

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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 <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Lease Serial No. NMSF - 079065
2. Name of Operator Lance Oil & Gas Company, Inc.		6. If Indian, Allottee or Tribe Name N/A
3a. Address P. O. Box 70, Kirtland, NM 87417	3b. Phone No. (include area code) 505-598-5601	7. If Unit or CA/Agreement, Name and/or No. N/A
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 515' FNL & 1,300' FWL Section 19, T29N - R13W, NMPM		8. Well Name and No. Salty Dog #6
		9. API Well No. 30 - 045 - 32943
		10. Field and Pool, or Exploratory Area SWD - Entrada
		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 checked="" 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 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 BHP Transmittal
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	and Step Rate Test
	<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 recompletion 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.)

Lance Oil and Gas Company, Inc ran a CBL log on 01/03/06 from total depth at 7,176' KB to surface. A decent cement top has been identified at ~730' KB. It appears that the cement top is below the 8-5/8" surface casing set at 448' KB and above the Fruitland Coals and Pictured Cliffs formation. Lance has checked the bradenhead for pressure and has not identified any pressure yet. Lance believes the 5-1/2" casing integrity should not be compromised due to the surface casing set at 448' KB and the top of cement of ~730' KB. Lance proposes to monitor the bradenhead pressure throughout the life of the well and will advise the NMOCD if and when pressure is observed.

- Report bradenhead tests to BLM.

The Entrada Sandstone has been perforated from 6,775' - 6,825' KB and 6,845' - 6,880' KB with 4 SPF and 120 degree phasing. A representative BHP was obtained after perforating and prior to acidizing pursuant to Administrative Order-974 dated April 4, 2005. The BHP raw data was 3,249' at 6,800' KB (gradient - 0.477 psi/ft). A representative water sample will be collected analyzed and forwarded prior to acidizing the formation.

Lance proposes to conduct a step rate test (SRT) as soon as possible after acidizing the formation. The SRT is recommended to be pumped in 30 minute steps at 1/4 bpm, 3/4 bpm, 1-1/4 bpm in 1/2 bpm increments up to 7-3/4 bpm. This SRT will take approximately 8 hours to pump a total of 1,920 bbls water. Bottomhole gauges will be run in the well to monitor the bottomhole pressure during the duration of the step rate test.

Your timely concurrence would be appreciated as a rig is currently located in the area.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Thomas M. Erwin

Title Senior Production Engineer

Signature

Thomas M. Erwin

Date

02/01/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Adrienne Brunley
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.

Title

Pt. Eng

Date

2/9/06

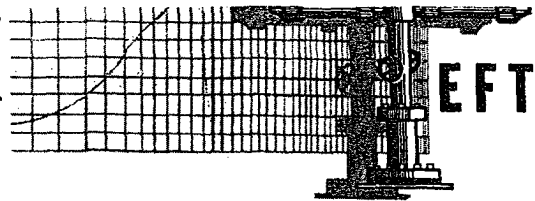
Office

FFO

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)

NMOCD



TEFTELLER, INC.

reservoir engineering data

FARMINGTON, NEW MEXICO/
GRAND JUNCTION, COLORADO

P. O. Box 1198
Farmington, New Mexico 87499
(505) 325-1731
Fax (505) 325-1148

2332 Interstate Ave., Ste. A
Grand Junction, CO 81505
(970) 241-0403
Fax (970) 241-7634

January 30, 2006

LANCE OIL AND GAS CO., INC.

P.O. Box 70
Kirtland, NM 87417

Attention: Mr. Doug Zentz

Subject: Bottom Hole Pressure Measurements
2 wells - Salty Dog No. 6 & State No. 34-4
Fruitland Coal Formation
San Juan County, NM
File No. 2-58914-P

Dear Sir:

Attached hereto are the results of the Bottom Hole Pressure Measurements conducted on the above captioned wells on January 27, 2006.

The data presented is in tabular and graphical form.

It has been our pleasure to perform this service for you. If we may be of further assistance, please call us at any time.

Respectfully submitted,

Neil Tefteller, President/Owner

TEFTELLER, INC.

NT/mdt

cc: Mr. Tom Erwin

Serving the Rocky Mountain Area

Company: LANCE OIL AND GAS CO., INC.
Well: SALTY DOG NO. 6
Field: MORRISON FORMATION
Engineer: NEIL TEFTELLER
Gauge Type: AMERADA
Gauge Range: 0 - 5000
Gauge Depth: 6800 ft
Serial No.: 103

County: SAN JUAN
State: NEW MEXICO
Date: 01/27/2006
Well Type: GAS
Test Type: GRADIENT
Status: SHUT IN
File Name: 58914A

Tubing: 0 TO
Tubing: TO
Casing: TO
Perfs.: 6775' - 6880'

Oil Level
H2O Level

Shut-in BHP 3249 @ 6800 ft Shut-in BHT 190 F @ 6800 ft
Casing CSGP 245

[Tefteller Incorporated]

#	MD	TVD	PRESSURE	PSI/ft
1	0	0	342.00	
2	2000	2000	1195.00	0.426
3	4000	4000	2055.00	0.430
4	6000	6000	2906.00	0.426
5	6400	6400	3078.00	0.430
6	6800	6800	3249.00	0.428

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