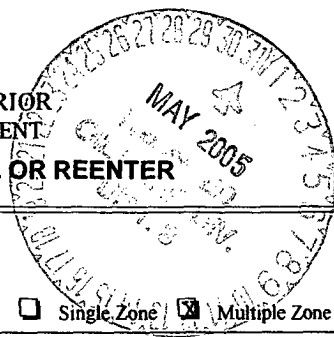


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004



5. Lease Serial No.
NMSF-078110

6. If Indian, Allottee or Tribe Name
N/A

1a. Type of Work: DRILL REENTER

1b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator
Lance Oil & Gas Company, Inc.

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
FRPC 15 #1

9. API Well No.
30-045 - 33019

3a. Address
Box 70, Kirtland, NM 87417

3b. Phone No. (include area code)
598-5601

10. Field and Pool, or Exploratory
Basin Fr. Coal/Twin Mounds PC

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **1080' FNL & 1830' FEL**
At proposed prod. zone **Same**

11. Sec., T., R., M., or Blk. and Survey or Area
B Sec. 15-T29N-R14W, NMPM

14. Distance in miles and direction from nearest town or post office*
2 miles East of Kirtland, NM

12. County or Parish
San Juan

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
240'

16. No. of Acres in lease
2,492.10

17. Spacing Unit dedicated to this well
**E/2-FC 320 Ac.
NE/4-PC 160 Ac.**

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
2950'

19. Proposed Depth
1000'

20. BLM/BIA Bond No. on file
BLM Nationwide # 965004351

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
5295' GL

22. Approximate date work will start*
Upon approval

23. Estimated duration
3 weeks

24. Attachments.

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Name (Printed/Typed) **Paul Lehrman** Date **4-18-05**

Title **Sr. Landman**

Approved by (Signature) Name (Printed/Typed) Office **FFO** Date **5-28-05**

Title **AFM**

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

This action is subject to technical and procedural review pursuant to 43 CFR 3165.5 and appeal pursuant to 43 CFR 3165.4

Negative Arch report from Western Arch forthcoming.

RECEIVED
 APR 18 2005
 BLM
 ALBUQUERQUE, NM

MNOCD

State of New Mexico
 Energy, Minerals & Mining Resources Department
 OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

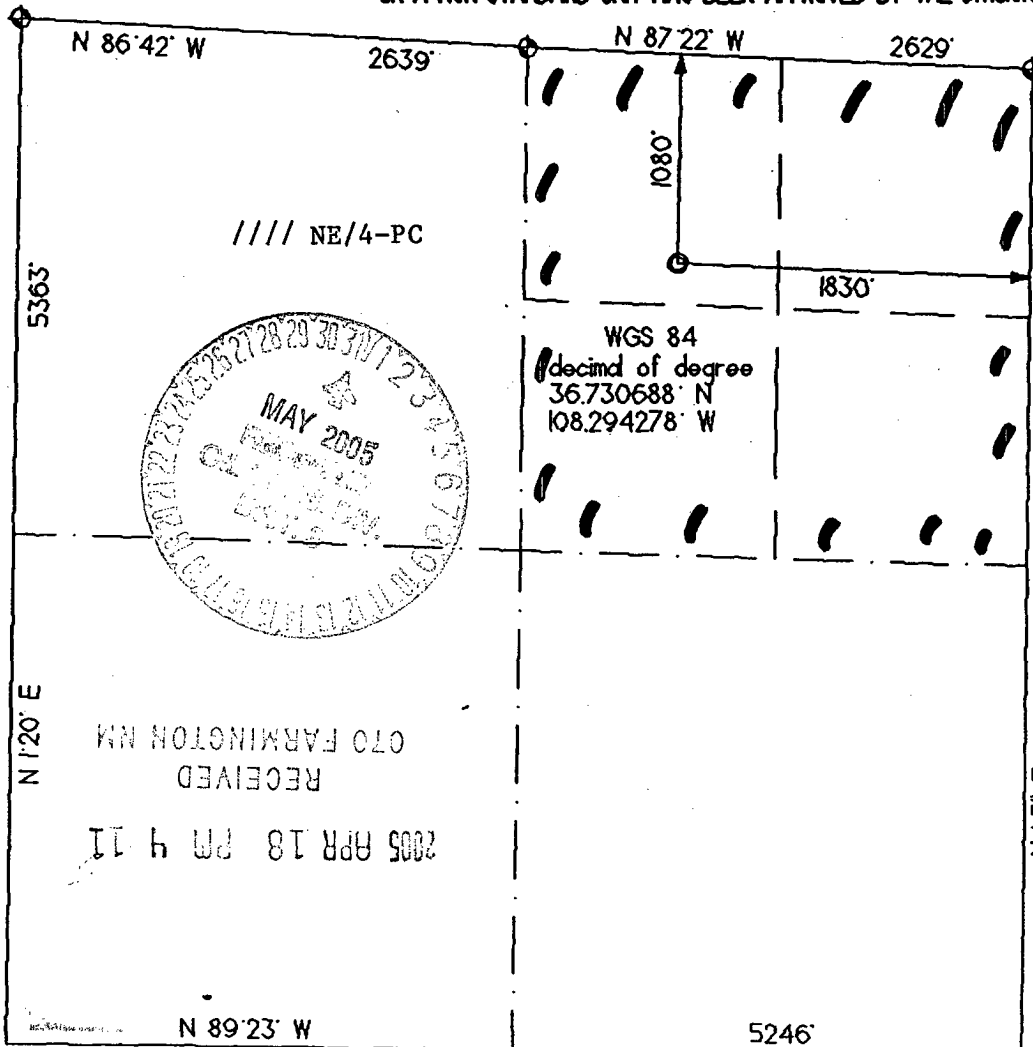
APA Number 30-045 33019	Pool Code 88620	Pool Name Twin Mounds Fruitland Sand PC (Gas)
Property Code 34455	Property Name FRPC 15	Well Number 1
OGRID No. 229938	Operator Name LANCE OIL & GAS COMPANY, INC	Elevation 5295'

