



September 13, 2005

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13573

2005 SEP 13 PM 2 15

Re: Application of Lance Oil & Gas Company, Inc. for compulsory pooling and optional infill well coalbed gas well provisions, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Lance Oil & Gas Company, Inc. in the above-referenced case as well as a copy of a legal advertisement. Lance requests that this matter be placed on the docket for the October 6, 2005 Examiner hearings.

Very truly yours,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Ms. Anne Jones
Lance Oil & Gas Company, Inc.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF LANCE OIL & GAS COMPANY, INC.
FOR COMPULSORY POOLING INCLUDING
OPTIONAL INFILL WELL PROVISIONS,
SAN JUAN COUNTY, NEW MEXICO.**

2005 SEP 13
PM 2
CASE NO. 83573

APPLICATION

LANCE OIL & GAS COMPANY, INC. ("Lance"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool in Section 16, Township 29 North, Range 13 West, N.M.P.M., San Juan County County, New Mexico, in the S/2 to form a standard 320-acre spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool; and in the SW/4 to form a standard 160-acre spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the West Kutz-Pictured Cliffs Pool. Lance also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed-gas well.

In support of this application Lance states:

1. Lance is a working interest owner in the S/2 of Section 16 and has a right to drill thereon.
2. Lance proposes to dedicate the above-referenced spacing or proration unit to its FRCP "16" Well No. 1 (API No. 30-045-33328), to be drilled at a standard location 780 feet from the South line and 1825 from the West line in the SE/4 SW/4 (Unit N) and its FRCP "16" Well No. 2 in the SE/4 both of Section 16 for downhole commingled production from the Basin Fruitland Coal Gas Pool and the West Kutz Pictured Cliffs Pool.
3. Lance has sought and been unable to obtain a voluntary agreement for the development of these lands from the interest owners identified on Exhibit A to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Lance the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Lance should be designated the operator of the well.

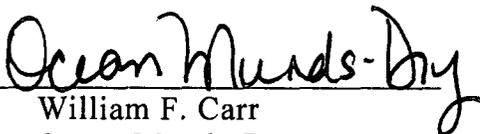
6. Lance also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed gas well. See Exhibit B.

WHEREFORE, Lance requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 6, 2005, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration unit;
- B. designating Lance operator of the unit and the wells to be drilled thereon;
- C. authorizing Lance to recover its costs of deepening, equipping and re-completing the well;
- D. authorizing subsequent operations and procedures for an optional "infill" coalbed gas well;
- E. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision to adjust the rates pursuant to the COPAS accounting procedures; and
- F. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of these wells.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

William F. Carr
Ocean Munds-Dry
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR LANCE OIL &
GAS COMPANY, INC.

EXHIBIT A

**APPLICATION OF LANCE OIL & GAS COMPANY, INC.
FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO**

FRPC 16 Well No. 1 and FRCP 16 Well No. 2

MINERAL INTEREST OWNER	ADDRESS	CITY	STATE	ZIP
SW/4				
David W. Perry and Jane G. Perry	P.O. Box Drawer 188	Farmington	NM	87499-0188
Richard L. Moyer and Martha S. Moyer	925 South Lorena	Farmington	NM	87401-3721
R & P H Properties	113 West Broadway	Farmington	NM	87401-6419
Mountain States Telephone and Telegraph Company	1801 California Street	Denver	CO	80202
Baraquiel Montano	603 South Lorena Avenue	Farmington	NM	87401
LPD Enterprises	657 W. Maple	Farmington	NM	87401
San Juan Professional Associates	P.O. Box 15122	Farmington	NM	87499
Farmington OB-GYN Associates, Inc.	656 West Maple	Farmington	NM	87401-5986
Jack L. Keith	P.O. Box 267	Ilwaco	WA	98624
Thomas A. Smith and Suzanne Elizabeth Smith	5607 Harmony Drive	Farmington	NM	87401
Rick L. Marcy and Shermann S. Singleton	P.O. Box 2098	Farmington	NM	87499-2098
Cody Lee Waldroup and Tricia L. Waldroup	P.O. Box 2025	Farmington	NM	87499-2025
Child Care Castle Corporation	14 CR 3785	Farmington	NM	87401-1040
James N. Redhouse	608 West Cedar	Farmington	NM	87401-5935
Eddie Ray Amos	610 West Animas	Farmington	NM	87401
Frank Archuleta and Helen Archuleta	C/O Mark Livingston, P.O. Box 1156	Flora Vista	NM	87415
Andie G. Martinez and Connie M. Martinez	615 West Animas	Farmington	NM	87401-5914
Bruce Beckstead and Nona Beckstead	465 CR 6100	Kirtland	NM	87417
Jimmy Maes and Christina Maes	P.O. Box 2233	Kirtland	NM	87417
Andres Carmona and Margarita L. Carmona	59 CR 3535	Flora Vista	NM	87415
S.D. Associates, Inc.	5605 La Veta	Farmington	NM	87402
Cam-San Juan Manor	C/O David Gonzales, 2332 East 18th Street	Farmington	NM	87401
William A. Cumberworth and Judith J. Cumberworth	1801 Coyote Drive	Farmington	NM	87401-1867
The Bevan Family Limited Liability Company	622 West Maple, Suite H	Farmington	NM	87401
Duane E. Vanderslice and Lynn G. Vanderslice	815 West Maple	Farmington	NM	87401-5630
Marie F. Peterson	1503 Schofield Lane	Farmington	NM	87401
Glen D. Murray and Leslie A. Murray	P.O. Box 2611	Farmington	NM	87499-2611
San Juan Regional Medical Center, Inc.	801 West Maple	Farmington	NM	87401
4 P's Limited Liability Company	1217 East 16th Street	Farmington	NM	87401
Gerardo Borunda and Laura Borunda	805 Echo Lane	Farmington	NM	87401
City of Farmington	800 Municipal Drive	Farmington	NM	87401

