved C-104 by the NMOCD.
- 3) A map (Exhibit "B") is attached showing the adjoining spacing units and existing Pictured Cliffs wells. Lance controls the PC rights in the offsetting spacing units. Proposed well locations are noted on the plat.
- 4) Certified letters have been sent to other working interest owners, offsetting operators, and offsetting surface owners to notify them of our intentions. Copies of the letters are attached to this application.
- 5) Use of the existing well bore and the necessity to not use a separate location, minimizing surface disturbance is the reason for this non-standard location request.
- 6) Topography is not an issue with this well.
- 7) Archaeology is not an issue with this well.
- 8) Directional drilling is not practical for such a shallow completion.
- 9) A non-standard location is requested because of the existing conditions and the use of an existing well bore.
- 10) I hereby certify that notice was sent to the following offset operators, working interest owners, leaseholders or Surface owners which adjoin the applicant's spacing unit.

Burlington Resources Oil and Gas Company  
Edwards Energy  
Paramount Petroleum  
Navajo Nation  
Bureau of Land Management/Farmington Field Office

  
\_\_\_\_\_  
Paul Lehrman  
Lance Oil & Gas Company, Inc.  
December 7, 2004

**District I**  
1625 N. French Dr., Hobbs, NM 88240  
**District II**  
1301 W. Grand Avenue, 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 & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised June 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

|   |  |   |  |  |                                |
|---|--|---|--|--|--------------------------------|
| <sup>1</sup> API Number<br>30-045-07864 |  | <sup>2</sup> Pool Code<br>79680                             |  | <sup>3</sup> Pool Name<br>West Kutz PC |                                |
| <sup>4</sup> Property Code              |  | <sup>5</sup> Property Name<br>NW Cha Cha                    |  |  | <sup>6</sup> Well Number<br>43 |
| <sup>7</sup> OGRID No.<br>229938        |  | <sup>8</sup> Operator Name<br>Lance Oil & Gas Company, Inc. |  |  | <sup>9</sup> Elevation<br>5627 |

<sup>10</sup> Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County   |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| G             | 25      | 29N      | 14W   |         | 2110          | NORTH            | 1850          | EAST           | SAN JUAN |

