

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

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-103

March 4, 2004

WELL API NO.
30-045-30759

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
WF State 2

8. Well Number

3

9. OGRID Number
229938

10. Pool name or Wildcat
Harper Hill PC/Basin Fruitland Coal

SUNDRY NOTICES AND REPORTS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" FORM FOR SUCH PROPOSALS.)

1. Type of Well:

Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

Lance Oil & Gas Company, Inc.

3. Address of Operator

#99 County Road 6500, P. O. Box 70, Kirtland, NM 87417

4. Well Location

Unit Letter N : 1237 feet from the South line and 1790' feet from the West line

Section 2 Township 30 Range 14W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5955' GR

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL Sect Twp Rng Pit type Depth to Groundwater Distance from nearest fresh water well

Distance from nearest surface water Below-grade Tank Location UL Sect Twp Rng ;
feet from the line and feet from the line

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Commingling ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐ 5-19-05

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.

Please see attached "Application for Downhole Commingling."

DHC 1896 AZ

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 M. Erwin TITLE Sr. Production Engineer DATE 5/19/05

Type or print name Thomas M. Erwin E-mail address: terwin@westerngas.com Telephone No. (505) 5698-5601 Ext. 63

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR DIST. 3A DATE MAY 20 2005

Conditions of approval, if any: no other State land office See Rule 30.3.C.

LANCE OIL AND GAS OPERATING, INC.

**WF - STATE 2 #3
1,237' FSL & 1,790' FWL
S/2 Section 2, 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 - State 2 #3 well located in the SW/4 Section 2, T30N – R14W, San Juan County, New Mexico. The State 2 #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	1,433' - 37'	5'
	1,462' - 63'	2'
	1,535' - 40'	6'
	1,618' - 27'	<u>10'</u>
Total Fruitland Coal		23'
Pictured Cliffs	1,644' – 48'	5'
	1,660' – 64'	<u>5'</u>
Total Pictured Cliffs		10'

The initial allocation is Fruitland Coal – 90% and Pictured Cliffs – 10% and will be revised as soon as possible but no later than August 31, 2005. 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.

Lance operates the WF - State 2 #3 with a 100% working interest. The State of New Mexico has a 100% royalty interest in the Fruitland Coal and Pictured Cliffs. Overriding royalty interest owners are the same in the Fruitland Coal and Pictured Cliffs formations. The overriding interest owners have been notified with certified mail on May 5, 2005. A "Notification for Downhole Commingling" list is attached indicating each overriding interest owner, address and certified mail number.

Lance is continuing to collect field data and prepare a permanent allocation methodology. The allocation methodology is expected to be completed by July 31, 2005 with submittal to the BLM by August 31, 2005 pursuant to our letter during March, 2005.