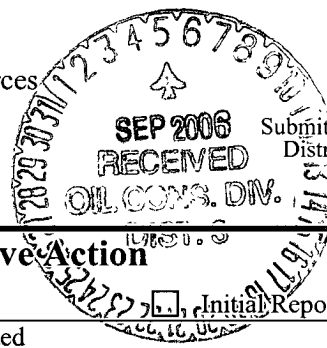


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505



Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

Name of Company	Lance Oil & Gas, Inc.	Contact	Jo Becksted
Address	P. O. Box 70, Kirtland, NM 87417	Telephone No.	(505) 598-5601 Ext. 5558
Facility Name	Navajo 27 #3	Facility Type	Gas Well
		API #	30-045-29954

Surface Owner	Navajo Tribe	Mineral Owner	Navajo Tribe	Lease No.	14-20-603-2168A
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
K	27	29N	14W	2215	South	1535	West	San Juan

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	produced water	Volume of Release	25 bbls	Volume Recovered	-0-
Source of Release	Threads stripped off of new poly pipe connection, releasing produced water from the connection	Date and Hour of Occurrence	8/31/06 @ ~ 8:30 a.m.	Date and Hour of Discovery	8/31/06 @ 12:00 p.m.
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Brandon Powell of NMOCD, Steve Austin of Navajo EPA and Chris Yazzie of NAPI			
By Whom?	Jo Becksted	Date and Hour 8/31/06 @ 2:30 p.m.			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. N/A			

If a Watercourse was Impacted, Describe Fully.* N/A

Describe Cause of Problem and Remedial Action Taken.* Incorrect installation of poly pipe, or faulty poly pipe at threaded connection. Replaced poly pipe connection.

Describe Area Affected and Cleanup Action Taken.*

The soil on the wellpad and a small area approximately 20' long leading down an old road were impacted, but by the time this spill was discovered, the water had already soaked in. The well was shut in, the connection was repaired, and the impacted soil will be allowed to dry, and will then be recontoured and graded.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Thomas M. Quinn</i> 8/31/06		OIL CONSERVATION DIVISION	
Printed Name: Jo Becksted		Approved by District Supervisor: <i>Brandon Powell</i> For: <i>Charlie Perrin</i>	
Title: Production Tech		Approval Date: 9/5/06	Expiration Date:
E-mail Address: jo.becksted@anadarko.com		Conditions of Approval:	Attached <input type="checkbox"/>
Date: Phone: (505) 598-5601 Ext. 5558			

* Attach Additional Sheets If Necessary

WBP0625440443