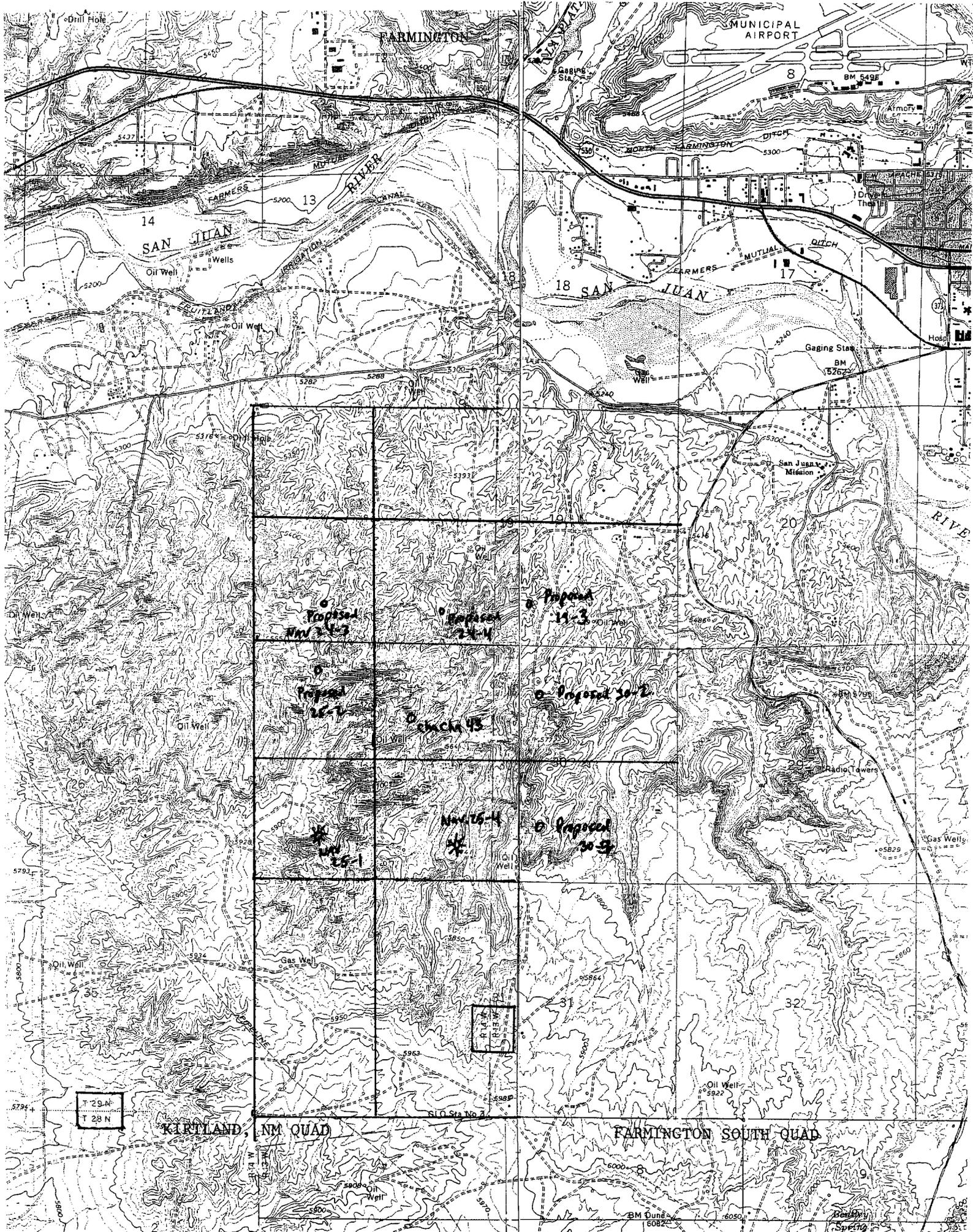
<sup>11</sup> Bottom Hole Location If Different From Surface

| UL or lot no.                                 | Section | Township                      | Range | Lot Idn                          | Feet from the | North/South line        | Feet from the | East/West line | County |
|---|---------|-------------------------------|-------|----------------------------------|---------------|-------------------------|---------------|----------------|--------|
|   |         |                               |       |                                  |               |                         |               |                |        |
| <sup>12</sup> Dedicated Acres<br>160.00 Acres |         | <sup>13</sup> Joint or Infill |       | <sup>14</sup> Consolidation Code |               | <sup>15</sup> Order No. |               |                |        |

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

|  |  |
|--|--|
|  | <p><sup>17</sup> OPERATOR CERTIFICATION<br/>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <i>Paul Lehrman</i></p> <p>Printed Name: Paul Lehrman<br/>Title and E-mail Address: Sr. Landman, plehrman@westerngas.com<br/>Date: December 7, 2004</p>                          |
|  | <p><sup>18</sup> SURVEYOR CERTIFICATION<br/>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.</p> <p>Date of Survey:<br/>Signature and Seal of Professional Surveyor:<br/><br/>Certificate Number:</p> |

Exhibit "B"



T 29 N  
T 28 N

KIRTLAND, NM QUAD

FARMINGTON SOUTH QUAD

BM One  
60822

# LANCE OIL & GAS COMPANY, INC.

PO Box 70



December 7, 2004

Certified Mail  
Return Receipt Requested  
Article No. 7002 3150 0002 0908 6135

Burlington Resources Oil & Gas Company  
Attn: Frank Schilling  
Post Office Box 4289  
Farmington, NM 87499

