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Attorney at Law

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

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2005 JUN 28 PM 12:46
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June 29, 2005

HAND DELIVERED

Mr. Mark Fesmire, Chairman
Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: REQUEST FOR DISMISSAL OF HEARING DE NOVO
NMOCD CASE 13437
Order No. R-12339
Application of Lance Oil & Gas Company for
Compulsory pooling
San Juan County New Mexico.

Dear Mr. Fesmire:

On behalf of Lance Oil & Gas Company, please find enclosed our motion to dismiss. This case is currently set for hearing on the Commission's July 7, 2005 docket

Very truly yours,


W. Thomas Kellahin

cc: **David K. Brooks, Esq.**
Attorney for OCC
James Thomas Robbins
Lance Oil & Gas Company
Attn: Anne Jones

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

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

**CASE NO. 13437 de novo
Order No. R-12339**

**MOTION TO DISMISS
CASE 13437**

Comes now Lance Oil & Gas Company ("Lance"), the applicant in this case, and moves to dismiss its application in Case 13437 and in doing so causes the dismissal of this de novo appeal file by James Thomas Robbins; and

IN SUPPORT STATES:

- (1) Lance filed applications for and obtained two different compulsory pooling orders both including the interests of James Thomas Robbins ("Robbins") as follows:
 - a. Case 13438, heard March 3, 2005, Order R-12330, dated April 20, 2005 pooling the following portions of Section 17, T29N, R14W, San Juan County, NM: (1) the N/2 to form a 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool and (2) the NE/4 to form a 160-acre gas spacing unit for the Pictured Cliffs Formation both to be dedicated to the WF FRPC "17" Well No. 1 (API # 30-045-31511) located in Unit A of this section (See Exhibit "A" attached);
 - b. Case 13437, heard April 7, 2005, Order R-12339, dated April 26, 2005 pooling the NW/4 of Section 17, T29N, R14W, San Juan County, NM to form a 160-acre gas spacing unit for the Pictured Cliffs formation to be dedicated to the WF FRPC "17" Well No. 2 (API # 30-045-32140) located in Unit E of this section (See Exhibit "B" attached).

NMOCD Case 13437 (DeNovo)
Lance Oil & Gas Company's Motion to Dismiss
-Page 2-

- (2) Robbins' interest is located in the NW/4 of this section and amounts to 0.293438% in the Pictured Cliffs spacing unit and 0.1467719% in the Basin Fruitland Coal Gas Pool.**
- (3) Despite being properly served in both cases, Robbins only appeared in Case 13437 (Order R-12339) to dispute this case and limited his de Novo application to Order R-12339 filed by letter dated May 24, 2005. (See letter attached as Exhibit "C")**
- (4) The period for contesting Case 13438 (Order R-12330) expired on May 20, 2005.**
- (5) On April 14, 2005, Lance drilled and logged its WF FRPC 17" Well No. 2 (Case 13437) and determined that only the Fruitland Coal Gas Pool was productive in the N/2 of this section and elected to allow the Pictured Cliffs pooling order to expire (Order R-12339).**
- (6) Therefore and in accordance with the Fruitland coal-gas pooling order, (R-12330), by letter dated June 3, 2005, Lance provided Robbins with a 30-day election notice, including AFE, for both the WF FRPC "17" Well No. 1 and the WF FRPC "17" Well No 2 as Fruitland coal-gas wells dedicated to the N/2 of Section 17. See letter and AFE attached as Exhibits "D" and "E." Robbins has yet to make an election.**
- (7) The WF FRPC "17" Well No. 1 is the parent well and the WF FRPC "17" Well No. 2 as the optional infill well in the N/2 of this section dedicated to production from the Basin Fruitland Coal Gas Pool, a spacing unit already pooled by Order R-12330. See Rule 7 (d) of the Basin Fruitland Coal Gas Pool.**
- (8) By electing not to complete this well in the Pictured Cliffs formation, Lance does not need compulsory pooling Order R-13437 and requests that the Commission dismiss Case 13437 including Robbins' de Novo application.**

- (9) Robbins failed to file a de Novo application in Case 13438 and thereby waive his opportunity to contest the only pooling order now affecting his interest (Order R-12330).

Wherefore, Lance requests that the Commission enter its order granting this motion.

