

**LANCE OIL & GAS COMPANY, INC.**

PO Box 70

Kirtland, New Mexico 87417

30-045-32268

May 13, 2005

Bureau of Land Management  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

Attn: Mr. Jim Lovato

RE: WF-Federal 11 #1 Downhole Commingling

Dear Jim:



Pursuant to our telephone conversation Thursday, May 12, 2005, Lance Operating Oil & Gas Company, Inc. requests downhole commingling approval for the WF – Federal 11 #1 located in the E/2 Section 11, T30N – R14W, San Juan County, New Mexico. Lance is requesting a preliminary allocation of 90% Fruitland Coal and 10% Pictured Cliffs. Lance is a 100% working interest owner. The MMS is a 100% royalty interest owner with no overriding royalty interests.

Lance is continuing to prepare a permanent assessment for the allocation methodology. The assessment is expected to be finalized and submitted to the BLM by August 31, 2005. The temporary allocation factors will likely change at that time. Our initial data gathering has indicated that the Pictured Cliffs is producing less than previously approved 50% / 50% allocations under the Richardson assessment.

Pls feel free to call Tom Erwin (505-598-5601 x63) if you have any questions or comments regarding our request.

Sincerely,

**LANCE OIL & GAS OPERATING COMPANY, INC.**

*Thomas M. Erwin 5/17/05*

Thomas M. (Tom) Erwin  
Senior Production Engineer

Enclosures (2)

cc: Dorothy Jacquez, NMOCD (w/original & 3 copies of each C-104)

Phone (505) 598-5601