RE: Non-Standard Location Application  
Lance NW Cha Cha 43 PC Recompletion  
Township 29 North, Range 14 West, NMPM  
2110' FNL & 1850' FEL  
Section 25: NE/4  
San Juan County, New Mexico

Dear Mr. Schilling:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its Lance Oil & Gas Cha Cha #43 well in the Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing conditions (i.e. existing well bore for the NW Cha Cha 43) the well is approximately 130' too close to the east/west quarter line of Section 25 and therefore non-standard for the West Kutz PC pool.

|                          |  |
|--------------------------|--|
| Well Name:               | NW Cha Cha 43  |
| Proposed Producing Zone: | Pictured Cliffs  |
| Acreage Dedication:      | NE/4 of Section 25, T29N, R14W, NMPM, San Juan Co., NM                   |
| Location:                | 2110' FNL & 1850' FEL,<br>Section 25, T29N, R14W, NMPM, San Juan Co., NM |
| Applicant's Name:        | Lance Oil & Gas Company, Inc.  |
| Applicant's Address:     | Post Office Box 70, Kirtland, New Mexico 87417                           |
| Applicant's Phone No.    | 505/598-5601   |

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,



Paul Lehrman  
Sr. Landman

Enclosures

Phone 598-5601 Fax 598-0064

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
|--|---|
| <ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</span><br/> <b>X</b></p> <p>B. Received by (Printed Name) <span style="float: right;">C. Date of Delivery</span></p>  |
| <p>1. Article Addressed to:</p> <p style="text-align: center;"> <i>Frank Schilling<br/>           Burlington Resources<br/>           Box 4299<br/>           Farm. NM 87499</i> </p>  | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>         if YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type<br/> <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> |
| <p>2. Article Number<br/>         (Transfer from service label)</p>  | <p style="text-align: center;">7002 3150 0002 0908 6135</p>   |
| <p>PS Form 3811, August 2001 <span style="margin-left: 200px;">Domestic Return Receipt</span> <span style="float: right;">2ACPRI-03-Z-0985</span></p>  |   |

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| Total Postage & Fees                           | \$ |               |

Sent To

*Burlington RES.*

Street, Apt. No., or PO Box No. *Box 4299*

City, State, ZIP+4 *Farm. NM 87499*

PS Form 3800, June 2002 See Reverse for Instructions

7002 3150 0002 0908 6135  
 5E19 9060 2000 05TE 2002  
 5E19 9060 2000 0908 6135

# LANCE OIL & GAS COMPANY, INC.

PO Box 70



December 7, 2004

Certified Mail  
Return Receipt Requested  
Article No. 7002 3150 0002 0908 6166

Edwards Energy  
1200 17<sup>th</sup> Street, Suite 2100  
Denver, CO 80202

RE: Non-Standard Location Application  
Lance NW Cha Cha 43 PC Recompletion  
Township 29 North, Range 14 West, NMPM  
2110' FNL & 1850' FEL  
Section 25: NE/4  
San Juan County, New Mexico

Gentlemen:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its Lance Oil & Gas Cha Cha #43 well in the Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing conditions (i.e. existing well bore for the NW Cha Cha 43) the well is approximately 130' too close to the east/west quarter line of Section 25 and therefore non-standard for the West Kutz PC pool.

|                          |  |
|--------------------------|--|
| Well Name:               | NW Cha Cha 43  |
| Proposed Producing Zone: | Pictured Cliffs  |
| Acreage Dedication:      | NE/4 of Section 25, T29N, R14W, NMPM, San Juan Co., NM                   |
| Location:                | 2110' FNL & 1850' FEL,<br>Section 25, T29N, R14W, NMPM, San Juan Co., NM |
| Applicant's Name:        | Lance Oil & Gas Company, Inc.  |
| Applicant's Address:     | Post Office Box 70, Kirtland, New Mexico 87417                           |
| Applicant's Phone No.    | 505/598-5601   |

