

| | | | | | |
|---------------------|----------|---------------------|----------------------|-------------|--------------------------|
| DATE IN 11-24-04 | SUSPENSE | ENGINEER Stogner | LOGGED IN Stogner | TYPE NSC | APP NO. DEM0432947244 |
|---------------------|----------|---------------------|----------------------|-------------|--------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☒ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☒ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☒ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Paul Lehrman

Print or Type Name

Signature

Sr. Landman

Title

11/22/04

Date

plehrman@westerngas.com
 e-mail Address

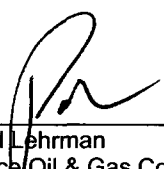
**REQUEST FOR ADMINISTRATIVE APPROVAL FOR
NON-STANDARD GAS SPACING AND PRORATION UNIT
FOR LANCE OIL & GAS COMPANY, INC.**

F-RPC 19 #3

**2045' FSL & 700' FWL, SECTION 19, TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO
(WEST KUTZ -PICTURED CLIFFS GAS POOL 79680)**

- 1) The referenced well is located on Federal surface, Federal minerals. The proposed location is non-standard (proration unit) because of the variation in the legal subdivision of the U.S. Public Land Survey (GLO/Government Land Office) as attached as Exhibit "B". Section 19 has many lots according to the MTP (Master Title Plat) per BLM records. Copy of MTP is attached as Exhibit "C". Also attached as Exhibit "E" is the LLD (legal land description) from the BLM (LR 2000) website showing the acreage in the lots in Section. 19. According to NMOCD rules, acreage dedicated to a Pictured Cliffs well (West Kutz PC) must be at least 70% of a standard proration unit (160.00 acres). Therefore the minimum for a Pictured Cliffs well would be 112 acres or 70% of 160. Acreage for the referenced well is 91.16 acres per GLO Survey.
- 2) A C-102 (Exhibit "A") is attached showing the well location and the proration unit for the proposed Pictured Cliffs well. Application for Permit to Drill (APD) (3160-3) for this well was submitted to the Bureau of Land Management (Farmington Field Office) on November 22, 2004. A copy is attached to this application. The West Kutz PC (Gas) will be a new completion in this pool. The S/2 Fruitland Coal completion will be a standard proration unit consisting of the S/2 of Section 19-T29N-R13W.
- 3) A map (Exhibit "D") is attached showing the adjoining spacing units and existing Pictured Cliffs wells. Lance controls the operating PC rights in all of the offsetting spacing units, with the below interest owners having interest in the leasehold or surface. Existing West Kutz PC production comes from the Lance F-RPC 19 #4 in the SE/4 of Section 19-T29N-R13W, and the NV Navajo 24 #1(pending OCD approval), located in the NE/4 of Section 24-T29N-R14W. These wells are depicted on the map on Exhibit "D".
- 4) Certified letters have been sent to all applicable leasehold interest owners, working interest owners and surface owners to notify them of our intentions. Copies of the letters are attached to this application.
- 5) Existing land use concerns are not an issue with this well.
- 6) Archaeology is not an issue with this well.
- 7) Directional drilling is not an issue with this well.
- 8) A non-standard proration unit is requested because of the variation in the legal subdivision of the U.S. Public Land Survey (GLO). Existing GLO lots sizes constitute a proration unit of 91.16 Acres.
- 9) I hereby certify that notice was sent to the following leaseholders and surface owners which adjoin the applicant's desired spacing unit.
- 10) The proration unit size will be according to lot sizes as follows: Lot 3 (5.98 Acres), Lot 4 (6.12 Acres), Lot 17 (19.76 Acres), Lot 18 (19.78 Acres), Lot 19 (19.77 Acres), Lot 20 (19.75 Acres). Total is 91.16 Acres.

Burlington Resources Oil and Gas Company
Edwards Energy
Paramount Petroleum
Navajo Nation



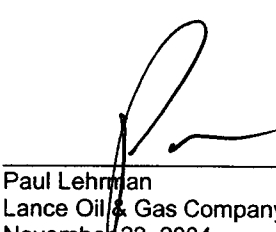
Paul Lehrman
Lance Oil & Gas Company, Inc.
November 22, 2004

**REQUEST FOR ADMINISTRATIVE APPROVAL
FOR NON-STANDARD LOCATION
FOR LANCE OIL & GAS COMPANY, INC.
F-RPC 19 #3**

**2045' FSL & 700' FWL, SECTION 19, TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO
WEST KUTZ -PICTURED CLIFFS (GAS) (79680)
BASIN FRUITLAND COAL (GAS) (71629)**

- 1) The referenced well is located on Federal surface, Federal minerals. The proposed location is non-standard because of its proximity to a large wash approximately 25' wide. According to NMOCD rules well locations depending on formation drilled must be 660' from the quarter section lines. The well location is 2045' from the south line and 700' from the West line of Section 19. Section 19 is irregular in that the survey performed for the location revealed the West length as 5258' long and east length as 5231' long. Therefore the proposed F-RPC 19 #3 location is approximately 80.0' too far north. There is no physical location that would be legal because of the wash. The location was determined on an on-site with Bureau of Land Management Authorized Officer Roger Herrera.
- 2) C-102's (Exhibit "A") is attached showing the well location and the proration unit for the proposed Fruitland Coal/Pictured Cliffs well. Application for Permit to Drill (APD) this well was submitted to the Bureau of Land Management, Farmington Field Office on November 22, 2004. A copy is attached to this application.
- 3) A map (Exhibit "F") is attached showing the adjoining spacing units and existing Fruitland Coal/Pictured Cliffs wells. Richardson controls the Fruitland/PC rights in the offsetting spacing units. Proposed well locations are noted on the plat.
- 4) Certified letters have been sent to other working interest owners, offsetting operators, and offsetting surface owners to notify them of our intentions. Copies of the letters are attached to this application.
- 5) Existing land use concerns force a non-standard location exception for this action. It would not be feasible or safe to build a legal location to drill this Fruitland Coal/Pictured Cliffs well.
- 6) Topography is the major issue with this well.
- 7) Archaeology is not an issue with this well.
- 8) Directional drilling is not feasible for such a shallow completion.
- 9) A non-standard location is requested because of surface conditions, i. e., the major wash which prohibits a legal location.
- 10) I hereby certify that notice was sent to the following offset operators, working interest owners, leaseholders or Surface owners which adjoin the applicant's spacing unit.

Burlington Resources Oil and Gas Company
Edwards Energy
Paramount Petroleum
Navajo Nation



Paul Lehman
Lance Oil & Gas Company, Inc.
November 22, 2004

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

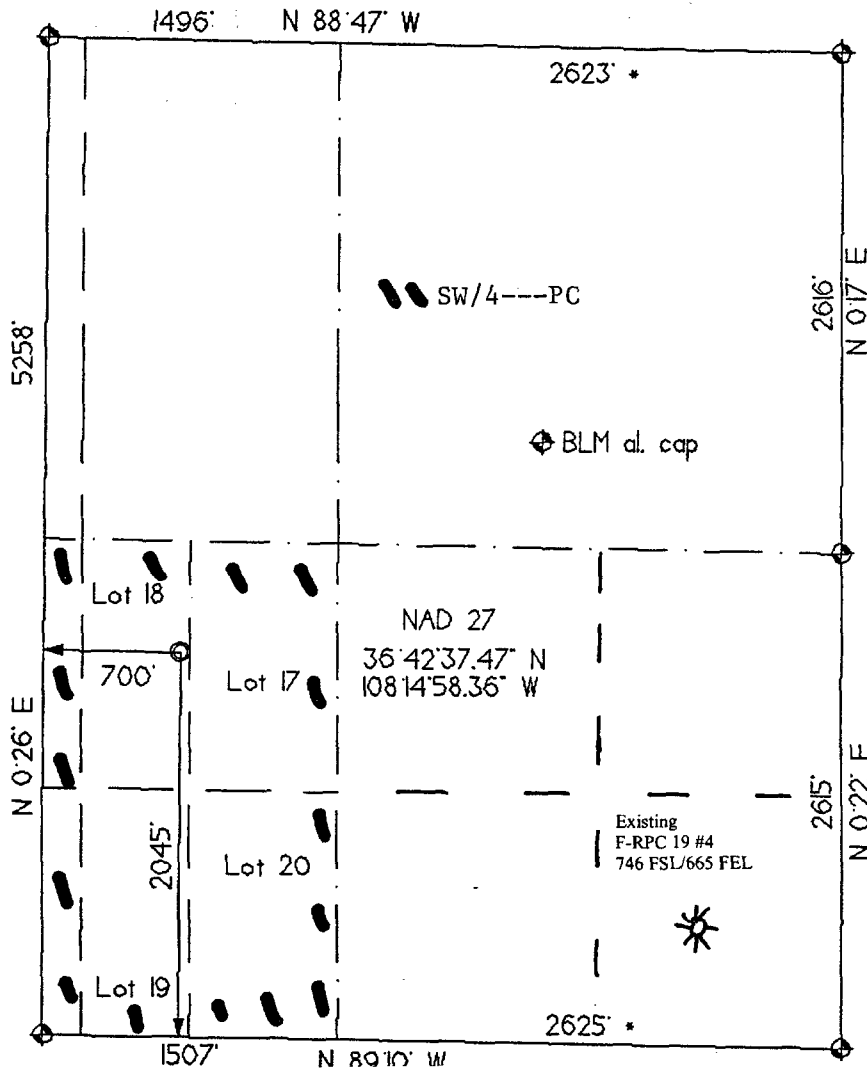
| | | |
|-----------------------|--|---------------------------|
| APA Number 30-045- | Pool Code 79680 | Pool Name West Kutz PC |
| Property Code | Property Name F - RPC 19 | Well Number 3 |
| OGRID No. 229938 | Operator Name LANCE OIL & GAS COMPANY, INC. | Elevation 5364' |

| Surface Location | | | | | | | | | |
|------------------|------|-------|-------|----------|-----------|-------------|-----------|-----------|----------|
| UL or Lot | Sec. | Twp. | Rge. | Lot Idn. | Feet from | North/South | Feet from | East/West | County |
| K | 19 | 29 N. | 13 W. | | 2045' | SOUTH | 700' | WEST | SAN JUAN |

| Bottom Hole Location if Different From Surface | | | | | | | | | |
|--|---------|------|---------------|----------|-----------|-------------|-----------|-----------|--------|
| UL or Lot | Sec. | Twp. | Rge. | Lot Idn. | Feet from | North/South | Feet from | East/West | County |
| | | | | | | | | | |
| Dedication SW-91.16 * | Joint ? | | Consolidation | | | | | Order No. | |

NSP from
OCD

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



OPERATOR CERTIFICATION

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

Signature

Paul Lehrman

Printed Name

Paul Lehrman

Title

Sr. Landman

Date

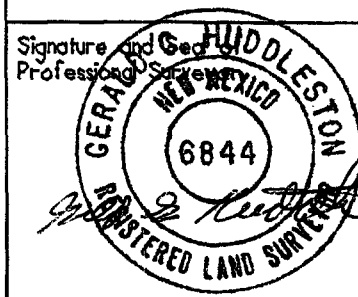
11-22-04

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 rev: 10/15/04

Signature and Seal of Professional 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

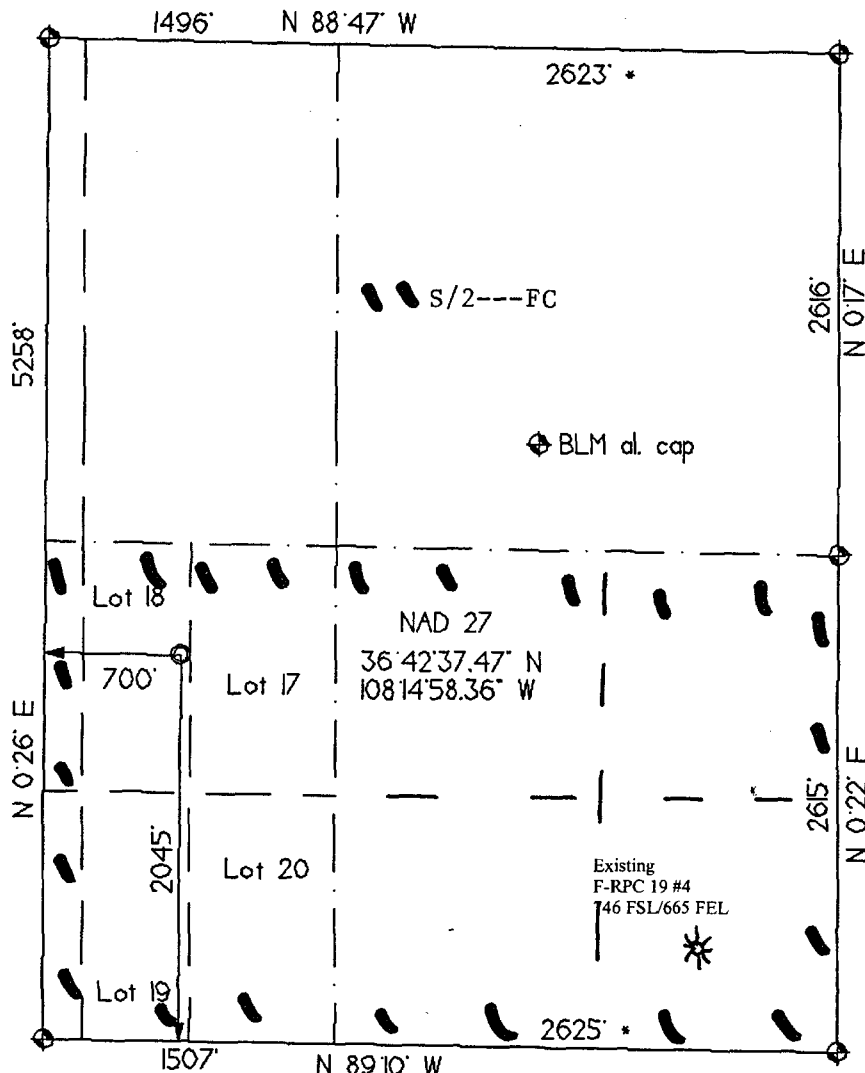
WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------|-------------------------------|----------------------|
| APA Number | Pool Code | Pool Name |
| 30-045- | 71629 | Basin Fruitland Coal |
| Property Code | Property Name | Well Number |
| | F - RPC 19 | 3 |
| GRID No. | Operator Name | Elevation |
| 229938 | LANCE OIL & GAS COMPANY, INC. | 5364' |

