

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**

30-045-25904

**OPERATOR**

☐ Initial Report ☒ Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	July Jubilee #3	Facility Type	Permanent Pit
Surface Owner	Federal	Mineral Owner	Federal
		Lease No.	NM-42059

**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
L	29	24N	9W	1830	South	880	West	San Juan

Latitude 36.28293 N Longitude 107.81756 W

**NATURE OF RELEASE**

Type of Release	Spill Cleanup and Pit Closure	Volume of Release		Volume Recovered	N/A
Source of Release		Date and Hour of Occurrence	?	Date and Hour of Discovery	N/A
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	N/A		
By Whom?		Date and Hour			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.			

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

Describe Cause of Problem and Remedial Action Taken.*
During permanent pit closure a TPH impact was discovered. A five-point composite sample tested 783-mg/kg TPH (418.1 Analytic Method).

Describe Area Affected and Cleanup Action Taken *
36-yards of contaminated soil were dug from permanent pit and hauled to Envirotech land farm. Once all contaminated soil had been removed a five-point composite sample was taken and tested <31.8-mg/kg TPH (Analytical Method 8015). The C-144 spill ranking was determined to be 10. The TPH release is not a threat to groundwater contamination.

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>Kurt Fagrelus</i>	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: Kurt Fagrelus	Approved by District Supervisor: <i>Jonathan D. Kelly</i>	
Title: VP Exploration	Approval Date: 12/22/2010	Expiration Date:
E-mail Address: kfagrelus@duganproduction.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 11/11/2010	Phone: 505-325-1821	

\* Attach Additional Sheets If Necessary

nJK1133640729



PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

July 20, 2010

Terry Rowell  
Dugan Production Corporation  
P.O. Box 420  
Farmington, NM 87401

Re: Soil Samples

Enclosed are the results of analyses for sample number H20339, received by the laboratory on 07/13/10 at 11:00 am.

Cardinal Laboratories is accredited through Texas NELAP for:

Method SW-846 8021	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method SW-846 8260	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method TX 1005	Total Petroleum Hydrocarbons

Certificate number T104704398-08-TX. Accreditation applies to solid and chemical materials and non-potable water matrices.

Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2	Haloacetic Acids (HAA-5)
Method EPA 524.2	Total Trihalomethanes (TTHM)
Method EPA 524.2	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

Total Number of Pages of Report: 4 (includes Chain of Custody)

Sincerely,

Celey D. Keene  
Laboratory Director

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This report conforms with NELAP requirements.



# ARDINAL LABORATORIES

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
DUGAN PRODUCTION CORP.  
ATTN: TERRY ROWELL  
P.O. BOX 420  
FARMINGTON, NM 87401  
FAX TO: (505) 320-4043

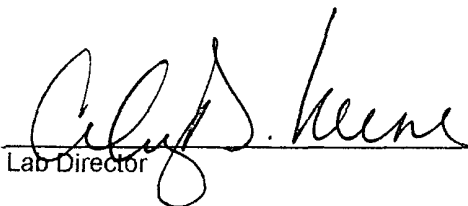
Receiving Date: 07/13/10  
Reporting Date: 07/15/10  
Project Number: NOT GIVEN  
Project Name: NOT GIVEN  
Project Location: NOT GIVEN

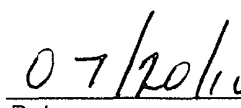
Sampling Date: 07/09/10  
Sample Type: SOIL  
Sample Condition: COOL & INTACT @ 4.5°C  
Sample Received By: CK  
Analyzed By: ZL

LAB NO.	SAMPLE ID	BENZENE (mg/kg)	TOLUENE (mg/kg)	ETHYL BENZENE (mg/kg)	TOTAL XYLENES (mg/kg)
ANALYSIS DATE:		07/15/10	07/15/10	07/15/10	07/15/10
H20339-1	JULY JUBILEE #3	<0.050	<0.050	<0.050	<0.300
Quality Control		0.008	0.008	0.008	0.025
True Value QC		0.010	0.010	0.010	0.030
% Recovery		80.0	80.0	80.0	83.3
Relative Percent Difference		4.7	3.7	1.7	1.4

METHODS: BTEX - SW-846 8021B;

TEXAS NELAP ACCREDITATION T104704398-08-TX FOR BENZENE, TOLUENE, ETHYL BENZENE,  
AND TOTAL XYLENES. Reported on wet weight.

