



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

November 4, 2004

Mark E. Fesmire, P.E.
Director

Joanna Prukop
Cabinet Secretary

Oil Conservation Division

Lance Oil & Gas Company, Inc.
P. O. Box 70
Kirtland, New Mexico 87417

Attention: **Paul Lehrman**
plehrman@westerngas.com

30-045-32626

Administrative Order NSP-1881

Dear Mr. Lehrman:

Reference is made to the following: (i) your initial application (*administrative application reference No. pMES0-408630339*) of March 25, 2004 filed with the New Mexico Oil Conservation Division ("Division") on behalf of Richardson Operating Company; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter from Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe, on April 6, 2004 denying this application; (iii) your re-submittal for Lance Oil & Gas Company, Inc. ("Lance") of an amended form of this application (*administrative application reference No. pMES0-430150598*) on October 14, 2004; and (ii) the Division's records in Santa Fe: all concerning Lance's request for a non-standard 90.57-acre gas spacing and proration unit consisting of the following acreage in the West Kutz-Pictured Cliffs Pool (79680):

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM
Irregular Section 19: Lots 2, 7, 8, 9, 10, and 11 (NW/4 equivalent).

This unit is to be dedicated to Lance's proposed F-RPC "19" Well No. 2 to be drilled at a standard gas well location, pursuant to Division Rule 104.C (3), 720 feet from the North line and 827 feet from the West line (Lot 7/Unit C) of Irregular Section 19.

This application has been duly filed under the provisions of Division Rule 104.D (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By the authority granted me under the provisions of Division Rule 104.D (2) (b), the above-described 90.57-acre non-standard Pictured Cliffs gas spacing and proration unit is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 6, 2005

8:15 A.M. 1220 South St. Francis Santa Fe, New Mexico

Applications for hearing are tentatively set for January 20, 2005 and January 27, 2005. Applications must be filed at least 30 days in advance of hearing date. OCD Rule 1207-B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Friday before the hearing and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Friday before the hearing, the hearing may be continued or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant's request. The following cases will be heard by an Examiner.

CASE 13391: Continued from December 16, 2004, Examiner Hearing.

Application of San Juan Resources of Colorado, Inc. to amend Division Order R-11926 to include subsequent operations and an optional "infill" gas well provision (compulsory pooling), San Juan County, New Mexico. Applicant in accordance with Division Rule 1207.A(1)(b), seeks an order amending this compulsory pooling order to provide for subsequent operations and the inclusion of its Tecumseh Well No. 1-E, to be located in Unit L as a well subject to this compulsory pooling order that pooled all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the S/2 of Irregular Section 18, Township 30 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for any production such production. Also to be considered will be the subsequent operations provisions and 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, and the continuing the designation of San Juan Resources of Colorado, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 2 miles East from Flora Vista, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

CASE 13397: **Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico.** Applicant seeks approval of the Leanin L Federal Exploratory Unit from the top of the Queen formation to the base of the Chester Lime in an area comprising 2640 acres of Federal lands in Sections 3, 8, 9, 10 and 17, Township 15 South, Range 29 East, which is located approximately 20 miles east of Lake Arthur, New Mexico.

CASE 13398: **Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface through the base of the Morrow formation on the following described acreage in Section 17, Township 25 South, Range 26 East: N/2 to form a standard 320-acre spacing and proration unit for all formations developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Chosa Draw-Morrow Gas Pool, Undesignated Sage Draw-Atoka Gas Pool and the Undesignated Sage Draw-Wolfcamp Pool; NE/4 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and NW/4 NE/4 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent. Said units are to be dedicated to its Guitar "BFL" Com Well No. 1 to be drilled 990 feet from the North line and 1980 feet from the East line of said Section 17 to an approximate depth of 12,000 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Yates Petroleum Corporation as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14.5 miles southwest of Carlsbad, New Mexico.

CASE 13395: Continued from December 16, 2004, Examiner Hearing.

Application of Chiso, Ltd. for pool creation and classification of this pool as a retrograde condensate gas pool, Eddy County, New Mexico. Applicant seeks an order (i) creating a new pool for the production of natural gas from the Strawn formation to be comprised of the W/2 of Section 12, Township 29 South, Range 30 East (ii) classifying the new pool as a retrograde condensate gas pool. To amend the header of the pool to include the W/2 of Section 12, Township 29 South, Range 30 East and the W/2 of Section 12, Township 29 South, Range 30 East. This location was approved by Division Administrative Order D-15-0001-0001. Said well is located approximately 20 miles southeast of Artesia, New Mexico.

Additional resources...
NOTE: When you receive a header or footer, you must delete it from the document. To delete a header or footer, click the View menu, click Header and Footer, and then click the header or footer you want to delete.

- 1. On the View menu, click Header and Footer.
- 2. If necessary, move to the header or footer you want to delete.

Delete a header or footer



2004 DEC 30 09 14

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMSF-079065
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator Lance Oil & Gas Company, Inc.		7. If Unit or CA Agreement, Name and No. N/A
3a. Address Box 70, Kirtland, NM 87417	3b. Phone No. (include area code) 598-5601 Ext. 57	8. Lease Name and Well No. F-RPC 19 #2Y
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 688' FNL & 836' FWL At proposed prod. zone Same		9. API Well No. 30-045- 32766
14. Distance in miles and direction from nearest town or post office* 2 Miles SW of Farmington, NM		10. Field and Pool, or Exploratory West Kutz PC/Basin Fr. Coal
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 688'		11. Sec., T., R., M., or Blk. and Survey or Area C Sec. 19-T29N-R13W, NMPM
16. No. of Acres in lease 1,470.81		12. County or Parish San Juan <input checked="" type="checkbox"/>
17. Spacing Unit dedicated to this well NW/4-PC 90.57 Acres N/2-FC 249.59 Acres		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 30'		19. Proposed Depth 1200'
20. BLM/BIA Bond No. on file BLM Nationwide # 965004351		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5314' GL
22. Approximate date work will start* Upon approval		23. Estimated duration 2 weeks

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature 	Name (Printed/Typed) Paul Lehrman	Date 12-29-04
Title Sr. Landman		
Approved by (Signature) 	Name (Printed/Typed) Chip Harraden	Date 12/30/04
Title Acting Team Lead	Office BLM-FFO	

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

* Note: This is a replacement well for the Lance F-RPC 19 #2 which encountered downhole problems. See attached letter from Western Archeological Services. Existing pad will be use for all operations.