| Surface Location | | | | | | | | | |
|------------------|------|-------|-------|---------|-----------|-------------|-----------|-----------|----------|
| UL or Lot | Sec. | Twp. | Rge. | Lot Id. | Feet from | North/South | Feet from | East/West | County |
| K | 19 | 29 N. | 13 W. | | 2045' | SOUTH | 700' | WEST | SAN JUAN |

| Bottom Hole Location If Different From Surface | | | | | | | | | |
|--|---------|---------------|-----------|---------|-----------|-------------|-----------|-----------|--------|
| UL or Lot | Sec. | Twp. | Rge. | Lot Id. | Feet from | North/South | Feet from | East/West | County |
| | | | | | | | | | |
| Dedication | Joint ? | Consolidation | Order No. | | | | | | |
| S/2 | | | | | | | | | |

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



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

Signature *Paul Lehrman*

Printed Name
Paul Lehrman

Title
Sr. Landman

Date
11-22-04

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 rev: 10/15/04

Signature and Seal of Professional Surveyor

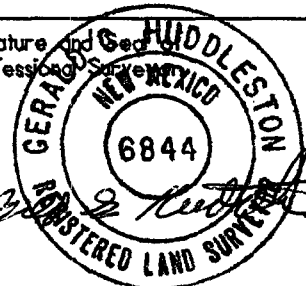
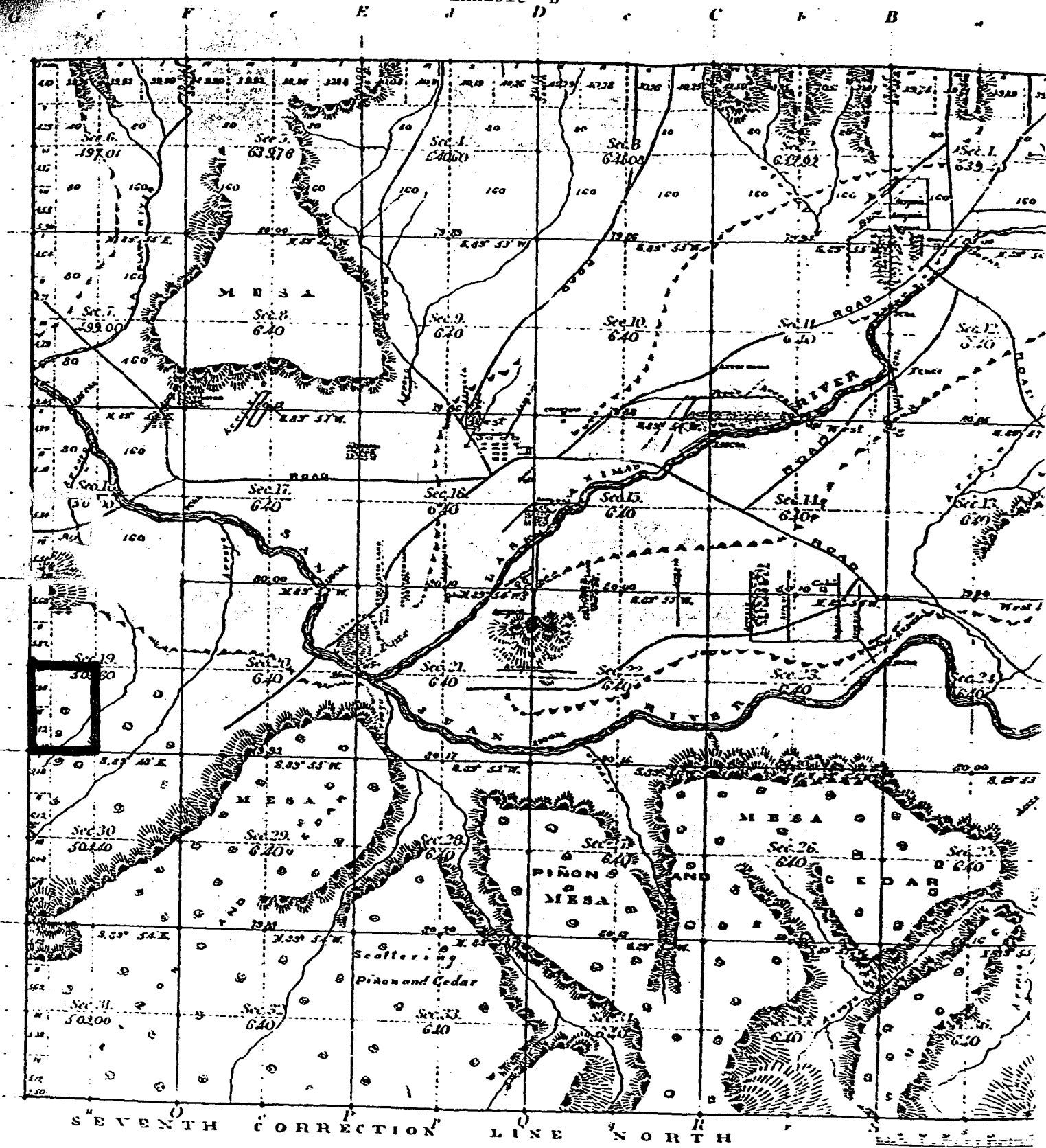


Exhibit "B"

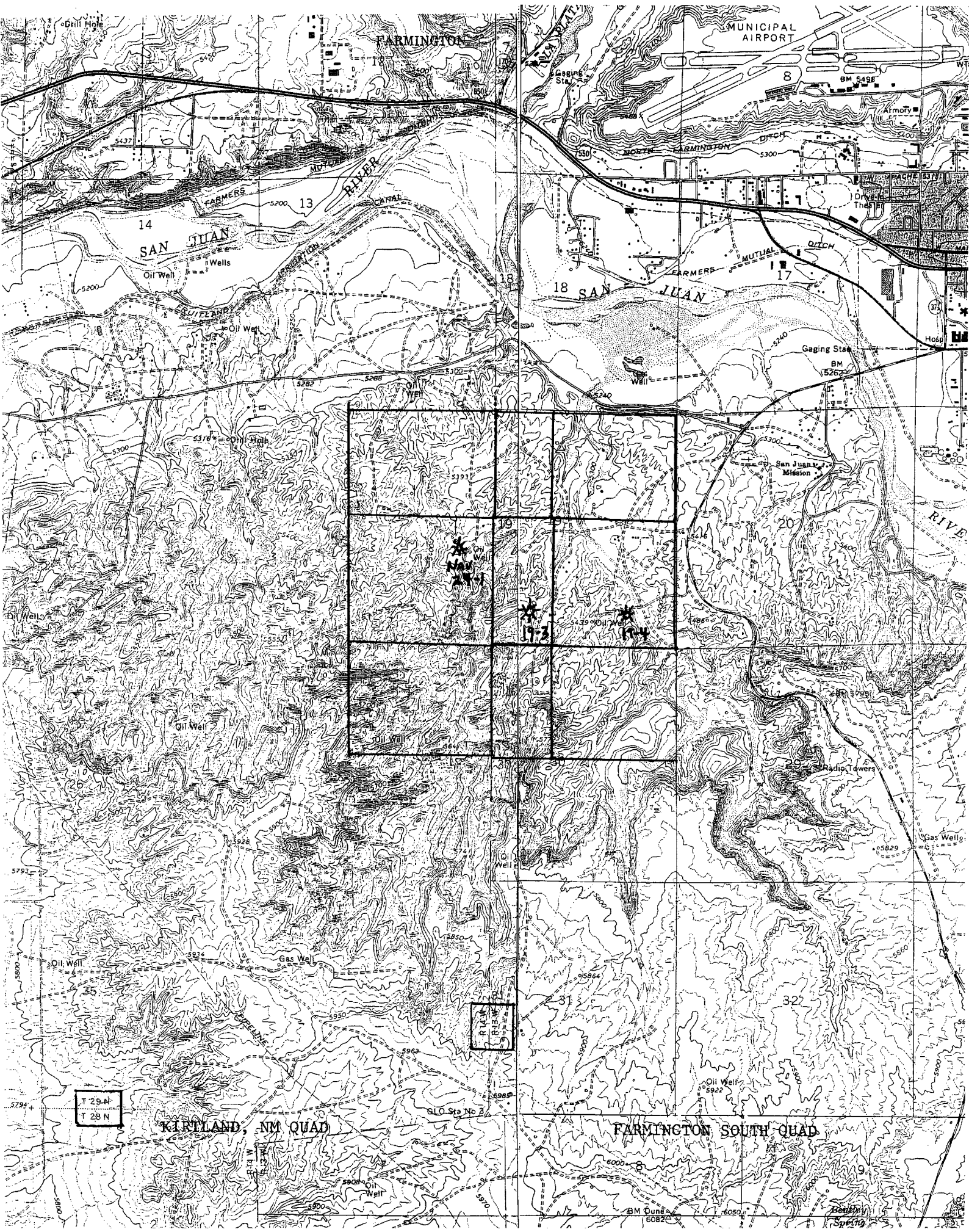


| Total number of Acres. 2,225.00 | | | | | |
|---------------------------------|------------------|------------------|------------------|---------------|----------------------|
| Survey Designated | By Whom Surveyed | Date of Contract | Amount of Survey | When Surveyed | Magazine Description |
| Township lines | Taylor and Bond | Sept. 11, 1820 | M. 12. 18' | Mar. 1828 | L. D. - 1522 E. |
| Subdivisions | Taylor and Bond | Sept. 11, 1820 | SP. 12. 60' | June 2, 1828 | L. D. - 1522 E. |
| The Line North | Charles M. Fitch | AUG-2-1877 | | Oct. 1877 | L. D. - 1522 E. |

The above map of Township N: 29 North, Principal Meridian, is a true and correct copy of the survey thereof on file in this office.

Surveyor General's Office
Santa Fe, N. M.
April 29, 1884

Exhibit "D"



RUN TIME: 10:09 AM

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
LLD SUMMARY REPORT

RUN DATE: 10/14/2004
Page 1 of 1

Admin State: NM

23 0290N 0130W

| Sect | Type | Sur No | NE | | NW | | SW | | SE | | Dup | Sub | Geo | Cty | Cong Dist | District/Res Area | Adm Age |
|------|------|--------|------|------|------|------|------|------|------|------|-----|-----|-----|-------|-----------|-------------------|---------|
| | | | Surf | EWWE | Surf | EWWE | Surf | EWWE | Surf | EWWE | Flg | | | | | | |
| 019 | A | | | X--X | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 10 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 11 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 12 | | X-- | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 13 | | X-- | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 14 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 15 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 16 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 17 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 18 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 19 | | --- | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 2 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 20 | | --- | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 21 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 22 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 23 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 3 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 4 | | --- | | | | | | X-- | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 5 | | X-- | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 6 | | X-- | | | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 7 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 8 | | --- | | X | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |
| 019 | L | 9 | | --- | | XX | | | | | | | NM | NM045 | NM03 | FARMINGTON | 2100C |