  
Lab Director

  
Date

H20339 BTEX DUGAN

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



# ARDINAL LABORATORIES

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
DUGAN PRODUCTION CORP  
ATTN: TERRY ROWELL  
P.O. BOX 420  
FARMINGTON, NM 87401  
FAX TO: (505) 320-4043

Receiving Date: 07/13/10  
Reporting Date: 07/15/10  
Project Number: NOT GIVEN  
Project Name: NOT GIVEN  
Project Location: NOT GIVEN

Sampling Date: 07/09/10  
Sample Type: SOIL  
Sample Condition: COOL & INTACT @ 4.5°C  
Sample Received By: CK  
Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	GRO (C <sub>6</sub> -C <sub>10</sub> ) (mg/kg)	DRO (>C <sub>10</sub> -C <sub>28</sub> ) (mg/kg)	418.1 TOTAL TPH (mg/kg)	Cl* (mg/kg)
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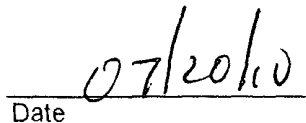
ANALYSIS DATE	07/15/10	07/15/10	07/15/10	07/15/10
H20339-1 JULY JUBILEE #3	<10.0	21.8	783	240
Quality Control	577	564	306	500
True Value QC	500	500	300	500
% Recovery	115	113	102	100
Relative Percent Difference	1.1	0.3	11.5	< 0.1

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; EPA 418.1; Cl-: Std. Methods 4500-Cl-B

\*Analysis performed on a 1:4 w/v aqueous extract. Reported on wet weight.

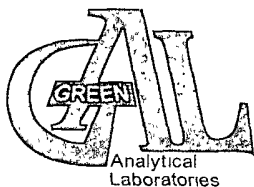
Not accredited for GRO/DRO, Chloride, and TPH 418.1.

  
Chemist

  
Date

H20339 TPH2CL DUGAN

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



## CHAIN OF CUSTODY RECORD

Page \_\_\_\_ of \_\_\_\_

Client: Dugan Prod.  
Contact: Terry Rowell  
Address: P.O. Box 420  
Farmington N.M.  
Phone Number: 320-4565  
FAX Number: 327-4043

### NOTES.

- 1) Ensure proper container packaging.
  - 2) Ship samples promptly following collection.
  - 3) Designate Sample Reject Disposition.
- PO# \_\_\_\_\_

Project Name: \_\_\_\_\_

### Table 1. - Matrix Type

1 = Surface Water, 2 = Ground Water  
3 = Soil/Sediment, 4 = Rinsate, 5 = Oil  
6 = Waste, 7 = Other (Specify)

FOR GAL USE ONLY

GAL JOB # \_\_\_\_\_

Sampler's Signature: [Signature]

Lab Name: Green Analytical Laboratories		(970) 247-4220 FAX (970) 247-4227		Analyses Required										Comments
Address: 75 Suttle Street, Durango, CO 81303														
Sample ID	Collection		Collected by: (Init.)	Miscellaneous			Preservative(s)							
	Date	Time		Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)		
H20339	7-9-10	2:01	3	1										
1 July Jubilee #3														
2.														
3.														
4.														
5.														
6.														
7.														
8.														
9.														
10														
Relinquished by: <u>[Signature]</u>			Date: <u>7-9-10</u>	Time: <u>4:24</u>	Received by: <u>Christy Clark</u>			Date: <u>7/9/10</u>	Time: <u>1624</u>					
Relinquished by: <u>Fed Ex</u>			Date: _____	Time: _____	Received by: <u>[Signature]</u>			Date: <u>7/13/10</u>	Time: <u>11:00</u>					

\* Sample Reject: | | Return | | Dispose | | Store (30 Days)

C&I 4.5°C #26

Envirotech  
5796 US Hwy 64  
Farmington, NM 87401  
Phone: 505-632-0615  
Fax: 505-632-1865



