

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 Coal 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	17. Spacing Unit dedicated to this well N/2-FC 249.59 Acres NW/4-PC 90.57 Acres
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: *Paul Lehrman* Name (Printed/Typed): Paul Lehrman Date: 10/13/04

Title: Sr. Landman

Approved by (Signature): *[Signature]* Name (Printed/Typed): Office: FPO Date: 11/17/04

Title: APM

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 WAS 0415
Project was originally planned by Richardson Operating Company. All references to Richardson are now Lance Oil & Gas Company, Inc.

NMOC

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	Elevation 5314'	
OGRID No. 299938	Operator Name LANCE OIL & GAS COMPANY, INC.	

Surface Location

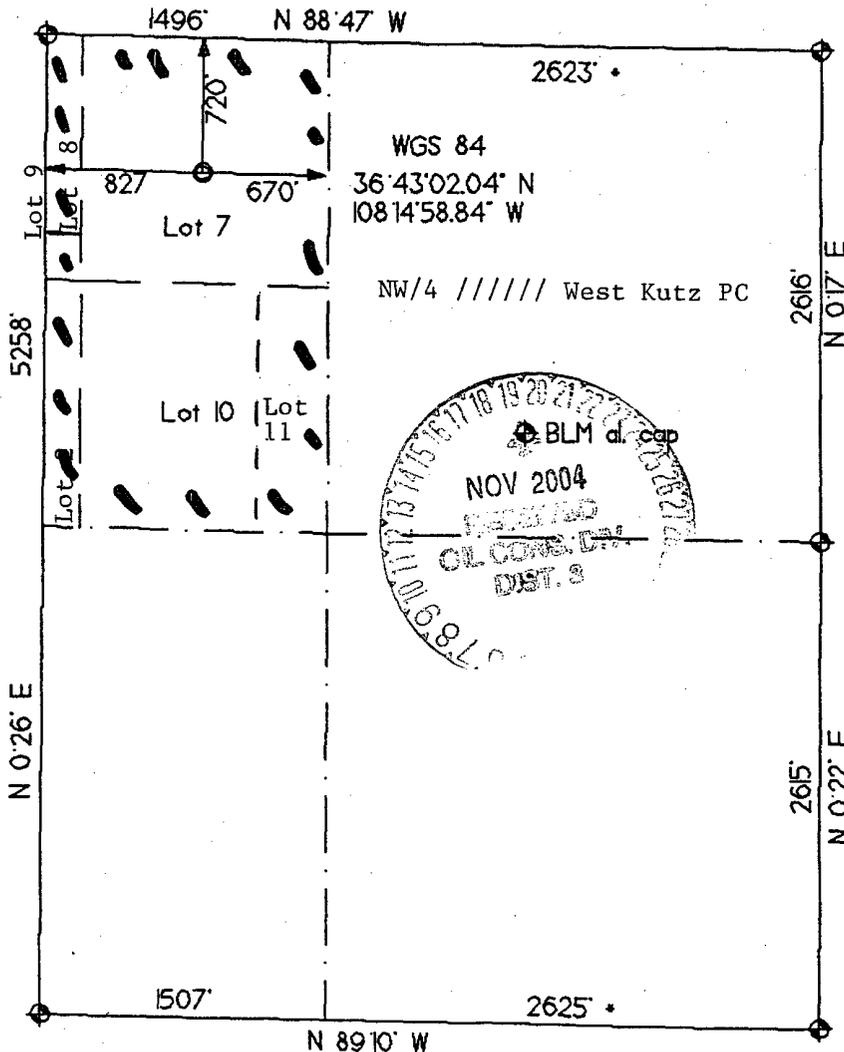
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County
C	19	29 N.	13 W.		720'	NORTH	827'	WEST	SAN JUAN

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 NW/4 90.57 **	Joint ?	Consolidation	Order No. NSP 1881
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** NSP from NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OCD 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 rwy: 6/02/04	
Signature and Seal of Professional Surveyor	<i>[Signature]</i>