Total for MTR Excluding Survey Notes of C/D/R

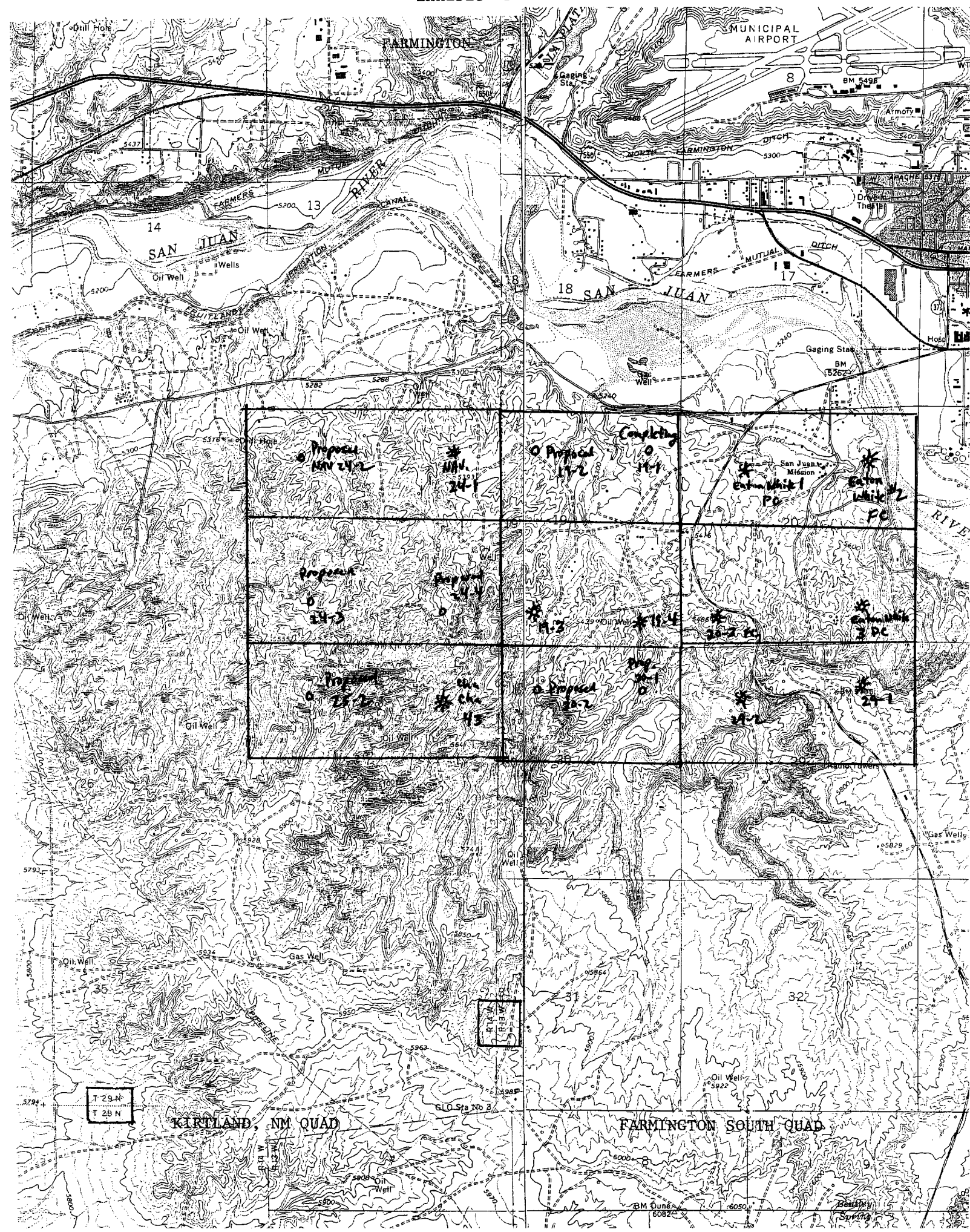
498.510

Report Total Acreage Excluding
Survey Notes of C/D/R

498.510

NO WARRANTY IS MADE BY BLM
FOR USE OF THE DATA FOR
PURPOSES NOT INTENDED BY BLM

Exhibit "F"



LANCE OIL & GAS COMPANY, INC.

PO Box 70



November 22, 2004

Certified Mail
Return Receipt Requested
Article No. 7002 3150 0002 0907 1025

Burlington Resources Oil & Gas Company
Attn: Mr. Frank Schilling
P.O. Box 4289
Farmington, NM 87499-4289

RE: Non-Standard Location Application
Non-Standard Proration Application
Proposed Fruitland Coal/PC Well
Lance F-RPC 19 #3
Township 29 North, Range 13 West, NMPM
2045' FSL & 700 FWL
Section 19: SW/4
San Juan County, New Mexico

Dear Mr. Schilling:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application and non-standard proration unit application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its proposed Lance Oil & Gas F-RPC 19 #3 well in the Fruitland Coal/Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing surface conditions (topography/large wash), the well is approximately 80.0' too close to the east/west quarter line of Section 19 and therefore non-standard. The BLM Authorized Officer (Roger Herrera) requested the location during the BLM on-site for this location.

Lance Oil & Gas Company, Inc. is also applying to the NMOCD for a non-standard proration unit for this well the Pictured Cliffs formation. According to NMOCD rules, acreage dedicated to a Pictured Cliffs well (West Kutz PC for this well) must be at least 70% of a standard proration unit (160.00 acres). Therefore the minimum for a Pictured Cliffs well would be 112 acres or 70% of 160. Acreage for the referenced well is 91.16 acres because of the variation in the legal subdivision of the U.S. Public Land Survey (GLO).

| | |
|--------------------------|---|
| Well Name: | F-RPC 19 #3 |
| Proposed Producing Zone: | Fruitland Coal/Pictured Cliffs |
| Acreage Dedication: | S/2 FC (248.92 Acres) and SW/4 PC (91.16 Acres) of Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Location: | 2045' FSL & 700 FWL, Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Applicant's Name: | Lance Oil & Gas Company, Inc. |
| Applicant's Address: | Post Office Box 70, Kirtland, New Mexico 87417 |
| Applicant's Phone No. | 505/598-5601 |

November 22, 2004
Page Two

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'Paul Lehrman', written in a cursive style.

Paul Lehrman
Sr. Landman

Enclosures

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Frank Schilling
Burlington Res.
Box 4289
Farm. NM
87499

2. Article Number

(Transfer from service label)

7002 3150 0002 0907 1025

PS Form 3811, August 2001

Domestic Return Receipt

2ACPRI-03-Z-0985

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.

CERTIFIED MAIL

7002 3150 0002 0907 1025
7002 3150 0002 0907 1025

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$

Postmark
Here

Sent To

Burlington Resources 011 GAS

Street, Apt. No.,
or PO Box No.

Box 4289

City, State, ZIP+4

Farm. NM 87499

PS Form 3800, June 2002

See Reverse for Instructions

LANCE OIL & GAS COMPANY, INC.

PO Box 70



Kirtland, New Mexico 87417

November 22, 2004

Certified Mail
Return Receipt Requested
Article No. 7002 3150 0002 0907 1018

Edwards Energy
1200 17th Street, Suite 2100
Denver, Colorado 80202

RE: Non-Standard Location Application
Non-Standard Proration Application
Proposed Fruitland Coal/PC Well
Lance F-RPC 19 #3
Township 29 North, Range 13 West, NMPM
2045' FSL & 700 FWL
Section 19: SW/4
San Juan County, New Mexico

Gentlemen:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application and non-standard proration unit application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its proposed Lance Oil & Gas F-RPC 19 #3 well in the Fruitland Coal/Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing surface conditions (topography/large wash), the well is approximately 80.0' too close to the east/west quarter line of Section 19 and therefore non-standard. The BLM Authorized Officer (Roger Herrera) requested the location during the BLM on-site for this location.

Lance Oil & Gas Company, Inc. is also applying to the NMOCD for a non-standard proration unit for this well the Pictured Cliffs formation. According to NMOCD rules, acreage dedicated to a Pictured Cliffs well (West Kutz PC for this well) must be at least 70% of a standard proration unit (160.00 acres). Therefore the minimum for a Pictured Cliffs well would be 112 acres or 70% of 160. Acreage for the referenced well is 91.16 acres because of the variation in the legal subdivision of the U.S. Public Land Survey (GLO).

| | |
|--------------------------|---|
| Well Name: | F-RPC 19 #3 |
| Proposed Producing Zone: | Fruitland Coal/Pictured Cliffs |
| Acreage Dedication: | S/2 FC (248.92 Acres) and SW/4 PC (91.16 Acres) of Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Location: | 2045' FSL & 700 FWL, Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Applicant's Name: | Lance Oil & Gas Company, Inc. |
| Applicant's Address: | Post Office Box 70, Kirtland, New Mexico 87417 |
| Applicant's Phone No. | 505/598-5601 |

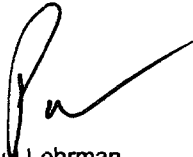
November 22, 2004
Page Two

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Lehrman', with a stylized flourish extending to the right.

Paul Lehrman
Sr. Landman

Enclosures

SENDER: COMPLETE THIS SECTION

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Denver, Colorado
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(Transfer from service label)

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PS Form 3811, August 2001

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☐ Addressee

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or PO Box No.

City, State, ZIP+4

Edwards Energy

1200 17th St. Ste 2100

Denver CO 80202

PS Form 3800, June 2002

See Reverse for Instructions

LANCE OIL & GAS COMPANY, INC.

PO Box 70



Kirtland, New Mexico 87417

November 22, 2004

Certified Mail
Return Receipt Requested
Article No. 7002 3150 0002 0907 1001

Paramount Petroleum
Post Office Box 22763
Houston, Texas 77027

RE: Non-Standard Location Application
Non-Standard Proration Application
Proposed Fruitland Coal/PC Well
Lance F-RPC 19 #3
Township 29 North, Range 13 West, NMPM
2045' FSL & 700 FWL
Section 19: SW/4
San Juan County, New Mexico

Gentlemen:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application and non-standard proration unit application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its proposed Lance Oil & Gas F-RPC 19 #3 well in the Fruitland Coal/Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing surface conditions (topography/large wash), the well is approximately 80.0' too close to the east/west quarter line of Section 19 and therefore non-standard. The BLM Authorized Officer (Roger Herrera) requested the location during the BLM on-site for this location.

Lance Oil & Gas Company, Inc. is also applying to the NMOCD for a non-standard proration unit for this well the Pictured Cliffs formation. According to NMOCD rules, acreage dedicated to a Pictured Cliffs well (West Kutz PC for this well) must be at least 70% of a standard proration unit (160.00 acres). Therefore the minimum for a Pictured Cliffs well would be 112 acres or 70% of 160. Acreage for the referenced well is 91.16 acres because of the variation in the legal subdivision of the U.S. Public Land Survey (GLO).

| | |
|--------------------------|---|
| Well Name: | F-RPC 19 #3 |
| Proposed Producing Zone: | Fruitland Coal/Pictured Cliffs |
| Acreage Dedication: | S/2 FC (248.92 Acres) and SW/4 PC (91.16 Acres) of Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Location: | 2045' FSL & 700 FWL, Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Applicant's Name: | Lance Oil & Gas Company, Inc. |
| Applicant's Address: | Post Office Box 70, Kirtland, New Mexico 87417 |
| Applicant's Phone No. | 505/598-5601 |

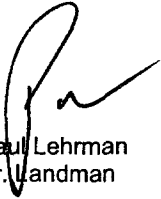
November 22, 2004
Page Two

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'Paul Lehrman', written over a printed name.

Paul Lehrman
Sr. Landman

Enclosures

| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|---|--|--|--|
| <p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> | | <p>A. Signature X</p> <p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> | |
| <p>1. Article Addressed to:</p> <p><i>Paramount Petroleum</i> <i>P.O. Box 22763</i> <i>Houston, TX</i> <i>77027</i></p> | | <p>B. Received by (Printed Name)</p> <p>C. Date of Delivery</p> | |
| <p>2. Article Number (Transfer from service label)</p> <p>7002 3150 0002 0907 1001</p> | | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> | |
| | | <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> | |
| | | <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> | |

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985



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| Certifier Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ |

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Paramount Petroleum Corp
 Street, Apt. No.,
 or PO Box No. *P.O. Box 22763*
 City, State, ZIP+4[®] *Houston, TX 77027*

PS Form 3800, June 2002 See Reverse for Instructions

LANCE OIL & GAS COMPANY, INC.

PO Box 70



November 22, 2004

Certified Mail
Return Receipt Requested
Article No. 7002 3150 0002 0907 0998

Navajo Nation Minerals Dept.
Post Office Box 1910
Window Rock, AZ 86515

RE: Non-Standard Location Application
Non-Standard Proration Application
Proposed Fruitland Coal/PC Well
Lance F-RPC 19 #3
Township 29 North, Range 13 West, NMPM
2045' FSL & 700 FWL
Section 19: SW/4
San Juan County, New Mexico

Gentlemen:

As required by New Mexico Oil Conservation Division (NMOCD) Rules, this letter will serve to notify you of the following non-standard location application and non-standard proration unit application for a well. This letter is a notice only. No action is required on your part unless you have questions or objections. Any objections must be filed in writing within 20 days of receipt of the application by the NMOCD.

Lance Oil & Gas Company, Inc. is applying to the NMOCD for a non-standard location for its proposed Lance Oil & Gas F-RPC 19 #3 well in the Fruitland Coal/Pictured Cliffs formation. The minimum distance from quarter section lines required by NMOCD rules is 660'. Due to existing surface conditions (topography/large wash), the well is approximately 80.0' too close to the east/west quarter line of Section 19 and therefore non-standard. The BLM Authorized Officer (Roger Herrera) requested the location during the BLM on-site for this location.

