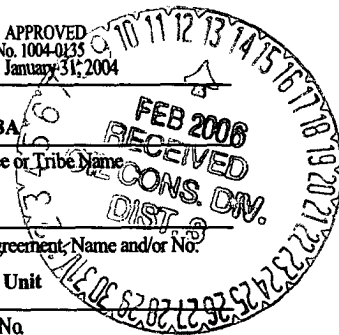


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004



SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

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

3a. Address
P. O. Box 70, Kirtland, NM 87417

3b. Phone No. (include area code)
505-598-5601

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
2067' FNL & 1394' FWL Unit F, Sec 27, T29N, R14W NMPM
Dev. Loc. 1985' FNL & 672' FWL, Unit F, Sec 27, T29N, R14W

5. Lease Serial No.
14-20-603-2168A

6. If Indian, Allottee or Tribe Name
Navajo Nation

7. If Unit or CA/Agreement Name and/or No.
NW Cha Cha Unit

8. Well Name and No
NW Cha Cha Unit #48

9. API Well No.
30-045-29123

10. Field and Pool, or Exploratory Area
Cha Cha Gallup

11. County or Parish, State
San Juan, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Repaired and
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Returned to
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	Production

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

As a follow-up to Operator's response to Stephen Mason, Petroleum Engineer, United States Department of the Interior, Bureau of Land Management regarding BLM letter dated December 19, 2005, (your file: NMSF-079968 et al. (WC) 3162.3-2 (21110)), Lance Oil & Gas Company, Inc. repaired the "free water dump on the free water knock-out vessel" at the central tank battery for the NW Cha Cha Unit and the well was returned to production on January 30, 2006. This well produced approximately eight (8) bbls of oil in January, 2006, for a total of approximately 16 bbls of oil for the NW Cha Cha Unit in January, 2006.

Operator regrets that it was not possible to schedule the repair of the central tank battery in order to return this lease to production any earlier than January 30, 2006.

This oil lease has been plagued with line ruptures and spills since Lance's purchase of the field from Richardson Operating in October 2004. Operator is attempting to return the NW Cha Cha Unit oil lease's flow lines to optimal integrity to avoid any additional ruptures and leaks in the future. Therefore, Operator plans to only produce the wells in which the flow lines have sufficient integrity to produce the oil without risk of a rupture and/or release.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Thomas M. Erwin, P.E.

Title Senior Production Engineer

Signature

Thomas M. Erwin

Date

2/02/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

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

Title

Date

Office

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.

(Instructions on page 2)

FARMINGTON FIELD OFFICE

NMOC