

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
KELLAHIN@EARTHLINK.NET

September 1, 2006

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13793

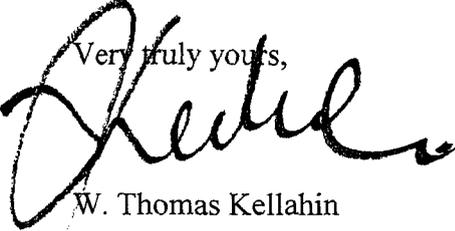
2006 AUG 32 PM 3 00

Re: KLOG "18" Well No. 2
Unit E, W/2 of Section 18, T29N, R14W
Application of Lance Oil & Gas Company, Inc.
for compulsory pooling,
San Juan County, New Mexico

Dear Mr. Fesmire:

On behalf of Lance Oil & Gas Company, Inc., find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for October 12, 2006. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

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

CASE 13793 Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Basin Fruitland Coal-Gas Pool underlying the W/2 of Section 18, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool. This unit is to be dedicated its KLOG "18" Well No. 2 to be drilled at a standard gas well location in SW/4NW/4 (Unit E) of this section for production from the Basin Fruitland Coal Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 1/2 mile Southeast from the center of Kirkland, New Mexico. **In the absence of objection, this matter will be taken under advisement.**

**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 ,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. *13793*

APPLICATION

Lance Oil & Gas Company, Inc. ("Lance") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests to the Basin Fruitland Coal-Gas Pool underlying the W/2 of Section 18, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool. This unit is to be dedicated its KLOG "18" Well No. 2 to be drilled at a standard gas well location in SW/4NW/4 (Unit E) of this section for production from the Basin Fruitland Coal Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Lance Oil & Gas Company, Inc. ("Lance") states:

1. Lance has a working interest ownership in the oil and gas minerals from the surface to the base of the Fruitland Coal Gas formation underlying the W/2 of Section 18, T29N, R14N, NMPM, San Juan County, New Mexico.

4. By letter dated August 8, 2006, Lance proposed to the other working interest or mineral owners that this well be drilled and completed in the Fruitland coalbed formations to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the W/2 of this section with the well to be located at a standard well location in the SW/4NW/4 of this section being the KLOG "18" Well No 2.

5. Despite its reasonable efforts, application has been unable to obtain a written voluntary agreement from certain uncommitted working interest and/or mineral interest owners as shown on **Exhibit "A"**.

6. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Lance needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

7. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A (1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 12, 2006.

WHEREFORE, Lance Oil & Gas Company, Inc, as applicant, requests that this application be set for hearing on October, 2006 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Lance Oil & Gas Company, Inc. be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

(3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

(4) Provision for overhead rates per month drilling of \$5000 and per month operating of \$500 and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone: (505) 982-4285