Lance Oil & Gas Company, Inc. is also applying to the NMOCD for a non-standard proration unit for this well the Pictured Cliffs formation. According to NMOCD rules, acreage dedicated to a Pictured Cliffs well (West Kutz PC for this well) must be at least 70% of a standard proration unit (160.00 acres). Therefore the minimum for a Pictured Cliffs well would be 112 acres or 70% of 160. Acreage for the referenced well is 91.16 acres because of the variation in the legal subdivision of the U.S. Public Land Survey (GLO).

| | |
|--------------------------|---|
| Well Name: | F-RPC 19 #3 |
| Proposed Producing Zone: | Fruitland Coal/Pictured Cliffs |
| Acreage Dedication: | S/2 FC (248.92 Acres) and SW/4 PC (91.16 Acres) of Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Location: | 2045' FSL & 700 FWL, Section 19, T29N, R13W, NMPM, San Juan Co., NM |
| Applicant's Name: | Lance Oil & Gas Company, Inc. |
| Applicant's Address: | Post Office Box 70, Kirtland, New Mexico 87417 |
| Applicant's Phone No. | 505/598-5601 |

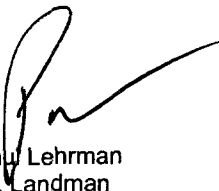
November 22, 2004
Page Two

Submittal Information: Application for a non-standard location/non-standard proration unit will be filed with the NMOCD. If they determine the application complies with the regulations, it will be approved. Any questions can be submitted to the New Mexico Oil Conservation Division, whose address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Their phone number is 505/476-3440.

Thank you for your consideration in this matter.

Please call me at 505/598-5601, Extension 57, (Lance's Land Office) if you have any questions.

Sincerely,



Paul Lehrman
Sr. Landman

Enclosures

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Navajo Nation Minerals Dept.
P.O. Box 1910
Window Rock, AZ
86515

2. Article Number

(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

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4. Restricted Delivery? (Extra Fee)

☐ Yes

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PS Form 3811, August 2001

Domestic Return Receipt

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Certified Fee

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(Endorsement Required)Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees \$

Postmark
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Sent To

Navajo Nation Minerals Dept.

Street, Apt. No.,
or PO Box No.

P.O. Box 1910

City, State, ZIP+4

Window Rock, AZ 86515

PS Form 3800, June 2002

See Reverse for Instructions

Form 3160-3
(September 2001)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

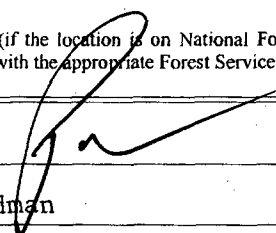
FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

| | | |
|--|---|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NMSF-079065 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator Lance Oil & Gas Company, Inc. | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address Box 70, Kirtland, NM 87417 | 3b. Phone No. (include area code) 598-5601 | 8. Lease Name and Well No. F-RPC 19 #3 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 2045' FSL & 700' FWL At proposed prod. zone Same | | 9. API Well No. 30-045- |
| 14. Distance in miles and direction from nearest town or post office* 2 miles SW of Farmington, New Mexico | | 10. Field and Pool, or Exploratory West Kutz PC/Basin Fr. Coal |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 700' | | 11. Sec., T., R., M., or Blk. and Survey or Area Sec. 19-T29N-R13W, NMPM |
| 16. No. of Acres in lease 1,470.81 | 17. Spacing Unit dedicated to this well S/2 FC 248.92 Acres SW/4 PC 91.16 Acres | 12. County or Parish San Juan |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2493' | 19. Proposed Depth 1,300' | 13. State NM |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5364' GL | 22. Approximate date work will start* Upon approval | 20. BLM/BIA Bond No. on file BLM Nationwide # 965004351 |
| 23. Estimated duration 2 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:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|--|--------------------------------------|------------------|
| 25. Signature  | Name (Printed/Typed) Paul Lehrman | Date 11-22-04 |
| Title Sr. Landman | | |
| Approved by (Signature) | Name (Printed/Typed) | Date |
| Title | Office | |

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.

*(Instructions on reverse)

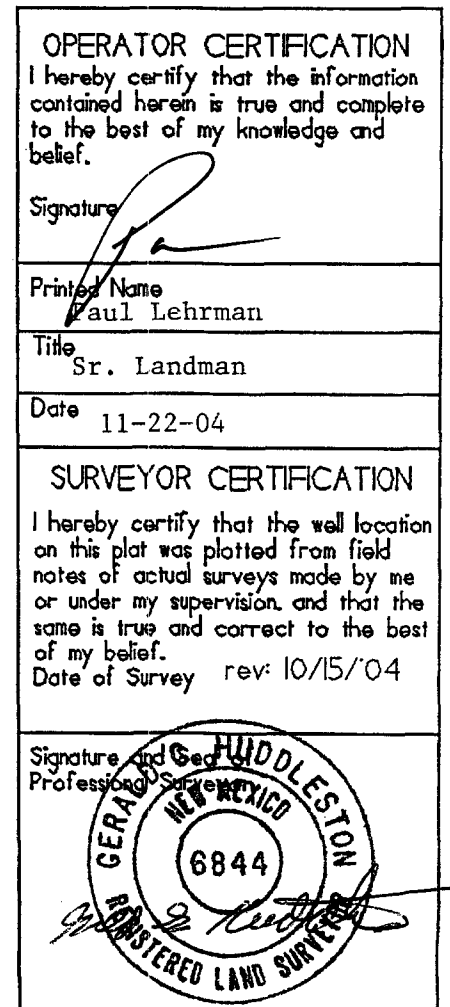
Any references to Richardson Operating Company shall now be Lance Oil & Gas Company, Inc.

Form C - 102

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|------------------------|--------------|---------------|-----------|
| Dedication SW-91.16 | 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 DIVISION



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

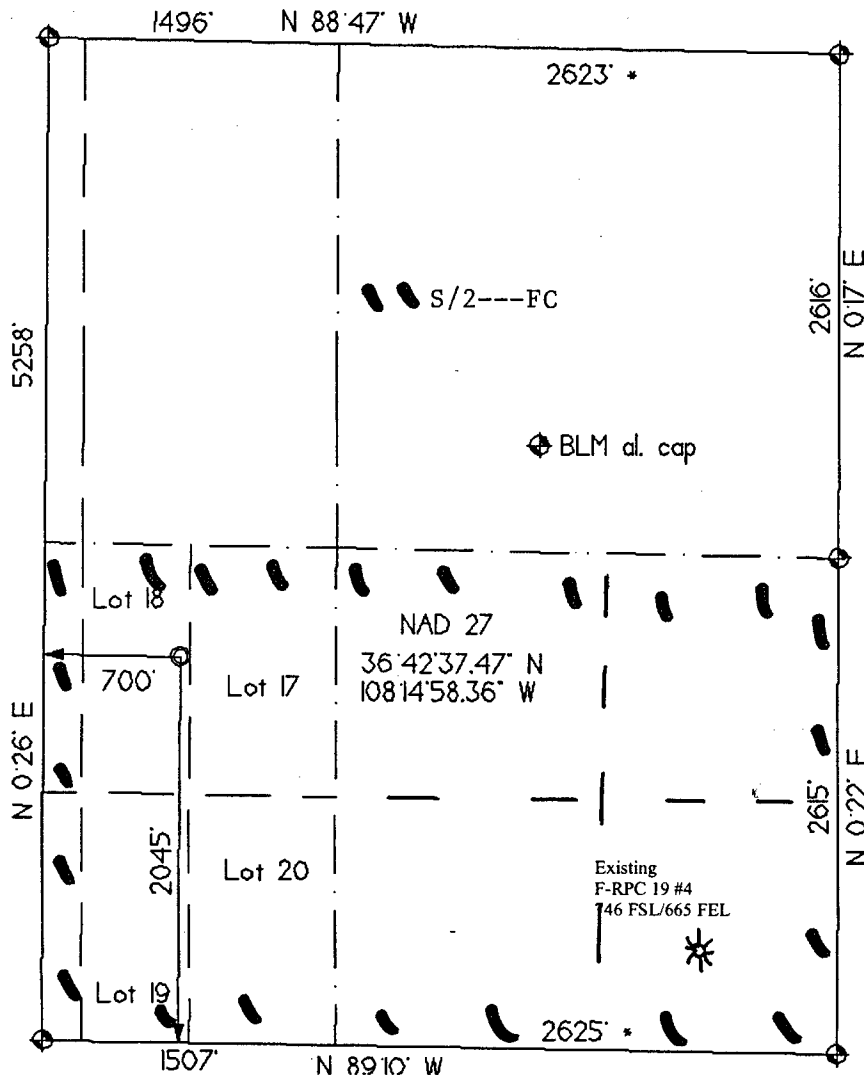
| | | |
|-----------------------|--|-----------------------------------|
| APA Number 30-045- | Pool Code 71629 | Pool Name Basin Fruitland Coal |
| Property Code | Property Name F - RPC 19 | Well Number 3 |
| OGRID No. 229938 | Operator Name LANCE OIL & GAS COMPANY, INC. | Elevation 5364' |

| Surface Location | | | | | | | | | | County |
|------------------|------------|---------------|---------------|---------|-------------|----------------------|-------------|-------------------|-------------|----------|
| UL or Lot K | Sec. 19 | Twp. 29 N. | Rge. 13 W. | Lot Lh. | Feet from > | North/South 2045' | Feet from > | East/West 700' | Feet from > | SAN JUAN |

| Bottom Hole Location if Different From Surface | | | | | | | | | | County |
|--|------|------|------|---------|-------------|-------------|-------------|-----------|-------------|----------|
| UL or Lot | Sec. | Twp. | Rge. | Lot Lh. | Feet from > | North/South | Feet from > | East/West | Feet from > | SAN JUAN |

| | | | |
|-------------------|---------|---------------|-----------|
| Dedication S/2 | Joint ? | Consolidation | Order No. |
|-------------------|---------|---------------|-----------|

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



OPERATOR CERTIFICATION

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

Signature

Printed Name

Paul Lehrman

Title

Sr. Landman

Date

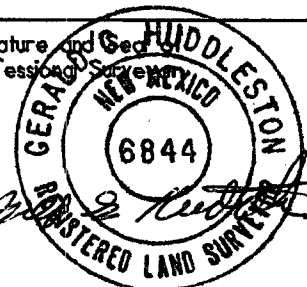
11-22-04

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 rev: 10/15/04

Signature and Seal of Professional Surveyor



Lance Oil & Gas Company, Inc.
F-RPC 19 #3
2045' FSL & 700' FWL
Section 19, T29N, R13W, 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' | +5,364' |
| Fruitland Fm | 865' | 870' | +4,499' |
| Fruitland Coal | 905' | 910' | +4,459' |
| Pictured Cliffs Ss | 1020' | 1025' | +4,344' |
| Lewis Shale | 1190' | 1200' | +4,174' |
| Total Depth (TD)* | 1300' | 1305' | +4,064' |

*All elevations reflect the ungraded ground level of 5,364'

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, kelly cock and 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 | 1300' |

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 ≈ 273 cu.ft. (≈ 150 sx) Howco TX1 Lightweight (yield = 1.82 cu.ft./sk, slurry weight = 12.0 ppg). Tail in with ≈ 90 cu.ft. (≈ 70 sx) Howco TX 1 Lightweight (yield = 1.29 cu.ft./sk, weight = 13.5 ppg). Total cement volume is ≈ 363 cu.ft. based on 50% excess and circulating to surface.

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. Six turbolizers will be placed every other joint starting from the top of the well.

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:

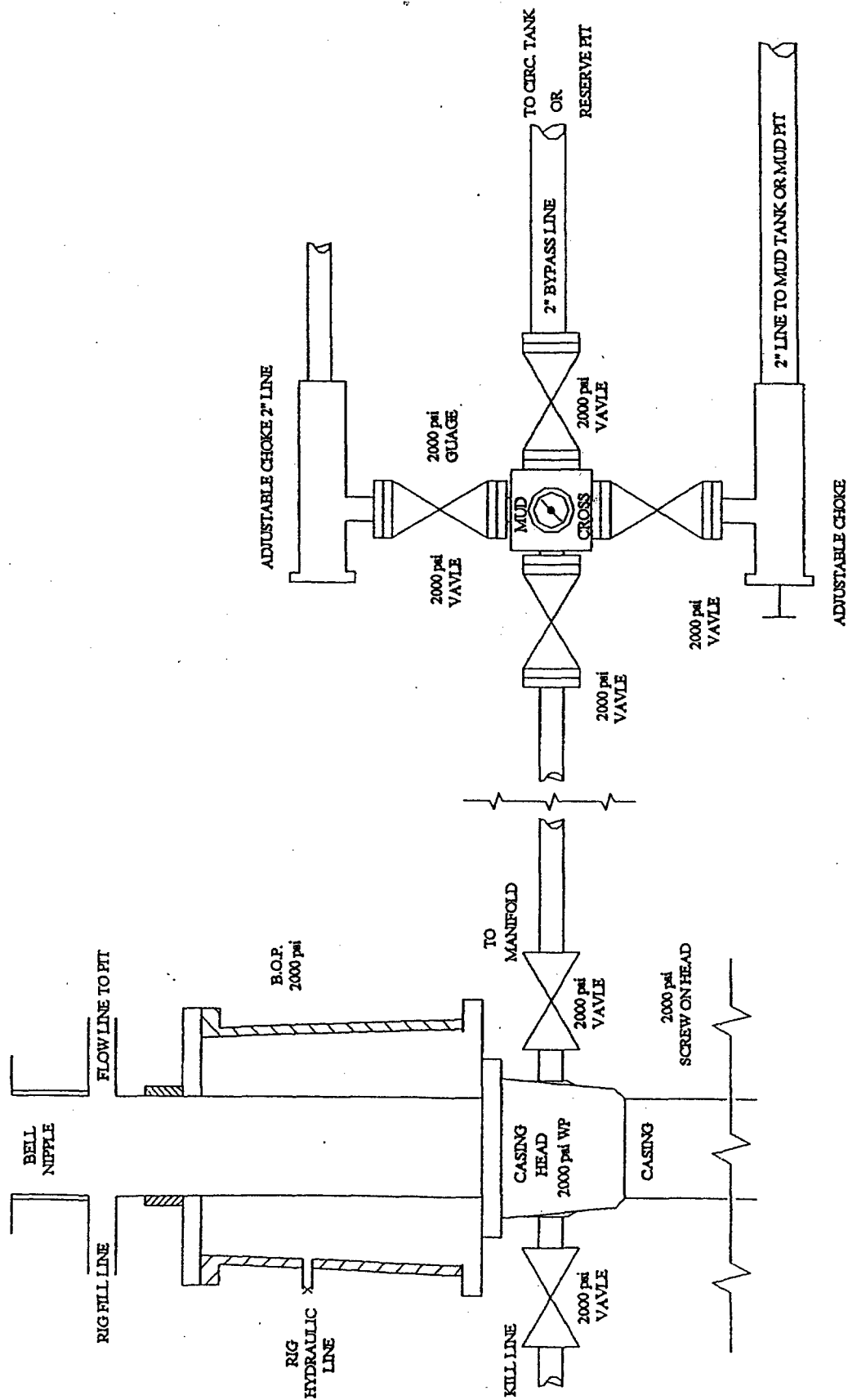
No cores or DSTs are planned. A cased hole CNL/GR will be run from TD to surface.