SE/4				
City of Farmington	800 Municipal Drive	Farmington	NM	87401
Kathleen Sue Maestas	508 West Maple	Farmington	NM	87401-5978
The Western Group	3737 East Broadway, Suite B	Phoenix	AZ	85040
Mark A. Tafoya	403 West Maple	Farmington	NM	87401-5990
Able E. Tafoya	403 West Maple	Farmington	NM	87401-5990
Sherman Singleton	2001 E. Main	Farmington	NM	87401
Marcello Holguin and Cruz Holguin	400 West Pinon	Farmington	NM	87401-5962
Mary Triny Rock	405 West Maple	Farmington	NM	87401-5992
Cuong V. Tran	2901 East 19th Street	Farmington	NM	87402-5342
Sally M. Ortiz	C/O Hugo Gutierrez, P.O. Box 6636	Farmington	NM	87499-6636
Nestor Sanchez	412 West Pinon	Farmington	NM	87401-5962
Salvador Borunda and Elizabeth Borunda	609 South Auburn Avenue	Farmington	NM	87401
Silviano S. Martinez and Fidela Martinez	124 CR 2999	Aztec	NM	87410
Leo E. Vallejos	2108 East 13th Street	Farmington	NM	87401-7558
Keith Barbeau and Linda Barbeau	6020 San Marcos	Farmington	NM	87402
Brad Wenzel and Victoria L. Wenzel	711 North Wall	Farmington	NM	87401
Jerry L. Hall and Karla P. Hall	5851 Laurel Court	Farmington	NM	87402-4898
Donald C. Sanchez and Martha A. Sanchez	2316 East 18th Street	Farmington	NM	87401-7531
Rolling Water, LLC	P.O. Box Drawer 28	Farmington	NM	87499-0028
Rose T. Borunda and Anastacio Ruis	504 South Auburn	Farmington	NM	87401-5923
B. Donald Atencio and E. Jill Atencio	4714 Sundown Drive	Farmington	NM	87401
Price Family Limited Partnership	P.O. Box Drawer 28	Farmington	NM	87499-0028
Halliburton Energy Services, Inc.	P.O. Box Drawer 1431	Duncan	OK	73536-0222
Gilbert J. Marquez	311 West Cedar Street	Farmington	NM	87401
The Denver and Rio Grande Western Railroad Company	1800 Farnam Street	Omaha	NE	68102
Kemper Felix Lujan, LLC	32605 108th Place SE	Auburn	WA	98092
Marquez Industrial Rental and Repair	311 West Cedar Street	Farmington	NM	87401-5928
State of New Mexico	1100 Saint Francis Drive, Montoya Building	Santa Fe	NM	87503-0001
Cloyde Bruce Beckstead and Nona P. Beckstead	465 CR 6100	Kirtland	NM	87417
Bruce Nelson and Jonnye J. Nelson	1601 Cocti	Farmington	NM	87401-7077
Epifanio E. Larry Garcia	215 West Quince	Farmington	NM	87401
Harold L. Bennett and Adah J. Bennett	2413 Municipal Drive	Farmington	NM	87401-3941
Wayne Thompson and Dorothy Thompson	749 North Bertrand	Flagstaff	AZ	86001-4802
Desert View Indian Mission	P.O. Box 814	Farmington	NM	87499-0814
Arlene Costello	303 West Pinon Street	Farmington	NM	87401-5961
San Juan Council of Community Agencies, Inc.	P.O. Box 655	Farmington	NM	87499-0655
Raymond R. Tafoya	411 West Pinon Street	Farmington	NM	87401-5995
Lloyd E. Mascarenas	4002 North Buena Vista Avenue	Farmington	NM	87401-2354
Leonard E. Mascarenas	4002 North Buena Vista Avenue	Farmington	NM	87401-2354