Surface Location									
UL or Lot	Sec.	Top.	Rge.	Lot Id.	Feet from >	North/South	Feet from >	East/West	County
B	15	29 N.	14 W.		1080'	NORTH	1830'	EAST	SAN JUAN

Bottom Hole Location if Different From Surface									
UL or Lot	Sec.	Top.	Rge.	Lot Id.	Feet from >	North/South	Feet from >	East/West	County

Dedication 160 NE/4	Joint ?	Consolidation	Order No.
---------------------------	---------	---------------	-----------

NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIMSON



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *[Signature]*

Printed Name: Paul Lehrman

Title: Sr. Landman

Date: 4-19-05

SURVEYOR CERTIFICATION
 I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: 02/22/05

Signature and Seal of Professional Surveyor: *[Signature]*

Seal: GERALD BUDDLESTON, NEW MEXICO, 6844, REGISTERED LAND SURVEYOR

State of New Mexico
 Energy, Minerals & Mining Resources Department
 OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

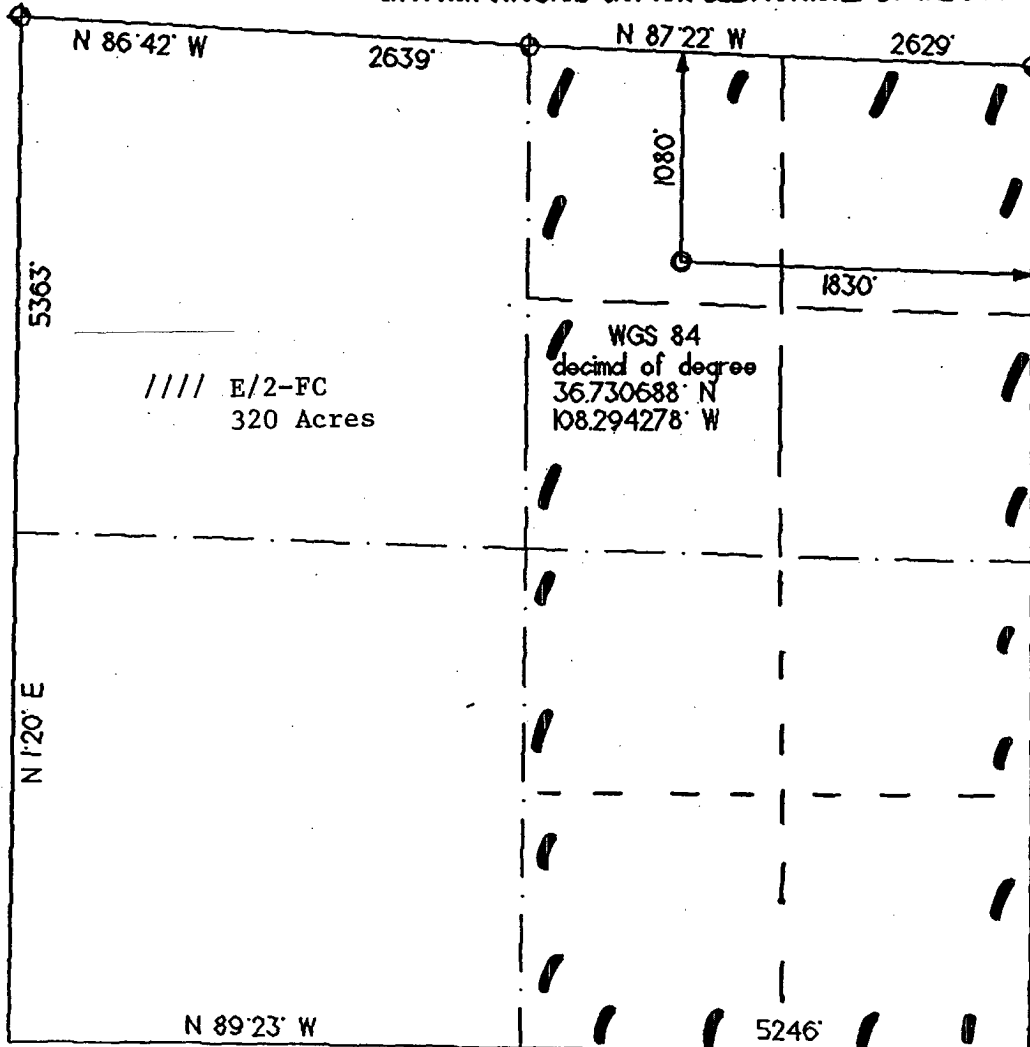
APA Number 30-045-33019	Pool Code 71629	Pool Name Basin Fruitland Coal
Property Code 34455	Property Name FRPC 15	Well Number 1
OGRD No. 229938	Operator Name LANCE OIL & GAS COMPANY, INC	Elevation 5295'

Surface Location									
UL or Lot	Sec.	Top.	Rge.	Lot Lth.	Feet from >	North/South	Feet from >	East/West	County
B	15	29 N.	14 W.		1080'	NORTH	1830'	EAST	SAN JUAN

Bottom Hole Location if Different From Surface									
UL or Lot	Sec.	Top.	Rge.	Lot Lth.	Feet from >	North/South	Feet from >	East/West	County

Dedication E/2	Joint ?	Consolidation	Order No.
-------------------	---------	---------------	-----------

320 NO ALLOWABLE WELL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DMSION



OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>Paul Lehrman</i>
Printed Name	Paul Lehrman
Title	Sr. Landman
Date	4-19-05
SURVEYOR CERTIFICATION I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey 02/22/05	
Signature and Seal of Professional Surveyor	<i>Gerald D. Udleston</i>

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

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-045-
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> Fed NMSF- <input type="checkbox"/>
6. State Oil & Gas Lease No. 078110

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) 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
Box 70, Kirtland, NM 87417

4. Well Location
 Unit Letter B : 1080 feet from the North line and 1830 feet from the East line
 Section 15 Township 29N Range 14W NMPM San Juan County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5295 GR

Pit or Below-grade Tank Application or Closure
 Pit type Drilling Depth to Groundwater >100' Distance from nearest fresh water well >1000' Distance from nearest surface water >1000'
 Pit Liner Thickness: 12 mil Below-Grade Tank: Volume _____ bbls; Construction Material Impervious Plastic

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 COMPL

SUBSEQUENT REPORT OF:
 REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS. P AND A
 CASING/CEMENT JOB

OTHER: OTHER: Pit Permit

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.

