

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.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> 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) 720' FNL & 350' FEL Section 20, T29N - R14W, NMPM	

FORM APPROVED OMB No. 1004-0135 Expires: January 31, 2004	
5. Lease Serial No. 14 - 20 - 603 - 22007	
6. If Indian, Allottee of Tribe Name NAVAJO	
7. If Unit or CA/Agreement Name and/or No. NW Cha Cha Unit	
8. Well Name and No. NW Cha Cha #11	
9. API Well No. 30 - 045 - 08142	
10. Field and Pool, or Exploratory Area Cha Cha Gallup	
11. County or Parish, State San Juan County, NM	

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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 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 checked="" type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input checked="" type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

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.)

Lance Oil and Gas Company, Inc requests approval to recompleate the NW Cha Cha #11 from the Gallup Formation to the Fruitland Coals. The proposed procedure is attached to the Sundry Notice and entails a permanent P&A of the Gallup and Mesaverde Formation up to 1,200' KB. Initially, Lance will chemically cut the 5-1/2" casing at 900' KB and attempt to pull the casing and run new 5-1/2" casing to 850' KB. If successful in running the new 5-1/2" casing, completion operations will follow and entail perforating and fracture stimulating the Fruitland Coals.

If pulling the old 5-1/2" casing is unsuccessful, then the well will be permanently P&A'd from the chemical cut at 900' KB to surface.

A detailed wellbore diagram is attached for your perusal. Your timely approval would be appreciated as Lance anticipates commencing the workover operations as soon as the well is approved and a daylight workover rig can be obtained.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Thomas M. Erwin, P.E.		Title Production Superintendent
Signature <i>Thomas M. Erwin</i> 7/2/06		Date 07/20/2006

(THIS SPACE FOR FEDERAL OR STATE OFFICE USE)

Approved by Original Signed: Stephen Mason	Title	Date AUG 03 2006
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.	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)

NMOC

**NW Cha Cha #11
Re-Completion and / or P&A Procedure
NE/4 Section 20, T29N – R14W
San Juan County, New Mexico**

Gallup & Mesaverde P&A

Lance Oil & Gas Company, Inc requests approval to recompleate the NW Cha Cha #11 from the Gallup Formation to the Fruitland Coals. The proposed procedure entails a permanent P&A of the Gallup and Mesaverde Formation up to 1,200' KB. The permanent P&A includes setting a cement retainer at 4,631' KB and pressure testing the casing to 1,000 psig. If casing does not test, then spot or tag subsequent plugs as appropriate and will be decided after consultation with the BLM / NMOCD. If casing pressure tests okay, a balanced cement plug will be set inside the 5-1/2" casing to cover the Gallup interval from 4,266' - 4,631' KB. A second balanced plug will be spotted inside the casing from 1,200' – 1,583' KB to cover the Mesaverde formation top.

Chemical Cut Casing at 900' KB & Run 5-1/2" Casing to 850' KB

A free point wireline tool will be run to determine the free point of the casing. Lance anticipates the casing will be chemically cut at 900' KB and pulled from the wellbore depending upon the free point results. A worst case scenario would include fishing and washing over the casing from surface to 900' KB. If the old 5-1/2" casing is successfully pulled, a new string of 5-1/2", 15.5 #/ft, J-55, ST&C will be run to 850' KB and cemented to surface. Completion operations will entail perforating and fracture stimulating the Fruitland Coals.

Pictured Cliffs P&A

If Lance is still unable to pull the old casing after chemically cutting and washing over the casing, plans would be revised to P&A the wellbore. The third cement plug would be revised to set a cement retainer at 850' KB, mix and pump 50 sacks Type III cement and squeeze the chemical cut at 900' KB with 30 sacks cement outside the casing and leave 20 sacks of cement inside the casing. Plug #4 would be set to cover the Pictured Cliffs formation and entails perforating 616' KB with three squeeze holes. A cement retainer would be set at 566' KB and attempt to establish circulation to surface out the bradenhead. If able to break circulation, then cement from 616' KB to surface with approximately 220 sacks Type III cement and circulate good cement out bradenhead. If unable to circulate to surface, then mix and pump 42 sacks Type III cement and squeeze 26 sacks outside the casing and leave 16 sacks inside casing.

Casing Shoe & Surface P&A

Plug #5 would be set to cover the 8-5/8" casing shoe and entails perforating 267' KB with three squeeze holes. Attempt to establish circulation to surface out the bradenhead. Mix and pump 80 sxs Type III cement down the 5-1/2" casing and leave a continuous cement plug to surface on the outside and inside of 5-1/2" casing. A P&A marker would be installed to comply with BLM and NMOCD regulations.

A current wellbore diagram is attached for your perusal. Your timely approval would be appreciated as Lance anticipates commencing the workover operations as soon as the well is approved and a daylight workover rig can be obtained.