(DRILLING) OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

NMOCG

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

State of New Mexico
 Energy, Minerals & Mining Resources Department
 OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT 30 87 S 14

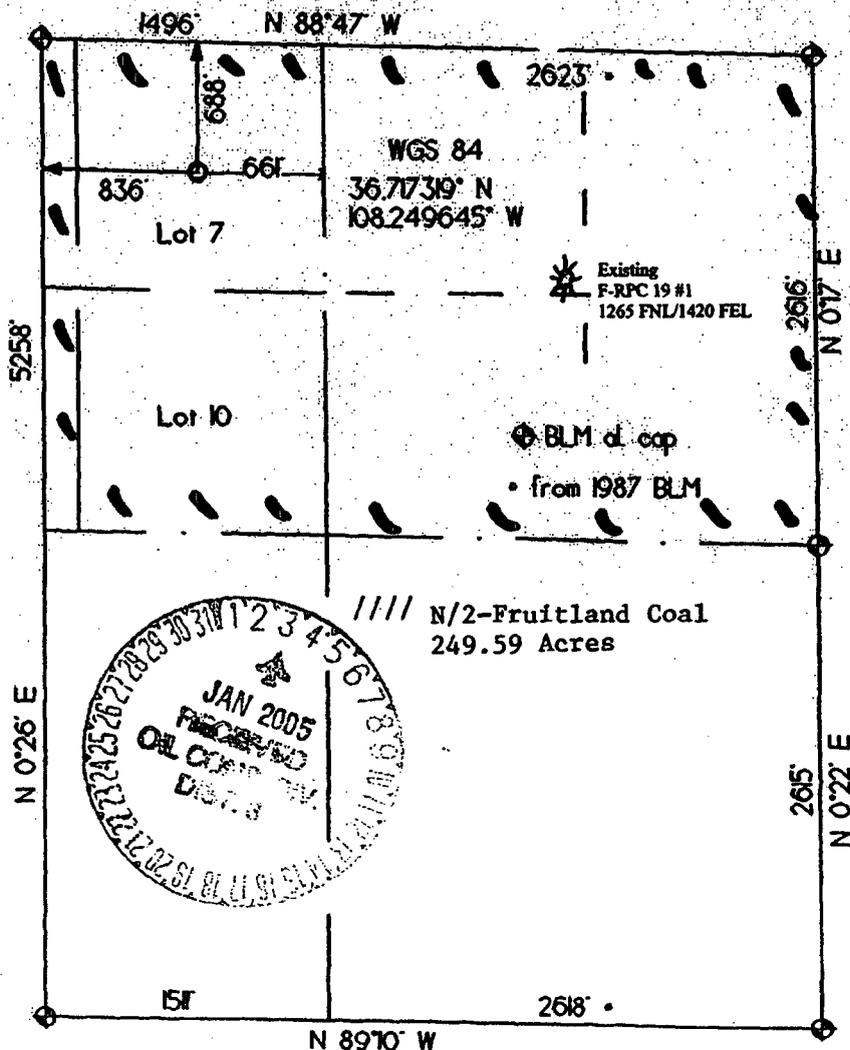
APA Number 30-045-32766	Pool Code 71629 79680	Pool Name Basin Fruitland Coal <i>PC</i>
Property Code 300876	Property Name F - RPC 19	Well Number 2 Y
OGRD No. 229938	Operator Name RICHARDSON OPERATING COMPANY	Elevation 534'

Surface Location									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from	North/South	Feet from	East/West	County
C	19	29 N	13 W		688	NORTH	836	WEST	SAN JUAN

Bottom Hole Location if Different From Surface									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from	North/South	Feet from	East/West	County

Dedication N/2	Joint ?	Consolidation	Order No. NSP 1881 - PC
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249.59 Ac. NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>[Signature]</i>
Printed Name	Haul Lehrman
Title	Sr. Landman
Date	12-29-04
SURVEYOR CERTIFICATION	
I hereby certify that the well location 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	rvv: 12/29/04
Signature and Seal of Professional	<i>[Signature]</i> GERALD S. HUDDLESTON NEW MEXICO 6844 REGISTERED LAND SURVEYOR

Submit 3 Copies To Appropriate District Office
 District I
 1625 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

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-045--	
5. Indicate Type of Lease Federal NM STATE <input type="checkbox"/> FEE <input type="checkbox"/> SF-07906	
6. State Oil & Gas Lease No. N/A	
7. Lease Name or Unit Agreement Name F-RPC 19 #2Y	
8. Well Number	
9. OGRID Number 229938	
10. Pool name or Wildcat W. Kutz PC/Basin Fr. Coal	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5314 GR	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type <u>Drilling</u> Depth to Groundwater <u>710'</u> Distance from nearest fresh water well <u>>1000'</u> Distance from nearest surface water <u>>1000'</u>	
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume _____ bbls; Construction Material <u>Impervious Plastic</u>	

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 C : 688 feet from the North line and 836 feet from the West line
 Section 19 Township 29N Range 13W NMPM San Juan County NM

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 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: <input type="checkbox"/>		OTHER: Pit Permit <input checked="" 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.

Pit Permit pursuant to NMOCD Rule 50.

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 .