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,

Paul Lehman  
Sr. Landman

Enclosures

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |                     |
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| 1. Article Addressed to:<br><br><p style="text-align: center;">Edwards Energy<br/>1200 17th St, Ste 2100<br/>Plum, Co<br/>80202</p>  | B. Received by (Printed Name)   | C. Date of Delivery |
| 2. Article Number<br>(Transfer from service label)   | D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br>if YES, enter delivery address below: <input type="checkbox"/> No   |                     |
| PS Form 3811, August 2001  | 3. Service Type<br><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. |                     |
| Domestic Return Receipt  | 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes  |                     |
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| Restricted Delivery Fee (Endorsement Required) |    |               |
| Total Postage & Fees                           | \$ |               |

Sent To: Edwards Energy  
 Street, Apt. No., or PO Box No. 1200 17th St, Ste 2100  
 City, State, ZIP+4 Plum Co 80202

PS Form 3800, June 2002 See Reverse for Instructions

**LANCE OIL & GAS COMPANY, INC.**  
PO Box 70  
Kirtland, New Mexico 87417

December 7, 2004

Certified Mail  
Return Receipt Requested  
Article No. 7002 3150 0002 0908 6142

Paramount Petroleum Corp  
Post Office Box 22763  
Houston, TX 77027

RE: Non-Standard Location Application  
Lance NW Cha Cha 43 PC Recompletion  
Township 29 North, Range 14 West, NMPM  
2110' FNL & 1850' FEL  
Section 25: NE/4  
San Juan County, New Mexico

Gentlemen:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its Lance Oil & Gas Cha Cha #43 well in the Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing conditions (i.e. existing well bore for the NW Cha Cha 43) the well is approximately 130' too close to the east/west quarter line of Section 25 and therefore non-standard for the West Kutz PC pool.

|                          |  |
|--------------------------|--|
| Well Name:               | NW Cha Cha 43  |
| Proposed Producing Zone: | Pictured Cliffs  |
| Acreage Dedication:      | NE/4 of Section 25, T29N, R14W, NMPM, San Juan Co., NM                   |
| Location:                | 2110' FNL & 1850' FEL,<br>Section 25, T29N, R14W, NMPM, San Juan Co., NM |
| Applicant's Name:        | Lance Oil & Gas Company, Inc.  |
| Applicant's Address:     | Post Office Box 70, Kirtland, New Mexico 87417                           |
| Applicant's Phone No.    | 505/598-5601   |

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,



Paul Lehrman  
SR Landman

Enclosures

Phone 598-5601 Fax 598-0064

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
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| <ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature<br/><b>X</b></p> <p style="text-align: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)      C. Date of Delivery</p>  |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">Paramount Petroleum<br/>P.O. Box 22763<br/>Houston, TX 77027</p>  | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>if YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type<br/> <input checked="" type="checkbox"/> Certified Mail    <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered        <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail       <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee)      <input type="checkbox"/> Yes</p> |
| <p>2. Article Number<br/>(Transfer from service label)</p>   | <p style="text-align: center;">7002 3150 0002 0908 6142</p>   |

PS Form 3811, August 2001

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| Return Receipt Fee<br>(Endorsement Required)      |    |                  |
| Restricted Delivery Fee<br>(Endorsement Required) |    |                  |
| Total Postage & Fees                              | \$ |                  |

7002 3150 0002 0908 6142  
 7002 3150 0002 0908 6142

|                                    |                     |
|------------------------------------|---------------------|
| Sent To                            | Paramount Petroleum |
| Street, Apt. No.;<br>or PO Box No. | Box 22763           |
| City, State, ZIP+4                 | Houston, TX 77027   |

