

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

30-045-28619

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	McDougall #2 Land-farm	Facility Type	Landfarm

Surface Owner	Federal	Mineral Owner	Federal	Lease No	NM51005
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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
I	9	23N	10W	1980	South	790	East	San Juan

Latitude 36.23956 N Longitude 107.89488 W

NATURE OF RELEASE

Type of Release	Landfarm Clean-Up and Closure	Volume of Release ?	Volume Recovered	N.A.
Source of Release	Landfarm - permanent pit release	Date and Hour of Occurrence ?	Date and Hour of Discovery	N.A.
Was Immediate Notice Given?	☐ Yes ☐ No ☒ Not Required	If YES, To Whom?	N/A	
By Whom?	Date and Hour			
Was a Watercourse Reached?	☐ Yes ☒ No	If YES, Volume Impacting the Watercourse	RCVD APR 5 '12	

If a Watercourse was Impacted. Describe Fully *

N/A

OIL CONS. DIV.
DIST. 3

Describe Cause of Problem and Remedial Action Taken * During permanent pit closure (12-12-2007) TPH and BTEX impacts were discovered. A five-point composite sample tested 210-mg/kg TPH and 37.2-mg/kg BTEX which exceeded the threshold limits of NMOCD guidelines at the time. See attached "preliminary" sample results.

Describe Area Affected and Cleanup Action Taken * Contamination was addressed with the permitting and construction of an on-site land-farm. Contaminated soil was excavated from pit and farmed on location Every quarter (each year thereafter), the contaminated soil was tilled On 2-29-2012 a five point composite sample of land-farm was collected and analyzed Land-farm tested clean within NMOCD closure standards) and was closed by back-filling permanent on same location. See attached "confirmation" sample results.

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>	OIL CONSERVATION DIVISION	
Printed Name Kurt Fagrelus	Approved by District Supervisor <i>Jonathan Kelly</i>	
Title VP-Land & Exploration	Approval Date 4/9/2012	Expiration Date
E-mail Address kfagrelus@duganproduction.com	Conditions of Approval	Attached ☐
Date 4-3-2012	Phone 505-325-1821	

* Attach Additional Sheets If Necessary

NJK 1211049345

ENVIROTECH LABS**PRACTICAL SOLUTIONS FOR A BETTER TOMORROW****EPA METHOD 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons**

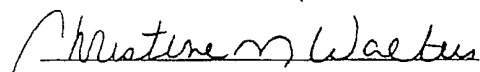
Client	Blagg / Dugan	Project #:	94034-010
Sample ID	McDougall #2 Prod	Date Reported	12-12-07
Laboratory Number	43829	Date Sampled	12-06-07
Chain of Custody No.	3694	Date Received	12-10-07
Sample Matrix	Soil	Date Extracted	12-11-07
Preservative	Cool	Date Analyzed	12-12-07
Condition	Cool & Intact	Analysis Requested:	8015 TPH

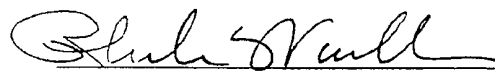
Parameter	Concentration (mg/Kg)	Det. Limit (mg/Kg)
Gasoline Range (C5 - C10)	ND	0.2
Diesel Range (C10 - C28)	210	0.1
Total Petroleum Hydrocarbons	210	0.2

ND - Parameter not detected at the stated detection limit.

References. Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Comments. **Unlined Pit Closures.**


Analyst


Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

EPA METHOD 8021 AROMATIC VOLATILE ORGANICS

Client	Blagg / Dugan	Project #	94034-010
Sample ID	McDougall #2 Prod	Date Reported	12-12-07
Laboratory Number	43829	Date Sampled	12-06-07
Chain of Custody	3694	Date Received	12-10-07
Sample Matrix	Soil	Date Analyzed	12-12-07
Preservative	Cool	Date Extracted	12-11-07
Condition	Cool & Intact	Analysis Requested	BTEX

Parameter	Concentration (ug/Kg)	Det. Limit (ug/Kg)
Benzene	ND	0.9
Toluene	13.3	1.0
Ethylbenzene	2.6	1.0
p,m-Xylene	16.4	1.2
o-Xylene	4.9	0.9
Total BTEX	37.2	

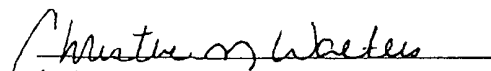
ND - Parameter not detected at the stated detection limit.