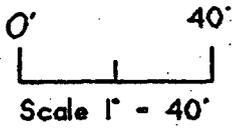
SIGNATURE _____ TITLE Sr. Landman DATE 12-29-04

Type or print name Paul Lehrman E-mail address: plehrman@westerngas. Telephone No. 598-5601
 For State Use Only DEPUTY OIL & GAS INSPECTOR, DIST. 43 Ext. 57

APPROVED BY: _____ TITLE _____ DATE JAN - 3 2005
 Conditions of Approval (if any): _____

F-RPC 19#2Y

well pad and section



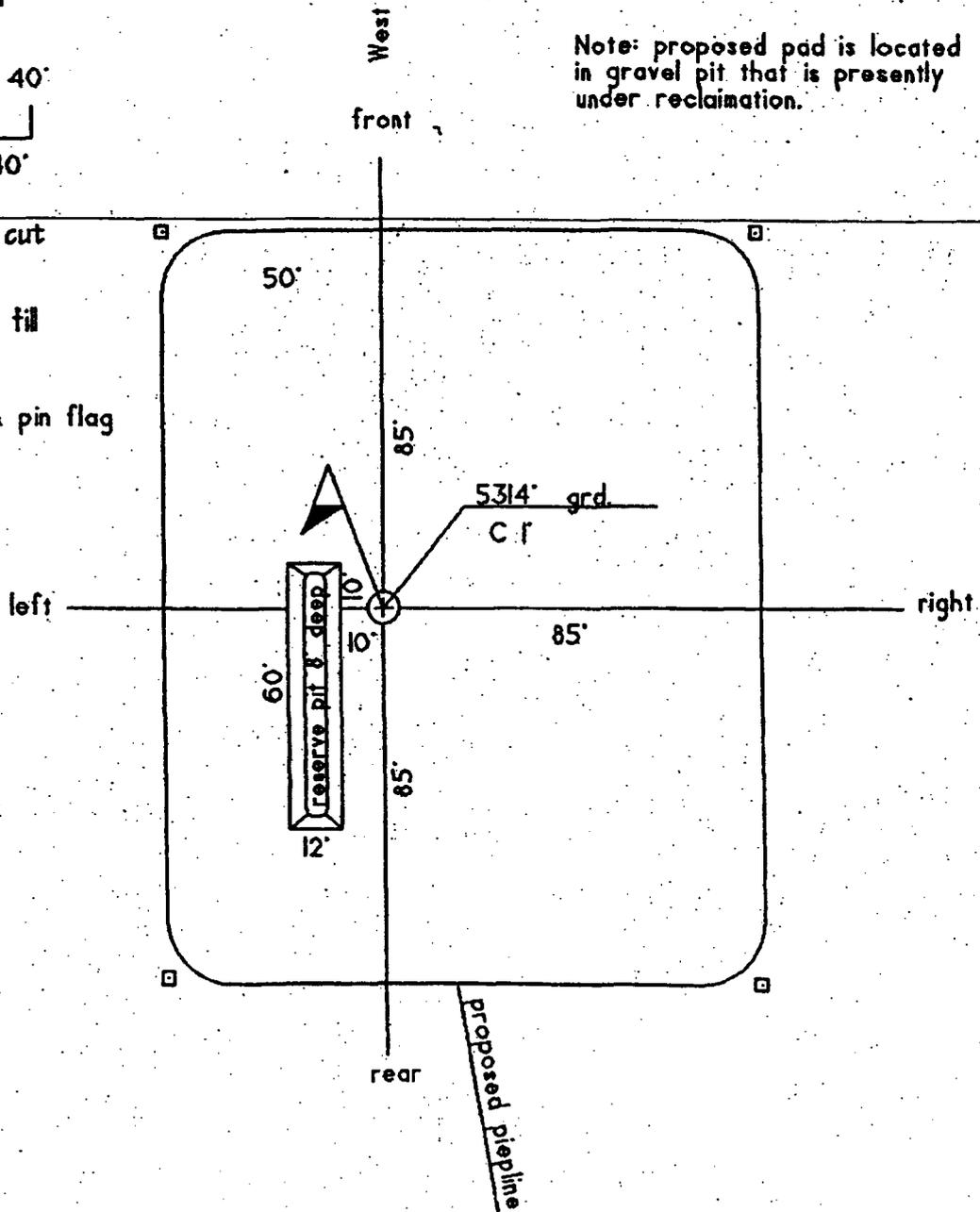
cut



fill

□ set stake & pin flag

Note: proposed pad is located in gravel pit that is presently under reclamation.



section

Lance Oil & Gas Company, Inc.
F-RPC #2Y
688' FNL & 836' FWL
Section 19, T29N, R13W, NMPM
San Juan County, New Mexico

DRILLING PROGRAM

1. ESTIMATED FORMATION TOPS:

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Subsea Elevation</u>
Kirtland Shale	000'	005'	+5,314'
Fruitland Fm	815'	820'	+4,499'
Fruitland Coal	845'	850'	+4,469'
Pictured Cliffs Ss	970'	975'	+4,344'
Total Depth (TD)*	1200'	1205'	+4,114'

*All elevations reflect the ungraded ground level of 5,314'

2. NOTABLE ZONES:

Gas Zones

Fruitland
Pictured Cliffs

Water Zones

Fruitland Coal

Coal Zones

Fruitland Coal

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Centralizers will be run through usable water zones to ensure that the casing is centralized through these zones. Number of centralizers will be based on API standards. A turbulizing centralizer will be run to ensure an adequate cement procedure just below the base of the lowest usable water zone. Oil and gas shows will be tested for commercial potential based on the well site representatives recommendations.

3. PRESSURE CONTROL:

The drilling contract has not yet been awarded, thus the exact BOP model to be used is unknown. (A typical 2,000 psi model has been attached to the end of the drilling program.) Double ram or annular system with a rotating head will be used. All ram preventers and related equipment will be hydraulically tested at nipple up and after any use under pressure to 1000 psi.

Blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. BOP equipment will include a floor safety valve, Kelly cock and choke manifold rated to 2000 psi. Maximum expected pressure is less than 1000 psi.

Drilling Program
Lance Oil & Gas Company, Inc.

