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

Form C-144
June 16, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Closed-Loop System, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

Type of action: [X] Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
[ ] Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

Operator: Dugan Production Corp. OGRID #: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401 RCVD JUL 15 '08
Facility or well name: Squaw Valley Com #91 OIL CONS. DIV.
API Number: 30-045-34577 OCD Permit Number: DIST. 3
U/L or Qtr/Qtr P Section 4 Township 23N Range 10W County: San Juan
Center of Proposed Design: Latitude 36.25162 North Longitude 107.89490 West NAD: [ ]1927 [X] 1983
Surface Owner: [ ] Federal [ ] State [ ] Private [X] Tribal Trust or Indian Allotment

[X] **Pit:** Subsection F or G of 19.15.17.11 NMAC
Temporary: [X] Drilling [ ] Workover
[ ] Permanent [ ] Emergency [ ] Cavitation
[X] Lined [ ] Unlined
Liner type: Thickness 20 mil [X] LLDPE [ ] HDPE [ ] PVC
[ ] Other [X] String-Reinforced
Seams: [ ] Welded [X] Factory [ ] Other
Volume: 600 bbl Dimensions: L 76' x W 13' x D 8'

[ ] **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
[ ] Drying Pad [ ] Tanks [ ] Haul-off Bins [ ] Other
[ ] Lined [ ] Unlined
Liner type: Thickness mil [ ] LLDPE [ ] HDPE [ ] PVC
[ ] Other
Seams: [ ] Welded [ ] Factory [ ] Other
Volume: bbl yd^3
Dimensions: Length x Width

[ ] **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: bbl
Type of fluid:
Tank Construction material:
[ ] Secondary containment with leak detection
[ ] Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
[ ] Visible sidewalls and liner
[ ] Visible sidewalls only
[ ] Other
Liner type: Thickness mil [ ] HDPE [ ] PVC
[ ] Other

Fencing: Subsection D of 19.15.17.11 NMAC
[ ] Chain link, six feet in height, two strands of barbed wire at top
[ ] Four foot height, four strands of barbed wire evenly spaced between one and four feet
Netting: Subsection E of 19.15.17.11 NMAC
[ ] Screen [ ] Netting [ ] Other
[ ] Monthly inspections
Signs: Subsection C of 19.15.17.11 NMAC
[X] 12'x24', 2' lettering, providing Operator's name, site location, and emergency telephone numbers
[ ] Signed in compliance with 19.15.3.103 NMAC

[ ] **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Administrative Approvals and Exceptions:
Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance.
Please check a box if one or more of the following is requested, if not leave blank:
[X] Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval.
[ ] Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Siting Criteria (regarding permitting): 19.15.17.10 NMAC ***Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance.*** **Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.**	
Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No ☐ NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to permanent pits)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No ☐ NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

Temporary Pits, Emergency Pits, and Below-grade Tanks Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.15 NMAC
- ☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.15 NMAC
- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☒ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

☐ Previously Approved Design (attach copy of design) API Number: 30-045-_____ or Permit Number: _____

Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Geologic and Hydrogeologic Data (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.15
- ☐ Siting Criteria Compliance Demonstrations (required for on-site closure) - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____

Permanent Pits Permit Application Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.15 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

Proposed Closure: 19.15.17.13 NMAC

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ Permanent Pit ☐ Below-grade Tank ☐ Closed-loop System ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal
☒ On-site Closure Method (only for temporary pits and closed-loop systems)
☒ In-place Burial ☐ On-site Trench Burial
☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC

Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

Ground water is less than 50 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☒ NA
Ground water is between 50 and 100 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☒ NA
Ground water is more than 100 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☒ Yes ☐ No ☐ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☐ Disposal Facility Name and Permit Number (or liquids, drilling fluids and drill cuttings)
- ☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Waste Removal Closure For Closed-loop Systems That Utilize Haul-off Bins Only: (19.15.17.13.D NMAC) ***Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings.***

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☐ Construction and Design of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Kurt Fagrelius Title: Vice President, Exploration

Signature: Kurt Fagrelius Date: 7-15-08

e-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (C)

OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: _____ **Approval Date:** 9-29-08

Title: Environ/Spec **OCD Permit Number:** _____

Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

☐ **Closure Completion Date:** _____

Closure Method:

☐ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method

☐ If different from approved plan, please explain.

Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Proof of Closure Notice
- ☐ Proof of Deed Notice (if applicable)
- ☐ Plot Plan
- ☐ Confirmation Sampling Analytical Results
- ☐ Waste Material Sampling Analytical Results
- ☐ Disposal Facility Name and Permit Number
- ☐ Soil Backfilling and Cover Installation
- ☐ Re-vegetation Application Rates and Seeding Technique
- ☐ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude _____ Longitude _____ NAD: ☐1927 ☐ 1983

Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): Kurt Fagrelius Title: Vice President, Exploration

Signature: _____ Date: _____

e-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
	71629	BASIN FRUITLAND COAL

[4] Property Code	[5] Property Name	[6] Well Number
	SQUAW VALLEY COM	91

[7] OGRID No.	[8] Operator Name	[9] Elevation
006515	DUGAN PRODUCTION CORPORATION	6636'

[10] Surface Location

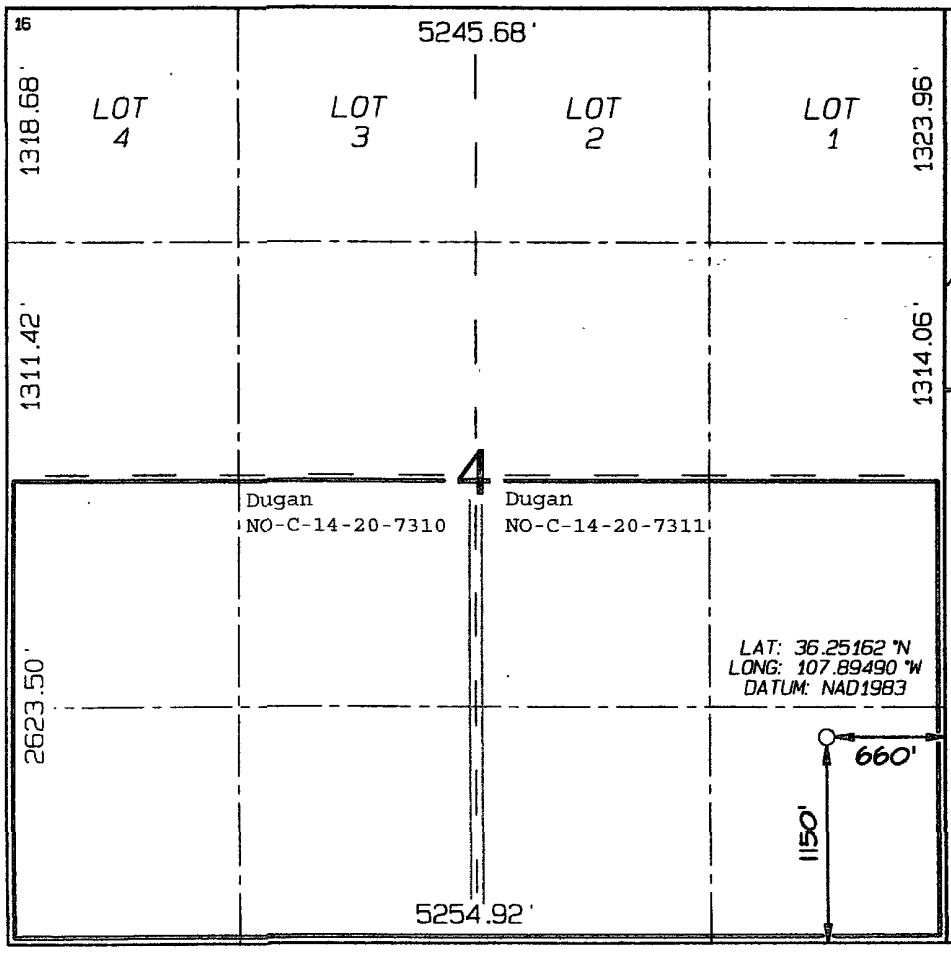
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	4	23N	10W		1150	SOUTH	660	EAST	SAN JUAN

