

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

February 9, 2005

HAND DELIVERED

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

Case 13440

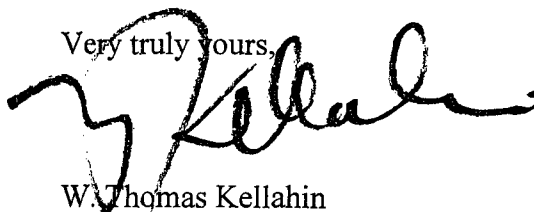
2005 FEB 8 PM 1 54

Re: FRPC "15" Well No. 2 (API#30-045-32716)
Unit C, NW/4 and W/2 of Section 15, T29N, R14W
Application of Lance Oil & Gas Company, Inc.
for compulsory pooling including optional infill well provisions,
San Juan County, New Mexico

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

CASE 13440: Application of Lance Oil & Gas Company, Inc. for compulsory pooling including optional infill well provisions, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying both the NW/4 and the W/2 of Section 15, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool and forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the West Kutz-Pictured Cliffs Gas Pool. These units are to be dedicated its WF Ropco "15" Well No. 2 (API# 30-045-32716) to be drilled at a standard gas well location in Unit C of this section for downhole commingled production from the Basin Fruitland Coal Gas Pool and the West Kutz-Pictured Cliffs Gas Pool. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed-gas well. 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 4 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 INCLUDING
OPTIONAL INFILL WELL PROVISIONS,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 13440

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 and the Basin Fruitland Coal-Gas Pool underlying both the NW/4 and the W/2 of Section 15, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool and forming a standard 160-acre gas spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the West Kutz-Pictured Cliffs Gas Pool. These units are to be dedicated its WF Ropco "15" Well No. 2 (API# 30-045-32716) to be drilled at a Standard gas well location in Unit C of this section for downhole commingled production from the Basin Fruitland Coal Gas Pool and the West Kutz-Pictured Cliffs Gas Pool. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed gas well. 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 E/2 of Section 15, T29N, R14N, NMPM, San Juan County, New Mexico.

3. These gas spacing units are located within the boundaries of the Basin Fruitland Coal Gas Pool and the West Kutz-Pictured Cliffs Gas Pool.

4. By letter dated, January 10, 2005, Lance as proposed to the other working interest or mineral owners that this well be drilled and dually completed in the Pictured Cliffs and Fruitland coalbed formations to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the E/2 and a standard 160-acre gas spacing and proration unit consisting of the SE/4 both in Section 15.

5. 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"**.

6. The applicant also seeks to include provisions for subsequent operations and procedures for an optional "infill" coalbed gas well. **See Exhibit "B" attached.**

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.

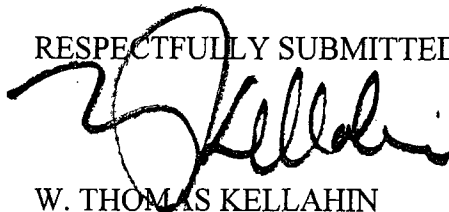
8. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A(1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

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:

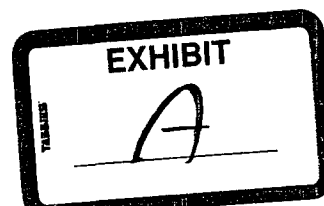
- (1) Lance Oil & Gas Company, Inc. be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) Provisions for subsequent operations and procedures for an optional "infill" coalbed gas well.
- (4) 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%;
- (5) 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;
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
Telephone: (505) 982-4285
Fax: (505) 982-2047

**List of Unleased Mineral Owners
Nature & percent of interest
Lance Oil & Gas Company, Inc.
WF ROPCO 15 #2**



**Pictured Cliffs Formation NW/4 Section 15 – T29N-R14W, NMPM
Fruitland Coal Formation W/2 Section 15 – T29N-R14W, NMPM
San Juan County, New Mexico**

