

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

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.)		WELL API NO. 30-045-30393
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease Federal Lease #NMNM-97842 STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Lance Oil & Gas Company, Inc.		6. State Oil & Gas Lease No. N/A
3. Address of Operator P. O. Box 70, Kirtland, NM 87417		7. Lease Name or Unit Agreement Name WF Federal 27
4. Well Location Unit Letter <u>K</u> : <u>1775'</u> feet from the <u>South</u> line and <u>1400'</u> feet from the <u>West</u> line Section <u>27</u> Township <u>30N</u> Range <u>14W</u> NMPM San Juan County		8. Well Number #3
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5500'		9. OGRID Number 229938
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>		
Pit type <u>Drilling</u> Depth to Groundwater <u>>25'</u> Distance from nearest fresh water well <u>500'</u> Distance from nearest surface water <u>>250'</u>		
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume _____ bbls; Construction Material <u>Impervious Plastic</u>		

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: <u>Downhole Commingle</u> <input checked="" type="checkbox"/>		OTHER: <input 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.

Lance Oil & Gas Company, Inc. requests approval to downhole commingle the Basin Fruitland Coal and Harper Hill Pictured Cliffs production from the WF Federal 27 #3. The initial allocation of Fruitland Coal – 90% and Pictured Cliffs – 10% is preliminary and will be revised by March 31, 2006. Lance is continuing to evaluate an allocation methodology based upon offset production, reserves, open hole logs and zonal isolation. The WF Federal 27 #3 is currently completed in the Fruitland Coal and Pictured Cliffs as follows:

Fruitland Coal (S9): 955 – 965' KB, 997-1,007' KB
Fruitland Coal (S8): 1,033 - 1,045' KB
Pictured Cliffs: 1,050 - 1,066' KB

The produced fluids from the commingled zones are compatible with each other. Commingling these two pools will not decrease the value of production

Please see the attached for details on down-hole commingling these "pre-approved" pools.

A copy of this application has been submitted to the Bureau of Land Management, as per Rule 303C(3)(a)(iii).

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 Thomas McErwin TITLE Senior Production Engineer DATE 1/27/06
Type or print name Thomas McErwin E-mail address: terwin@westerngas.com Telephone No. (505) 598-5601 Ext. 63
For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE JAN 31 2006
Conditions of Approval (if any):

LANCE OIL AND GAS OPERATING, INC.

**WF Federal 27 #3
1,775' FSL & 1,400' FWL
Section 27, T30N – R14W
San Juan County, New Mexico**

Application For Downhole Commingling

Lance Oil and Gas Company, Inc. (Lance) requests temporary approval to downhole commingle the Fruitland Coal and Pictured Cliffs production from the WF Federal 27 #3 well located in the SW/4 Section 27, T30N – R14W, San Juan County, New Mexico. The WF Federal 27 #3 is currently completed in the Fruitland Coal and Pictured Cliffs as follows:

<u>Formation</u>	<u>Perforated Intervals</u>	<u>Net (ft)</u>
Fruitland Coal (S – 9)	955-965'	10'
	997-1,007'	10'
Fruitland Coal (S – 8)	1,033-1,045'	12'
Total Fruitland Coal		32'
Pictured Cliffs	1,050-1,066'	<u>16'</u>
Total Pictured Cliffs		16'

The initial allocation is Fruitland Coal – 90% and Pictured Cliffs – 10% and will be revised as soon as possible. The 90% / 10% split is a change from previously downhole commingled wells, but is representative of recent testing of Fruitland Coal and Pictured Cliffs wells. No notifications are required as the Fruitland Coal and Pictured Cliffs formations are both 100% Lance working interest, 100% MMS royalty with no overriding royalty interests.

Lance is continuing to collect field data and prepare a permanent allocation methodology. The allocation methodology is expected to be completed during March, 2006 with submittal to the BLM by March 31, 2006.