[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320.0 Acres - (S/2)			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



[17] OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Kurt Fagrelius — 1/18/2008
Signature — Date

Kurt Fagrelius
Printed Name

[18] SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Survey Date: JANUARY 3, 2008

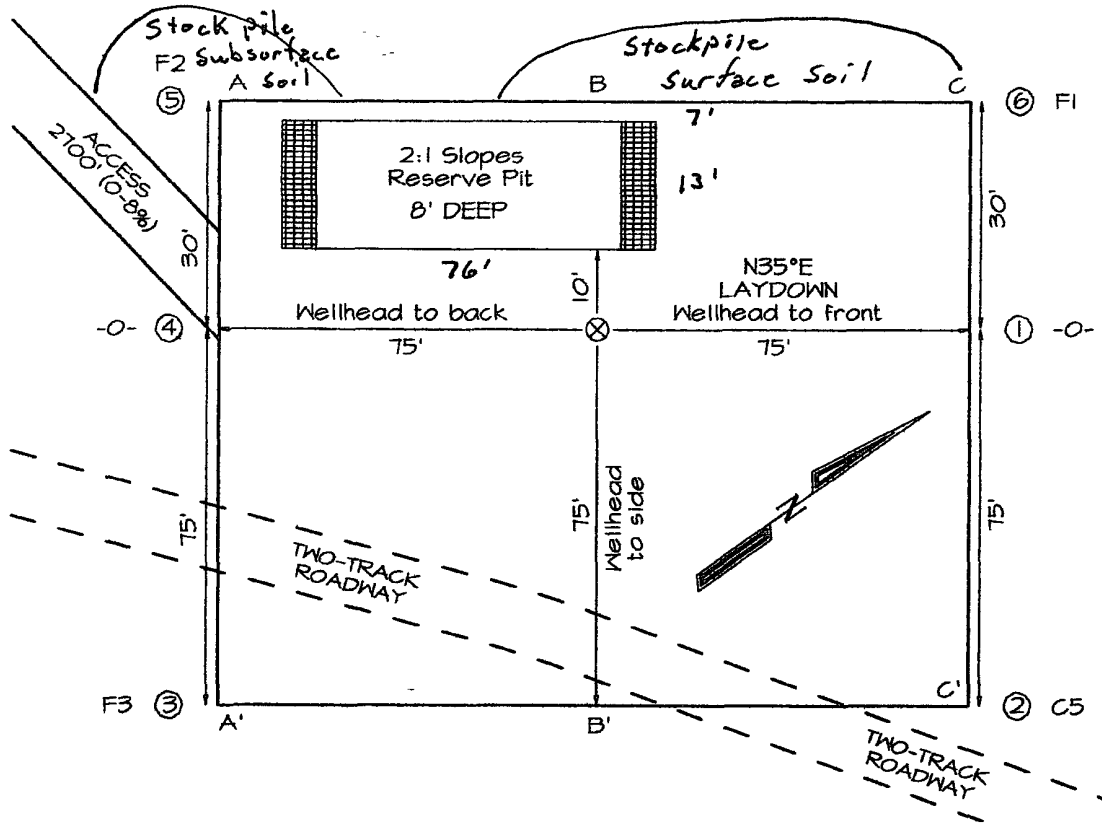
Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS
Certificate Number 15269

DUGAN PRODUCTION CORPORATION SQUAW VALLEY COM #91
1150' FSL & 660' FEL, SECTION 4, T23N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6636'