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

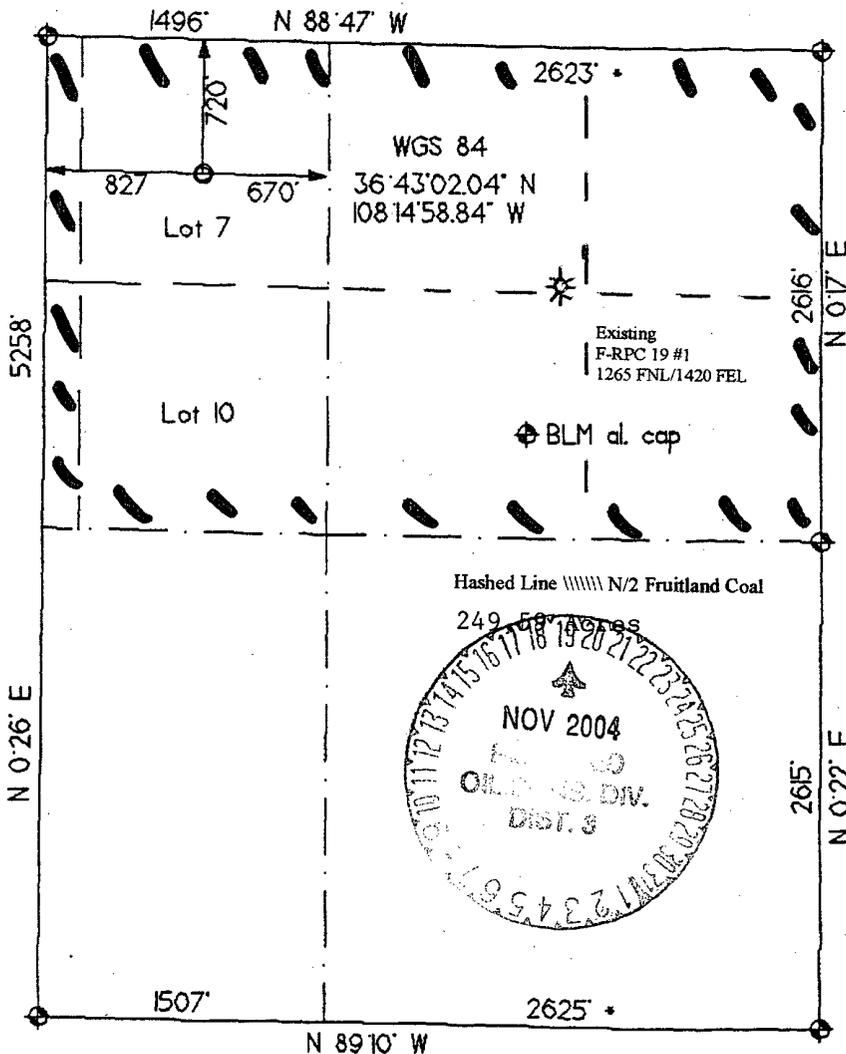
APA Number 30-045	Pool Code 71629	Pool Name Basin Fruitland Coal
Property Code	Property Name F - RPC 19	Well Number 2
OGRD No. 229938	Operator Name LANCE OIL & GAS COMPANY, INC.	Elevation 5314'

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 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>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	rwv: 6/02/04
Signature and Seal of Professional 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"/> NMSF- Federal
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 mll Below-Grade Tank: Volume bbls; Construction Material

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
TEMPORARILY ABANDON CHANGE PLANS
PULL OR ALTER CASING MULTIPLE COMPL

OTHER:

SUBSEQUENT REPORT OF:

REMEDIAL WORK ALTERING CASING
COMMENCE DRILLING OPNS. P AND A
CASING/CEMENT JOB

OTHER: Pit Permit

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 .