7. DOWNHOLE CONDITIONS:

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

8. OTHER INFORMATION:

The anticipated spud date is January 30, 2005. It should take 5 days to drill and one (1) week to complete the well.



Lance Oil & Gas Company, Inc.
F-RPC 19 #3
2045' FSL & 700' FWL
Section 19, T29N, R13W, NMPM
San Juan County, New Mexico

SURFACE USE PLAN

1. DIRECTIONS & EXISTING ROADS: (See attached plat)

From the junction of NM 371 and Pinon Street in Farmington, New Mexico,
Go .82 miles South on NM 371,
Turn right and go approximately .65 miles westerly on BIA road N-36 (Upper Fruitland Highway),
Then turn left and enter existing Consolidated Constructor's gravel yard. Drive .25 miles on main
roadway, bearing right and continue .2 miles, bear left and follow road to new road (approximately
400' of new road) and on to location via existing roadway.

Roads will be maintained to a standard at least equal to their present condition.

2. ROADS TO BE UPGRADED OR BUILT:

400' of new access road will be built. Remaining access is existing. The existing gravel pit roads
operated by Consolidated Constructors will be used. See attached letter (Page 10) from Stan
Kozimor stating that the well location and/or road/pipelines will not interfere with the gravel pit
operations. Culverts will be placed as necessary.

3. EXISTING WELLS:

According to NM Oil Conservation Division records in Santa Fe and the State Engineers office in
Aztec, New Mexico, there are four gas wells and nineteen plugged and abandoned wells within a
mile radius, no water and no oil or injection wells within a mile. The gas wells and plugged and
abandoned wells are depicted on the plat on page 14.

4. PROPOSED PRODUCTION FACILITIES:

A separator is planned on the pad. A pump jack will be installed to remove water from the
wellbore. Surface equipment will be painted a flat juniper green color. Gas/Water will be taken via
pipelines (laid in same trench) and taken approximately 3,102.04' northerly from the well pad to
a proposed Lance facility previously approved and permitted by the BLM (Lance Oil & Gas
Company, Inc. F-RPC 19 #2 Well tie pipeline). See page 13 for pipeline route and plat. Pipeline
was rerouted per instructions from James Hellickson of Consolidated Constructors. This was to
allow them to remove building materials from our proposed original pipeline route. New
Archaeological report 88897a covers the reroute.

5. WATER SUPPLY

Water will be trucked from a private water source in Farmington, New Mexico

6. CONSTRUCTION MATERIALS & METHODS:

NM One Call (1-800-321-ALERT) will be notified prior to any new construction. A minimum 12 mil plastic liner will be installed in the reserve pit.

7. WASTE DISPOSAL:

All trash will be placed in a portable trash cage. It will be hauled to the county landfill. There will be no trash burning. Once dry, the contents of the reserve pit will be buried in place. Human waste will be disposed of in chemical toilets and hauled to an approved dump station.

8. ANCILLARY FACILITIES:

There will be no airstrips or camps. Camper trailers may be on location for the company man, tool pusher, or mud logger.

9. WELL SITE LAYOUT:

See attached for depictions of the well pad, cross section, cut and fill diagram, reserve pit, trash cage, access onto the location, parking and living facilities, and rig orientation.

10. PERMIT FOR PIT AND RECLAMATION PROCEDURES:

Within this APD, this is also an application for an individual well pit permit pursuant NMOCD 19.15.2.50. Once closed, the pit will be backfilled with soil and the pit and the well pad will be recontoured to a natural appearance, soil spread evenly over disturbed areas, and disturbed areas ripped or harrowed. BLM's seed mix approved for the area will be drilled between July 1 and September 15. If broadcast, the rate will be doubled. A harrow or cable will be dragged over the area to assure seed cover.

If the well is a producer, then the reserve pit and any other areas not needed for workovers will be reclaimed as previously described.

11. SURFACE OWNER:

Well site, existing road and pipeline are all on lease. All facilities are all on Bureau of Land Management surface.

12. OTHER INFORMATION:

The nearest hospital is a 10 minute drive away in southwest Farmington.

13. REPRESENTATION:

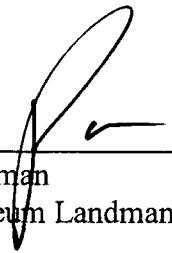
Anyone having questions concerning the APD should call Paul Lehrman and/or the field representative:

Paul Lehrman
Lance Oil & Gas Company, Inc. Land Department 505/598-5601 Ext. 57
Cell 505/486-0066
Fax 505/598-0064

Doug Barone, Production Operations Manager
Lance Oil & Gas Company, Inc.
Box 70
Kirtland, NM 87417
(505) 598-5601 Ext. 59
FAX (505) 598-0064
(505) 947-1195 CELL

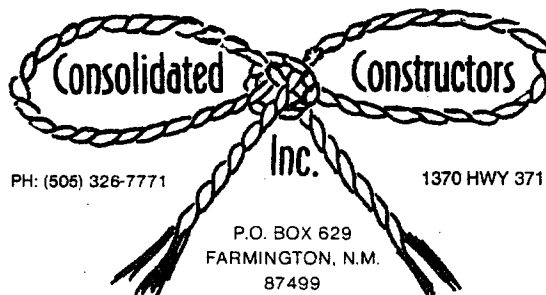
Lance Oil & Gas Company, Inc. has the necessary consents from the proper lease owner to conduct lease operations in conjunction with this well. Bond coverage is pursuant to 43 CFR 3104 for lease activities and operations are being provided by Lance Oil & Gas Company, Inc.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Lance Oil & Gas Company, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to provisions of 18 USC 1001 for the filing of a false statement.



Paul Lehrman
Sr. Petroleum Landman

November 22, 2004



July 8, 2004

Richardson Operating
Paul Lehrman
3100 La Plata Highway
Farmington, New Mexico 87401

COPY

RE: ROPCO F-RFC 19-2, 19-3
Township 29 North, Range 13 West, NMPM Section 19
San Juan County, New Mexico

Dear Mr. Lehrman

Your work for the referenced projects should not interfere with our current operations.
We will have trucks hauling materials in and out at various hours.
Gates must remain locked when there is no work scheduled.

If you have any questions please contact me at your convenience.

Thank you,

Stan Kozimor

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

May 27, 2004

WELL API NO.

30-045-

5. Indicate Type of Lease Federal NMSF-
STATE ☐ FEE ☐ 079065

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

F-RPC 19

8. Well Number

19

9. OGRID Number

229938

10. Pool name or Wildcat

West Kutz PC/Basin Fr. Coal

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 K : _____ feet from the South line and _____ feet from the West line
Section 19 Township 29N Range 13W NMPM SanJuanCounty NM

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

5364' 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 ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

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.

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 11-22-04

Type or print name
For State Use Only

Paul Lehrman

E-mail address: plehrman@westerngas.com Telephone No. 598-5601
Ext. 57

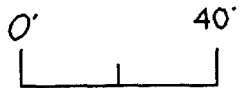
APPROVED BY: _____

TITLE _____

DATE _____

FRPC 19 # 3

well pad and section



Scale 1" = 40'