Page Two

4. CASING AND CEMENTING PROGRAM:

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>GL Setting Depth</u>
12 1/4"	8 5/8"	24	J-55	New	120'
7 7/8"	5 1/2"	15.5	J-55	New	1200'

Surface casing will be cemented to surface with \approx 120 cu.ft. (\approx 100 sx) Howco Type II. Volume is based on 100% excess, yield of 1.20 cu.ft./sk, and slurry weight of 15.6 ppg. WOC = 12 hours. Pressure test surface casing to 600 psi for 30 minutes.

Production casing hole will first be cleaned of rock chips by circulating at least 150% of hole volume with drilling fluid to surface. Thirty barrels of fresh water will then be circulated. Lead with \approx 245 cu.ft. (\approx 135 sx) Howco TX1 Lightweight (yield = 1.82 cu.ft./sk, slurry weight = 12.0 ppg). Tail in with \approx 90 cu.ft. (\approx 70 sx) Howco TX 1 Lightweight (yield = 1.29 cu.ft./sk, weight = 13.5 ppg). Total cement volume is \approx 335 cu.ft. based on 50% excess and circulating to surface.

Production casing will have 5 1/2" cement guide shoe and self fill float collar. Float will be placed one joint above the shoe. Six centralizers will be spaced every other joint starting above the shoe. Six turbolizers will be placed every other joint starting from the top of the well.

5. MUD PROGRAM:

Surface casing hole will be drilled with fresh water. Production casing hole will be drilled with a fresh water polymer mud. Weighting material will be drill solids or, if needed, barite. Maximum expected mud weight will be 8.7 ppg. Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well while drilling.

6. CORING, TESTING, & LOGGING:

No cores or DSTs are planned. A cased hole CNL/GR will be run from TD to surface.

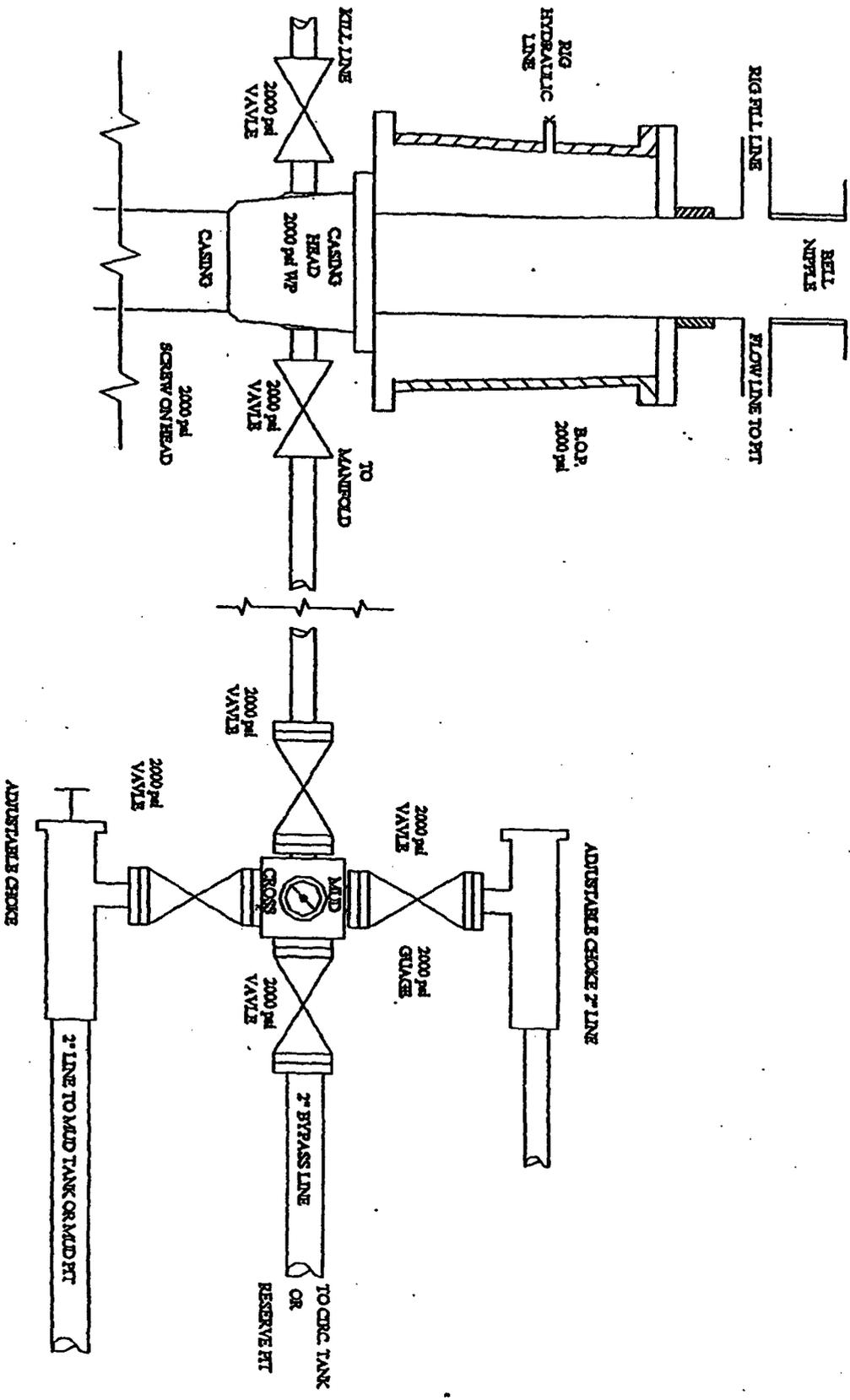
7. DOWNHOLE CONDITIONS:

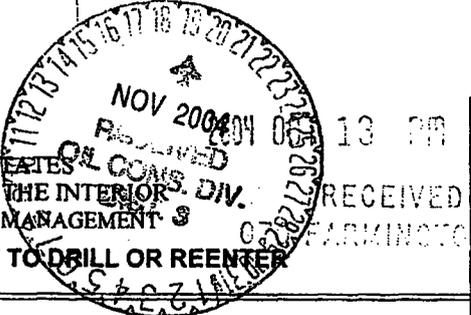
No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be approximately \approx 520 psi.