Respectfully Submitted:



W/ Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Fax 505-982-2047

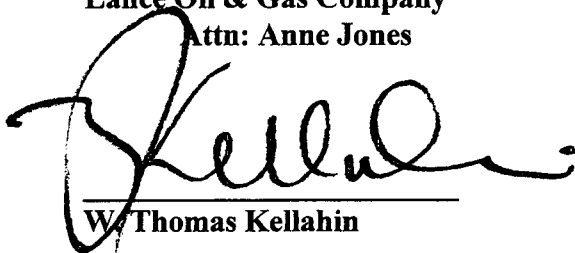
CERTIFICATE OF SERVICE

I certify that, in accordance with Division Rule 1208.A, a true and correct copy of this pleading was delivered this 28th day of June 2005 by facsimile or hand delivery to the following:

David Brooks, Esq.

James Thomas Robbins

Lance Oil & Gas Company
Attn: Anne Jones


W/ Thomas Kellahin

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 13438
ORDER NO. R-12330**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 3, 2005, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim

NOW, on this 20th day of April, 2005, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Division case Nos. 13435, 13436, 13438, 13439, 13440, 13441, and 13442 were consolidated at the hearing for the purpose of testimony, however, separate orders will be issued for each case.

(3) The applicant, Lance Oil & Gas Company, Inc. ("Lance" or "Applicant"), in this case seeks an order pooling all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation underlying the N/2 of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, in the following manner:

The N/2 to form a standard 320-acre gas spacing and proration unit for any production from the Basin-Fruitland Coal Gas Pool and all formations and/or pools developed on 320-acre spacing within that vertical extent.



The NE/4 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent, which includes but are not necessarily limited to the Undesignated Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool.

(4) The above-described units ("the Units") are to be dedicated to the applicant's proposed WF FRPC "17" Well No. 1 (API# 30-045-31511) to be drilled at a standard gas well location in Unit A of Section 17, for down hole commingled production of gas from the Basin Fruitland Coal Gas Pool and the Undesignated Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool.

(5) Two or more separately owned tracts are embraced within the Units, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Units that are separately owned.

(6) Applicant is an owner of an oil and gas working interest within the Units. Applicant has the right to drill and proposes to drill its WF FRPC "17" Well No. 1 at a standard gas well location to test the Fruitland Coal and the Pictured Cliffs formations.

(7) There are interest owners in the proposed Units that have not agreed to pool their interests.

(8) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Units the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Units.

(9) The applicant should be designated the operator of the subject well and of the Units.

(10) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% (pursuant to rule 35.A) thereof as a reasonable charge for the risk involved in drilling the well.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at \$3,500.00 per month while drilling and \$481.00 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Lance Oil & Gas Company, Inc., all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation underlying N/2 of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled in the following manner:

The N/2 to form a standard 320-acre gas spacing and proration unit for any production from the Basin-Fruitland Coal Gas Pool and all formations and/or pools developed on 320-acre spacing within that vertical extent;

The NE/4 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent, which includes but are not necessarily limited to the Undesignated Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool.

The above-described units ("the Units") are to be dedicated to the applicant's proposed WF FRPC "17" Well No. 1 (API# 30-045-31511) to be drilled at a standard gas well location in Unit A of Section 17, for down hole commingled production of gas from the Basin Fruitland Coal-Gas Pool and the Undesignated Twin Mounds Fruitland Sand Pictured Cliffs Gas Pool.

(2) Lance Oil & Gas Company, Inc., is hereby designated the operator of the subject well and of the Units.

(3) The operator of the Units shall commence drilling the proposed well on or before July 30, 2005 and shall thereafter continue drilling the well with due diligence to test the Fruitland Coal and/or the Pictured Cliffs formations.

(4) In the event the operator does not commence drilling the proposed well on or before July 30, 2005, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(5) Should the subject well not be drilled and completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the Units created by this Order shall terminate unless the operator appears before the Division Director and obtains an extension of time to complete the well for good cause demonstrated by satisfactory evidence.

(6) Upon final plugging and abandonment of the subject well, the pooled Units created by this Order shall terminate, unless this order has been amended to authorize further operations.

(7) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Units, including un-leased mineral interests, who are not parties to an operating agreement governing the Units.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Units an itemized schedule of estimated costs of drilling, completing and equipping the subject well ("well costs").

