

Business Unit/District: San Juan Psuedo API # 29141841aPCc30
 Well Name & Number: Ropco 18 #1 AFE No. 607241
 Location: SEC. 18 Township 29 N Range: 14 W Property #: 0
 Footage 1,500 FNL 663 FEL QuarterQuarter NENE API #: 30-045-32968
 County: San Juan State: New Mexico Date: 01/09/06
 Field/Unit/Area: Basin Fruitland Coal Budget Year: 2006
 Proposed Total Depth: 700' Target Reservoir: Fruitland Coal Project Type: DRILL
 Anticipated Spud Date: 03/01/06 Est. Completion Date: 03/15/06 Cost Center: 14100.00
 Project Description: Drill and complete a Fruitland Coal well in the SJB.
 Special Lease Considerations: _____

SUMMARY OF ESTIMATED COSTS		Dry Hole		Complete
	Sub Acct. #	Acct. # 2660	Acct. # 2665	TOTAL
INTANGIBLE COSTS				
Permitting and Site Work				
Land Surface Use	0043	\$0	\$0	\$0
Surveying & Staking	0001	\$1,500	\$0	\$1,500
Permits	0036	\$1,500	\$0	\$1,500
Surface Damages & Restoration	0003	\$9,500	\$0	\$9,500
Title	0042	\$5,000	\$0	\$5,000
Site Prep, Roads, Pits	0002	\$7,200	\$0	\$7,200
Rig Costs				
Drilling Contract	0004	\$13,380	\$17,500	\$30,880
Rig Trans, Erection, Removal	0007	\$2,500	\$500	\$3,000
Fuel, Power, Water	0010	\$3,500	\$0	\$3,500
Water Purchase	0048	\$0	\$0	\$0
Bits, Reamers, Tools	0008	\$0	\$5,200	\$5,200
Mud & Chemicals	0011	\$4,000	\$1,500	\$5,500
Drilling Supplies	0009	\$0	\$0	\$0
Equipment and Services				
Cementing	0012	\$3,100	\$8,200	\$11,300
Plugging Expense	0025	\$0	\$0	\$0
Casing Crews	0021	\$0	\$2,500	\$2,500
Rental Equipment	0023	\$1,400	\$2,000	\$3,400
Trucking & Hauling	0024	\$3,000	\$2,500	\$5,500
Welding	0039	\$700	\$0	\$700
Other Contract Labor	0026	\$3,000	\$800	\$3,800
Environmental & Safety	0040	\$0	\$0	\$0
Fishing Tools & Service	0041	\$0	\$0	\$0
Other Services, Stimulation, Treatments	0014	\$0	\$120,000	\$120,000
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	\$3,300	\$0	\$3,300
Labor, Company	0029	\$0	\$0	\$0
Overhead, Allocated Costs, and Contingency				
Overhead	0032	\$4,500	\$0	\$4,500
Road Infrastructure Allocated	0050	\$0	\$0	\$0
Electrical Infrastructure Allocated	0049	\$0	\$0	\$0
Water Management Infra Allocated	0046	\$0	\$0	\$0
Miscellaneous and Contingency	0038	\$3,629	\$8,260	\$11,889
TOTAL INTANGIBLE		\$76,209	\$173,460	\$249,669

BEFORE THE
 OIL CONSERVATION DIVISION
 Case No. 13648 Exhibit No. — 7
 Submitted By:
 Lance Oil & Gas, Inc.
 Hearing Date: March 2, 2006

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 JuanPsuedo API # 29141841aPCc30Well Name & Number: Ropco 18 #1AFE No. 607241Location: SEC. 18 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	\$1,985		\$ 1,985
Wellhead & Subsurface Equip	0007	\$300	\$1,300	\$ 1,600
Intermediate Casing	0003	\$0		\$ -
Production Casing/ Liners	0004		\$5,460	\$ 5,460
Tubing	0006		\$1,533	\$ 1,533
Pumping Unit & Equipment	0008		\$14,000	\$ 14,000
Engines and Power Equip	0028		\$8,000	\$ 8,000
Electrical	0026		\$0	\$ -
Sucker Rods and Downhole pump	0009		\$2,560	\$ 2,560
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		\$0	\$ -
Flow Lines & Connections	0015		\$45,000	\$ 45,000
Meter Building and Meter	0025		\$3,000	\$ 3,000
Automation Equipment	0029		\$2,000	\$ 2,000
Miscellaneous Equipment	0038		\$0	\$ -
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		\$ 2,285	\$ 90,853	\$ 93,138
TOTAL OF INTANGIBLE AND TANGIBLE COSTS		\$ 78,494	\$ 264,313	\$ 342,807