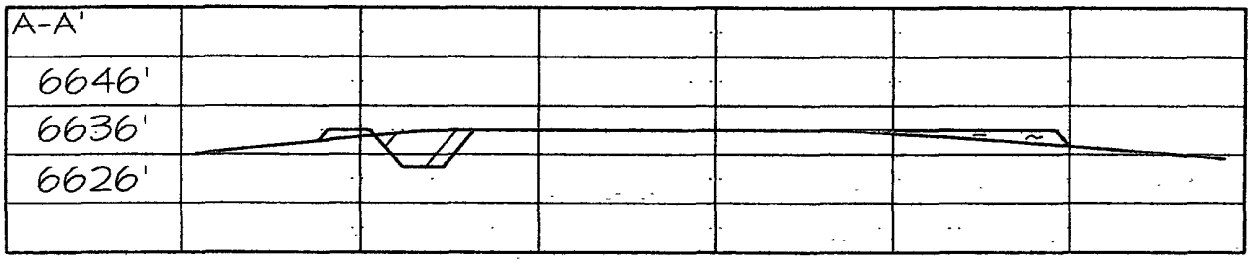
PLAT 3.

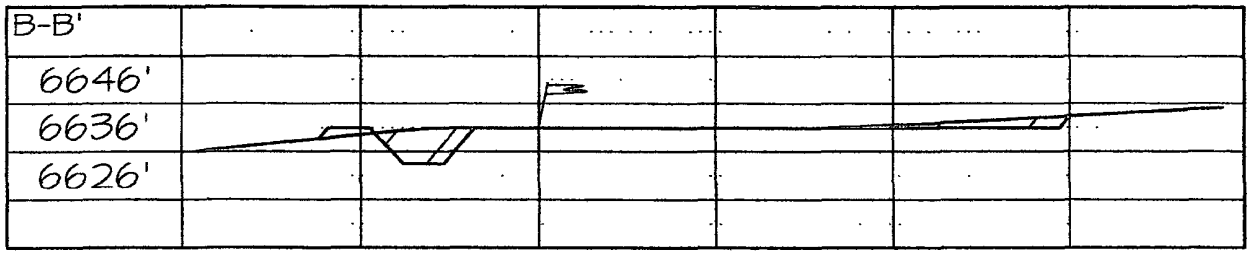


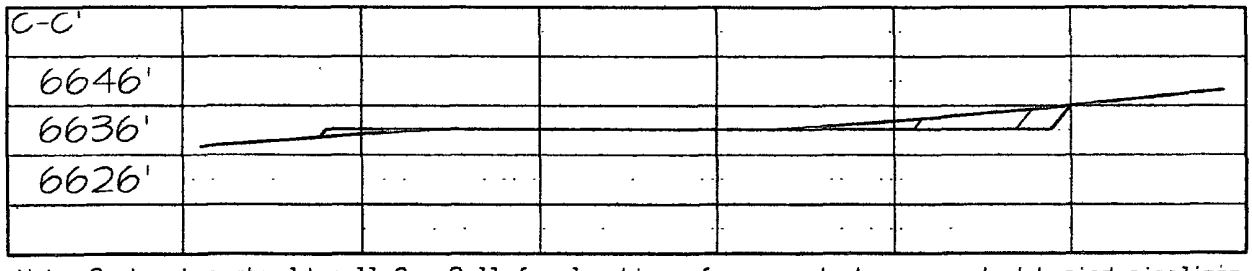
PLAT NOTE:

SURFACE OWNER Navajo Allotted Tribal Land

LATITUDE: 36.25162° N
LONGITUDE: 107.89490° W
DATUM: NAD1983







Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

Squaw Valley Com #91 Hydrogeologic Data

The Squaw Valley Com #91 is located on Navajo Indian Allotted land on the Chaco Slope area in San Juan County, New Mexico. The region is characterized as a high arid mesa broken by numerous, deep cutting arroyos.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Squaw Valley Com #91 location (Exhibit 2). A water well 4,450 feet to the north and east of the subject pit was located. This well was drilled to a depth of 373 feet. The top of water was not reported, however, the well was tested at 3.5 gallons per minute. No other information was available on this well. The results of the search are shown on Exhibit 1.

The main source of stock water in the region is encountered in valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface. The proposed temporary pit is not located in an arroyo, the closest arroyo is over 110 feet away.

The Nacimiento Formation extends from the surface down to a depth of approximately 145 feet. Thin silty sands can occur near the base. However, the sands are discontinuous, have high silt content and would not be expected to contain any water.