8. OTHER INFORMATION:

The anticipated spud date is December 31, 2004. It should take 5 days to drill and one (1) week to complete the well.

BLOW OUT PREVENTER (B.O.P.)





UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMSF- 079065
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator Lance Oil & Gas Company, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address Box 70, Kirtland, NM 87417		8. Lease Name and Well No. F-RPC 19 #2
3b. Phone No. (include area code) 598-5601 Ext. 57		9. API Well No. 30-045- 32626
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 720' FNL & 827' FWL At proposed prod. zone Same		10. Field and Pool, or Exploratory West Kutz PC/Basin Fruitland
14. Distance in miles and direction from nearest town or post office* 2 Miles SW of Farmington, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area C Sec. 19-T29N-R13W, NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 720'	16. No. of Acres in lease 1,470.81	12. County or Parish San Juan ✓
17. Spacing Unit dedicated to this well N/2-FC 249.59 Acres NW/4-PC 90.57 Acres	13. State NM	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1973'
19. Proposed Depth 1,400 1,200 per Paul Lehrman	20. BLM/BIA Bond No. on file BLM Nationwide #965004351	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5314' GL
22. Approximate date work will start* Upon approval	23. Estimated duration 2 Weeks	24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Paul Lehrman	Date 10/12/04
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Title Sr. Landman		
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Approved by (Signature) 	Name (Printed/Typed) APM	Date 11/17/04
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Title APM	Office FFO	
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Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Negative Arch Report from Western Arch Services attached W-3 0415
Project was originally planned by Richardson Operating Company. All references to Richardson are now Lance Oil & Gas Company, Inc.

NMOCD

State of New Mexico
Energy, Minerals & Mining Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number 30-045- 32626	Pool Code 79680	Pool Name West Kutz. PC
Property Code 300876	Property Name F - RPC 19	Well Number 2
OGRD No. 299938	Operator Name LANCE OIL & GAS COMPANY, INC.	Elevation 5314'

Surface Location

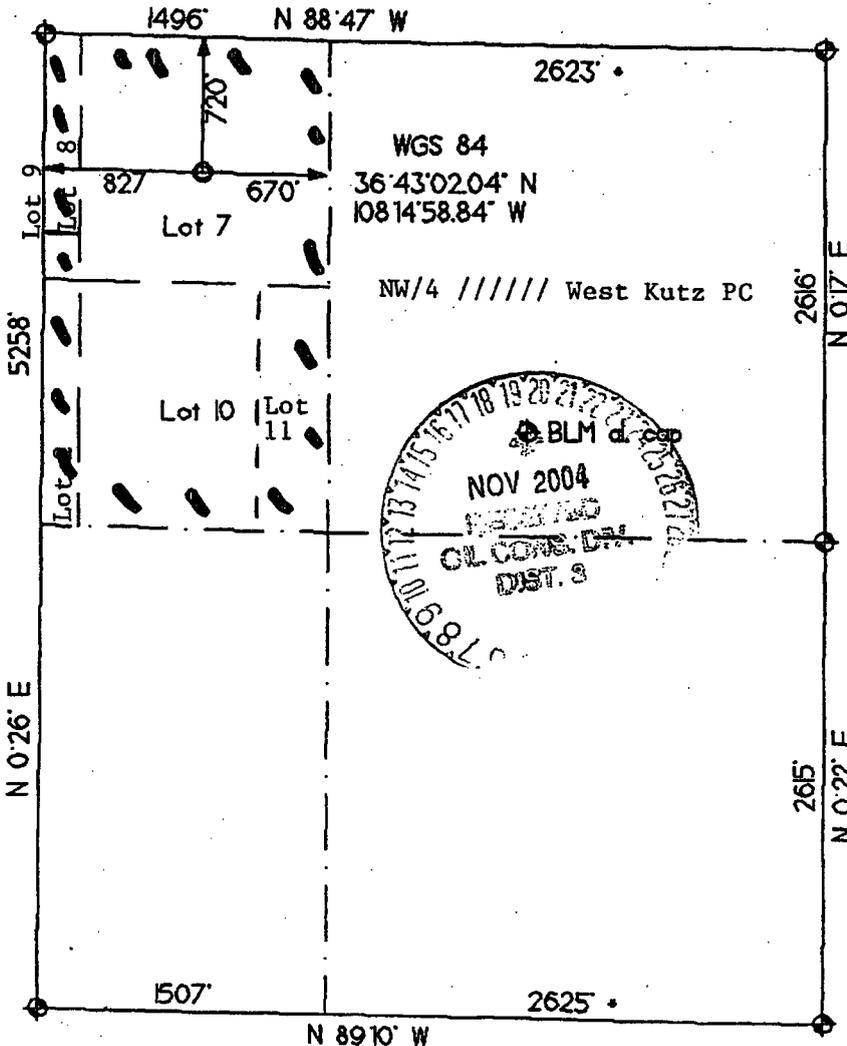
UL or Lot	Sec.	Twp.	Rge.	Lot Id.	Feet from >	North/South	Feet from >	East/West	County
C	19	29 N.	13 W.		720'	NORTH	827'	WEST	SAN JUAN

Bottom Hole Location if Different From Surface

UL or Lot	Sec.	Twp.	Rge.	Lot Id.	Feet from >	North/South	Feet from >	East/West	County

Dedication NW/4 90.57 **	Joint ?	Consolidation	Order No. NSP 1881
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** NSP from OGD NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>[Signature]</i>
Printed Name	Paul Lehrman
Title	Sr. Landman
Date	10/13/04
SURVEYOR CERTIFICATION	
I hereby certify that the well location 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	rwv: 6/02/04
Signature and Seal of Professional Surveyor	<i>[Signature]</i> GERARD H. HUBBLESTON REGISTERED LAND SURVEYOR 6844

State of New Mexico
 Energy, Minerals & Mining Resources Department
OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