Name & Address	Acreage PC	% Interest PC	Acreage FC	% Interest FC
Ronald & Pamela Chapman #9 CR 6052 Farmington, NM 87401	0.8229	0.5143	0.8229	0.2572
Allan & Priscilla Mai #5 CR 6052 NBU 1002 Box 9 Farmington, NM 87401	0.3873	0.2421	0.3873	0.1210
Scarlett A. Correll PO Box 3462 Farmington, NM 87499	0.4775	0.2984	0.4775	0.1492
Michael & Julie Copeland #4 CR 6054 Farmington, NM 87401	0.4129	0.2581	0.4129	0.1290
Joseph & Julia Tanner #1 CR 6054 Farmington, NM 87401	0.4192	0.2620	0.4192	0.1310
Kenneth & Charlene Gorman 24 CR 6050 NBU 1001 Farmington, NM 87401	0.2953	0.1846	0.2953	0.0923
Michael Terry & Deborah Anderson 4124 Lew Wallace Dr. Clovis, NM 88101-2532	0.63051	0.1907	0.3051	0.0953
Letty R. Wilson 26 CR 6050 Farmington, NM 87401	0.3100	0.1938	0.3100	0.0969
Robert J. Perez PO Box 932 Farmington, NM 87499	0.3059	0.1912	0.3059	0.0956
Ned & Brenda Raymond 7 CR 6055 Farmington, NM 87401	0.0555	0.0347	0.2219	0.0693
Alan R. Randall 15 CR 6055 Kirtland, NM 87417	0.3097	0.1936	0.3097	0.0968
Randal & Elaine Wakeland 20 CR 6055 Farmington, NM 87401	0.3637	0.2273	0.3937	0.1137
John A. & Betty W. Tafoya Box 5004 S. Santa Fe Road Taos, NM 87571	0.0480	0.0300	0.2500	0.0781
James & Vera Whittington 29 CR 6050 Farmington, NM 87401	0.3249	0.2031	0.3249	0.1015
John & Gayle Hawthorne 3800 N. Sunset Avenue Farmington, NM 87401	0.3249	0.2031	0.3249	0.1015
Lendell & Natalie Jones 32 CR 6050 Farmington, NM 87401			0.2310	0.0722

WF ROPCO 15 #2

W/2 Sec 15 T29N-R14W

Name & Address	Acreage PC	% Interest PC	Acreage FC	% Interest FC
Obie L. & Sarah L. Frazier 6 CR 6055 Farmington, NM 87401			0.2255	0.0705
Ira W. Gentry 7215 W. Bluefield Glendale, ,AZ 85308			2.500	0.7813
Tyler & Cheryl Pratt 44 CR 6050 NBU 1001 Farmington, NM 87401			0.3632	0.1135
Yancey W. Cluff & Natalie Allen 4445 Bella Vista Farmington, NM 87401			0.2879	0.900
John V. & Heather Kennedy 48 CR 6050 NBU 1001 Farmington, NM 87401			0.2549	0.0797
Delbert E. & Wendy Fosnot, Jr. 60 CR 6050 Farmington, NM 87401			0.2464	0.0770
Glenn J. Mearls 58 CR 6050 Farmington, NM 87401			0.2471	0.0772
Rexford L. & Shareen Mitchell, Jr. 66 CR 6050 Farmington, NM 87401			0.2500	0.0781
Prudential Relocation, Inc. 16260 North 71 st Street Scottsdale AZ 85254			0.2460	0.0752
Earl & Ireta Burnett 2 CR 6040 Farmington, NM 87401			0.2746	0.0858
Troy Stewart PO Box 1452 Kirtland, NM 87417			0.2658	0.0831
David & Rhonda Schaefer PO Box 2645 Bloomfield, NM 87413			0.2123	0.0663
Jimmy D. Bond 10 CR 6071 Farmington, NM 87401			0.2206	0.0689
Michael P. & Lisa Warren 8 CR 6071 Farmington, NM 87401			0.2768	0.0865
Richard M. & Julie L. Moore 4 CR 6071 Farmington, NM 87401			0.2546	0.0796
Sean C. Shacie Rankin 10 CR 6070 Farmington, NM 87401			0.2370	0.0741
Eric B. Hoover Box 888 Kirtland, NM 87417			0.2200	0.0688

Name & Address	Acreage PC	% Interest PC	Acreage FC	% Interest FC
Thomas M. Walker 327 Cheryl Ct. Los Alamos, NM 87544			0.0300	0.0094
Judy Hoover Box 888 Kirtland, NM 87417			0.2307	0.0721
Cheryl J. James 20 CR 6070 Farmington, NM 87401			0.5587	0.1746
Russell & Karen Hunter 28 CR 6070 Farmington, NM 87401			0.2674	0.0836
Louis & Brenette Pine 334 CR 6407 Kirtland, NM 87417			0.2500	0.0781
Ave Linda P. Mascarenas 5 CR 6067 NBU 1005 Farmington, NM 87401			0.2558	0.0799
Gary O. & Sheila Munson 9 CR 6070 Farmington, NM 87401			0.8904	0.2783
Andrew C. & Pam Erickson 17 CR 6067 Farmington, NM 87401			0.4864	0.1520
John V. & Cheryle Beshara PO Box 744 Waterflow, NM 87419			0.2260	0.0706
Ross & Monique Trujillo, Jr. 12 CR 6067 Farmington, NM 87401			0.266	0.0818
James P. & Janet McDaniel 73 CR 6050 Farmington, NM 87401			0.2470	0.0772
Ron & Michele VanValkenburg 71 CR 6050 Farmington, NM 87401			0.2470	0.0772
Tom & Vickie Wethington 67 CR 6050 Farmington, NM 87401			0.2470	0.0772
James M. Wilson 65 CR 6050 Farmington, NM 87401			0.2515	0.0786
Doran & Linda Newlin 36 CR 6050 Farmington, NM 87401			0.2271	0.0710
Bill & Linda Besett 61 CR 6050 Farmington, NM 87401			0.2355	0.0736
William H & Julie Fleck & Thomas M. Bond PO Box 256 Kirtland, NM 87417			0.25	0.0781