PS Form 3800, June 2002      See Reverse for Instructions

# LANCE OIL & GAS COMPANY, INC.

PO Box 70



December 7, 2004

Certified Mail  
Return Receipt Requested  
Article No. 7002 3150 0002 0908 6128

Navajo Nation Minerals Dept.  
Post Office Box 1910  
Window Rock, AZ 86515

RE: Non-Standard Location Application  
Lance NW Cha Cha 43 PC Recompletion  
Township 29 North, Range 14 West, NMPM  
2110' FNL & 1850' FEL  
Section 25: NE/4  
San Juan County, New Mexico

Gentlemen:

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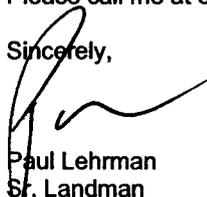
|                          |  |
|--------------------------|--|
| Well Name:               | NW Cha Cha 43  |
| Proposed Producing Zone: | Pictured Cliffs  |
| Acreage Dedication:      | NE/4 of Section 25, T29N, R14W, NMPM, San Juan Co., NM                   |
| Location:                | 2110' FNL & 1850' FEL,<br>Section 25, T29N, R14W, NMPM, San Juan Co., NM |
| Applicant's Name:        | Lance Oil & Gas Company, Inc.  |
| Applicant's Address:     | Post Office Box 70, Kirtland, New Mexico 87417                           |
| Applicant's Phone No.    | 505/598-5601   |

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Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,



Paul Lehrman  
Sr. Landman

Enclosures

Phone 598-5601 Fax 598-0064

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |                            |
|--|---|----------------------------|
| <ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature<br/> <b>X</b> <span style="float: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</span></p>  |                            |
| <p>1. Article Addressed to:</p> <p style="text-align: center;"><i>Narajo Nation Minerals Dept.<br/>           Po Box 1910<br/>           Window Rock, AZ<br/>           86515</i></p>  | <p>B. Received by (Printed Name)</p>  | <p>C. Date of Delivery</p> |
| <p>2. Article Number<br/>(Transfer from service label)</p>   | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>         If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type<br/> <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> |                            |
| <p>7002 3150 0002 0908 6128</p>  |   |                            |

PS Form 3811, August 2001

Domestic Return Receipt

2ACPRI-03-Z-0985

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE  
**CERTIFIED MAIL™**

7002 3150 0002 0908 6128  
 9219 9060 2000 05TE 2002

| U.S. Postal Service™  |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
|---|---------|---------|---------------|-------------------------------------|--|---------------------------------|---|-----------------|----------------------|--------------------|------------------|------------------------------|--|
| <b>CERTIFIED MAIL™ RECEIPT</b><br>(Domestic Mail Only; No Insurance Coverage Provided)  |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>  |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| <b>OFFICIAL USE</b>   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| <table border="1"> <tr> <td>Postage</td> <td>\$</td> </tr> <tr> <td>Certified Fee</td> <td></td> </tr> <tr> <td>Return Receipt Fee<br/>(Endorsement Required)</td> <td></td> </tr> <tr> <td>Restricted Delivery Fee<br/>(Endorsement Required)</td> <td></td> </tr> <tr> <td>Total Postage &amp; Fees</td> <td>\$</td> </tr> </table>   | Postage | \$      | Certified Fee |                                     | Return Receipt Fee<br>(Endorsement Required) |                                 | Restricted Delivery Fee<br>(Endorsement Required) |                 | Total Postage & Fees | \$                 | Postmark<br>Here |                              |  |
| Postage   | \$      |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| Certified Fee   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| Return Receipt Fee<br>(Endorsement Required)  |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| Restricted Delivery Fee<br>(Endorsement Required)   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| Total Postage & Fees  | \$      |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| <table border="1"> <tr> <td colspan="2">Sent To</td> </tr> <tr> <td colspan="2" style="text-align: center;"><i>Narajo Nation Minerals Dept.</i></td> </tr> <tr> <td colspan="2">Street, Apt. No., or PO Box No.</td> </tr> <tr> <td colspan="2" style="text-align: center;"><i>Box 1910</i></td> </tr> <tr> <td colspan="2">City, State, ZIP+4</td> </tr> <tr> <td colspan="2" style="text-align: center;"><i>Window Rock, AZ 86515</i></td> </tr> </table> |         | Sent To |               | <i>Narajo Nation Minerals Dept.</i> |  | Street, Apt. No., or PO Box No. |   | <i>Box 1910</i> |                      | City, State, ZIP+4 |                  | <i>Window Rock, AZ 86515</i> |  |
| Sent To   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| <i>Narajo Nation Minerals Dept.</i>   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| Street, Apt. No., or PO Box No.   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| <i>Box 1910</i>   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| City, State, ZIP+4  |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| <i>Window Rock, AZ 86515</i>  |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |
| PS Form 3800, June 2002 <span style="float: right;">See Reverse for Instructions</span>   |         |         |               |                                     |  |                                 |   |                 |                      |                    |                  |                              |  |