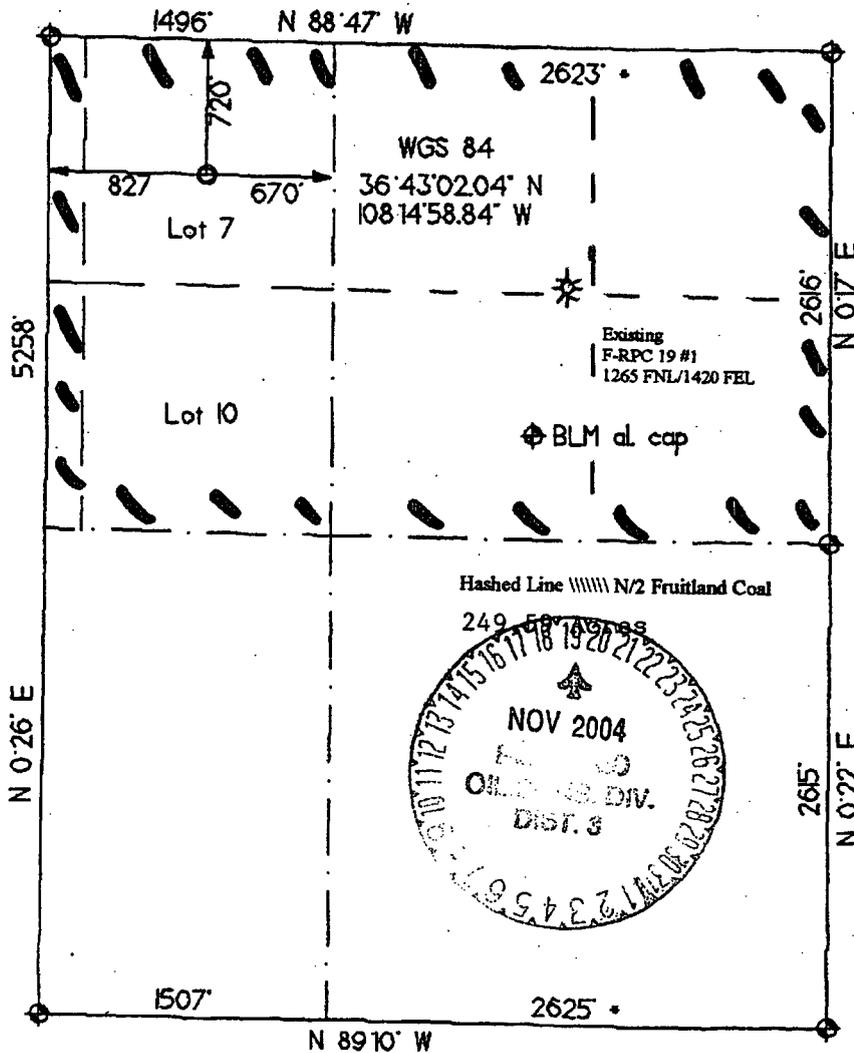
APA Number 30-045	Pool Code 71629	Pool Name Basin Fruitland Coal
Property Code	Property Name F - RPC 19	Well Number 2
OGRID No. 229938	Operator Name LANCE OIL & GAS COMPANY, INC.	Elevation 5314'

Surface Location									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County
C	19	29 N.	13 W.		720'	NORTH	827'	WEST	SAN JUAN

Bottom Hole Location if Different From Surface									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County

Dedication N/2 249.59	Joint ?	Consolidation	Order No.
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NO ALLOWABLE WELL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>Paul Lehman</i>
Printed Name	Paul Lehman
Title	Sr. Landman
Date	10/13/04
SURVEYOR CERTIFICATION I hereby certify that the well location 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 rrv: 6/02/04	
Signature and Seal of Professional Surveyor	<i>Gerard Huddleston</i> GERARD HUDDLESTON 6844 REGISTERED LAND SURVEYOR

Submit 3 Copies To Appropriate District Office
 District I
 1625 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

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-045-
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> FEDERAL <input type="checkbox"/> NMSF- <input type="checkbox"/>
6. State Oil & Gas Lease No. 079065
7. Lease Name or Unit Agreement Name F-RPC 19
8. Well Number 2
9. OGRID Number 229938
10. Pool name or Wildcat West Kutz 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 C : 720 feet from the North line and 827 feet from the West line
 Section 19 Township 29N Range 13W NMPM SanJUA County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5314 GR

Pit or Below-grade Tank Application or Closure

Pit type Drilling Depth to Groundwater >100' Distance from nearest fresh water well >1000' Distance from nearest surface water >1000'

Pit Liner Thickness: 12 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 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: <input type="checkbox"/>		OTHER: Pit Permit <input checked="" 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.

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 .

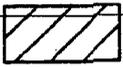
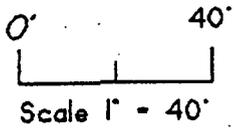
SIGNATURE [Signature] TITLE Sr. Landman DATE 10/13/04

Type or print name Paul Lehrman E-mail address: plehrman@westerngas.com Telephone No. 598-5601
 For State Use Only Ext. 57