Name & Address	Acreage PC	% Interest PC	Acreage FC	% Interest FC
Richard J. & Sandra Drake 55 CR 6050 Farmington, NM 87401			0.2363	0.0738
Miranda D. & Derron Jones PO Box 2666 Kirtland, NM 87417			0.2500	0.0781
Keith D. & Dawn Snuggerud 8 CR 6065 Farmington, NM 87401			0.2145	0.0670
Terry L. Luna 4 CR 6404 Kirtland, NM 87417			0.2321	0.0725
Joseph D. & Robin Ratica 7 CR 6065 # 16 NBU 1004 Farmington, NM 87401			0.2491	0.0778
Justin Ray Funk 40 CR 6050 Farmington, NM 87401			0.2800	0.0875
Tim S. & Irene B. Claw 37 CR 6050 Farmington, NM 87401			0.3311	0.1035
Carlos & Christy Loomis PO Box 5383 Farmington, NM 87401			0.2500	0.0781
TOTALS	5.1628	3.2268	19.5447	6.1077

() Pursuant to Division Rule 104, an optional infill well may be drilled and produced within this 320-acre spacing unit or subsequent operations conducted for either the original well or the infill well in accordance with the following provisions:

- (a) Lance Oil & Gas Company, Inc., or its successor, shall continue to be the operator of the parent well and the infill well;
- (b) The operator or any working interest owner who consents to and has paid its share of costs of the original well, pursuant to either an voluntary agreement or a compulsory pooling order, may propose drilling of an infill well or subsequent operations of either the original well or the infill well by giving written notice of the proposed well to all working interest owners and all unleased mineral owners with the 320-acre pooled unit. Any such proposal shall specify the work to be performed, the location, proposed depth, objective formations and the estimated costs of the operation.
- (c) The parties receiving such a notice shall have thirty (30) day election period after receipt of this notice within which to notify the proposing party whether they elect to participate in the costs of the subsequent operations or the infill well. Failure of a party receiving such notice to deliver to the proposing party an written election, plus payment for this share of the total costs, within a thirty (30) day election period shall constitute an election by that party not to participate in the costs of the well or the proposal operation and shall be "a non-consenting party."
- (d) Any non-consenting party shall be subject to a 200% risk penalty charge for that well or the operations.
- (e) Production from the original well cannot be used to pay for the costs of the infill well or can production from the infill well be used to pay for the costs of the original well. The recovery of costs for subsequent operations shall be paid by the production from the well on which those operations were conducted.
- (f) If all parties elect to participate in the infill well or in subsequent operations ("a consenting party"), the operator shall, within ninety (90) days after the expiration of the thirty (30) day election period, actually commence and conduct operations with due diligence at the risk of expense of all parties.
- (g) If less that all parties elect to participate in the infill well or the subsequent operations, then all parties who elected not to participate shall be considered non-consenting working interest owners and all the provisions of this order shall apply to the drilling of the infill well or the subsequent operations with the FOLLOWING EXCEPTIONS:
 - a. The proposing party shall be solely responsible for carrying the no-consenting working interest owner's interest subject to the risk penalty charge provided for in the order. The proposing party may enter into an agreement, or

EXHIBIT

B

recognize an existing agreement, that provides for the sharing of the non-consenting interest by the consenting parties. The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall notify the Division and all other parties of such decision.

- b. If the operator is a non-consenting working interest owner in the infill well, the consenting parties shall either: (a) request the operator to perform the work required for the account of the consenting parties, or (b) designate one of the consenting parties as operator of the infill well. If the infill well results in a producer of oil and/or gas in paying quantities, one of the consenting parties shall be designated as operator and shall complete and equip the well to produce at the sole costs and risk of the consenting parties and thereafter the operator designated by this compulsory pooling order shall operate this well at the expense and for the account of the consenting working interest owners.
- c. To be entitled to the benefits of this order, the operator, or the designated consenting party, shall within ninety (90) days after the expiration of the thirty (30) day election period, actually commence and conduct the operations with due diligence at the sole risk and expense of the consenting parties.
- d. If operations for the drilling of an infill well results in a dry hole, the consenting parties shall plug and abandon the well and restore the surface location at their sole costs, risk and expense.

() If operations for the drilling of a proposed infill well or any subsequent operation for either the original well or the infill well have not been commenced within the time provided, and if any party still desires to drill the infill well, written notice proposing same must be resubmitted in accordance with the provision hereof as if no prior proposal had been made