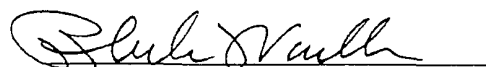
Surrogate Recoveries:	Parameter	Percent Recovery
	Fluorobenzene	97.0 %
	1,4-difluorobenzene	97.0 %
	Bromochlorobenzene	97.0 %

References: Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Method 8021B, Aromatic Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments: Unlined Pit Closures.


Analyst


Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

EPA METHOD 8021 AROMATIC VOLATILE ORGANICS

Client	N/A	Project #	N/A
Sample ID	12-12-BTEX QA/QC	Date Reported	12-12-07
Laboratory Number	43824	Date Sampled	N/A
Sample Matrix	Soil	Date Received	N/A
Preservative	N/A	Date Analyzed	12-12-07
Condition	N/A	Analysis	BTEX

Calibration and Detection Limits (ug/L)	I-Ca RF	O-Ca RF	% Diff	Blank Conc	Detect Limit
			Accept Range 0 - 15%		
Benzene	7.9836E+007	7.9996E+007	0.2%	ND	0.1
Toluene	7.6005E+007	7.6157E+007	0.2%	ND	0.1
Ethylbenzene	6.2177E+007	6.2302E+007	0.2%	ND	0.1
p,m-Xylene	1.2027E+008	1.2052E+008	0.2%	ND	0.1
o-Xylene	5.7790E+007	5.7905E+007	0.2%	ND	0.1

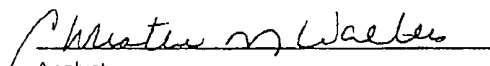
Duplicate Conc. (ug/Kg)	Sample	Duplicate	% Diff	Accept Range	Detect Limit
Benzene	217	216	0.2%	0 - 30%	0.9
Toluene	1,060	1,059	0.1%	0 - 30%	1.0
Ethylbenzene	874	872	0.2%	0 - 30%	1.0
p,m-Xylene	2,950	2,940	0.3%	0 - 30%	1.2
o-Xylene	1,070	1,066	0.4%	0 - 30%	0.9

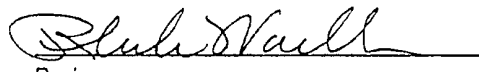
Spike Conc. (ug/Kg)	Sample	Amount Spiked	Spiked Sample	% Recovery	Accept Range
Benzene	217	50.0	266	99.8%	39 - 150
Toluene	1,060	50.0	1,090	98.2%	46 - 148
Ethylbenzene	874	50.0	922	99.8%	32 - 160
p,m-Xylene	2,950	100	3,040	99.6%	46 - 148
o-Xylene	1,070	50.0	1,110	99.1%	46 - 148

ND - Parameter not detected at the stated detection limit

References: Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996
Method 8021B, Aromatic and Halogenated Volatiles by Gas Chromatography Using Photoionization and/or Electrolytic Conductivity Detectors, SW-846, USEPA December 1996

Comments: QA/QC for Samples 43824 - 43829.


Analyst


Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

EPA Method 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons

Quality Assurance Report

Client:	QA/QC	Project #:	N/A
Sample ID:	12-12-07 QA/QC	Date Reported:	12-12-07
Laboratory Number:	43824	Date Sampled:	N/A
Sample Matrix:	Methylene Chloride	Date Received:	N/A
Preservative:	N/A	Date Analyzed:	12-12-07
Condition:	N/A	Analysis Requested:	TPH

	Cal Date	Cal RF	Cal RF	% Difference	Accept Range
Gasoline Range C5 - C10	05-07-07	1.1927E+003	1.1932E+003	0.04%	0 - 15%
Diesel Range C10 - C28	05-07-07	1.0506E+003	1.0510E+003	0.04%	0 - 15%

Blank Conc. (mg/L - mg/Kg)	Concentration	Detection Limit
Gasoline Range C5 - C10	ND	0.2
Diesel Range C10 - C28	ND	0.1
Total Petroleum Hydrocarbons	ND	0.2

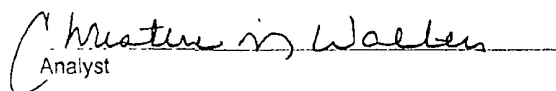
Duplicate Conc. (mg/Kg)	Sample	Duplicate	% Difference	Accept Range
Gasoline Range C5 - C10	472	471	0.4%	0 - 30%
Diesel Range C10 - C28	3,510	3,490	0.6%	0 - 30%

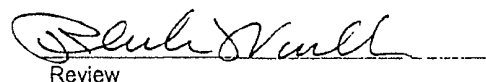
Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept Range
Gasoline Range C5 - C10	472	250	712	98.6%	75 - 125%
Diesel Range C10 - C28	3,510	250	3,740	99.5%	75 - 125%

ND - Parameter not detected at the stated detection limit.

References Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments. QA/QC for Samples 43824 - 43829.


Analyst


Review



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

March 07, 2012

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: LANDFARM

Enclosed are the results of analyses for samples received by the laboratory on 03/02/12 11:30.

Cardinal Laboratories is accredited through Texas NELAP under certificate number T104704398-11-3. Accreditation applies to drinking water, non-potable water and solid and chemical materials. All accredited analytes are denoted by an asterisk (*). For a complete list of accredited analytes and matrices visit the TCEQ website at www.tceq.texas.gov/field/qa/lab_accred_certif.html.

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 524.4	Regulated VOCs (V1, V2, V3)

Accreditation applies to public drinking water matrices.

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,

Celey D. Keene

Lab Director/Quality Manager

Analytical Results For:

 DUGAN PRODUCTION
 MIKE SANDOVAL
 P. O. BOX 420
 FARMINGTON NM, 87499
 Fax To: (505) 327-4043

 Received: 03/02/2012
 Reported: 03/07/2012
 Project Name: LANDFARM
 Project Number: MCDOUGALL #2
 Project Location: NOT GIVEN

 Sampling Date: 02/29/2012
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: MC DOUGALL #2 (H200558-01)

BTEX 8021B		mg/kg		Analyzed By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	03/05/2012	ND	1.88	93.8	2.00	4.76	
Toluene*	<0.050	0.050	03/05/2012	ND	2.04	102	2.00	4.10	
Ethylbenzene*	<0.050	0.050	03/05/2012	ND	2.09	104	2.00	3.65	
Total Xylenes*	<0.150	0.150	03/05/2012	ND	6.54	109	6.00	3.57	

Surrogate 4-Bromofluorobenzene (PIL) 106 % 64.4-134

Chloride, SM4500Cl-B		mg/kg		Analyzed By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	48.0	16.0	03/05/2012	ND	432	108	400	3.77	

TPH 418.1		mg/kg		Analyzed By: CK					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	100	100	03/06/2012	ND	2540	102	2500	1.25	

TPH 8015M		mg/kg		Analyzed By: MS					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	03/06/2012	ND	195	97.4	200	24.4	
DRO >C10-C28	<10.0	10.0	03/06/2012	ND	196	98.2	200	16.7	
Total TPH C6-C28	<10.0	10.0	03/06/2012	ND	391	97.8	400	20.6	

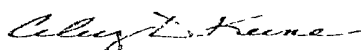
Surrogate 1-Chlorooctane 99.9 % 55.5-154

Surrogate 1-Chlorooctadecane 105 % 57.6-158

Cardinal Laboratories

*=Accredited Analyte

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 the 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.



Celey D. Keene, Lab Director/Quality Manager

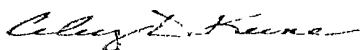
Notes and Definitions

ND	Analyte NOT DETECTED at or above the reporting limit
RPD	Relative Percent Difference
**	Samples not received at proper temperature of 6°C or below
***	Insufficient time to reach temperature
-	Chloride by SM4500Cl-B does not require samples be received at or below 6°C
	Samples reported on an as received basis (wet) unless otherwise noted on report

Cardinal Laboratories

*=Accredited Analyte

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 the 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.



Celey D. Keene, Lab Director/Quality Manager

Client Dragon Production
Contact Mike Samuels
Address 200 - 1729

Phone Number 830-0929
FAX Number 327-8043

NOTES

- 1) Ensure proper container packaging
- 2) Ship samples promptly following collection
- 3) Designate Sample Reject Disposition