(8) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(9) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(10) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(11) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(12) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(13) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$3,500.00 per month while drilling and \$481.00 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(14) Except as provided in Ordering Paragraphs (11) and (13) above, all proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(15) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and Units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

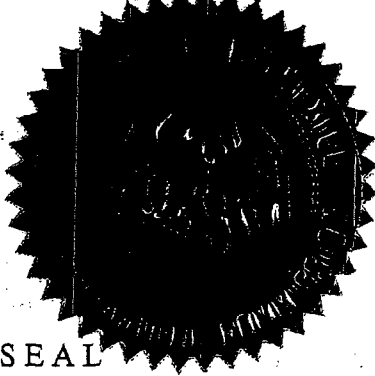
(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 13438

Order No. R-12330

Page 6 of 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Mark E. Fesmire".

MARK E. FESMIRE, PE
Director

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13437
ORDER NO. R-12339**

**APPLICATION OF LANCE OIL AND GAS COMPANY, INC. FOR
COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing at 8:15 a.m. on April 7, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 26th day of April, 2005, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The applicant, Lance Oil and Gas Company, Inc. ("applicant" or "Lance"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation underlying the NW/4 of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, in the following manner:

the NW/4 forming a standard 160-acre gas spacing unit for all formations or pools spaced on 160 acres within this vertical extent, which presently include, but are not necessarily limited to the Undesignated Twin Mounds-Fruitland Sand-Pictured Cliffs Gas Pool (86620).

(3) The above-described unit ("the Unit") is to be dedicated to the applicant's WF FRPC 17 Well No. 2 (API No. 30-045-32140), to be located at an unorthodox gas well location 1,975 feet from the North line and 575 feet from the West line of Section 17.



(4) The well location was approved on March 3rd, 2004, by the Division under administrative order number NSL-5008. The unorthodox well location (encroaching on the NE/4 of Section 18) was reported as necessary to "protect wetlands".

(5) Two or more separately owned tracts are embraced within the above-described Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(6) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill its WF FRPC 17 Well No. 2 to a common source of supply at a well location within the NW/4 of Section 17 to a projected well depth of 1,100 feet.

(7) James Thomas Robbins entered an appearance and appeared at the hearing in opposition to this case. No other interest owners entered an appearance in this case.

(8) Applicant appeared at the hearing and presented exhibits and testimony from an expert landman as follows.

(a) The well was first permitted to-be-drilled by Richardson Operating Company; then the property rights were transferred to Lance Oil and Gas Company, Inc.

(b) Approximately 40 to 50 interest owners exist in this proposed 160-acre spacing unit.

(c) There are approximately 10 unleased mineral interest owners and the total uncommitted acreage is just over 25 acres in this proposed 160-acre unit. Mr. Robbins owns 0.47 acres of land within the unit, located approximately 1,000 feet from the proposed well.

(d) All unleased mineral interest owners were provided with an offer to sell, to lease, or to join in the proposed well. They were also advised of the existence of New Mexico statutes regarding compulsory pooling.

(e) Lance has obtained approval from the surface owner of the proposed well site.

(f) Mr. Robbins did not want to sell, lease, join in the proposed well, or be compulsory pooled. In January of 2005, Mr. Robbins solicited help from US Congressman Tom Udall. The honorable Tom Udall asked legal help and advice in this matter from attorney James M. Colosky of Williams, Turner & Holmes, P.C., of Grand Junction Colorado. Mr. Colosky, in reply, advised, that "I see nothing incorrect, untoward, or harmful to your constituent's interest in the manner in which Lance identified the options available to Mr. Robbins." Mr. Robbins then sent Lance a counter offer, which Lance rejected.

(9) Mr. Robbins represented himself at the hearing. He was sworn in as a witness and testified that he still did not desire to enter into a business relationship with Lance or be compulsory pooled. He stated that he had two offers from other drilling companies with the status of those offers depending on the outcome of this hearing.

(10) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(11) Applicant should be designated the operator of the proposed well and of the Unit.

(12) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(13) Reasonable charges for supervision (combined fixed rates) should be fixed at \$3,500 per month while drilling and \$481 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Lance Oil and Gas Company, Inc. ("applicant"), all uncommitted mineral interests, whatever they may be, in the oil and gas from the surface to the base of the Pictured Cliffs formation underlying the NW/4 of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled as follows:

the NW/4 forming a standard 160-acre gas spacing unit for all formations or pools spaced on 160 acres within this vertical extent, which presently include, but are not necessarily limited to the Undesignated Twin Mounds-Fruitland Sand-Pictured Cliffs Gas Pool (86620).