Fax: (505) 982-2047

MINERAL OWNER	ADDRESS	CITY, STATE, ZIP	ACREAGE
Stanley G. & Marilyn Smith	25 CR 6339	Kirtland, NM 87417	14.1500
Lynda Smith	P.O. Box 1684	Kirtland, NM 87417	3.7100
Amanda Collom	c/o Lynda Smith, P.O. Box 1684	Kirtland, NM 87417	3.7100
Church of Jesus Christ of Latter-Day Saints	50 East North Temple St.	Salt Lake City, UT 84150	6.9700
Mariano & Romella Romero	P.O. Box 592	Kirtland, NM 87417	1.5200
Goldie Hunt, Trustee	45 CR 6330 NBU 8A	Kirtland, NM 87417	0.7500
Rodney J. & Colleen C. Harris	P.O. Box 712	Kirtland, NM 87417	1.7500
Michael & Lourie Reynolds	43 CR 6330 NBU 8A	Kirtland, NM 87417	0.6600
Annie Begay	P.O. Box 2163	Kirtland, NM 87417	1.0400
Lloyd & Leah Guillory	13 CR 6339 NBU 8A	Kirtland, NM 87417	0.4200
Estate of Phyllis M. Walker, John B. Walker, P.R.	202 Taylor Dr.	Farmington, NM 87401	3.0100
Nathan I. & Jocelyn Smith	36 CR 6332	Kirtland, NM 87417	0.7500
Jan Ott	66 RD 6400	Kirtland, NM 87417	0.1100
Deborah Fox	ADDRESS UNKNOWN		0.1100
Verona Dowty	ADDRESS UNKNOWN		0.1100
Darwin Slade	ADDRESS UNKNOWN		0.1100
Wallace Slade	ADDRESS UNKNOWN		0.1100
Catherine Bond	P.O. Box 256	Kirtland, NM 87417	1.3500
Estate of Catherine Prince, Catherine Bond, Administrator	P.O. Box 256	Kirtland, NM 87417	0.4500
Joel & Sherry Foutz	P.O. Box 784	Kirtland, NM 87417	0.7500
Robert L. & Johnnie S. Ping	Attn: Bradley Ping, 11 CR 6337	Kirtland, NM 87417	0.7500
Rosa C. Chilcote, Trustee	P.O. Box 269	Kirtland, NM 87417	1.0200
Charlotte Christensen, Trustee	P.O. Box 121	Kirtland, NM 87417	0.7600
Geraldine Begay	P.O. Box 332	Kirtland, NM 87417	0.3000
Evelyn Collyer Short	ADDRESS UNKNOWN		0.1900
William & Charmaine Crawford	ADDRESS UNKNOWN		0.3000
Robert E. Ockerman	39 RD 6361	Kirtland, NM 87417	0.2800
Jerry D. & Laveta Cockrell	453 RD 6100 NBU 23-A	Kirtland, NM 87417	0.1500
Gary D. & Dorothy M. Ray, James L. & Jody Ray, and Garland Ray	c/o Gary Ray, P.O. Box 676	Kirtland, NM 87417	1.9900
Harry & Jacqueline Begay	33 RD 6332	Kirtland, NM 87417	0.3000
Raymond & Denise Joe	13 CR 6337	Kirtland, NM 87417	0.7500
Jacqueline Garcia	P.O. Box 325	Shiprock, NM 87420	0.5500
Golden J. Gallagher, Trustee	Attn: Sid Gallagher, 19 CR 6256	Kirtland, NM 87417	0.7800
Lori E. Butterfield	1924 East 16th Street	Farmington, NM 87401	0.6800
David G. & Rae Ann Collard	9 CR 6333	Kirtland, NM 87417	0.3700
Mabel Gabeheart Garcia	P.O. Box 3175	Kirtland, NM 87417	0.4300
Caroyn Visage Allred	P.O. Box 553	Kirtland, NM 87417	1.1800
Gilbert Ross & Debra K. Ashcroft	P.O. Box 298	Kirtland, NM 87417	1.0600
Tommy J. & Vicki Colette Merrill	P.O. Box 374	Keelseyville, CA 95451	0.7500
Donald Lee Cluff	P.O. Box 513	Kirtland, NM 87417	0.4400
Maralee Kramer	19 RD 6330	Kirtland, NM 87417	0.2200
Arnold & Margaret Brubeck	ADDRESS UNKNOWN		0.3700
Kevin K. Green, Sr.	P.O. Box 3015	Kirtland, NM 87417	0.4000
Kenneth F. & Dianna R. Shrum	P.O. Box 2095	Kirtland, NM 87417	0.7800
Nellie A. Mathies	P.O. Box 2522	Kirtland, NM 87417	0.3750
Wanda Hemphill	P.O. Box 154	Lund, NV 89317	1.1400
Estate of Leroy D. Hemphill	ADDRESS UNKNOWN		1.1400
Carrol James Hemphill, deceased	c/o Doris J. Hemphill-Faulkner, 1128 Buena Vista SE	Albuquerque, NM 87106	1.1400
Katie Hemphill	c/o Anita Hemphill, P.O. Box 2198	Pinedale, WY 82941	0.2300
Becky Hemphill	c/o Anita Hemphill, P.O. Box 2198	Pinedale, WY 82941	0.2300
Debra Hemphill	c/o Anita Hemphill, P.O. Box 2198	Pinedale, WY 82941	0.2300
Leon Hemphill	c/o Anita Hemphill, P.O. Box 2198	Pinedale, WY 82941	0.2300
Clifton Hemphill	c/o Anita Hemphill, P.O. Box 2198	Pinedale, WY 82941	0.2300
Joe E. Casaus	1 CR 6330	Kirtland, NM 87417	0.3750



Doris J. Hemphill, Trustee	1128 Buena Vista SE	Albuquerque, NM 87106	0.4600
Richard & Gloria Hanson	ADDRESS UNKNOWN		1.4750
Judy L. Alexander, Trustee	ADDRESS UNKNOWN		1.0250
Estate of Clifford E. Routt	c/o B. Paul Briones, 421 McDonald Rd.	Farmington, NM 87401	0.4650
Christopher L. & Linda Kay Sigler	9 CR 6332	Kirtland, NM 87417	0.4800
James L. & Jody Ray	17 CR 6332	Kirtland, NM 87417	1.3200
Gary D. & Dorothy M. Ray	P.O. Box 676	Kirtland, NM 87417	2.0600
Jose H. & Pollyanna P. Gonzalez	443 CR 6100	Kirtland, NM 87417	0.3200
James B. & Shannon L. Guy	P.O. Box 187	Kirtland, NM 87417	1.1300
Reva D. Duran	445 CR 6100	Kirtland, NM 87417	1.6000
Pablo Martinez, Jessica Martinez, and Bobby Martinez	3 CR 6331	Kirtland, NM 87417	0.2200
Allen Armer	470 A CR 6100 NBU 24	Kirtland, NM 87417	0.3700
Roland W. & Elaine J. Berkley	2207 North Schofield Ln.	Farmington, NM 87401	1.1200
George E. & Ruby Thomas	17 CR 6337 NBU 9A	Kirtland, NM 87417	1.6500
Heirs of Ruth B. Ashcroft	P.O. Box 298	Kirtland, NM 87417	19.0000
Raymond L. Howard & Eloise W. Howard, Trustees	P.O. Box 2357	Kirtland, NM 87417	0.75
			95.1050

29.720313% UNLEASED IN W/2