The underlying Ojo Alamo Sandstone ranges from approximately 145feet down to a depth of approximately 235 feet and is comprised of a coarse grained alluvial sandstone inter-bedded with lenses of mudstone and occasional conglomeratic sandstone. The Ojo Alamo may yield marginal quantities of water for livestock, however, the water quality is typically greater than 1,000 ppm total dissolved solids and high in sulfate.

The Nacimiento and Ojo Alamo are potential sources of water in the area, however, nearby arroyos have breached the surface down to a depth of approximately 70 feet, there are no springs in the area and the zones are not expected to contain water in the area.

Based on electric open hole logs, the iWATERS database and literature reviewed, a water well in the area encountered groundwater at 373 feet, lesser amounts of poor quality ground water might be found at a depth of approximately 200 feet from the basal, Ojo Alamo Sandstone.

Stone, W.J., Lyford, F.P., Frenzel, P.F., Mizell, N.H., and Padgett, E.T., 1983, Hydrogeology and water resources of San Juan Basin, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrologic Report 6, 70 p.

Brown, D.R., and Stone, W.J., 1979, Hydrogeology of Aztec quadrangle, San Juan County, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrogeologic Sheet 1.

Levings, G.W., Craigg, S.D., Dam, W.L. Kernodle, J.M., and Thorn, C.R., 1990, Hydrogeology of the San Jose, Nacimiento, and Animas Formations in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S. Geological Survey, Atlas HA-720-A, Sheet 1 and 2.

Thorn, C.R., Levings, G.W., Craigg, S.D., Dam, W.L., and Kernodle, J.M., 1990, Hydrogeology of the Ojo Alamo Sandstone in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S. Geological Survey, Atlas HA-720-B, Sheet 1 and 2.

EXHIBIT 1.

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 23N Range: 10W Sections: 3,4,5,8,9,10

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic
Domestic All

POD / Surface Data Report Avg Depth to Water Report
Water Column Report

Clear Form iWATERS Menu Help

WATER COLUMN REPORT 07/10/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water

No Records found, try again

EXHIBIT 1.

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 24N Range: 10W Sections: 32,33,34

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic
Domestic All

POD / Surface Data Report Avg Depth to Water Report
Water Column Report

Clear Form iWATERS Menu Help

WATER COLUMN REPORT 07/10/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water
SJ 01713	24N	10W	33	4	4					373	

Record Count: 1

Siting Criteria for the Squaw Valley Com #91

1. Ground water is not less than 50-feet below the bottom of the temporary pit. Ground water is greater than 100-feet below the bottom of the temporary pit.

2. The temporary pit is not within 300-feet of a continuously flowing water course, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from ordinary high water mark). See the attached Topographic map (Exhibit 2) and Visual Inspection Certification of the location and area around the subject temporary pit.

3. The temporary pit is not within 300-feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. See the attached Satellite Image (Exhibit 3) and Visual Inspection certification of the location and area around the subject temporary pit.

4. The temporary pit is not within 500-feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. See the attached NM Office of the State Engineer iWATERS database search (Exhibit 4) and Visual Inspection certification of the location and area around the subject temporary pit.

5. The temporary pit is not located within the incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978 Section 3-27-3, as amended. See the attached Topographic map of the location and area around the subject temporary pit.

6. The temporary pit is not located within 500-feet of a wetland. See the attached Topographic map and Visual Inspection Certification of the location and area around the subject temporary pit.

7. The temporary pit is not located within the area overlying a subsurface mine. See the attached Mine, Mills and Quarry Map of New Mexico (New Mexico, EMND 2008) (Exhibit 5) showing the location and area around the subject pit.

8. The temporary pit is not located within an unstable area. See the attached Topographic map of the location and area around the subject temporary pit.

9. The temporary pit is not located within a 100-year floodplain area. See the attached FEMA map (Exhibit 6) of the 100 year floodplain showing the location and area around the subject pit.

Squaw Valley Com #91 Visual Inspection Certification

I, Kurt Fagrelius, Vice President of Exploration for Dugan Production Corp. 709 East Murray Drive, Farmington, New Mexico hereby certify that I or persons under my direct supervision, prepared the attached exhibits and conducted a Visual Inspection of the location and area around the Squaw Valley Com #91 temporary pit (June 26, 2008) and that this application is in full compliance with all siting criteria and standards for temporary pits established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.10 NMAC.