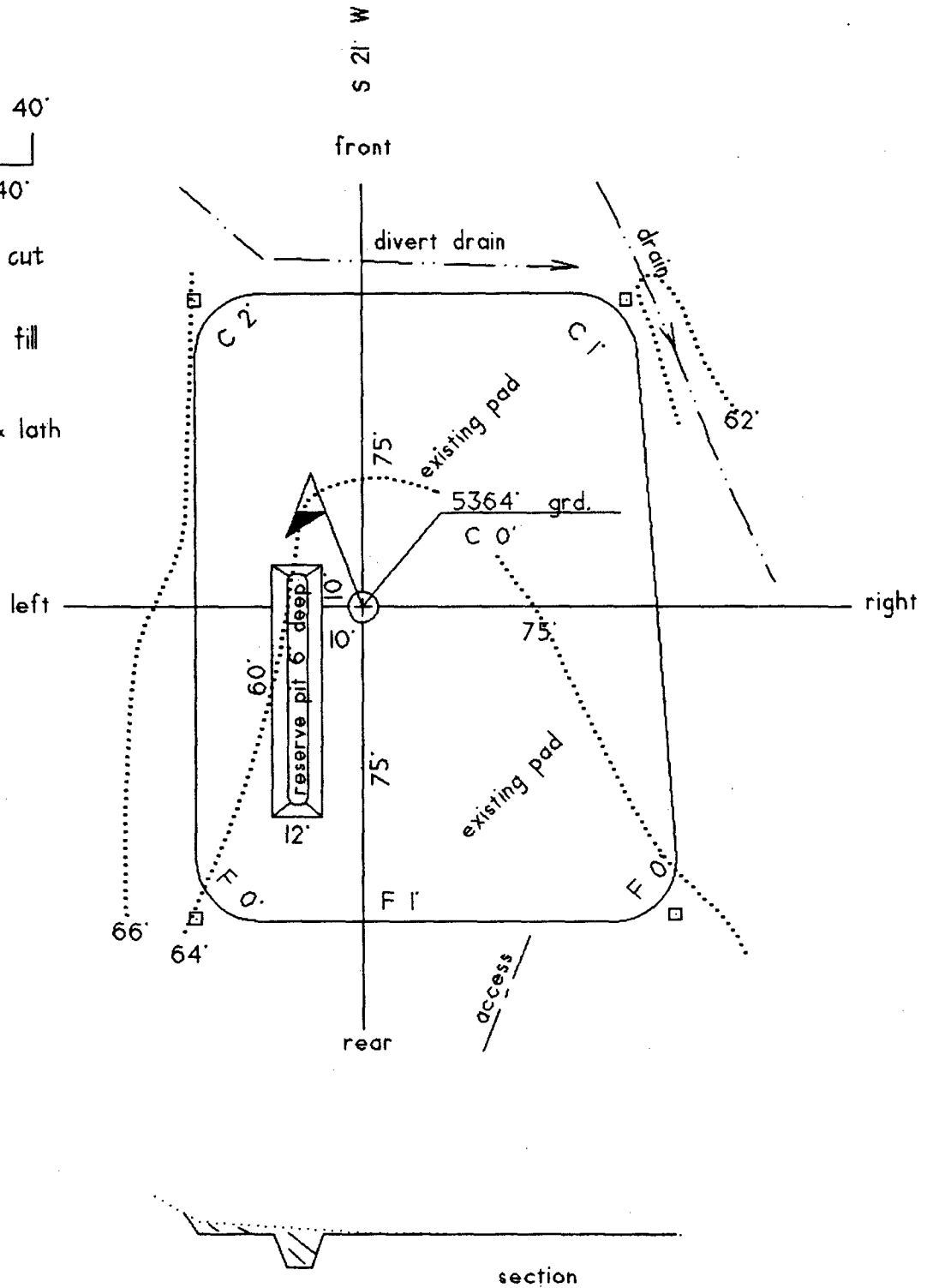


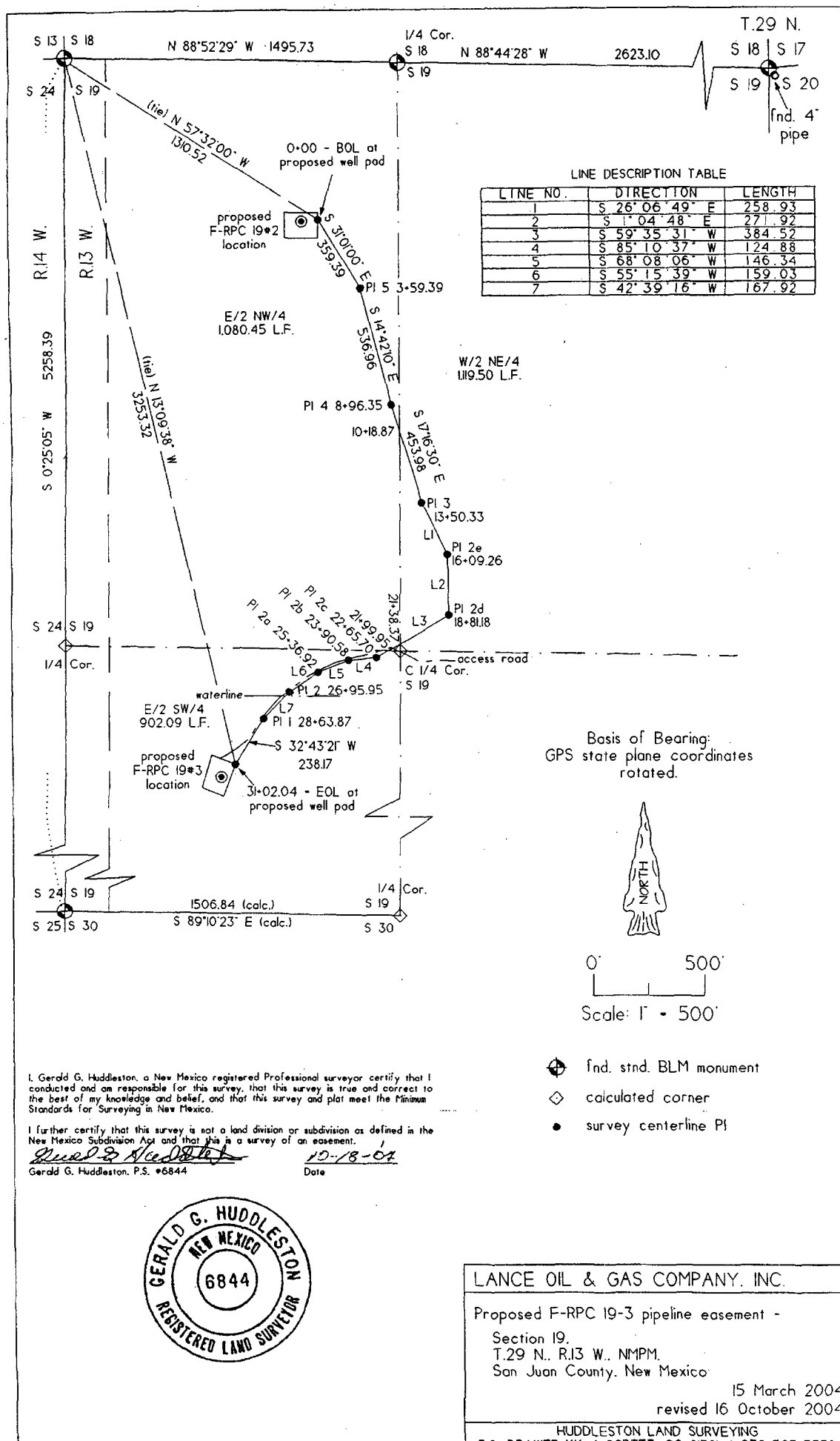
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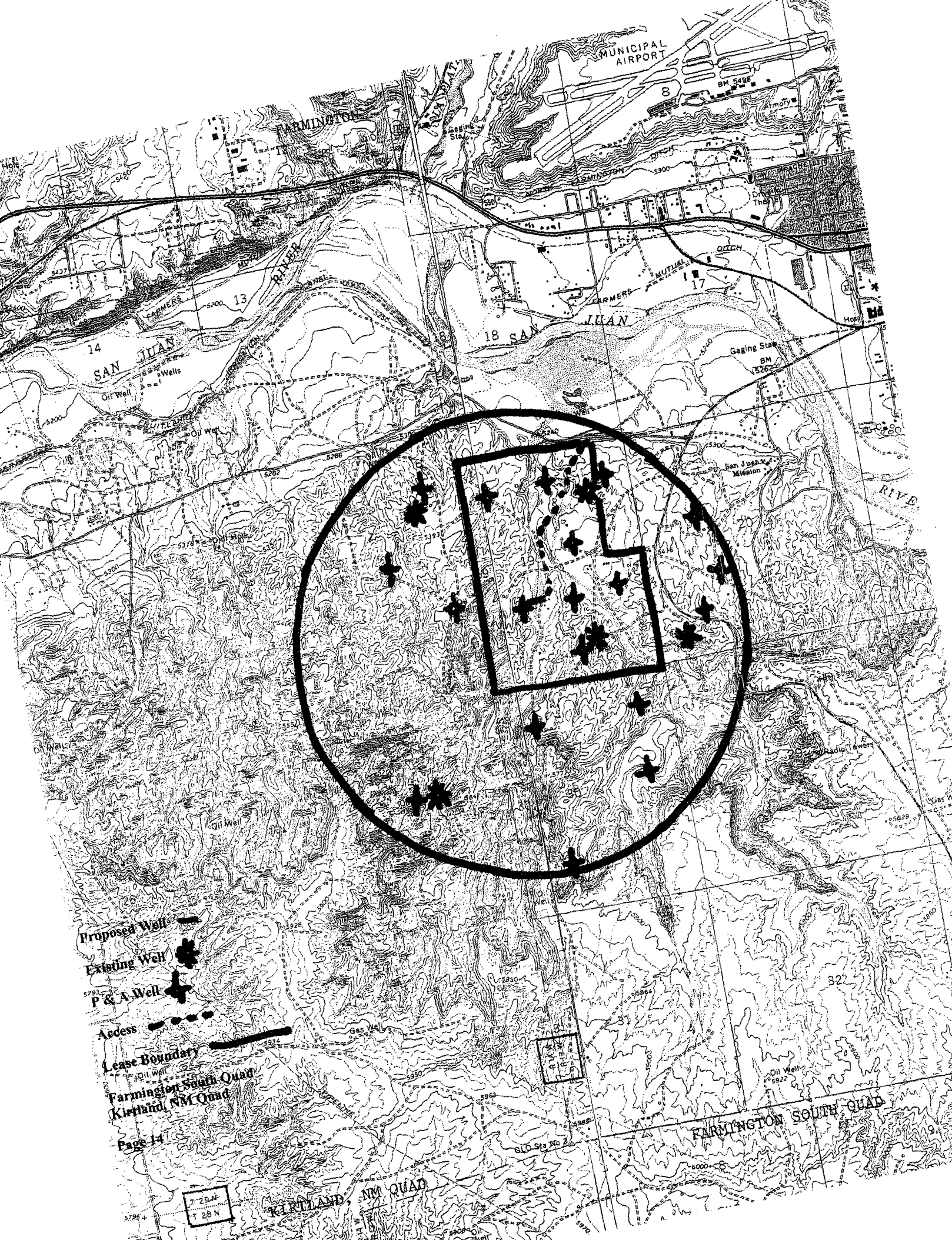


fill

□ set stake & lath







MUNICIPAL AIRPORT

FARMINGTON

14 SAN JUAN

18 SAN JUAN

RIVER

Gaging Sta. BM 5262

San Juan Mission

Proposed Well

Existing Well

P & A Well

Access

Lease Boundary

Farmington South Quad
Kirtland NM Quad

Page 14

KIRTLAND NM QUAD

FARMINGTON SOUTH QUAD

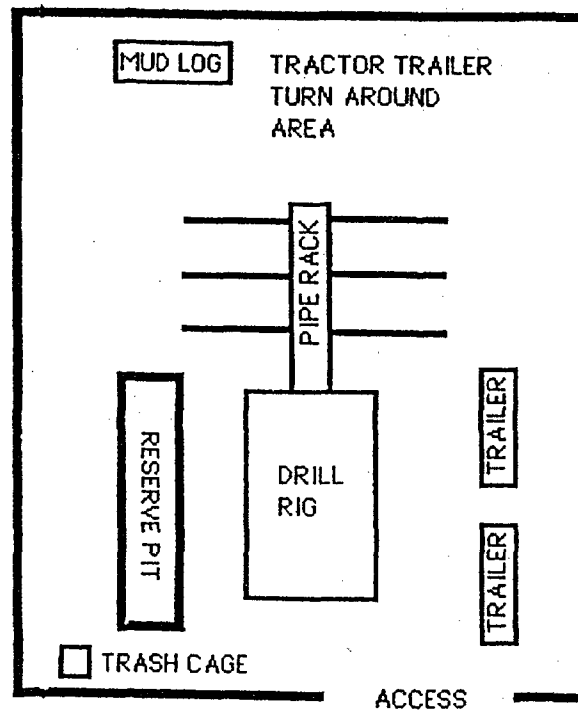
T 28 N
T 28 N

GLO. Sta. No. 2

Oil Well BM 5222

PAGE 15

WELL SITE LAYOUT
LANCE OIL & GAS COMPANY, INC.
F-RPC 19 #3
2045' FNL & 700' FWL
SECTION 19, TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM
SAN JUAN COUNTY, NEW MEXICO



NORTH



COPY

NEGATIVE SURVEY AND MONITORING REPORT

| | | |
|--------------------------|---|-------------------------------|
| 1. BLM Report No. | 2. BLM Review: (initial & date) | 3. NMCRIS No. 88897 |
|--------------------------|---|-------------------------------|

4. Title of Report: Richardson Oper. Co.'s FRPC 19 #3 Well Pad, Access, and Pipeline
Author: Patrick Harden

5. Fieldwork Dates: 6/8/04 **6. Report Date:** 6/24/04

| | |
|---|---|
| 7. Consultant Name & Address Field Supervisor: Patrick Harden Org. Name: Western Archeological Services Org. Address: 22491 Road D6, Cortez, Colo. 81321 Phone No.: 970-564-9278 | 8. Permit No.: 100-2920-03-P 9. Consultant Rpt. No. WAS 0416 |
|---|---|

| | |
|---|--------------------------------|
| 10. Sponsor Name and Address Ind. Responsible: Mr. Paul Lariman Org. Name: Richardson Operating Company Org. Address: 501 Airport Dr., Suite 119; Farmington, N.M. 87401 Phone No.: 505-564-8115 | 11. Sponsor Project No. |
|---|--------------------------------|

12. Area of Effect 3.2 ac. **BLM** 3.2 ac. **Other** **Area Surveyed** 14.1 ac. **BLM** 14.1 ac.
Other

13. Location (Map Attached)

| | |
|--------------------------------------|---|
| a. State: New Mexico | b. County: San Juan |
| c. Field Office: Farmington | d. Land Status: BLM |
| e. Area: T 29N R 13W Sec. 19 | E 1/2 W 1/2 |
| f. Footages: 2045 FSL 700 FWL | g. 7.5" Map Name: Farmington South, N.M. & Kirtland, N.M. |

14. a. Description of Undertaking: well pad 170 x 135' in size; a pipeline 2800' in length; and an access 1000' in length; the access continues through an existing gravel pit northeasterly to the Upper Fruitland Hwy.

All but ca. 1300' of the pipeline is situated in areas of the gravel pit which have been exhausted of their gravel, and 100% of the area is disturbed. The well pad is located on an abandoned well site. A previous survey for the gravel pit covered most of the project area.

b. Existing Data Review: files at the BLM office in Farmington and ARMS records were

checked. Two archeological sites have been recorded within 1000' of the project area. One site (BLM 39495 [LA103429]), a recent Navajo habitation, is located over 500' to the southeast of the well site; and the other site (BLM39494 [LA103430]), a 20th Century Navajo sweatlodge, is located 600' northeast of the well pad and lies between the pipeline and access road, although outside of the surveyed corridor for both project features. The sweatlodge, determined not eligible for the National Register of Historic Places, is located in the small wash which runs east of the pipeline and west of the access, and will not be affected by project activities.

c. Area Environmental / Cultural Setting: the well site is located on an abandoned well pad. The area around the pad to the east and south consists of a series of steep very narrow gravel covered ridges. The area to the north and west consists of a small wash and lower slopes of a large ridge. The access follows a two track road (previous well access road) across shallowly dissected terrain to where it intersects abandoned areas of a large gravel pit. The pipeline follows low terraces and lower ridge slopes along the west side of a small wash north from the well pad for ca. 1500' to where it also intersects the abandoned gravel pit, then northerly to join the proposed pipeline from Richardson's FRPC 19 #2 well.