To:  
Dugan Production Corp  
PO Box 420  
Farmington, NM 87401

**Invoice**

Invoice Number: 23213  
Job: 06094-0065  
DATE: March 25, 2009

July Jubilee #3- accept contaminated soil  
and oil from production stream

Ordered by Fred Cornish

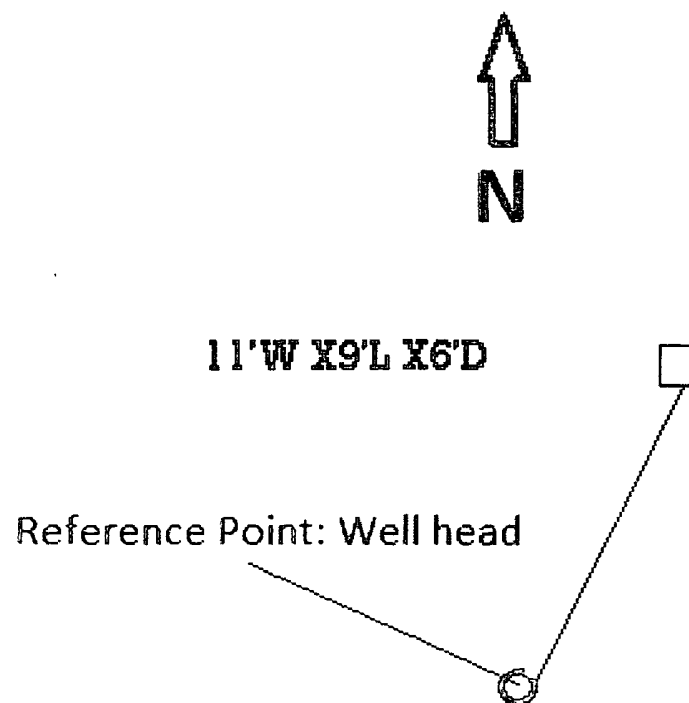
Project Manager: April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
<b>03/09/2009</b>					
<b>Landfarm</b>					
		BOL# 32945	3.00 EA	10.00	30.00
	Paint Filter Test (LF)	BOL# 32945	3.00 EA	15.00	45.00
	Chloride (LF)	BOL# 32945	36.00 CY	18.00	648.00
	Contaminated Soil Reveal				
<b>Landfarm Total:</b>			<b>42.00</b>		<b>723.00</b>
<b>03/09/2009 Total:</b>			<b>42.00</b>		<b>723.00</b>
Invoice Sub-total					723.00
Sales Tax					44.74
Amount due this Invoice					<b>\$767.74</b>

*All invoices are due upon receipt. A late charge of 1.5% will be added to any unpaid balance after 30 days.*

**This may not be the final bill** - if charges are received after this invoice has been mailed, you will receive a separate invoice for those costs

Dugan Production  
July Jubilee #3  
Tank & Seperator Pit



From Reference Point Go N. 15degrees NE. For  
a Distance of 67' to Center of PIT.

Permanent pit: July Jubilee #3  
API number: 30-045-25904

Results of sample analysis on the five-point composite sample collected on the subject permanent pit exceeded limits permissible under the "pit rule" (19.15.17.13.C) (see attached C-141 with analytic results).

The Environmental Bureau of the Oil Conservation Division (OCD) in Santa Fe is hereby provided a C-144 (closure report) and an "initial" C-141 (release notification) with analytic results of soil testing. The closure date on the C-144 (box 21) shows the date that the soil analysis did not meet pit rule standards. Also, this letter hereby provides notice that the subject permanent pit will be closed according to the requirements of the "spill rule" (19.15.30).

The OCD district office in Aztec is hereby provided a copy of the "initial report" C-141 (release notification) with analytic results of soil testing and also notice that the subject permanent pit will be closed according to the requirements of the "spill rule" (19.15.30). Assessment, clean-up and remediation of the reported spill will be done in accordance with the spill rule under the authority of the Aztec District office of the OCD. The "final report" C-141 with photo documentation of site reclamation will be sent to the Aztec District office of the OCD.