Kurt Fagrelius

Kurt Fagrelius

July 14, 2008

Date

EXHIBIT 2.

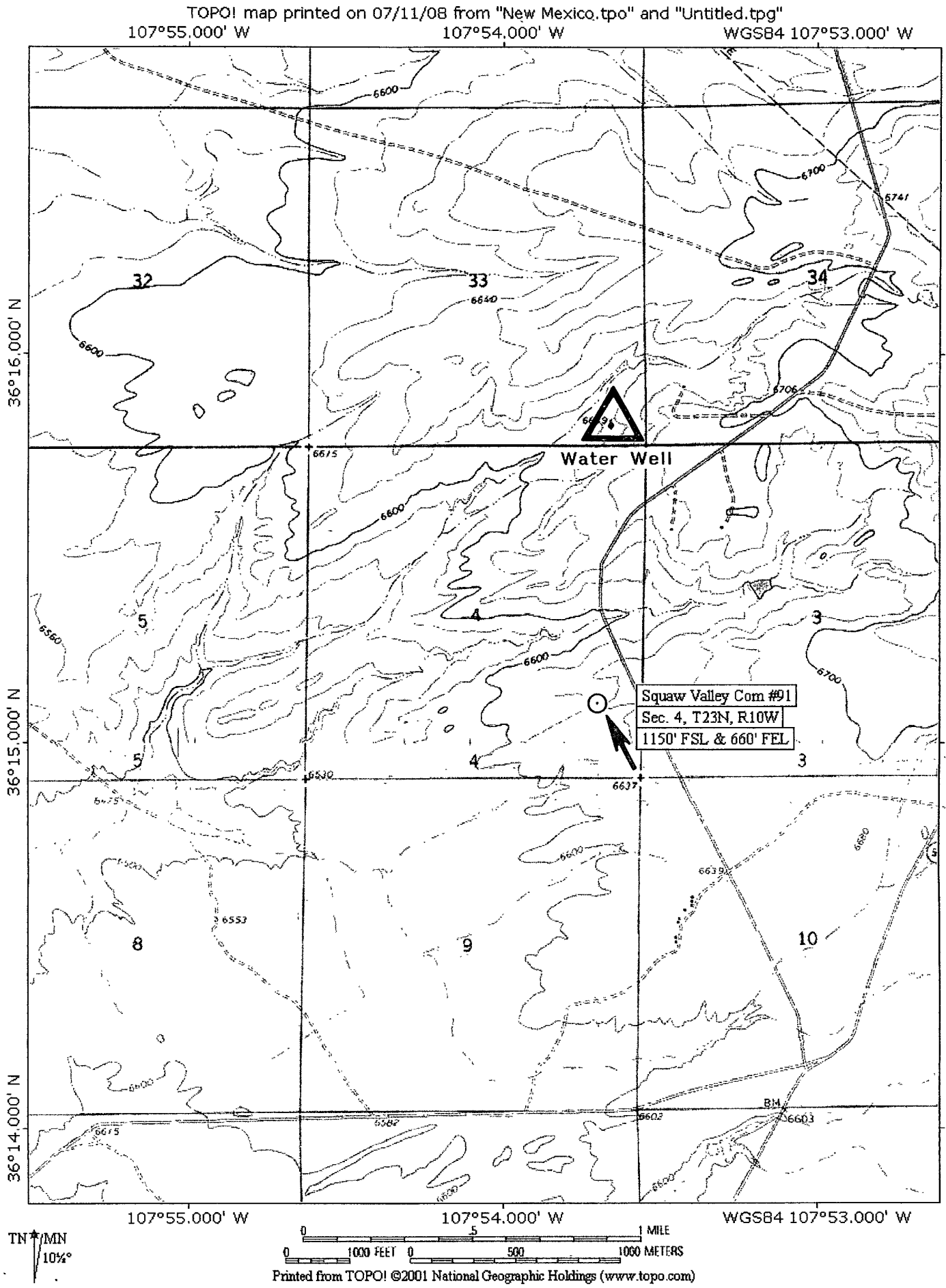

TOPO! map printed on 07/11/08 from "New Mexico.tpo" and "Untitled.tpg"
107°55.000' W
107°54.000' W
WGS84 107°53.000' W
36°16.000' N
36°15.000' N
36°14.000' N
Water Well
Squaw Valley Com #91
Sec. 4, T23N, R10W
1150' FSL & 660' FEL
TN
MN
10½°
MILE
1000 FEET
500
1000 METERS
Printed from TOPO! ©2001 National Geographic Holdings (www.topo.com)

EXHIBIT 3.

36 25.162' N, 107.89490 W
lat 36.251885° lon -107.898111°
