

**BP America Production Company**

San Juan Performance Unit  
501 Westlake Park Boulevard  
Houston, Texas 77079  
Room 19.166

**Brett Woody**

**Land Negotiator**

Phone: 281.366-4691

Fax: 281.366.7099

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

March 21, 2006

RE: FRPC "22" Well No. 2 (API# 30-045-33160)  
Unit E, NW/4 and W/2 of Section 22, T29N, R13W  
FRPC "22" Well No. 3  
Unit M, SW/4 and W/2 of Section 22, T29N, R13W  
San Juan County, New Mexico

2006 MAR 27 PM 12:31

Dear Mr. Fesmire:

As you are aware Lance Oil & Gas Company ("Lance") has force pooled the referenced lands for Fruitland Coal and Pictured Cliffs development. Lance has offered BP America Production Company ("BP") the opportunity to participate in the No. 2 well under the force pooling order. BP has agreed to participate and paid Lance for the drilling and completion costs in conjunction with the force pooling order. In doing so BP submitted its standard requirements for well information, copy attached. However, Lance has expressed resistance to provide well information and data for future use such as information to conduct production sales nominations. Since Lance is charging an administrative fee to administer BP's account, this should obviously include items such as well information and future volumes for sales nominations. If this matter is not resolved to our satisfaction, BP will request that order R-12451 be opened again to clarify operators duties relative to the overhead charges they will be making to non-operators.

Respectfully,

A handwritten signature in black ink that reads "Brett Woody". The signature is written in a cursive, flowing style with a long, sweeping underline that extends to the right.

Brett Woody

Cc: Gerald Sullivan/Lance Oil & Gas Company/ Denver, CO  
Bill Carr/Holland & Hart/ Santa Fe, NM



**BP America Production Company**

San Juan Performance Unit  
501 Westlake Park Boulevard  
Houston, Texas 77079  
Room 24.142B

**Brett Woody**

**Sr. Land Negotiator**

Phone: 281.366.4691

Fax: 281.366.7099

December 29, 2005

Over Night Mail

Gerald Sullivan  
Senior Landman  
Lance Oil & Gas Company  
1099 18<sup>th</sup> Street, Suite 1200  
Denver, CO 80202-1964

Re: FRPC 22 #2 Well  
Fruitland Coal/Pictured Cliffs Proposal  
W/2 Section 22 T29N-R13W  
San Juan County, NM

Dear Mr. Sullivan:

BP America Production Company ("BP") is in receipt of your AFE for the referenced well and the Force Pooling Order (R-12451). BP elects to participate in this well under the force pooling order. As you instructed, we have enclosed a check for \$61,066.00 as prepayment under the order for drilling and completion costs in this well.

In addition, find enclosed an executed AFE and our well requirements. Thank you for your help and consideration on this proposal. I have the next check ready when you propose the #3 well.

Yours Very Truly,

A handwritten signature in cursive script that reads "Brett Woody".

Brett Woody

Encl.



BP America Production Company  
509 South Boston  
Tulsa, OK 74103

12/28/05

600LT

LANCE OIL AND GAS COMPANY INC  
1099 18TH STREET  
DENVER, CO 80202 US

VENDOR NUMBER: 0070015584

TRACE NUMBER: 2000082203

DOCUMENT NO.	INVOICE DATE	INVOICE NO.	GROSS AMOUNT	DISCOUNT NO.	NET AMOUNT
3250104004 CASH CALL FRPC 22 #2	12/28/05	FRPC 22 #2	61,066.00		61,066.00
<b>TOTALS</b>			61,066.00		61,066.00

INQUIRIES CONCERNING THIS PAYMENT SHOULD BE  
DIRECTED TO OUR OFFICE, PLEASE CALL  
(800) 284-2244

IN ORDER TO AFFECT TIMELY INVOICE PAYMENT PLEASE PLACE  
YOUR VENDOR NUMBER ON ALL FUTURE INVOICES TO BP.  
\*\*\* YOUR VENDOR NUMBER IS 0070015584

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK NO. 0800978528 ATTACHED BELOW



BP America Production Company  
509 South Boston  
Tulsa, OK 74103

62-20  
311

CHECK NO. 0800978528

12/28/05

PAY TO THE  
ORDER OF

LANCE OIL AND GAS COMPANY INC  
1099 18TH STREET  
DENVER, CO 80202 US

\*\*\*\*\*\$61,066.00

NOT VALID AFTER 6 MONTHS

*Sixty one thousand sixty six and 00/100 Dollars*

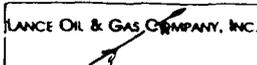
TRACE NUMBER: 2000082203

CITIBANK DELAWARE. A SUBSIDIARY OF CITICORP  
ONE PENN'S WAY, NEW CASTLE, DE 19720

Authorized Signature

⑈0800978528⑈ ⑆031100209⑆

39116481⑈



**Authorization for Expenditure**  
Lance Oil and Gas Company, Inc.

1099 18th Street, Ste. 1200  
Denver, CO 80202-1955  
(303) 452-5603

Business Unit/District: San Juan  
Well Name & Number: F-RPC 22 #2  
Location: SEC. 22 Township 29 N Range: 13 W