The Citizens Bank	P.O. Box 4140	Farmington	NM	87499-4140
Graves Oil & Butane Co., Inc.	761 South Miller Avenue	Farmington	NM	87401-6560
D.K. Boydston and Marta Boydston	12453 Towner NE	Albuquerque	NM	87112
Medallion, Inc.	108 West Quince	Farmington	NM	87401
Thomas C. Taylor	5909 Rinconada	Farmington	NM	87401-4980
Family Crisis Center, Inc.	208 East Apache	Farmington	NM	87401-6904
Neale C. Edwards	4690 CR 18	Hazen	ND	58545
Donald W. Becker and Gayle Louise Becker	2601 Harvard	Farmington	NM	87401-4510
Robert M. Lujan and Margaret M. Lujan	1202 East 27th Street	Farmington	NM	87401
Loyd D. Medina and Gloria R. Medina	39 CR 5510	Bloomfield	NM	87413
Ben Castillo or Genevieve Castillo	2023 Summit Drive	Farmington	NM	87401-3427
Paul V. Martinez and Louisa L. Martinez	2607 West Main Street	Farmington	NM	87401
Graves Family Investments	Rt. 4, Box 4471-F	Piedmont	MO	63957
M. Paul Mains and Elsie Mains	305 North Behrend	Farmington	NM	87401
A.E. Dustin	P.O. Box 753	Farmington	NM	87499-0753
Nick T. Pavletich	529 Arizona SE	Albuquerque	NM	87108-3750
Theron Graves	C/O Graves Family Trust, 761 South Miller Avenue	Farmington	NM	87401-6560
William D. Anglin and Judith M. Anglin	P.O. Box 1882	Farmington	NM	87499-1882
State Highway Department of New Mexico	P.O. Box 1149	Santa Fe	NM	87504-1149
Barry J. Digman and Rebecca L. Dunham	1138 N Mesa Verde	Farmington	NM	87401
John K. McCoy & Patricia A. McCoy	902 Deer Trail	Farmington	NM	87401-3709
Eugene M. Sussex and Leonor T. Sussex	P.O. Box 2165	Farmington	NM	87499-2165
United Food Store No. 1, Inc.	900 Schofield	Farmington	NM	87401-7431
Coca-Cola Bottling Company of Durango, Inc.	P.O. Box 760	Durango	CO	81302-0760
Ideal Baptist Church	203 E Elm	Farmington	NM	87401
Ernie or Sharon Riner	P.O. Box 5922	Farmington	NM	87499
Blasida Jaramillo	C/O Anthony Jaramillo, P.O. Box 1338	Flora Vista	NM	87415
Patricia Ann Clark, Francis H. Martin or Mary C. Martin	C/O Patricia Ann Clark, 1089 22 RD	Grand Junction	CO	81505
K S & S	204 West 32nd Street	Farmington	NM	87401-4054
Sandra Loretta Bramwell	P.O. Box 55	Chromo	CO	81128
Terry Wade and Nelda Wade	C/O Philip A. Kinney, 6200 Quail Run	Farmington	NM	87402
Anthony T. Archuleta and Georgia Y. Archuleta	1502 Knudsen Avenue	Farmington	NM	87401
Albert Thompson	3008 North Dustin Avenue	Farmington	NM	87401-9226
Robert W. Dinning	7219 Driftwood	Farmington	NM	87401
Thomas M. Dinning and Eileen Dinning	159 RD 3950	Farmington	NM	87401
Raymond V. Barlow and Berniece C. Barlow	385 Teton	Farmington	NM	87401
Pamela Gene Cook and Donna Gene Mitchell	10610 Dunlap	Houston	TX	77035-4727

() Pursuant to Division Rule 104, an optional infill well may be drilled and produced within this 320-acre spacing unit or subsequent operations conducted for either the original well or the infill well in accordance with the following provisions:

- (a) Lance Oil & Gas Company, Inc., or its successor, shall continue to be the operator of the parent well and the infill well;
- (b) The operator or any working interest owner who consents to and has paid its share of costs of the original well, pursuant to either an voluntary agreement or a compulsory pooling order, may propose drilling of an infill well or subsequent operations of either the original well or the infill well by giving written notice of the proposed well to all working interest owners and all unleased mineral owners with the 320-acre pooled unit. Any such proposal shall specify the work to be performed, the location, proposed depth, objective formations and the estimated costs of the operation.
- (c) The parties receiving such a notice shall have thirty (30) day election period after receipt of this notice within which to notify the proposing party whether they elect to participate in the costs of the subsequent operations or the infill well. Failure of a party receiving such notice to deliver to the proposing party an written election, plus payment for this share of the total costs, within a thirty (30) day election period shall constitute an election by that party not to participate in the costs of the well or the proposal operation and shall be "a non-consenting party."
- (d) Any non-consenting party shall be subject to a 200% risk penalty charge for that well or the operations.
- (e) Production from the original well cannot be used to pay for the costs of the infill well or can production from the infill well be used to pay for the costs of the original well. The recovery of costs for subsequent operations shall be paid by the production from the well on which those operations were conducted.
- (f) If all parties elect to participate in the infill well or in subsequent operations ("a consenting party"), the operator shall, within ninety (90) days after the expiration of the thirty (30) day election period, actually commence and conduct operations with due diligence at the risk of expense of all parties.
- (g) If less that all parties elect to participate in the infill well or the subsequent operations, then all parties who elected not to participate shall be considered non-consenting working interest owners and all the provisions of this order shall apply to the drilling of the infill well or the subsequent operations with the FOLLOWING EXCEPTIONS:
 - a. The proposing party shall be solely responsible for carrying the no-consenting working interest owner's interest subject to the risk penalty charge provided for in the order. The proposing party may enter into an agreement, or

recognize an existing agreement, that provides for the sharing of the non-consenting interest by the consenting parties. The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall notify the Division and all other parties of such decision.

- b. If the operator is a non-consenting working interest owner in the infill well, the consenting parties shall either: (a) request the operator to perform the work required for the account of the consenting parties, or (b) designate one of the consenting parties as operator of the infill well. If the infill well results in a producer of oil and/or gas in paying quantities, one of the consenting parties shall be designated as operator and shall completed and equip the well to produce at the sole costs and risk of the consenting parties and thereafter the operator designated by this compulsory pooling order shall operator this well at the expense and for the account of the consenting working interest owners.
- c. To be entitled to the benefits of this order, the operator, or the designated consenting party, shall within ninety (90) days after the expiration of the thirty (30) day election period, actually commence and conduct the operations with due diligence at the sole risk and expense of the consenting parties.
- d. If operations for the drilling of an infill well results in a dry hole, the consenting parties shall plug and abandon the well and restore the surface location at their sole costs, risk and expense.

() If operations for the drilling of a proposed infill well or any subsequent operation for either the original well or the infill well have not been commenced within the time provided, and if any party still desires to drill the infill well, written notice proposing same must be resubmitted in accordance with the provision hereof as if no prior proposal had been made

CASE 13573 :

Application of Lance Oil & Gas Company, Inc. for compulsory pooling and optional infill well provisions, San Juan County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying the SW/4 and the S/2 of Section 16, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, in the S/2 to form a standard 320-acre spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool; and in the SW/4 to form a standard 160-acre spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the West Kutz-Pictured Cliffs Pool. This unit is to be dedicated to the FRCP 16 Well No. 1, to be drilled at a standard location 780 feet from the South line and 1825 feet from the West line in the SE/4 SW/4 (Unit N) and its FRCP 16 Well No. 2 in the SE/4 of said Section 16 for downhole commingled production from the Basin Fruitland Coal Gas Pool and the West Kutz-Pictured Cliffs Pool. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed-gas well. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately .10 mile south of Farmington, New Mexico.

September 13, 2005

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Re: Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico.

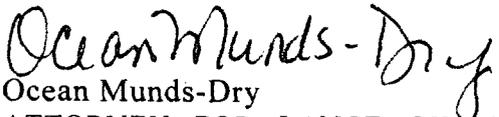
Ladies and Gentlemen:

This letter is to advise you that Lance Oil & Gas Company, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool in certain spacing and proration units in the S/2 of Section 16, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. Said pooled units are to be dedicated to Lance's FRCP 16 Well No. 1 to be drilled at a standard location 780 feet from the South line and 1825 feet from the West line and its FRCP 16 Well No. 2 in the SE/4 of said Section 17.

This application has been set for hearing before a Division Examiner on October 6, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,


Ocean Munds-Dry
ATTORNEY FOR LANCE OIL & GAS
COMPANY, INC.