Pit Permit pursuant to NMOCD Rule 50

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 .

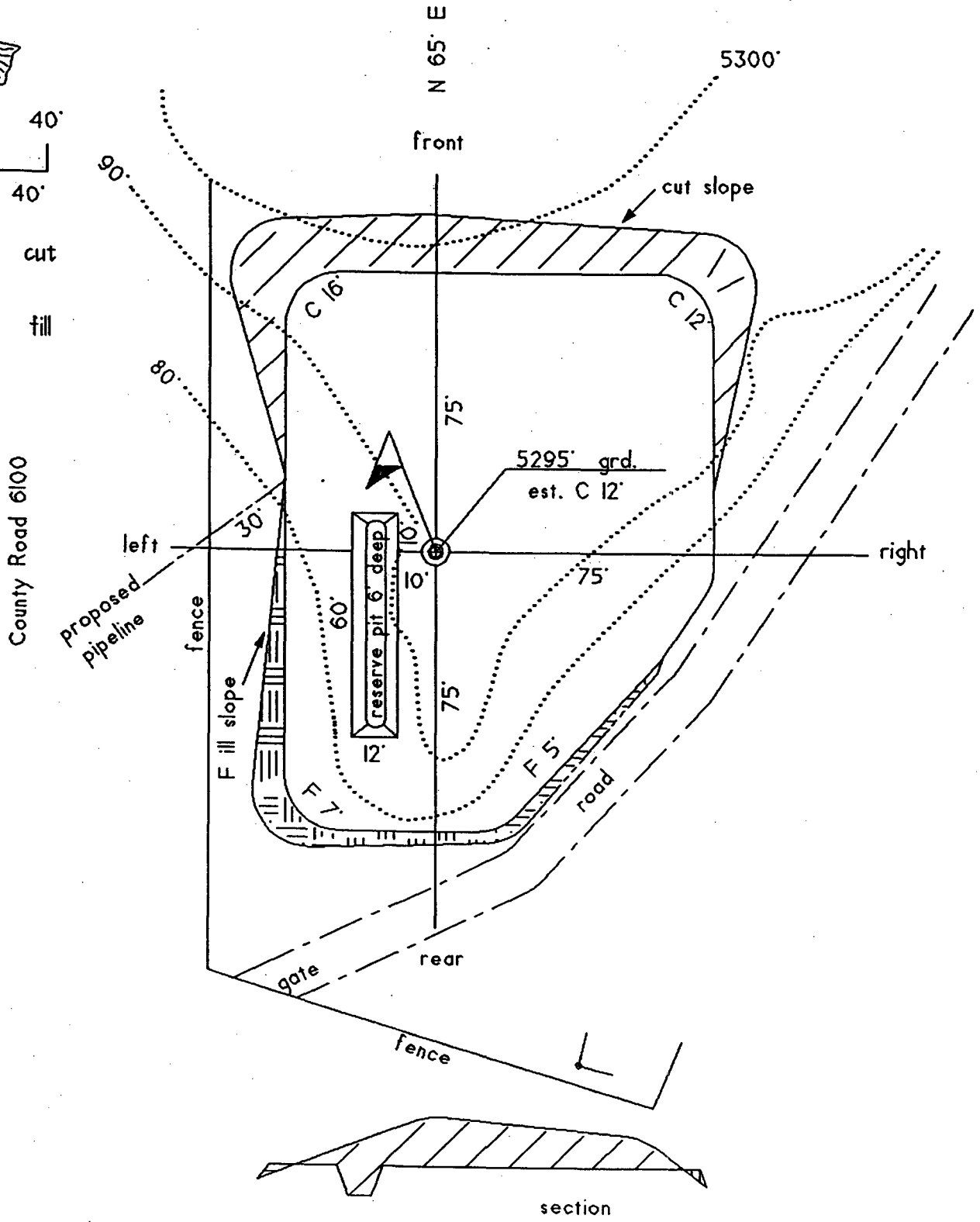
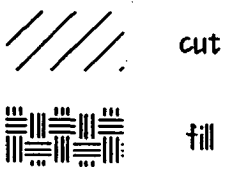
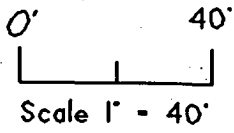
SIGNATURE _____ TITLE Sr. Landman DATE 4-18-05