Pseudo API # 29132211aPCc30  
AFE No. 607443  
Property #: \_\_\_\_\_

SUMMARY OF ESTIMATED COSTS		Dry Hole	Complete	TOTAL
TANGIBLE COSTS	Sub Acc.#	Acct. 2670	Acct. 2675	Total:
Conductor & Surface Casing	0002	\$1,985		\$ 1,985
Wellhead & Subsurface Equip	0007	\$300	\$1,300	\$ 1,600
Intermediate Casing	0003	\$0		\$ -
Production Casing/ Liners	0004		\$12,075	\$ 12,075
Tubing	0006		\$3,833	\$ 3,833
Pumping Unit & Equipment	0008		\$18,600	\$ 18,600
Engines and Power Equip	0028		\$8,000	\$ 8,000
Electrical	0026		\$0	\$ -
Sucker Rods and Downhole pump	0009		\$3,640	\$ 3,640
Install Costs Surface Equip	0020		\$2,000	\$ 2,000
Tanks	0011		\$16,000	\$ 16,000
Valves & Fittings	0014		\$2,000	\$ 2,000
Pipe	0001		\$0	\$ -
Trunkline Costs	0024		\$0	\$ -
Flow Lines & Connections	0015		\$65,000	\$ 65,000
Meter Building and Meter	0025		\$3,000	\$ 3,000
Automation Equipment	0029		\$2,000	\$ 2,000
Miscellaneous Equipment	0038		\$0	\$ -
Software and Communications Equip	0030		\$0	\$ -
Separators, Heater, Treater	0012		\$4,000	\$ 4,000
Emission Control Combustors	0021		\$0	\$ -
Buildings	0016		\$0	\$ -
Fences & Cattle Guards	0017		\$5,000	\$ 5,000
Water Management	0031		\$0	\$ -
FRUITLAND COAL TANGIBLE		\$1,285	\$ 73,124	\$ 74,409
PICTURED CLIFFS TANGIBLE		\$1,000	\$73,124	\$ 74,124
TOTAL TANGIBLE		\$ 2,285	\$ 146,248	\$ 148,532
TOTAL OF INTANGIBLE AND TANGIBLE COSTS FRUITLAND COAL		\$ 84,409	\$ 159,854	\$ 244,262
TOTAL OF INTANGIBLE AND TANGIBLE COSTS PICTURED CLIFFS		\$ 5,000	\$ 159,854	\$ 164,854
TOTAL OF INTANGIBLE AND TANGIBLE COSTS		\$ 89,409	\$ 319,708	\$ 409,116

Working Interest Owners:	Wt %	Drilling	Completion	TOTAL
Lance Oil and Gas Company - FC	75.0000%	\$ 63,306	\$ 119,890	\$ 183,197
BP Amoco Corporation	25.0000%	\$ 21,102	\$ 39,963	\$ 61,066
Lance Oil & Gas Company, Inc. - PC	*****	\$ 5,000	\$ 159,854	\$ 164,854
BP Amoco Corporation	0.0000%	0	0	0
<b>TOTAL</b>		<b>\$ 89,409</b>	<b>\$ 319,708</b>	<b>\$ 409,116</b>

**Lance Oil and Gas Company APPROVALS**

	NAME	Title	Signature	Date
AFE Originator:	Justin Sandifer	SJBU Engineer		
AFE Project Manager	Doug Barone	SJBU Field Superintendent		
AFE Project Manager	David Gomendi	SJBU Manager		
Land Approved by:	Mark Petry	Land Manager		
Recommended By:	Bill Lyons	Senior Geoscientist		
Recommended By:				
Approved By:	Jeffery E. Jones	Vice President, Production		

THE ABOVE COSTS ARE UNDERSTOOD TO BE FOR ESTIMATING PURPOSES ONLY

PARTNER APPROVAL  Approved  Disapproved  Article 6.g.

Company Name BP Amoco Corporation BP America Production Co.

Name: Jim W. Larson Title: Outside Op Pgm. Mgr. Date: 12/8/05

## Well Information Requirements

Please send the following information to:

*BP America Production Company  
501 Westlake Park Blvd. (Rm. 19.114 WL1)  
Houston, Texas 77079  
Attn: Tim Hanson Voice: 281-366-2982; Fax: 281-366-7099  
Email: hansonstj@bp.com*

1. Daily operations report (including contact name and phone numbers for questions regarding the report) – *one copy*.
2. All sundry notices and state regulatory forms – *one copy*.
3. First sale information including:
  - A. Carrier or purchaser of each product (including meter number if there is a gas meter installed).
  - B. Date of first sale of connection.
  - C. Plant name, if processed.
  - D. Amount sold (including run ticket number and gravity for oil or condensate sales).
4. Oil, gas, and water analysis and bottom-hole pressure surveys – *two copies*.

**1) Electric Logs (all types)**

Please send the following information to:

*BP America Production Company  
San Juan Performance Unit  
San Juan Basin Geologist – Jim Perkins (Room 19.185)  
501 Westlake Park Blvd.  
Houston, TX 77079  
Attn: Jim Perkins*

*Voice: 281-366-0713; Fax: 281-366-0700  
Email: perkinjml@bp.com*

- A) Final prints – three copies.
- B) NMRIL (NUMAR Nuclear Magnetic Resonance) FMI, FMS and all production logs – two copies including digital data
- C) Mud Logs – two copies.

**2. Cased Hole Logs**

Please send the following information to:

*BP America Production Company  
San Juan Performance Unit  
San Juan Basin Geologist - Jim Perkins (Room 19.185)  
501 Westlake Park Blvd.  
Houston, TX 77079  
Attn: Jim Perkins*

*Voice: 281-366-0713; Fax: 281-366-7099  
Email perkinjm@bp.com*

- A) Final prints – *three copies*

**3. Digits**

Please send the following information to:

*BP America Production Company  
San Juan Performance Unit  
San Juan Basin Geologist - Jim Perkins (Rm. 19.185)  
501 Westlake Park Blvd.  
Houston, TX 77079  
Attn: Jim Perkins*

*Voice: 281-366-0713; Fax: 281-366-7099  
Email perkinjm@bp.com*

- A) One copy of LAS Digits for all electric and production logs.
- B) One copy of any and all mud log data

\*Please provide digits if appropriate for cased hole logs.