Working Interest Owners:	WI %	Drilling	Completion	TOTAL
Lance Oil and Gas Company	#####	\$ 78,494	\$ 264,313	\$ 342,807
0.00	0.0000%	\$ -	\$ -	\$ -
	0.0000%	\$ -	\$ -	\$ -
	0.0000%	\$ -	\$ -	\$ -
	0.0000%	\$ -	\$ -	\$ -
TOTAL	100.0000%	\$ 78,494	\$ 264,313	\$ 342,807

Lance Oil and Gas Company APPROVALS

	NAME	Title	Signature	Date
AFE Originator:	Justin Sandifer	SJBU Engineer		
AFE Project Manager	Doug Barone	SJBU Field Superintendent		
AFE Project Manager	David Gomendi	SJBU Manager		
Land Approved by:	Mark Petry	Land Manager		
Recommended By:	Bill Lyons	Senior Geoscientist		
Recommended By:				
Approved By:	Jeffery E. Jones	Vice President, Production		

THE ABOVE COSTS ARE UNDERSTOOD TO BE FOR ESTIMATING PURPOSES ONLY

PARTNER APPROVAL

☐ Approved☐ Disapproved☐ Article 6.g.

Company Name: _____

Name: _____

Title: _____

Date: _____

Business Unit/District: San Juan
Well Name & Number: Ropco 18 #1
Location: SEC. 18 Township 29 N Range: 14 W

Psuedo API # 29141841aPCc30
AFE No. 607241
Property #: 0

San Juan Basin Wells Permitting

Permit	Date Applied	Identifier	Comments:
State App:	03/14/05		Approved APD 3/24/05
Fed App:	03/14/05		Approved APD 3/24/05
NPDES:			NA
SEO:			NA
Lease Saving:			NA
US Corps of Eng.			NA
Other :			
Other :			

DRILLING TITLE OPINION

☒ *Copy to be provided*

☐ **Previously Provided**

Enclosed

Full Ownership Detail

[illegible]

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.

Article Addressed to:

Charlie Johnson
P.O. Box 2664
Kirtland, NM 87417

Article Number:

(Transfer from service label)

7005 1160 0003 4802 6344

S Form 3811, February 2004

Domestic Return Receipt 18-29-14 / 2ND 102595-02-M-1540

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.

Article Addressed to:

Stenn & Bonita Hoyle
415 CR 6100
Kirtland, NM 87417

Article Number:

(Transfer from service label)

7005 1160 0003 4802 6382

S Form 3811, February 2004

Domestic Return Receipt 18-29-14 / 2ND 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

- A. Signature ☐ Agent ☐ Addressee
- B. Received by (Printed Name) ☐ Addressee
- C. Date of Delivery
- D. Is delivery address different from item 1? ☐ Yes ☐ No
- If YES, enter delivery address below:

Signature: *Charlie Johnson*
Received by (Printed Name): *Charlie Johnson*
Date of Delivery: *Jan 20 2006*
Is delivery address different from item 1? ☐ Yes ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☒ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

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.

Article Addressed to:

Richard & Nina Hatch
P.O. Box 57
Fruitland, NM 87415

Article Number:

(Transfer from service label)

7005 1160 0003 4802 6375

S Form 3811, February 2004

Domestic Return Receipt 18-29-14 / 2ND 102595-02-M-1540

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.

Article Addressed to:

BL McField Land Trust
P.O. Box 57
Fruitland, NM 87415

Article Number:

(Transfer from service label)

7005 1160 0003 4802 6313

S Form 3811, February 2004

Domestic Return Receipt 18-29-14 / 2ND 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

- A. Signature ☐ Agent ☐ Addressee
- B. Received by (Printed Name) ☐ Addressee
- C. Date of Delivery
- D. Is delivery address different from item 1? ☐ Yes ☐ No
- If YES, enter delivery address below:

Signature: *Richard Hatch*
Received by (Printed Name): *Richard Hatch*
Date of Delivery: *1/19/06*
Is delivery address different from item 1? ☐ Yes ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☒ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

18-29-14 E/2 - SECOND OFFER w/ A.F.E.

OIL CONSERVATION
BUREAU INC
Case No. 13648 Exhibit No. 2
Submitted By:
Lance Oil & Gas, Inc
Hearing Date: March 2, 2006
BEFORE THE