

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

☒ Initial Report ☐ Final Report

Name of Company	Lance Oil & Gas, Inc.	Contact	Jo Becksted
Address	P. O. Box 70, Kirtland, NM 87417	Telephone No.	(505) 598-5601 Ext. 58
Facility Name	NW Cha Cha Units #35	Facility Type	Oil Wells

Surface Owner	Navajo Tribe	Mineral Owner	Navajo Tribe	Lease No.	14-20-603-2168A
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API # 30-045-07932

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
C	28	29N	14W	330'	FNL	2310'	FWL	San Juan

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	Produced Water	Volume of Release	35,000 gals	Volume Recovered	None
Source of Release	From injection line approx 1/4 mile North of the NW Cha Cha Unit #35	Date and Hour of Occurrence	Approx 8/9/05	Date and Hour of Discovery	8/12/05 @ 10:00 a.m.
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?	Steve Austin, Navajo EPA, cell (505) 860-7408		
By Whom?	Jo Becksted & Doug Zentz	Date and Hour	8/10/05 @ 5:00 p.m.		
Was a Watercourse Reached?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	Approximately 30,000 gals		

If a Watercourse was Impacted, Describe Fully.*
Seepage from the ruptured injection line flowed downhill off the side of the bluff, commingled with another fresh water source, and pooled at the bottom of the bluff.

Describe Cause of Problem and Remedial Action Taken.* The injection line a the NW Cha Cha #35 ruptured, causing produced water to seep from the ground. Immediately upon discovery of the rupture, the line was shut in .

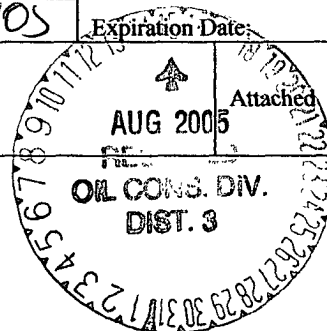
Describe Area Affected and Cleanup Action Taken.*
Doug Zentz of Lance Oil & Gas investigated the rupture site with Steve Austin. Mr. Austin advised Mr. Zentz that we should take water samples at the bottom of the bluff where the produced & fresh water had pooled, at the top of the bluff near the source of the leak, and at the source of the nearby spring. We are to flush the impacted areas with fresh water on Saturday, 8/13/05, then take water samples on Sunday or Monday. Mr. Austin then will issue a letter late next week advising us of any additional remedial action we should take at that time.

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>Jo Becksted</i>	OIL CONSERVATION DIVISION	
Printed Name: Jo Becksted	Approved by District Supervisor: <i>Denny Zent</i>	for Charlie Perrin
Title: Compliance Administrator	Approval Date: 8/22/05	Expiration Date: _____
E-mail Address: jbeckste@westerngas.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: _____ Phone: (505) 598-5601 Ext. 58		

* Attach Additional Sheets If Necessary

NDGF 0523438801



LANCE OIL & GAS COMPANY, INC.

P.O. Box 70 • Kirtland, New Mexico 87417
(505) 598-5601 Ext. 43 • Fax (505) 598-0064

*Jo Becksted
Production Tech
August 11, 2005*

Ms. Gail Leslie-Bob
Navajo Nation Minerals
Fax Number: (928) 871-7095

Ms. Chris Yazzie
NAPI
Fax: (505) 326-1391

Mr. Steve Austin
Navajo EPA
P. O. Box 1999
Shiprock, NM 87420
Fax: (505) 368-1416

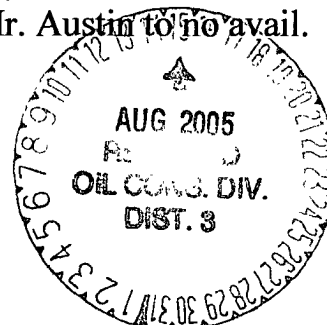
Mr. Chuck Yarbrough
BIA
P. O. Box 1060
Gallup, NM 87305
Fax: (505) 326-1391

Re: Spill at the NW Cha Cha Unit #35,
north of NM State Agricultural Station

On Wednesday evening, August 10, 2005, Steve Austin of the Navajo EPA advised me that he had been told that there was oil and/or water coming out of the ground near one of our facilities. The vicinity of this incident was extremely sketchy, as admitted by Steve Austin, but three of our field employees looked in the described area for two hours that evening and couldn't find a problem. They also checked line pressures; all were good, indicating that there didn't appear to be a rupture anywhere. Steve Austin called again that evening, with different directions, which were still questionable, and we still couldn't find anything. Mr. Zentz did observe the area of rupture near the Cha Cha #35, but there was no water present because the pump was not operating at that particular time.

Yesterday morning, Mr. Jeff Biakebby spoke to our Field Foreman, Doug Zentz, and clarified that we did not believe there was a problem coming from our facilities. Later in the afternoon, I received an inaudible message (cell phone reception was bad) that he observed the fluid coming from one of our facilities. I then attempted to reach Mr. Biakebby, or Ms. Gail Leslie-Bob, or Ms. Chris Yazzie, Mr. Chuck Yarbrough, or Mr. Austin to no avail.

Phone (505) 598-5601 Ext. 58



Ms. Gail Leslie-Bob
Mr. Steve Austin
Ms. Chris Yazzie
Mr. Chuck Yarbrough
August 12, 2005
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This morning, Doug Zentz met with Steve Austin and together, they were able to locate and observe the leak. I regret that we could not act on this sooner, but we could not find the alleged rupture with the information provided. Now that we have discovered the problem, we will react promptly and as per Steve Austin's direction.

Respectfully,



Jo Becksted

Attach

