

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

2005 SEP 30 AM 10 19

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

CASE NO. 13574

**APPLICATION OF LANCE OIL & GAS COMPANY,
INC. FOR COMPULSORY POOLING INCLUDING
OPTIONAL INFILL WELL PROVISIONS, SAN JUAN
COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Holland & Hart LLP as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Lance Oil & Gas Company, Inc.
Attn: Anne Jones
P. O. Box 70, 99 CR 9500
Kirtland, NM 87417
(505) 598-5601

ATTORNEY

William F. Carr, Esq.
Ocean Munds-Dry
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

STATEMENT OF CASE

Rx 9/30/05

Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation and the Basin Fruitland Coal-Gas Pool underlying the NE/4 and the N/2 of Section 17, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, to form a standard 320-acre spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool; and the NE/4 to form a standard 160-acre spacing and proration unit for any production from the Pictured Cliffs formation, including but not limited to the West Kutz-Pictured Cliffs Pool. This unit is to be dedicated to the FRCP 17 Well No. 1, to be drilled and dually completed at a standard location 1914 feet from the North line and 1449 feet from the East line in the SW/4 NE/4 (Unit G) of said Section 17 for downhole commingled production from the Basin Fruitland

Coal Gas Pool and the West Kutz-Pictured Cliffs 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 cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately .10 miles south of Farmington, New Mexico.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

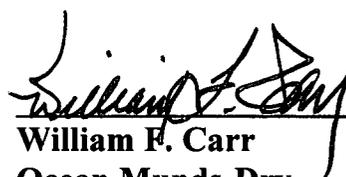
Paul Lehrman (Landman)

Approx. 20 min.

Approx. 6

PROCEDURAL MATTERS

Lance Oil & Gas Company, Inc., has none at this time.



William F. Carr
Ocean Munds-Dry
Attorneys for Lance Oil & Gas
Company, Inc.