The above-described unit ("the Unit") is to be dedicated to the applicant's WF FRPC 17 Well No. 2 (API No. 30-045-32140), to be drilled at an unorthodox gas well location 1,975 feet from the North line and 575 feet from the West line of Section 17.

(2) The operator of the Unit shall commence drilling operations on the proposed well on or before August 1, 2005 and shall thereafter continue drilling the well with due diligence to test the Pictured Cliffs formation.

(3) In the event the operator does not commence drilling operations on the proposed well on or before August 1, 2005, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(4) Should the proposed well not be drilled and completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the unit created by this Order shall terminate unless the operator appears before the Division Director and obtains an extension of time to complete the well for good cause demonstrated by satisfactory evidence.

(5) Upon final plugging and abandonment of the WF FRPC 17 Well No. 2, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(6) Lance Oil and Gas Company, Inc. is hereby designated the operator of the proposed well and of the Unit.

(7) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(8) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(9) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(10) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(11) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(12) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(13) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$3,500 per month while drilling and \$481 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(14) Except as provided in Ordering Paragraphs (11) and (13) above, all proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(15) Any unleased mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

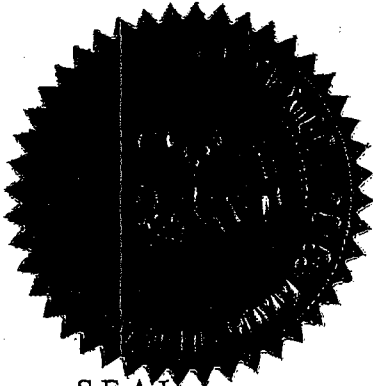
(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 13437
Order No. R-12339
Page 7 of 7

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director

May 24, 2005

Oil Conservation Division
1220 South Saint Francis
Santa Fe, New Mexico 87505

Re: Written Application for De Novo Hearing in Case No. 13437, Order No. R-12339

To Whom It May Concern:

My name is James Thomas Robbins. I am the owner of the mineral rights attached to my residential real property in San Juan County. Lance Oil and Gas Company, Inc. (Lance) is a company seeking to obtain oil and gas mineral interests in San Juan County, New Mexico. I opposed and continue to oppose the transfer of my mineral interests to Lance.

I objected to the "Application of Lance Oil and Gas Company, Inc. for Compulsory Pooling, San Juan County, New Mexico." A hearing on this application was held on April 7, 2005. I was made a party of record by entering my appearance and stating objections to the pooling at the hearing on April 7. The hearing officer for the division reviewed the case and approved the Application of Lance Oil and Gas Company. The order regarding my mineral rights and the Application of Lance was filed on April 26, 2005 as Order No. R-12339. This order did not fully address my objections to the pooling while at the same time forcing my mineral rights to be pooled into a well that will be operated by Lance. I was adversely affected by this order because my mineral rights were forcibly pooled into a well that is controlled by Lance Oil and Gas over my objections. It was disclosed at the April 7 hearing that Lance failed to negotiate with me regarding the use or pooling of my mineral rights as is common with the wish of one party to obtain the use of property that belongs to another.

Pursuant to the Administrative Rules of the Oil Conservation Division, Rule No. 19.15.14.1220 (A), I am filing a request for a de novo hearing before the commission.

Oil Conservation Division Rule 19.15.14.1220 (B) requires that an order have a proposed stay order attached to any de novo hearing request. Such an order is irrelevant to my situation because Lance had drilled its proposed well before the Order of the OCD's Hearing Examiner was entered on April 26, 2005. However, I still have enclosed a proposed stay order pursuant to the rule.

If there are any questions or concerns, please feel free to contact me.



LANCE OIL & GAS COMPANY, INC.

PO Box 70

Kirtland, New Mexico 87417

June 3 2005

CERTIFIED MAIL 7002 3150 0002 0907 6600

Mr. & Mrs. James T. Robbins
3 CR 6285
Kirtland, NM 87417

Re: Lance Oil & Gas Company, Inc.
WF FRPC 17 #1 Well
WF FRPC 17 #2 Well
N/2 Sec 7, T29N-R14W, NMPM
Fruitland Coal Formation
San Juan County, New Mexico

Dear Mr. & Mrs. Robbins:

The Oil Conservation Division of the State of New Mexico has issued Order No. R-12330 (copy enclosed) granting Lance Oil & Gas Company, Inc. authorization for compulsory pooling regarding mineral interests in the subject Wells' proration unit. A title search has indicated that you have an unleased mineral interest in the proration unit of the subject Well. According to the Order as an unleased mineral owner you have the following options:

1. ... "Within 30 days from the date the schedule of estimated well costs (Authority for Expenditure or AFE) is furnished, any non-consenting working interest owner shall have the right to pay their share of estimated well costs to the operator in lieu of paying their share of reasonable well costs out of production as hereinafter provided, and any such owner who pays their share of estimated well costs as provided above shall remain liable for operating costs but not be liable for *risk charges." (Cost of drilling & equipping well plus 200%)
2. Should you choose not to execute and pre-pay the AFE, the following terms will apply: ... "Any non-consenting working interest owner who does not pay their share of estimated well costs should have withheld from production, their share of reasonable well costs plus an additional 200% of well costs allocated to the well as a reasonable charge for the risk involved in drilling the well."

Phone (505) 598-5601



Enclosed please find Lance Oil & Gas Company, Inc. AFE for the subject Well indicating your estimated well cost. **Should you choose to participate by executing the AFE, please return one copy of the fully executed AFE, with your check for the full amount indicated** as your estimated well cost to my attention at the above address within 30 days of date of this letter.

Pursuant to the Order if you choose not to participate by pre-paying your share of the estimated well cost indicated on the AFE, your share of the cost would be withheld from your 7/8 working interest in the Well. The 1/8 royalty will be paid when monies have accumulated to \$100.00 or the end of the year whichever comes first.

Should you have any questions please contact me at (505) 598-5601 extension 62.

Yours truly,

Anne Jones
Sr. Landman

Encl.

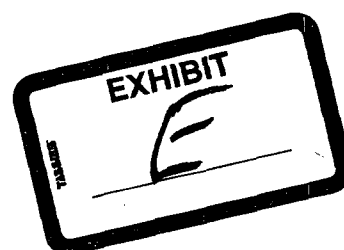


Authorization for Expenditure Lance Oil and Gas Company, Inc.

1099 18th Street, Ste. 1200
Denver, CO 80202-1955
(303) 452-5603

Business Unit/District: San Juan Pseudo API # 30-045-32098
Well Name & Number: W F Ropco 17 #2 AFE No. 605980
Location: SEC. 17 Township 29 N Range: 14 W Property #: 0
Footage 1,975 FNL 575 FWL QuarterQuarter SWNW API #: 0
County: San Juan State: New Mexico Date: 06/01/05
Field/Unit/Area: Fruitland (FC) Budget Year: 2005
Proposed Total Depth: 1,100' Target Reservoir: Fruit. Coal Project Type: DRILL
Anticipated Spud Date: 01/01/05 Est. Completion Date: 06/01/05 Cost Center: 14100.00
Project Description: Drill and complete a Fruitland Coal gas well at the above location and install flowlines.
Special Lease Considerations: Near City limits of Farmington. Excess cost to lay flowlines and connect well.

SUMMARY OF ESTIMATED COSTS		Dry Hole		Complete	
	Sub Acct.#	Acct.# 2660	Acct.# 2665		TOTAL
INTANGIBLE COSTS					
Permitting and Site Work					
Land Surface Use	0043	\$5,000	\$0		\$5,000
Surveying & Staking	0001	\$1,500	\$0		\$1,500
Permits	0036	\$1,500	\$0		\$1,500
Surface Damages & Restoration	0003	\$0	\$9,500		\$9,500
Title	0042	\$0	\$5,000		\$5,000
Site Prep, Roads, Pits	0002	\$7,000	\$600		\$7,600
Rig Costs					
Drilling Contract	0004	\$25,200	\$6,000		\$31,200
Rig Trans, Erection, Removal	0007	\$1,500	\$0		\$1,500
Fuel, Power, Water	0010	\$3,000	\$0		\$3,000
Water Purchase	0048	\$0	\$0		\$0
Bits, Reamers, Tools	0008	\$0	\$2,400		\$2,400
Mud & Chemicals	0011	\$0	\$0		\$0
Drilling Supplies	0009	\$0	\$0		\$0
Equipment and Services					
Cementing	0012	\$3,100	\$8,500		\$11,600
Plugging Expense	0025	\$0	\$0		\$0
Casing Crews	0021	\$0	\$1,500		\$1,500
Rental Equipment	0023	\$3,900	\$8,200		\$12,100
Trucking & Hauling	0024	\$3,000	\$5,500		\$8,500
Welding	0039	\$400	\$0		\$400
Other Contract Labor	0026	\$3,000	\$0		\$3,000
Environmental & Safety	0040	\$500	\$0		\$500
Fishing Tools & Service	0041	\$0	\$0		\$0
Other Services, Stimulation, Treatments	0014	\$0	\$80,000		\$80,000
Evaluation					
Electric Surveys, Logs, Surveys, Perforating	0015	\$5,500	\$4,500		\$10,000
Drill Stem Test, Mud Logging, Core work	0013	\$0	\$0		\$0
Supervision					
Geological & Engineering	0027	\$4,125	\$0		\$4,125
Labor, Company	0029	\$0	\$0		\$0
Overhead, Allocated Costs, and Contingency					
Overhead	0032	\$4,500	\$0		\$4,500
Road Infrastructure Allocated	0050		\$0		\$0
Electrical Infrastructure Allocated	0049		\$0		\$0
Water Management Infra Allocated	0046		\$0		\$0
Miscellaneous and Contingency	0038	\$3,636	\$6,585		\$10,221
TOTAL INTANGIBLES		\$76,361	\$138,285		\$214,646