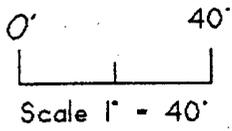
SIGNATURE [Signature] TITLE Sr. Landman DATE 10/13/04

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

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #12 DATE NOV 19 2004

F-RPC 19#2
 well pad and section



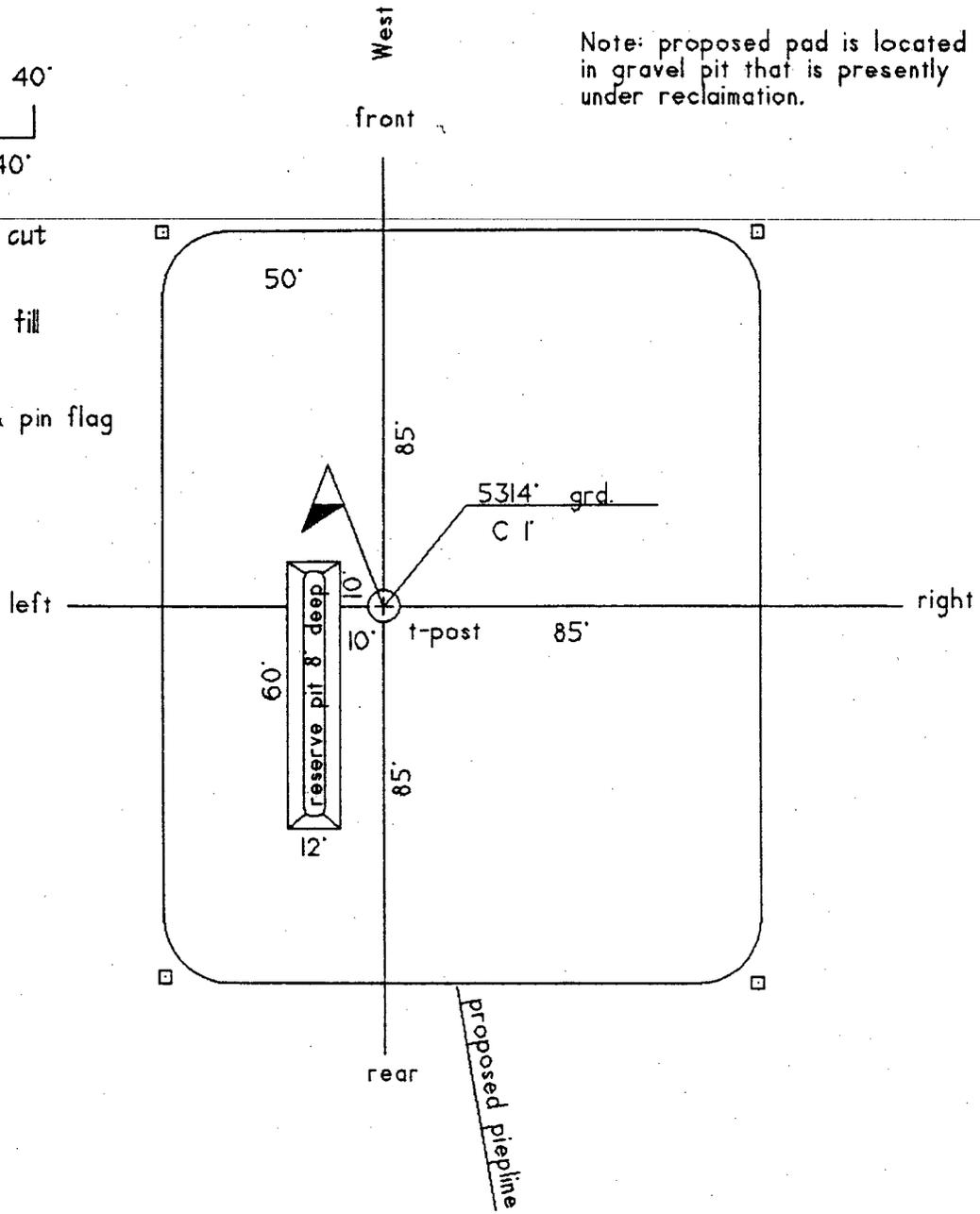
cut



fill

□ set stake & pin flag

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



section

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:

<u>Gas Zones</u>	<u>Water Zones</u>	<u>Coal Zones</u>
Fruitland	Fruitland Coal	Fruitland Coal
Pictured Cliffs		

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.)