The cultural resources in the general project vicinity vary and may include small habitations to special use type sites with periods of occupation ranging from Archaic to Historic (including Navajo sites), although most sites are affiliated with an Anasazi occupation (ca. 500-1200 A.D.), which are primarily manifested by lithic and sherd scatters with or without use features. Site density is relatively low.

d. Field Methods: a series of transects spaced 15m apart were walked across an area 500 x 500' surrounding the well center stake; three transects were walked along both the access and pipeline routes, surveying 150' wide corridors for each project feature. Those portions of the project located in the area previously used as a gravel pit were not archeologically surveyed, but were checked to making sure that they were actually located in the disturbed areas.

e. Artifacts Collected? no

15. Cultural Resource Findings (isolates only)

a. Location / Identification of Each Resource:

none

b. Evaluation of Significance of Each Resource (above):

non-significant

16. Management Summary (Recommendations):

archeological clearance recommended

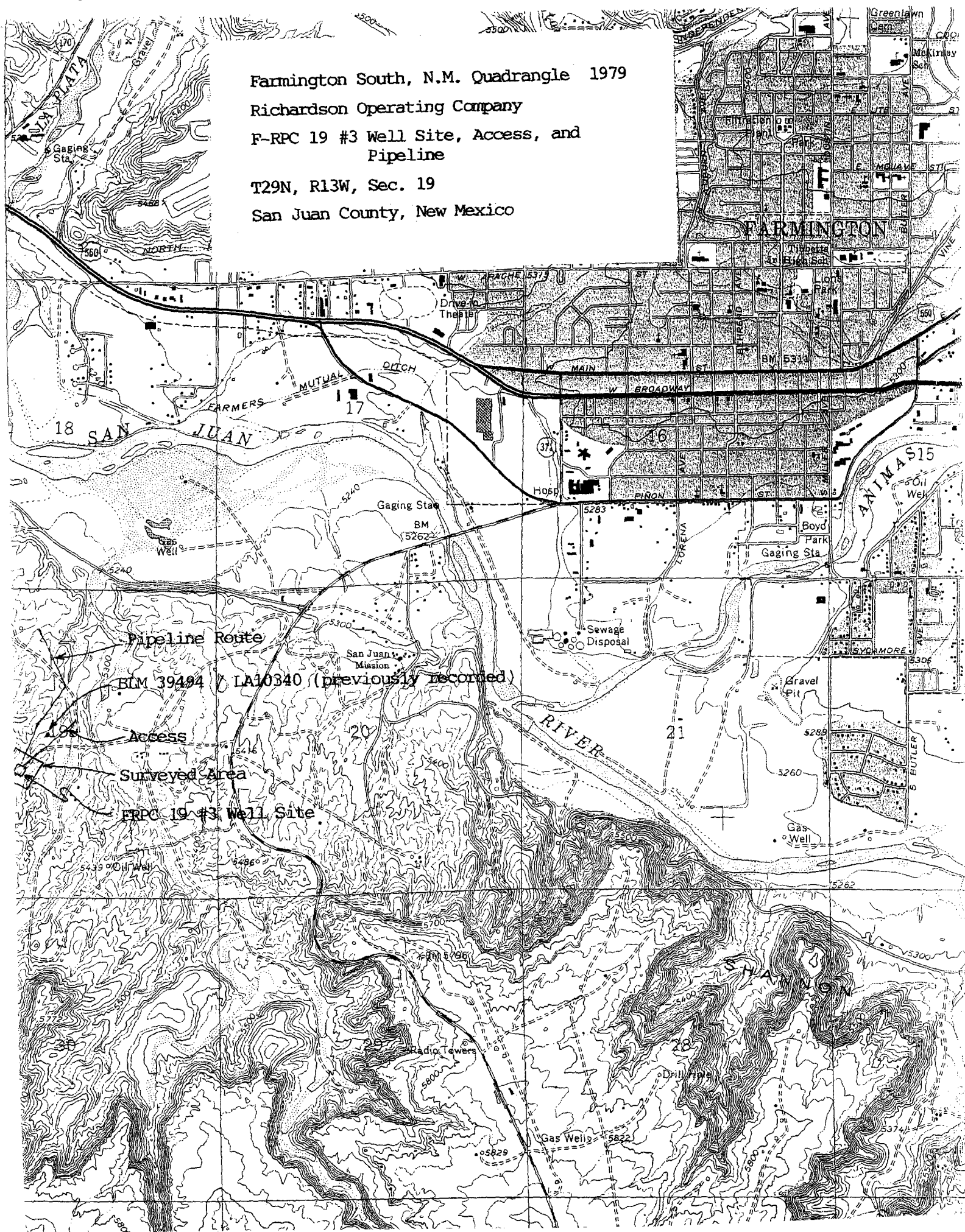
Farmington South, N.M. Quadrangle 1979

Richardson Operating Company

F-RPC 19 #3 Well Site, Access, and
Pipeline

T29N, R13W, Sec. 19

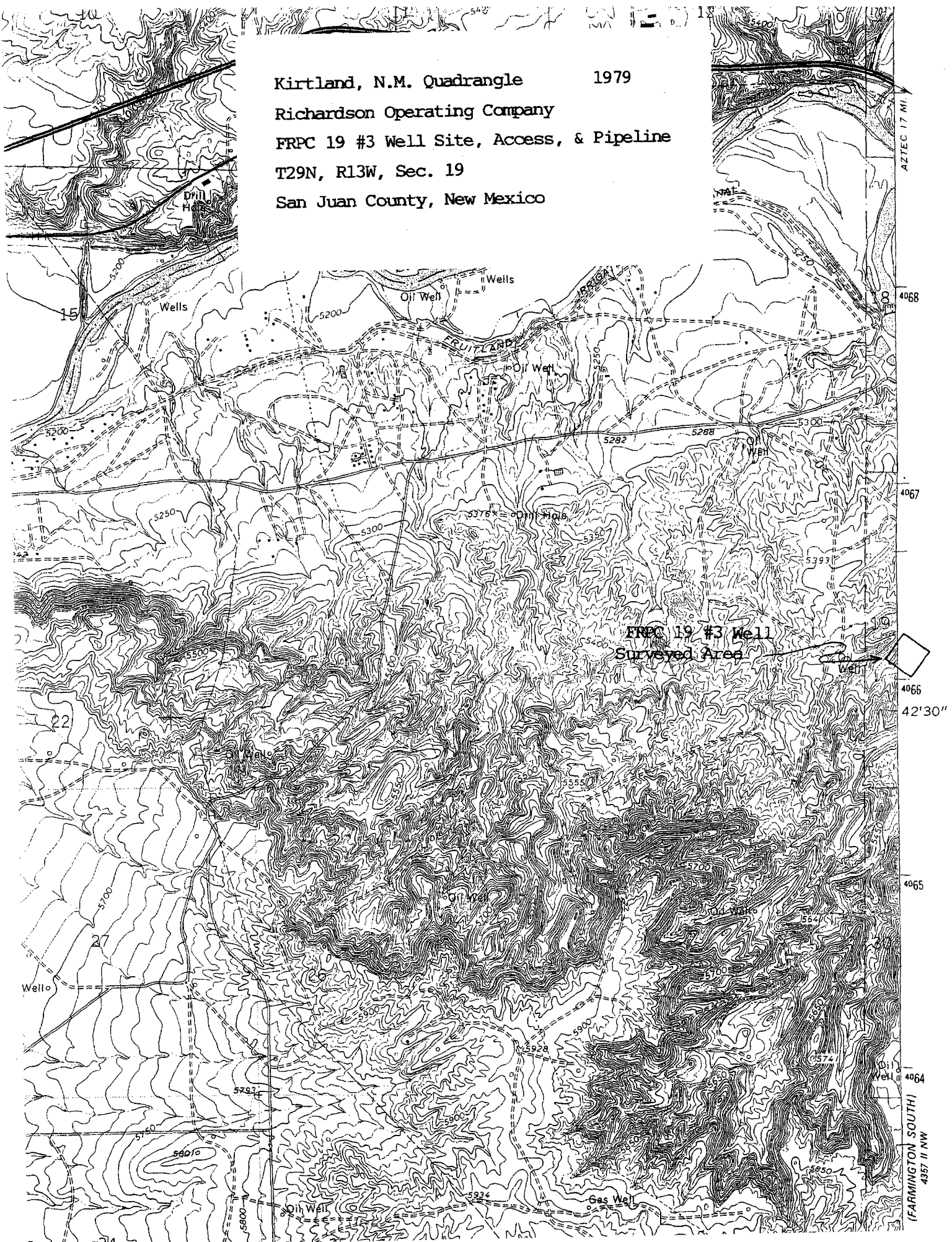
San Juan County, New Mexico

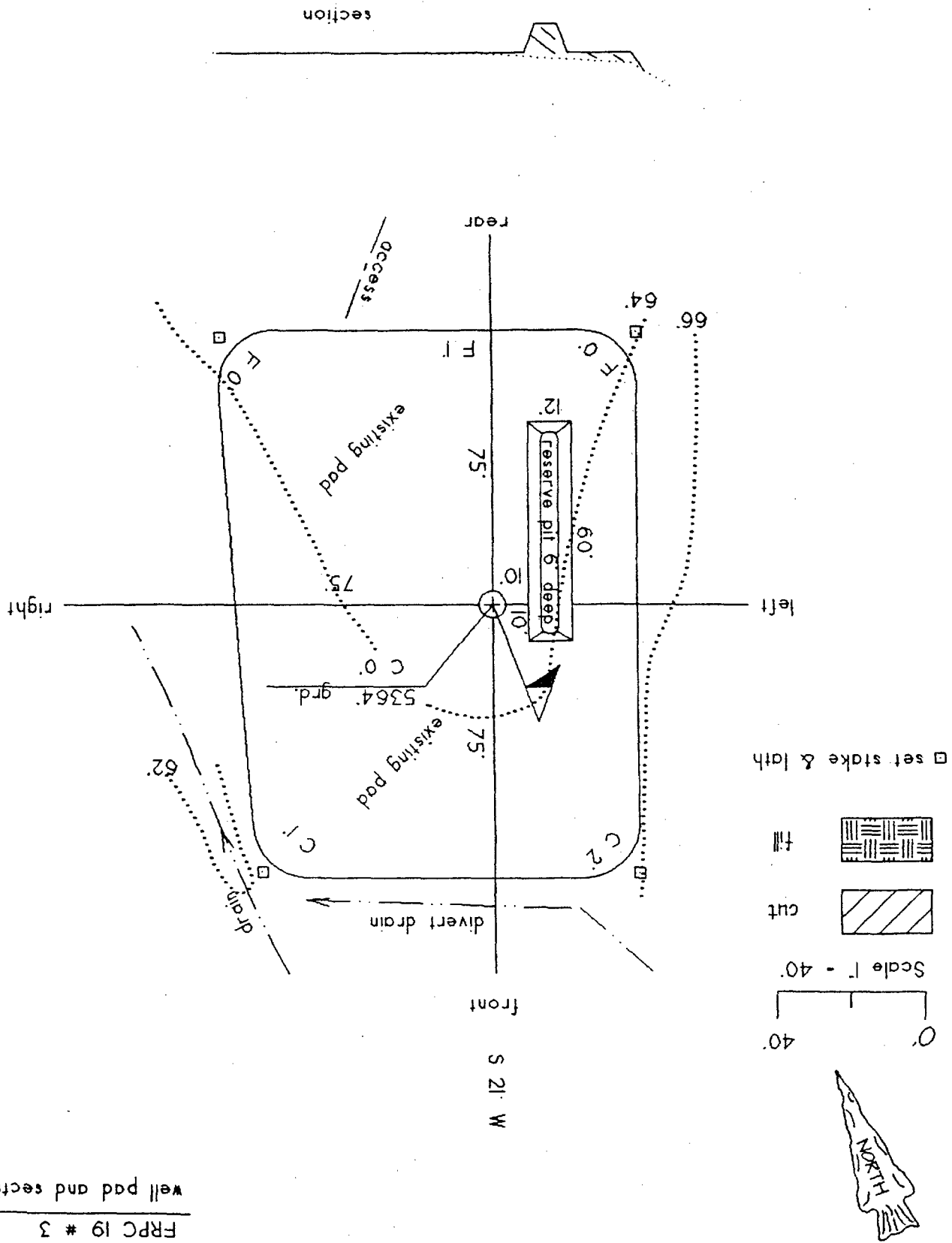


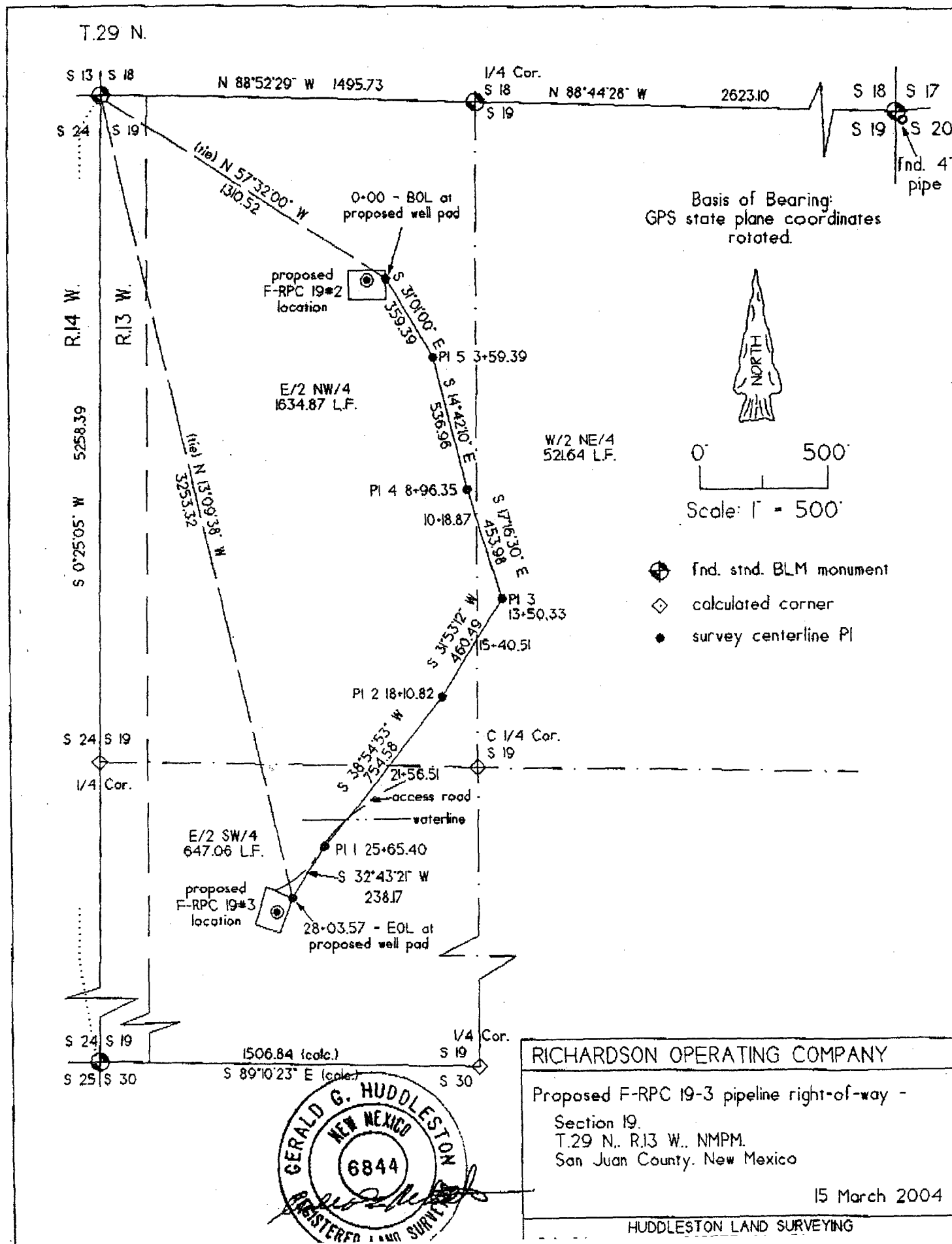
1979

FRPC 19 #3 Well Site, Access, & Pipeline

San Juan County, New Mexico







COPY

NEGATIVE SURVEY AND MONITORING REPORT

1. BLM Report No.

2. BLM Review:
(Initial & date)

3. NMCRIS No.
88897a

4. Title of Report: Lance Oil & Gas Co.'s FRPC 19 #3 Pipeline
Author: Patrick Harden

5. Fieldwork Dates: 10/25/04

6. Report Date: 11/6/04

7. Consultant Name & Address

Field Supervisor: Patrick Harden
Org. Name: Western Archeological Services
Org. Address: 22491 Road D6, Cortez, Colo. 81321
Phone No.: 970-564-9278

8. Permit No.:

100-2920-03-P

9. Consultant Rpt. No.
WAS 0416a

10. Sponsor Name and Address

Ind. Responsible: Mr. Paul Lehrman
Org. Name: Lance Oil & Gas Co.
Org. Address: P.O. Box 70 Kirtland, N.M. 87417
Phone No.: 505-598-5601

11. Sponsor Project No.

12. Area of Effect 3.2 ac. BLM 3.2 ac. Other Area Surveyed 10.6 ac. BLM 10.6 ac.
Other

13. Location (Map Attached)

a. State: New Mexico

b. County: San Juan

c. Field Office: Farmington

d. Land Status: BLM

e. Area: T 29N R 13W Sec. 19

E 1/2 W 1/2

f. Footages: 2045 FSL 700 FWL
South, N.M.

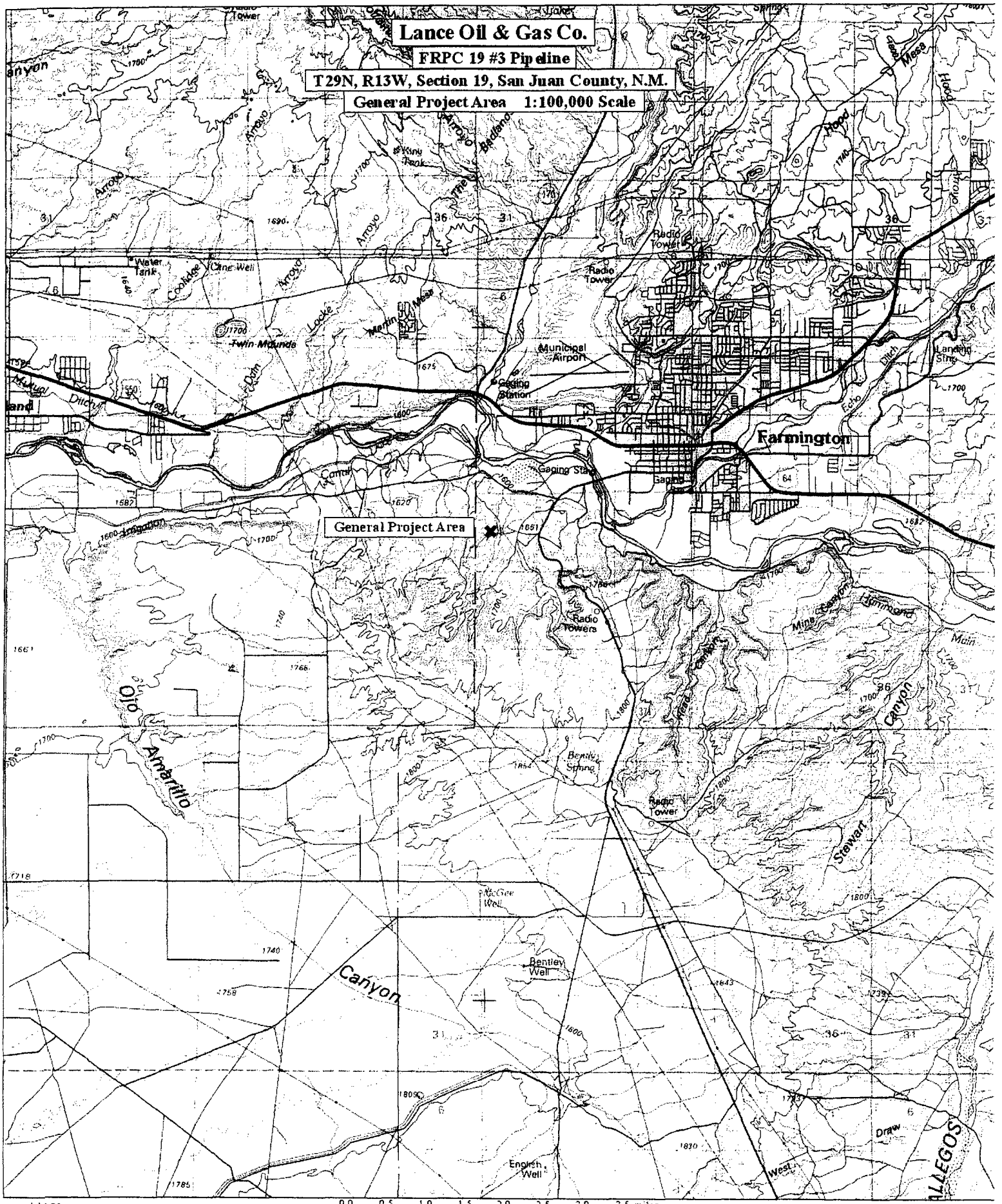
g. 7.5" Map Name: Farmington

& Kirtland, N.M.