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #4 DATE NOV 19 2004

F-RPC 19#2

well pad and section



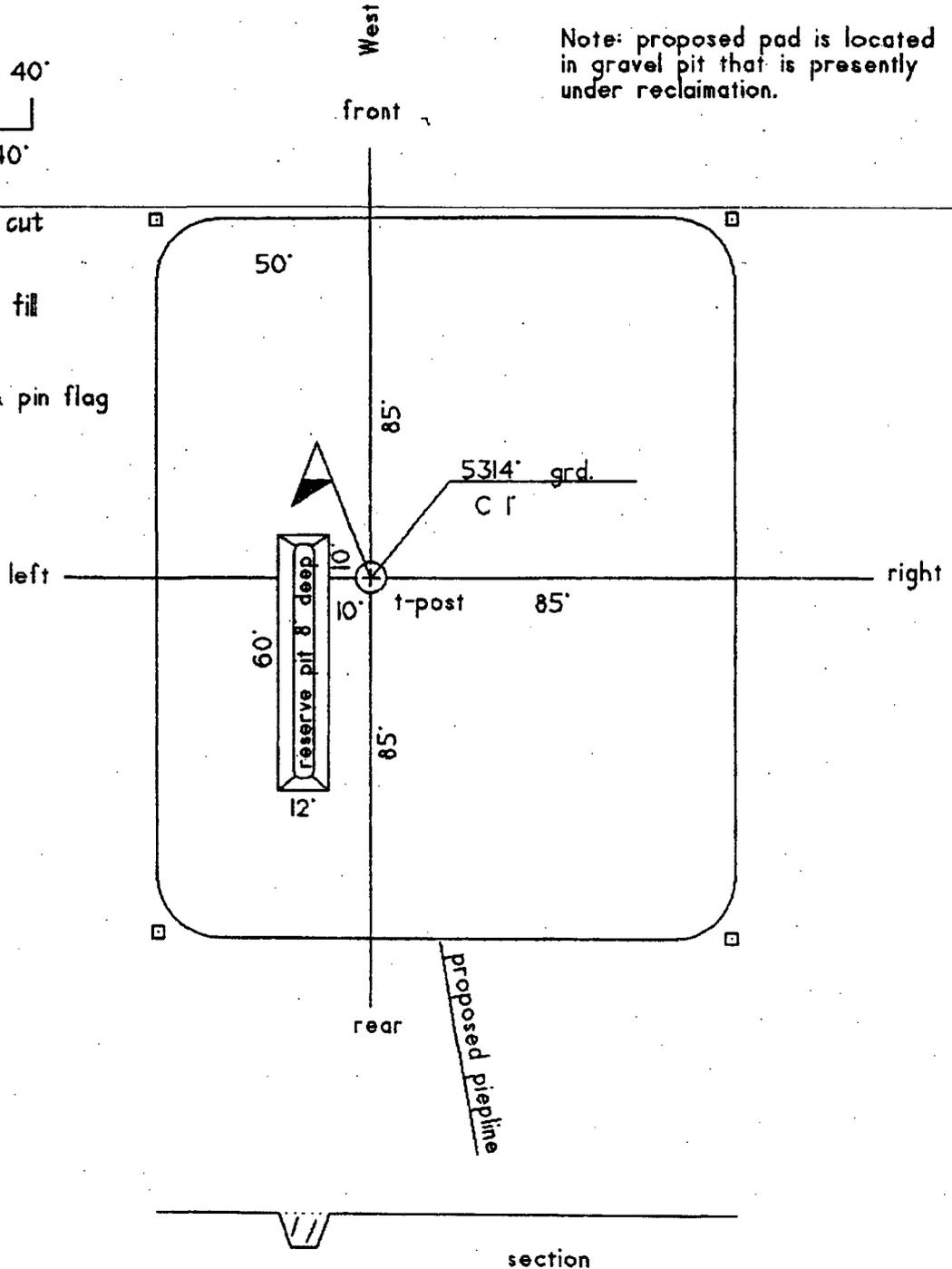
cut



fill

□ set stake & pin flag

Note: proposed pad is located in gravel pit that is presently under reclamation.



Lance Oil & Gas Company, Inc.
F-RPC #2
720' FNL & 827' FWL
Section 19, T29N, R13W, NMPM
San Juan County, New Mexico

DRILLING PROGRAM

1. ESTIMATED FORMATION TOPS:

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Subsea Elevation</u>
Kirtland Shale	000'	005'	+5,314'
Fruitland Fm	815'	820'	+4,499'
Fruitland Coal	845'	850'	+4,469'
Pictured Cliffs Ss	970'	975'	+4,344'
Total Depth (TD)*	1200'	1205'	+4,114'

*All elevations reflect the ungraded ground level of 5,314'

2. NOTABLE ZONES:

Gas Zones

Fruitland
Pictured Cliffs

Water Zones

Fruitland Coal

Coal Zones

Fruitland Coal

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Centralizers will be run through usable water zones to ensure that the casing is centralized through these zones. Number of centralizers will be based on API standards. A turbulizing centralizer will be run to ensure an adequate cement procedure just below the base of the lowest usable water zone. Oil and gas shows will be tested for commercial potential based on the well site representatives recommendations.

3. PRESSURE CONTROL:

The drilling contract has not yet been awarded, thus the exact BOP model to be used is unknown. (A typical 2,000 psi model has been attached to the end of the drilling program.) Double ram or annular system with a rotating head will be used. All ram preventers and related equipment will be hydraulically tested at nipple up and after any use under pressure to 1000 psi.

Blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. BOP equipment will include a floor safety valve, Kelly cock and choke manifold rated to 2000 psi. Maximum expected pressure is less than 1000 psi.

Drilling Program
Lance Oil & Gas Company, Inc.

Page Two

4. CASING AND CEMENTING PROGRAM:

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>GL Setting Depth</u>
8 3/4"	7"	20	K-55	New	120'
6 1/4"	4 1/2"	10.5	K-55	New	1200'

Surface casing will be cemented to surface with ≈ 36 cu.ft. (≈ 30 sx) Class B + 2% CaCl. Volume is based on 100% excess, yield of 1.18 cu.ft./sk, and slurry weight of 15.6 ppg. WOC = 12 hours. Pressure test surface casing to 600 psi for 30 minutes.

Production casing hole will first be cleaned of rock chips by circulating at least 150% of hole volume with drilling fluid to surface. Thirty barrels of fresh water will then be circulated. Lead with ≈ 140 cu.ft. (≈ 70 sx) Class B with 2% metasilicate (yield = 2.06 cu.ft./sk, slurry weight = 12.5 ppg). Tail in with ≈ 85 cu.ft. (≈ 75 sx) Class B with 2% CaCl (yield = 1.18 cu.ft./sk, weight = 15.6 ppg). Total cement volume is ≈ 225 cu.ft. based on 80% excess and circulating to surface.