PO# 19nd FARRA
Project Name Mr. Dargall #2

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

GALJOB #

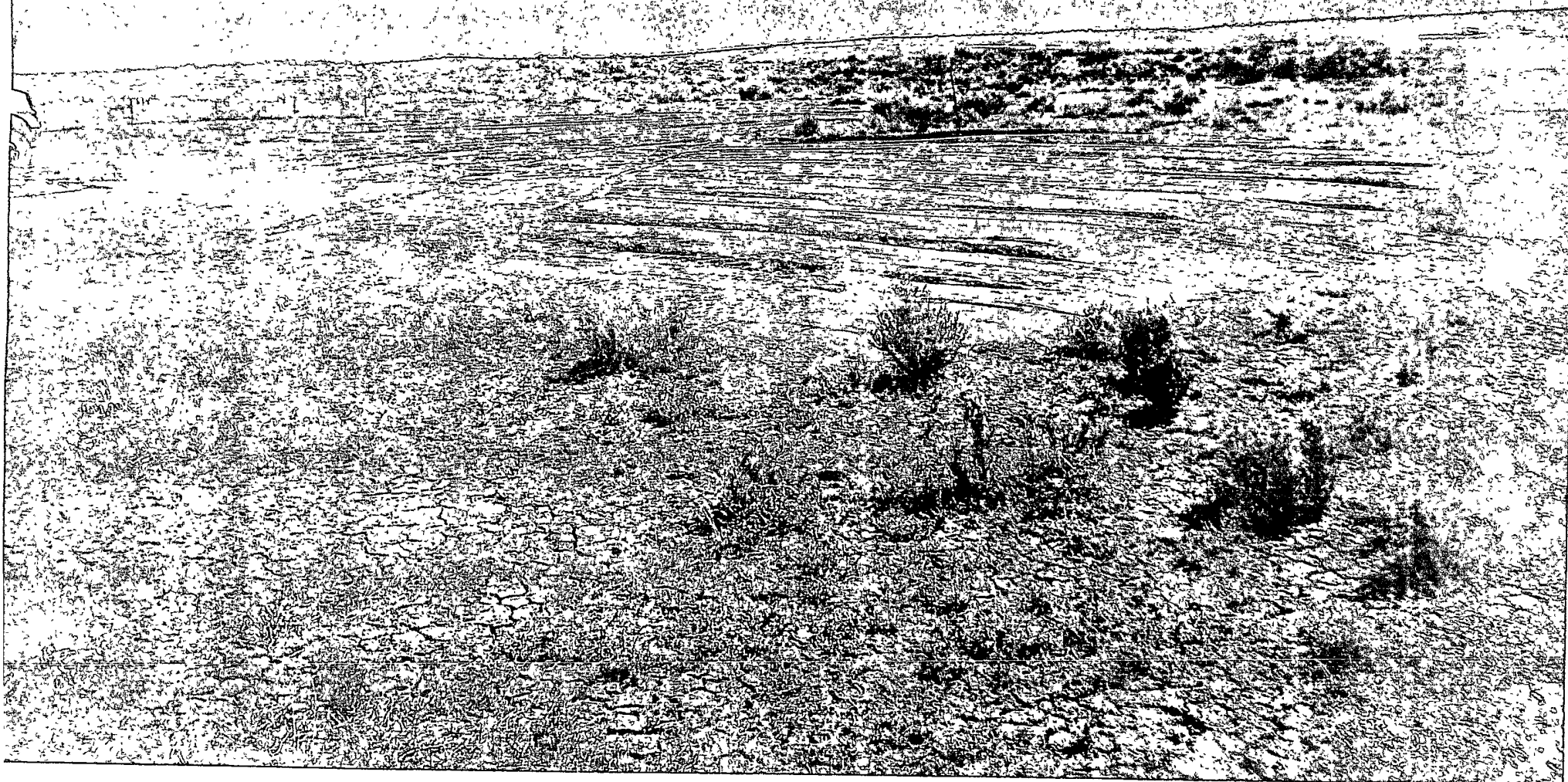
Samplers Signature _____

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		Miscellaneous			Preservative(s)				Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NaOH	Other (Specify)			
	Date	Time	Collected by (Init.)	Matrix Type from Table 1	No. of Containers	Sample Filtered Y/N												
H200558	2-27-12	4:00														2nd FgRpt TPH 418.1 TPH 8015 BTEX CL-		
1																		
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
Relinquished by <i>[Signature]</i>			Date	2-27-12	Time	4:41	Received by <i>[Signature]</i>			Date	2/27/12	Time	4:41					
Relinquished by <i>[Signature]</i>			Date		Time		Received by <i>[Signature]</i>			Date	2/27/12	Time	11:30					

