

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

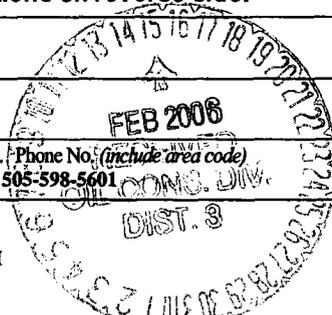
FORM APPROVED  
OMB No. 1004-0135  
Expires: January 31, 2004

**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 checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. 14-20-603-2168A
2. Name of Operator Lance Oil & Gas Company, Inc.		6. If Indian, Allottee or Tribe Name Navajo Nation
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. NW Cha Cha Unit
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1761' FNL & 1741' FEL Unit G, Sec 28, T29N, R14W NMPM		8. Well Name and No. NW Cha Cha Unit #49
		9. API Well No. 30-045-29126
		10. Field and Pool, or Exploratory Area Cha Cha Gallup
		11. County or Parish, State San Juan, NM



**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 <b>Repaired and Returned to Production</b>
	<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 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 & Gas Company, Inc. repaired the "free water dump on the free water knock-out vessel" at the central tank battery for the NW Cha Cha Unit and the NW Cha Cha Unit #49 was returned to production on January 30, 2006. This well produced approximately eight (8) bbls of oil in January, 2006, for a total of approximately 16 bbls of oil for the NW Cha Cha Unit in January, 2006.

Operator regrets that it was not possible to schedule the repair of this central tank battery in order to return the lease to production any earlier than January 30, 2006.

This oil lease has been plagued with line ruptures and spills since Lance's purchase of the field from Richardson Operating in October 2004. Operator is attempting to return the NW Cha Cha Unit oil lease's flow lines to optimal integrity to avoid any additional ruptures and leaks in the future. Therefore, Operator plans to only produce the wells in which the flow lines have sufficient integrity to produce the oil without risk of a rupture and/or release.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Thomas M. Erwin, P.E.		Title Senior Production Engineer
Signature <i>Thomas M. Erwin</i>	Date 2/03/06	

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by _____	Title _____	Date FEB 13 2006
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	

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)

NMOCDD