Authorization for Expenditure Lance Oil and Gas Company, Inc.

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(303) 452-5603

Business Unit/District: San JuanPseudo API # 30-045-32098Well Name & Number: W F Ropco 17 #2AFE No. 605980Location: SEC. 17 Township 29 N Range: 14 WProperty #: 0

SUMMARY OF ESTIMATED COSTS		Dry Hole	Complete	TOTAL
TANGIBLE COSTS	Sub Acc.#	Acct. 2670	Acct. 2675	Total:
Conductor & Surface Casing	0002	\$2,646		\$ 2,646
Wellhead & Subsurface Equip	0007	\$300	\$1,300	\$ 1,600
Intermediate Casing	0003	\$0		\$ -
Production Casing/ Liners	0004		\$12,600	\$ 12,600
Tubing	0006		\$4,015	\$ 4,015
Pumping Unit & Equipment	0008		\$13,000	\$ 13,000
Engines and Power Equip	0028		\$8,000	\$ 6,000
Electrical	0026		\$0	\$ -
Sucker Rods and Downhole pump	0009		\$3,140	\$ 3,140
Install Costs Surface Equip	0020		\$2,000	\$ 2,000
Tanks	0011		\$0	\$ -
Valves & Fittings	0014		\$2,000	\$ 2,000
Pipe	0001		\$0	\$ -
Trunkline Costs	0024		\$8,000	\$ 8,000
Flow Lines & Connections	0015		\$165,200	\$ 165,200
Meter Building and Meter	0025		\$3,000	\$ 3,000
Automation Equipment	0029		\$2,000	\$ 2,000
Miscellaneous Equipment	0038		\$6,000	\$ 6,000
Software and Communications Equip	0030		\$0	\$ -
Separators, Heater, Treater	0012		\$4,000	\$ 4,000
Emission Control Combustors	0021		\$0	\$ -
Buildings	0016		\$0	\$ -
Fences & Cattle Guards	0017		\$0	\$ -
Water Management	0031		\$0	\$ -
TOTAL TANGIBLE		\$ 2,946	\$ 232,255	\$ 235,201
TOTAL OF INTANGIBLE AND TANGIBLE COSTS		\$ 79,308	\$ 138,285	\$ 449,848
Working Interest Owners		Drilling	Completion	TOTAL
Lance Oil and Gas Company	99.8533%	\$ 79,191	\$ 138,082	\$ 449,188
James Thomas & Heather Lee Robbins	0.1467%	\$ 116	\$ 203	\$ 660
TOTAL		\$ 79,308	\$ 138,285	\$ 449,848

Lance Oil and Gas Company APPROVALS

	NAME	Title	Signature	Date
AFE Originator:	David Gomendi	San Juan Business Unit Mgr		
AFE Project Manager	Doug Barone	San Juan Field Superin		
AFE Project Manager	David Gomendi	San Juan Business Un		
Land Approved by:	Mark Petry	Land Manager		
Recommended By:	Bill Lyons	Senior Geoscientist		
Recommended By:				
Approved By:	Jeffery E. Jones	Vice President, Produc		

THE ABOVE COSTS ARE UNDERSTOOD TO BE FOR ESTIMATING PURPOSES ONLY

PARTNER APPROVAL

☐ Approved☐ Disapproved☐ Article 6.g.

Signature

Name: James Thomas & Heather Lee Robbins Title: _____ Date: _____