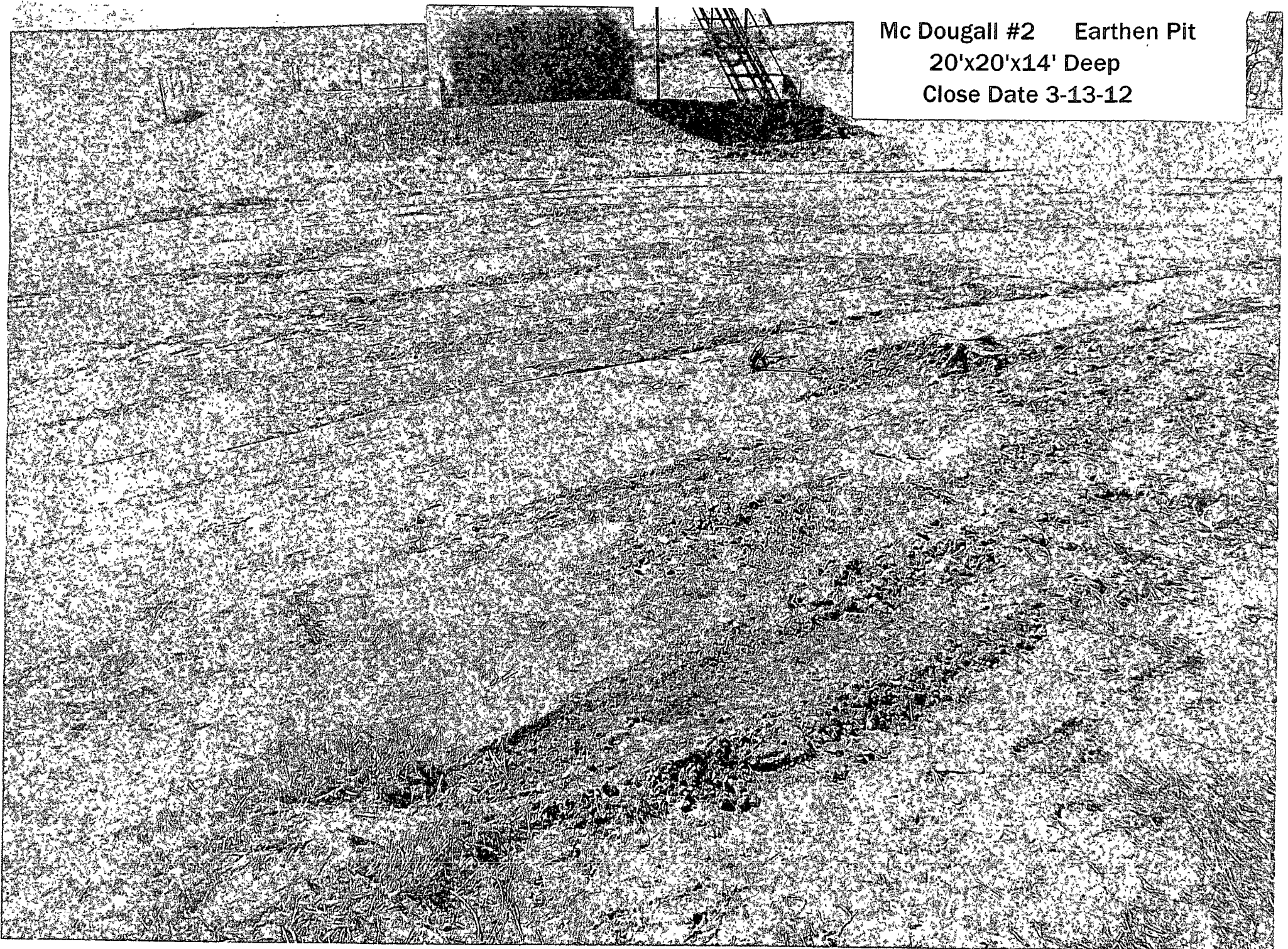
* Sample Reject ☐ Return ☐ Dispose ☐ Store (30 Days)

3.5° #2k

Mc Dougall #2 LandFarm
15' Wide x 32' Long
Close Date 3-13-12



Mc Dougall #2 Earthen Pit
20'x20'x14' Deep
Close Date 3-13-12



Kurt Fagrelius

From: Kurt Fagrelius
Sent: Tuesday, February 21, 2012 8:09 AM
To: 'dmankiew@blm.gov'
Subject: FW: McDougall #2 permanent pit

From: Kurt Fagrelius
Sent: Saturday, February 18, 2012 10:19 AM
To: 'dave_mankiewicz@nm.blm.gov'; 'mkelly@blm.gov'; 'lucas_vargo@blm.gov'
Subject: McDougall #2 permanent pit

Dear Dave Mankiewicz, Mark Kelly and Lucas Vargo,

As per requirements of the NMOCD "pit rule" you are hereby being notified of Dugan Production Corp's intent to close the permanent pit on the McDougall #2 (UL-1, Sec 9, T23N, R10W). Once the pit is ready for final closure operations, you will be given 72-hours advance notice of the closure date. If you have any questions or require additional information, please contact me.
Sincerely,

Kurt Fagrelius
Dugan Production Corp
505 325 1821 office
505 320 8248 cell
505 327 4613 fax

*72-hour notice was given to Mr. Brandon Powell by
phone 3-9-2012 and permanent pit was closed on
3-13-2012. by back-filling with Lend-ferm.
Kurt Fagrelius*