14. a. Description of Undertaking: pipeline 3103' in length; pipeline has been relocated from previously surveyed location

All but ca. 1500' of the pipeline is situated in areas of a gravel pit which have been exhausted of their gravel and is 100% disturbed.

b. Existing Data Review: files at the BLM office in Farmington and ARMS records were checked. Two archeological sites have been recorded within 1000' of the project area. One site (BLM 39495 [LA103429]), a recent Navajo habitation, is located over 800' to the southeast of the pipeline; and



Lance Oil & Gas Co.

FRPC 19 #3 Pipeline

T29N, R13W, Section 19, San Juan County, N.M.

General Project Area 1:100,000 Scale

General Project Area

Farmington

Oil
Antarito

Canyon

Stewart

ALLEGOS

TN MN
11°

0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 miles
0 1 2 3 4 5 km

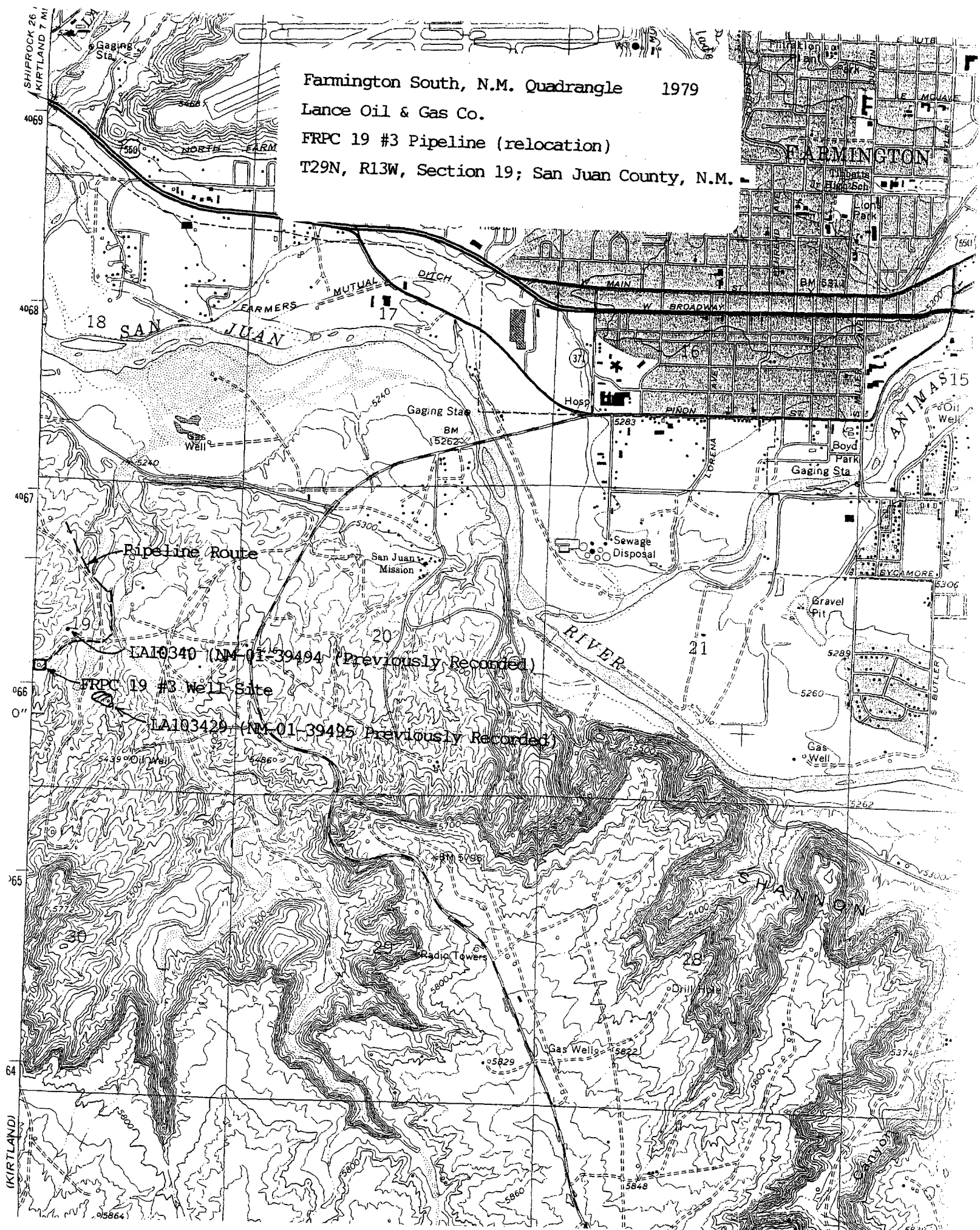
Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)

Farmington South, N.M. Quadrangle 1979

Lance Oil & Gas Co.

FRPC 19 #3 Pipeline (relocation)

T29N, R13W, Section 19; San Juan County, N.M.



the other site (BLM39494 [LA103430]), a 20th Century Navajo sweatlodge, is located 300' north of the pipeline. Neither site will be affected by project activities.

c. Area Environmental / Cultural Setting: The pipeline follows a two track road (previous well access road) across shallowly dissected terrain for ca. 1000' and then turns northerly along the east side of a low cobble covered narrow ridge, then northwesterly through abandoned areas of a large gravel pit to join the proposed pipeline from Lance Oil's FRPC 19 #2 well.

The cultural resources in the general project vicinity vary and may include small habitations to special use type sites with periods of occupation ranging from Archaic to Historic (including Navajo sites), although most sites are affiliated with an Anasazi occupation (ca. 500-1200 A.D.), which are primarily manifested by lithic and sherd scatters with or without use features. Site density is relatively low.

d. Field Methods: two parallel zigzag transects were walked along the pipeline route, surveying a 150' wide corridor. Those portions of the pipeline located in the area previously used as a gravel pit were not archeologically surveyed, but were checked to making sure that they were actually located in the disturbed areas. The FRPC 19 #3 well site and access road were previously surveyed and no cultural resources found (Harden 2004 [NMCRI 88897])

e. Artifacts Collected? no

15. Cultural Resource Findings (isolates only)

a. Location / Identification of Each Resource:
none

b. Evaluation of Significance of Each Resource (above):
n/a

16. Management Summary (Recommendations):

archeological clearance recommended

