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February 9, 2005

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: WF FRPC "17" Well No. 2 (API#30-045-32140)  
Unit E, NW/4 of Section 17, T29N, R14W  
Application of Lance Oil & Gas Company, Inc.  
for compulsory pooling,  
San Juan County, New Mexico

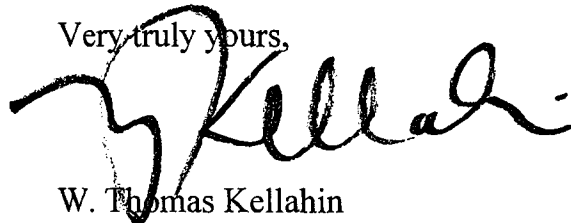
*Case 13437*

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Dear Mr. Fesmire:

On behalf of Lance Oil & Gas Company, Inc., find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for March 3, 2005. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Lance Oil & Gas Company, Inc.  
Attn: Anne Jones

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CASE 13437: Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Pictured Cliffs formation underlying the NW/4 of Section 17, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. This unit is to be dedicated its WF ROPCO "17" Well No. 2 (API# 30-045-32140) to be drilled at an unorthodox gas well location in Unit E of this section for production from the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool (See Administrative Order NSL-5008, dated March 3, 2004). Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 1-1/2 miles East-Southeast from Kirtland, New Mexico.

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF LANCE OIL & GAS COMPANY, INC.  
FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 13 437

**APPLICATION**

Lance Oil & Gas Company, Inc. ("Lance") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests to the Pictured Cliffs formation underlying the NE/4 of Irregular Section 17, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. This unit is to be dedicated its WF Ropco "17" Well No. 2 (API# 30-045-32140) to be drilled at an unorthodox gas well location in Unit E of this section for production from the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Lance Oil & Gas Company, Inc. ("Lance") states:

1. Effective October 1, 2004, Lance became the successor to Richardson Operating Company ("Richardson").

2. Lance has a working interest ownership in the oil and gas minerals from the surface to the base of the Pictured Cliffs formation underlying the NE/4 of Section 17, T29N, R14N, NMPM, San Juan County, New Mexico.

3. This gas spacing unit is located within the boundary of the Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool.

4. On March 3, 2004, the Division entered Administrative Order NSL-5008 approving Richardson application to drill this well at an unorthodox gas well location 1975 feet from the North line and 575 feet from the West lines of this section.

5. By letter dated, January 10, 2005, Lance as proposed to the other working interest or mineral owners that this well be drilled and completed in the Pictured Cliffs formation to be dedicated to a standard 160-acre gas spacing and proration unit consisting of the NW/4 of Section 17.

6. Despite its reasonable efforts, application has been unable to obtain a written voluntary agreement from certain uncommitted working interest and/or mineral interest owners as shown on **Exhibit "A"**.

7. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Lance needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

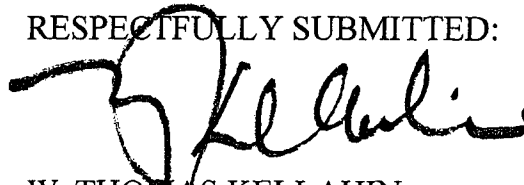
8. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A(1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 3, 2005.

WHEREFORE, Lance Oil & Gas Company, Inc, as applicant, requests that this application be set for hearing on March 3, 2005 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Lance Oil & Gas Company, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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**List of Unleased Mineral Owners**  
**Nature & percent of interest**  
**Lance Oil & Gas Company, Inc.**  
**WF FRPC 17 #2**  
**Pictured Cliffs Formation NW/4 Section 17 – T29N-R14W, NMPM**  
**San Juan County, New Mexico**

Name & Address	Acreage PC	% Interest PC
State Highway Department of New Mexico PO Box 1149 Santa Fe, NM 87504-1149	6.50	4.062500
Norma Schmitt & C. Gregory Schmitt Co-Trustees of the Norma Schmitt Revocable Trust UTA June 1, 1999, et al. PO Box 97 Kirtland, NM 87417	12.47	7.793750
Joel W. & Sherry Foutz PO Box 784 Kirtland, NM 87417	0.91	0.568750
Shaun D. Winn, a single man #341 CR 6100 Kirtland, NM 87417	0.27	0.165625
James Thomas & Heather Lee Robbins #3 CR 6285 Kirtland, NM 87417	0.47	0.293438
Sabiniano Jr. & Veronica E. Lobato 4329 Cardinal Street Farmington, NM 87401	0.71	0.441000
Roger N. & Janet L. Isham PO Box 1184 Kirtland, NM 87417	0.75	0.468750
Anne M. & Alan D. Youts PO Box 554 Kirtland, NM 87417	2.17	1.353125
Schmitt Revocable Trust UTA DTD 8/7/1999 358 CR 6100 Kirtland, NM 87417	1.00	0.625000
Cloyd B. & Nona Beckstead 465 CR 6100 Kirtland, NM 87417	0.16	0.100438
<b>TOTAL UNLEASED</b>	<b>25.41</b>	<b>15.872376</b>