2.03 mi
Image © 2008 TerraMetrics
alt 9610 ft
Google
Eye alt 43229 ft

EXHIBIT 4.

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 23N Range: 10W Sections: 4

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic
Domestic All

POD / Surface Data Report Avg Depth to Water Report
Water Column Report

Clear Form iWATERS Menu Help

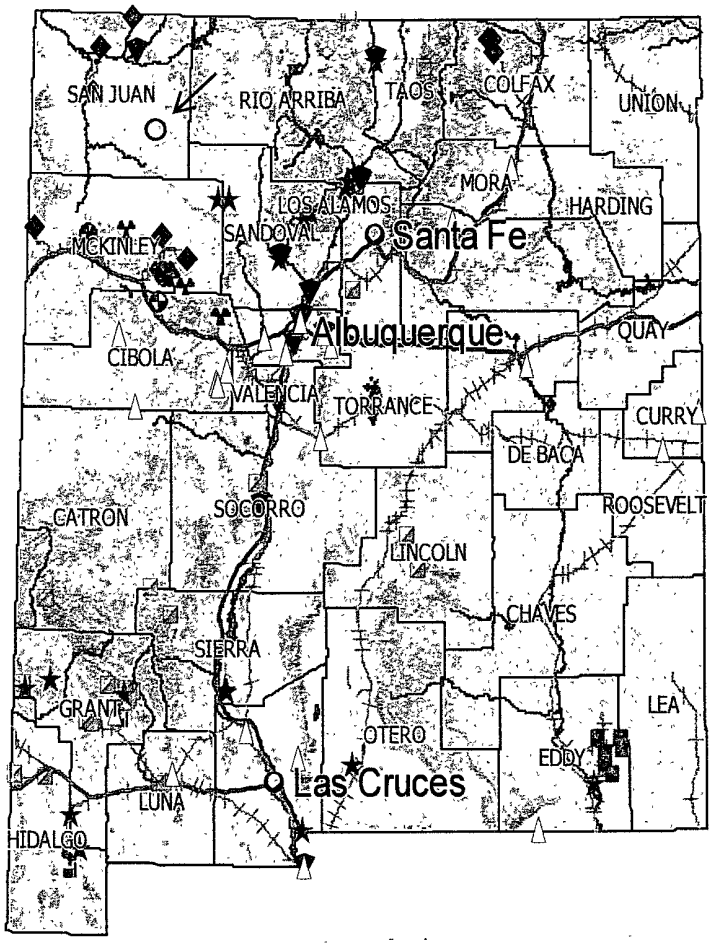
WATER COLUMN REPORT 07/10/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water

No Records found, try again

EXHIBIT 5.