Following clean-up of the reported release and determination that the release is not a threat to groundwater contamination, the permanent pit will be closed in accordance with the approved C-144 (closure plan) and will include the following:

1. Stockpiled sub-surface soil will be used to backfill pit and re-contour (to a final or intermediate cover that blends with the surrounding topography). A minimum of four-feet of compacted, non-waste containing, earthen material will be used as backfill.
2. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area no longer needed for production operations. The soil cover will include either the background thickness of top soil or one-foot of suitable material to establish vegetation at the site whichever is greater. The soil cover will be constructed to the sites existing grade and prevent water collection or ponding and erosion of the cover material.
3. Disturbed areas will be seeded the first growing season after the pit is closed. Seeding will be accomplished by drilling on contour whenever possible or by other division approved methods. BLM stipulated seed mixes will be used on all Federal lands and OCD approved seed mixes (administratively approved if required) will be used on all State or private lands. Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two consecutive growing seasons. If alternate seed mix is required by the state, private owner or tribe, it will be implemented with administrative approval if needed. Seeding or planting will be continued until successful vegetative growth occurs.
4. The Aztec District office of the OCD will be notified after each re-seeding operation and after successful re-vegetation has been achieved.

Kurt Fagrelus  
VP – Exploration, Dugan Production Corp.  
Farmington, New Mexico 87401  
505-325-1821 (O), 505-320-8248 (C)  
kfagrelus@duganproduction.com



Lease Name: July Jubilee #3						
API No.: 30-045-25904						
Site Specific Infomation						
Depth to	200-ft	Distance to Surface	500-ft	Wellhead Protection Area	>1000-ft	
Groundwater		Water Body		Distance from Water Source		
Total Ranking Score						
Depth to	Ranking	Distance to Surface	Ranking	Wellhead Protection Area	Ranking Score	Total Ranking
Groundwater	Score	Water Body	Score	Distance from Water Source	Yes =20, No=0	Score
<50-feet	20	<200-feet	20	<1000-feet from water source	0	
50 - 99	10	200 - 1000	10	<200-feet domestic water	0	
>100-feet	0	>1000-feet	0			10
Total Ranking Score					Sample	
		>19	10 - 19	0 - 9	Analysis	
Benzene (mg/kg)		10	10	10	<0.050	
BTEX (mg/kg)		50	50	50	<0.300	
TPH (mg/kg)		100	1000	5000	<31.8	
Chorides (mg/kg)		N.A.	N.A.	N.A.	240	
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 8015 and Chlorides 4500-C1-B.						
C-144 ranking = 10. Release does not pose a threat to groundwater contamination.						