# LANCE OIL & GAS COMPANY, INC.

PO Box 70



December 7, 2004

Certified Mail  
Return Receipt Requested  
Article No. 7002 3150 0002 0908 6166

Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

RE: Non-Standard Location Application  
Lance NW Cha Cha 43 PC Recompletion  
Township 29 North, Range 14 West, NMPM  
2110' FNL & 1850' FEL  
Section 25: NE/4  
San Juan County, New Mexico

Gentlemen:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its Lance Oil & Gas Cha Cha #43 well in the Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing conditions (i.e. existing well bore for the NW Cha Cha 43) the well is approximately 130' too close to the east/west quarter line of Section 25 and therefore non-standard for the West Kutz PC pool.

|                          |  |
|--------------------------|--|
| Well Name:               | NW Cha Cha 43  |
| Proposed Producing Zone: | Pictured Cliffs  |
| Acreage Dedication:      | NE/4 of Section 25, T29N, R14W, NMPM, San Juan Co., NM                   |
| Location:                | 2110' FNL & 1850' FEL,<br>Section 25, T29N, R14W, NMPM, San Juan Co., NM |
| Applicant's Name:        | Lance Oil & Gas Company, Inc.  |
| Applicant's Address:     | Post Office Box 70, Kirtland, New Mexico 87417                           |
| Applicant's Phone No.    | 505/598-5601   |

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,

Paul Lehman  
Sr. Landman

Enclosures

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |
|--|--|
| <ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</span><br/> <b>X</b></p> <p>B. Received by (Printed Name) <span style="float: right;">C. Date of Delivery</span></p>   |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">Bureau of Land Management<br/>1235 LaPlata Hwy<br/>Farm. NM<br/>87401</p>   | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>if YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type<br/> <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> |
| <p>2. Article Number<br/>(Transfer from service label)</p>   | <p style="text-align: center;"><b>7002 3150 0002 0908 6166</b></p>   |
| PS Form 3811, August 2001  | Domestic Return Receipt <span style="float: right;">2ACPRI-03-Z-0985</span>  |

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**CERTIFIED MAIL™**

7002 3150 0002 0908 6166  
 9979 9060 2002 0908 6166

| U.S. Postal Service™<br><b>CERTIFIED MAIL™ RECEIPT</b><br>(Domestic Mail Only; No Insurance Coverage Provided)                |    |
|---|----|
| For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>                                  |    |
| OFFICIAL USE  |    |
| Postage   | \$ |
| Certified Fee   |    |
| Return Receipt Fee<br>(Endorsement Required)  |    |
| Restricted Delivery Fee<br>(Endorsement Required)   |    |
| Total Postage & Fees  | \$ |
| Sent To<br>Bureau of Land Management<br>Street, Apt. No., or PO Box No. 1235 LaPlata Hwy<br>City, State, ZIP+4 Farm. NM 87401 |    |
| PS Form 3800, June 2002 <span style="float: right;">See Reverse for Instructions</span>                                       |    |