

Certified Mail

January 10, 2005

RE: Lance Oil & Gas Company, Inc.  
Fruitland Coal/Pictured Cliffs Well Proposal  
Township 29 North, Range 14 West, NMPM  
Section 17: NW/4 Pictured Cliffs  
Section 17: N/2 Fruitland Coal  
San Juan County, New Mexico

Dear To Whom It May Concern:

Lance Oil & Gas Company, Inc. is proposing to drill wells in the referenced area within the year. Title examination indicates that you are a mineral interest owner in this area of development. Lance previously submitted a lease to you, which included a 1/8 royalty and bonus signing incentive. At this time we would like to inform you of your choices in regard to the proposed wells in this area:

1.  Enter into an oil and gas lease that provides for a five year primary term with bonus consideration of \$342.40 and a 12.5% (1/8<sup>th</sup>) royalty in the event of production. Enclosed for your convenience are two copies of this lease. If you choose to participate as a royalty owner please execute the lease in the presence of a notary public and return it to the above address. A check for the bonus consideration will be sent within 10 working days.
2.  Participate as a "working interest" owner. An Authority for Expenditure ("AFE") is enclosed itemizing the estimated cost of drilling and completing the wells involving your mineral interest. Your proportionate share of the well with the estimated drilling and completion cost are indicated at the bottom of the AFE. In the event you wish to participate as a working interest owner, please sign the AFE and return to the above address with your check for the amount indicated as your share of the estimated cost. Upon receipt of the executed AFE a Joint Operating Agreement (AAPL Form 610) will be sent for your review and execution. The Operating Agreement will outline your working interest responsibilities, including drilling rates, operating rates, maintenance provisions and plugging liabilities when the well is abandoned.
3.  Sell your mineral interest to Lance Oil & Gas Company, Inc. for \$744.79.
4. Pooling statutes for the State of New Mexico provide authorization for the State to "compulsory pool" your interest in the proposed wells. These statutes provide for the following ... "any unleased mineral interest shall be considered a seven-eighths (7/8<sup>th</sup>) working interest and a one-eighths 1/8<sup>th</sup>) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out production shall be withheld only from the working interests' share of production... "any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well." In addition you would be responsible for your proportionate share of plugging liabilities when the well is abandoned and any maintenance necessary to maintain production from the well.

Please indicate your choice of participation by checking in the appropriate box and returning one copy of this letter in the enclosed return envelope. **If you elect to lease or to sell your mineral interest, please complete the enclosed W-9 Request for Taxpayer Identification Number and Certification and return, a check cannot be issued without a tax ID number.** If we have not received your response within 30 days from date of this letter, Lance will initiate a Compulsory Pooling hearing. At that time additional documents will be sent to you regarding this action.

Should you have any questions concerning any of these options please contact the undersigned at 505-598-5601 ex 62.

Sincerely,

Anne Jones  
Sr. Landman  
Enclosures

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 13437 Exhibit No. — **6A**  
Submitted By:  
Lance Oil & Gas, Inc  
Hearing Date: April 7, 2005