DUGAN PRODUCTION CORP

JULY JUBILEE #3

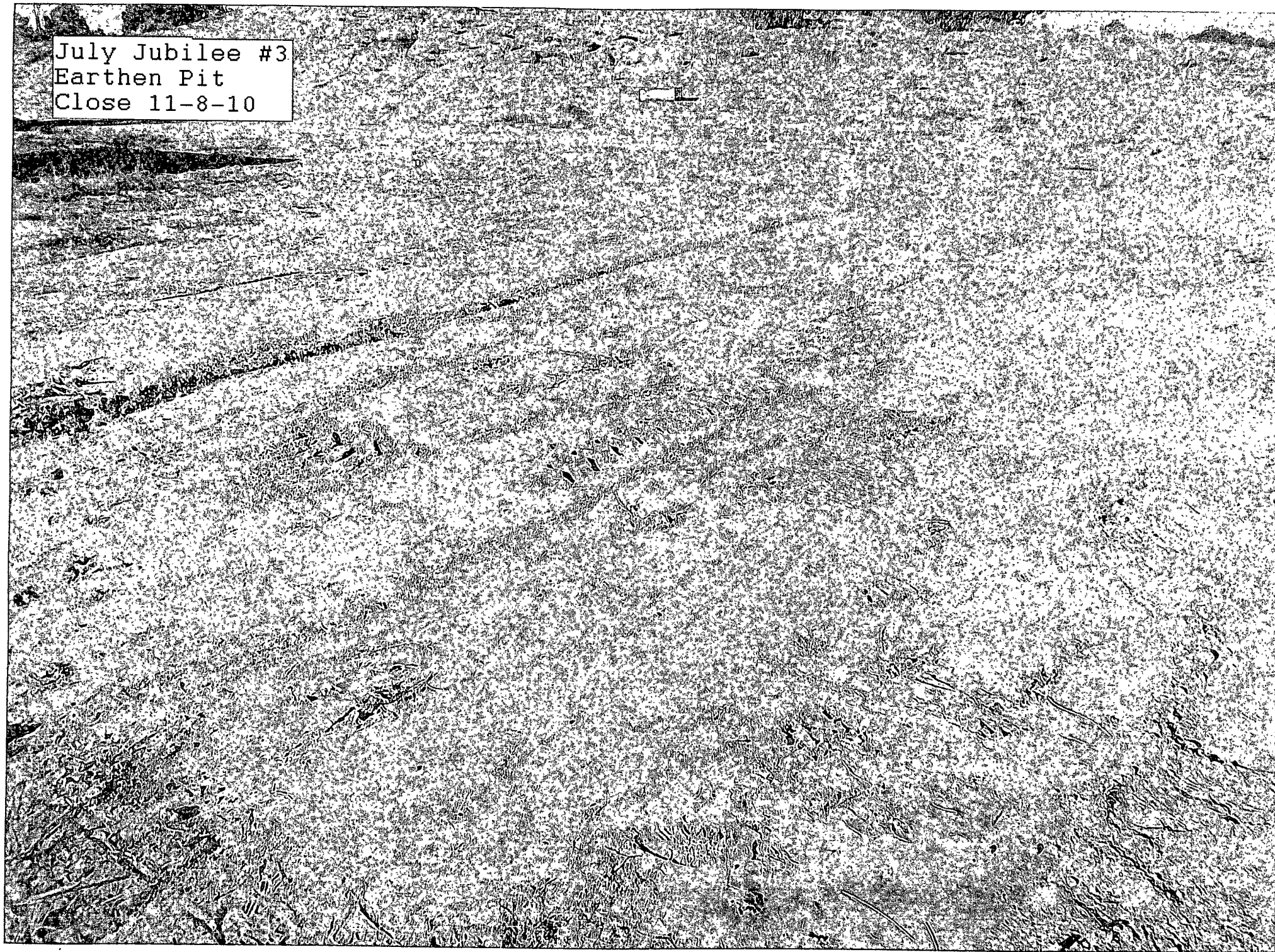
LEASE # NM 24661

1830' FSL 880' FWL

SEC.29 T24N R9W

SAN JUAN CO. NM

July Jubilee #3  
Earthen Pit  
Close 11-8-10



## Kurt Fagrelius

---

**From:** Kurt Fagrelius  
**Sent:** Wednesday, November 03, 2010 10:43 AM  
**To:** 'Powell, Brandon, EMNRD'; 'dave\_mankiewicz@nm.blm.gov'; 'Mark\_Kelly@nm.blm.gov'  
**Cc:** Johnny Lane  
**Subject:** 72-Hour Notice to Close Permanent Pits  
**Attachments:** 72-Hour Notice to Close 11-8-2010.xls

Mr. Brandon Powell, Mr. Dave Mankiewicz and Mr. Mark Kelly

Dugan Production Corp. is hereby giving notice that Dugan will be closing the permanent pits on the following well pads:

- 1) April Surprise #5 & 6 Tank Battery
- 2) August #1
- 3) Champ #1 Production Tank
- 4) Champ #1 Separator
- 5) July Jubilee #3
- 6) Par #1

Site specific and soil analysis information for each permanent pit is included in the enclosed attachment.

All are located on Federal Surface; and the

Permanent pits will be closed starting Monday November 8, 2010 thru Wednesday November 10, 2010.

If you have any questions or require additional information, please contact me.