Production casing will have 4 1/2" cement guide shoe and self fill float collar. Float will be placed one joint above the shoe. Four centralizers will be spaced every other joint starting above the shoe. Four turbolizers will be placed every other joint starting from the top of the well.

5. MUD PROGRAM:

Surface casing hole will be drilled with fresh water. Production casing hole will be drilled with a fresh water polymer mud. Weighting material will be drill solids or, if needed, barite. Maximum expected mud weight will be 8.7 ppg. Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well while drilling.

6. CORING, TESTING, & LOGGING:

No cores or DSTs are planned. A cased hole CNL/GR will be run from TD to surface.

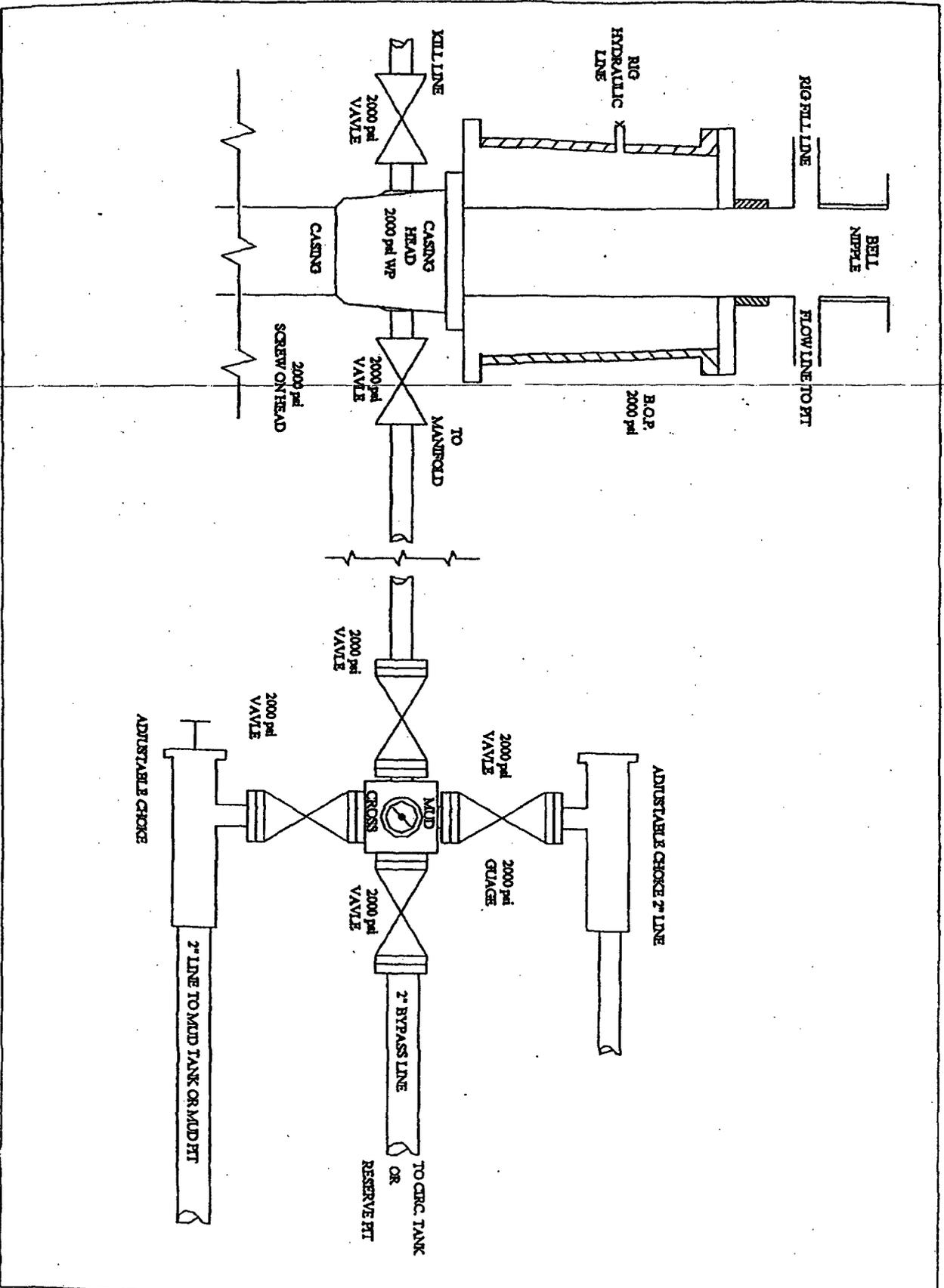
7. DOWNHOLE CONDITIONS:

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be approximately ≈ 520 psi.

8. OTHER INFORMATION:

The anticipated spud date is November 30, 2004. It should take 5 days to drill and one (1) week to complete the well.

BLOW OUT PREVENTER (B.O.P.)



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OM B No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well Oil Well Gas Well Other

2. Name of Operator **Lance Oil & Gas Company, Inc.**

3a. Address **PO Box 70, Kirtland, NM 87417** 3b. Phone No. (include area code) **505-598-6-56**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
720' FNL & 827' FWL - Section 19, T29N-R13W, NMPM

5. Lease Serial No.
NMSF-079065

6. If Indian, Allottee or Tribe Name
N/A

7. If Unit or CA/Agreement, Name and/or No.
N/A

8. Well Name and No.
F-ROC 19 #2

9. API Well No.
30-045-32626

10. Field and Pool, or Exploratory Area
West Kutz PC/Basin Fr. Coal

11. County or Parish, State
San Juan County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Spud
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomplate in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

~~3160-4~~ MIRU. Spud well at 8:00 am. Drill to 28', encountered impenetrable substance. SDFN

12/22/04



14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) **Anne Jones** Title **Sr. Landman**

Signature *Anne Jones* Date **12/23/04**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

ACCEPTED FOR RECORD

Approved by _____ Title _____ Date **JAN 03 2005**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office **FARMINGTON FIELD OFFICE** BY *[Signature]*

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

NMOCGD