Type or print name Paul Lehrman E-mail address: plehrman@westerngas.com Telephone No. 598-5601
 For State Use Only

APPROVED BY: _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 38 DATE MAY 31 2005

Conditions of Approval (if any):

FRPC 15 # 1
well pad and section



Lance Oil & Gas Company, Inc.
FRPC 15 #1
1080' FNL & 1830' FEL
Section 15, T29N, R14W, NMPM
San Juan County, New Mexico

DRILLING PROGRAM

1. ESTIMATED FORMATION TOPS:

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Subsea Elevation</u>
Kirtland Shale	000'	005'	+5,295'
Fruitland Fm	720'	725'	+4,575'
Fruitland Coal	810'	815'	+4,485'
Pictured Cliffs Ss	825'	830'	+4,470'
Total Depth (TD)*	1000'	1005'	+4,295'

*All elevations reflect the ungraded ground level of 5,295'

2. NOTABLE ZONES:

Gas Zones

Fruitland

Pictured Cliffs

Water Zones

Fruitland Coal

Coal Zones

Fruitland Coal

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Centralizers will be run through usable water zones to ensure that the casing is centralized through these zones. Number of centralizers will be based on API standards. A turbulizing centralizer will be run to ensure an adequate cement procedure just below the base of the lowest usable water zone. Oil and gas shows will be tested for commercial potential based on the well site representatives recommendations.

3. PRESSURE CONTROL:

The drilling contract has not yet been awarded, thus the exact BOP model to be used is unknown. (A typical 2,000 psi model has been attached to the end of the drilling program.) Double ram or annular system with a rotating head will be used. All ram preventers and related equipment will be hydraulically tested at nipple up and after any use under pressure to 1000 psi.

Blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. BOP equipment will include a floor safety valve, choke manifold rated to 2000 psi. Maximum expected pressure is less than 1000 psi.

Drilling Program
Lance Oil & Gas Company, Inc.

Page Two

4. CASING AND CEMENTING PROGRAM:

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>GL Setting Depth</u>
12 1/4"	8 5/8"	24	J-55	New	120'
7 7/8"	5 1/2"	15.5	J-55	New	1000'

Surface casing will be cemented to surface with ≈ 120 cu.ft. (≈ 100 sx) Howco Type II. Volume is based on 100% excess, yield of 1.20 cu.ft./sk, and slurry weight of 15.6 ppg. WOC = 12 hours. Pressure test surface casing to 600 psi for 30 minutes.

Production casing hole will first be cleaned of rock chips by circulating at least 150% of hole volume with drilling fluid to surface. Thirty barrels of fresh water will then be circulated. Lead with ≈ 203 cu.ft. (≈ 112 sx) Howco TX1 Lightweight (yield = 1.82 cu.ft./sk, slurry weight = 12.0 ppg). Tail in with ≈ 88 cu.ft. (≈ 70 sx) Howco TX 1 Lightweight (yield = 1.29 cu.ft./sk, weight = 13.5 ppg). Total cement volume is ≈ 291 cu.ft. based on 50% excess and circulating to surface. If hold conditions and experience in the area allow, the excess may be reduced. WOC time will be as recommended by cementing company specifications but will not be less than 6 hours.

Production casing will have 5 1/2" cement guide shoe and self fill float collar. Float will be placed one joint above the shoe. Six centralizers will be spaced every other joint starting above the shoe. Additional centralizers will be run, one every fourth joint with one centralizer in the shoe joint of the 8-5/8" surface casing.

5. MUD PROGRAM:

Surface casing hole will be drilled with fresh water. Production casing hole will be drilled with a fresh water polymer mud. Weighting material will be drill solids or, if needed, barite. Maximum expected mud weight will be 8.7 ppg. Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well while drilling.

6. CORING, TESTING, & LOGGING:

No cores or DSTs are planned. Open hole logs will be run. Proposed Logs will include DIL/GR/CNL, and will be run from TD to surface.

7. DOWNHOLE CONDITIONS:

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be approximately ≈ 520 psi.

BLOW OUT PREVENTER (B.O.P.)