Sincerely,

Kurt Fagrelius  
Dugan Production Corp.  
709 East Murray Drive  
Farmington, New Mexico 87401  
505-325-1821 (O), 505-320-8248 (C)  
kfagrelius@duganproduction.com

11/30/2010

**Dugan Production Corp. Permanent Pits to be Closed on November 8, 2010**

Lease Name	April Surprise #5 & 6 TB	August #1	Champ #1 Prod	Champ #1 Sep	July Jubilee #3	Par #1
API Number	30-045-25947	30-045-26520	30-045-26981	30-045-26981	30-045-25904	30-045-28968
Surface Owner - Notice Sent	Federal	Federal	Federal	Federal	Federal	Federal
Location - UL, Sec., Twp, Rge	B-7-23N-9W	M-35-24N-10W	C-5-23N-9W	C-5-23N-9W	I-29-24N-9W	A-11-23N-10W
Latitude	36.24701 N	36.26505 N	36.26105 N	36.26105 N	36.28293 N	36.24661 N
Longitude	107.82675 W	107.87149 W	107.92069 W	107.92069 W	107.81756 W	107.85806 W
C-144 Ranking Score	10	0	0	0	10	10
Benzene (mg/kg)	<0.100	<0.100	<0.100	<0.025	<0.050	<0.050
Betex (mg/kg)	<0.300	<0.300	<0.300	<0.075	<0.300	<0.150
TPH (mg/kg) - Analy Mthd	422 - 8015	250 - 418.1	650 - 418.1	<10 - 8015	<31.8 - 8015	<10 - 8015
Chlorides (mg/kg)	96	256	32	480	240	64
Total Yards Contaminated Soil Hauled to Landfarm	72-yds	32-yds	60-yds	60-yds	36-yds	12-yds

## Kurt Fagrelius

---

**From:** postmaster@duganproduction.com  
**Sent:** Wednesday, November 03, 2010 10:44 AM  
**To:** Kurt Fagrelius  
**Subject:** Delivery Status Notification (Relay)

**Attachments:** ATT06139.txt, 72-Hour Notice to Close Permanent Pits



ATT06139.txt (407 B) 72-Hour Notice to  
Close Perman...

This is an automatically generated Delivery Status Notification.

Your message has been successfully relayed to the following recipients, but the requested delivery status notifications may not be generated by the destination.

Brandon.Powell@state.nm.us

## Kurt Fagrelius

---

**From:** Powell, Brandon, EMNRD [Brandon.Powell@state.nm.us]  
**Sent:** Wednesday, November 03, 2010 2:06 PM  
**Subject:** Read: 72-Hour Notice to Close Permanent Pits

Your message

To: Brandon.Powell@state.nm.us  
Subject:

was read on 11/3/2010 2:06 PM.

## Kurt Fagrelius

---

**From:** Mark\_Kelly@blm.gov  
**Sent:** Wednesday, November 03, 2010 1:11 PM  
**To:** Kurt Fagrelius  
**Subject:** 72-Hour Notice to Close Permanent Pits

### Return Receipt

Your 72-Hour Notice to Close Permanent Pits  
document:

was Mark Kelly/FFO/NM/BLM/DOI  
received  
by:

at: 11/03/2010 01:10:49 PM



## Kurt Fagrelius

---

**From:** System Administrator  
**To:** Johnny Lane  
**Sent:** Wednesday, November 03, 2010 10:43 AM  
**Subject:** Delivered: 72-Hour Notice to Close Permanent Pits

Your message

**To:** Powell, Brandon, EMNRD; dave\_mankiewicz@nm.blm.gov; Mark\_Kelly@nm.blm.gov  
**Cc:** Johnny Lane  
**Subject:** 72-Hour Notice to Close Permanent Pits  
**Sent:** 11/3/2010 10:43 AM

was delivered to the following recipient(s):

Johnny Lane on 11/3/2010 10:43 AM

**Kurt Fagrelius**

---

**From:** Johnny Lane  
**Sent:** Wednesday, November 03, 2010 11:00 AM  
**To:** Kurt Fagrelius  
**Subject:** Read: 72-Hour Notice to Close Permanent Pits  
**Attachments:** ATT06169.txt

Your message

To: Powell, Brandon, EMNRD; dave\_mankiewicz@nm.blm.gov; Mark\_Kelly@nm.blm.gov  
Cc: Johnny Lane  
Subject: 72-Hour Notice to Close Permanent Pits  
Sent: 11/3/2010 10:43 AM

was read on 11/3/2010 10:59 AM.

11/30/2010