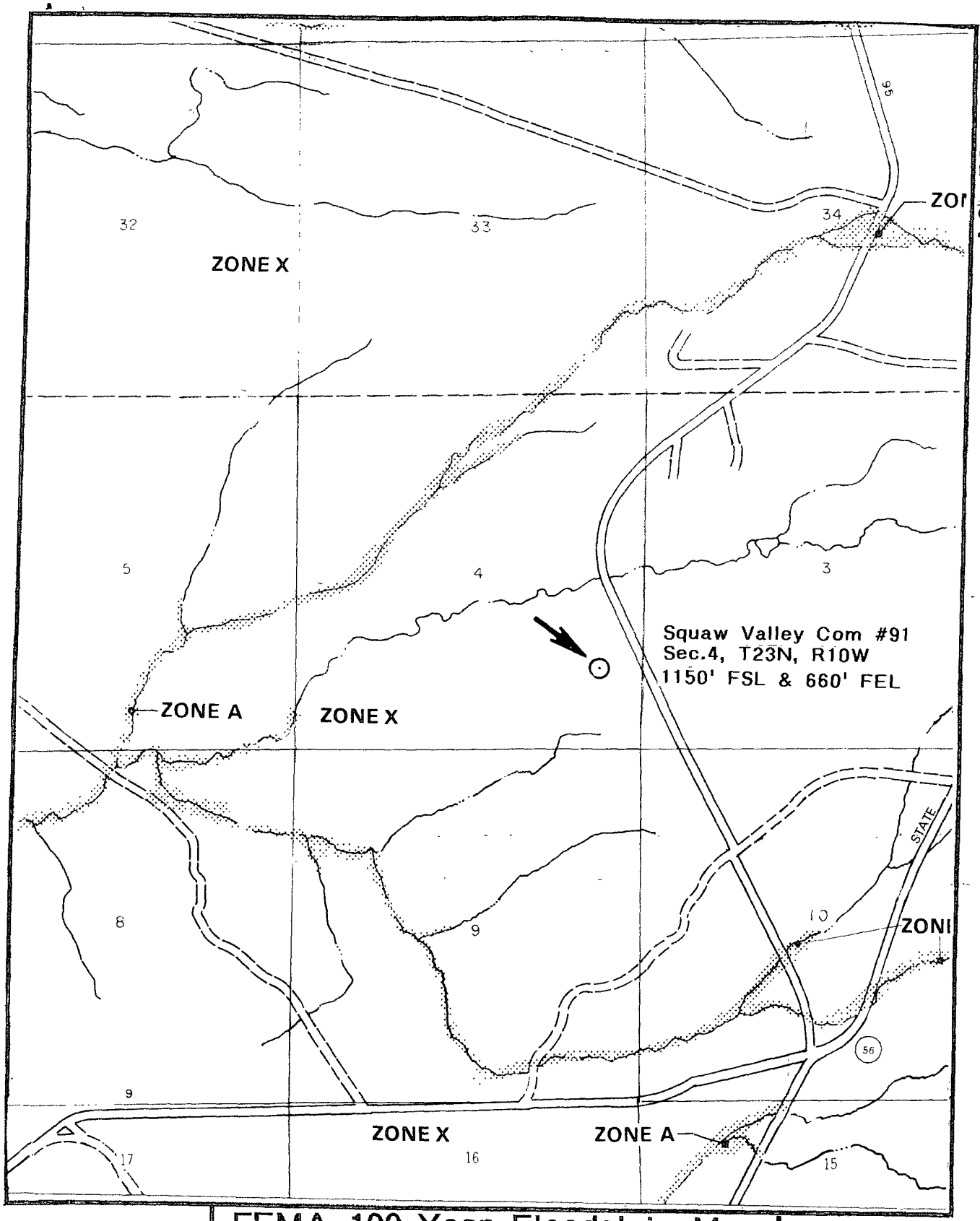
Mine, Mills and Quarry Map of New Mexico

Dugan Production Corp.

Squaw Valley Com #91

Taken from the New Mexico Energy, Minerals and Natural Resources Department.
Mining and Minerals Division.

EXHIBIT 6.



FEMA 100-Year Floodplain Map

Squaw Valley Com #91

Squaw Valley Com #91 Design and Construction Plan

1. The Squaw Valley Com #91 temporary pit will be designed and constructed in accordance with the following requirements:

2. Temporary pit will be designed and constructed to contain liquids and solids and prevent contamination of fresh water and protect public health and the environment.

3. Stockpile topsoil prior to digging pit, keep separate from subsoil and use as final cover and fill when closing pit.

4. Sign-12" by 24" with operator name, lease name, well #, location (unit letter, qtr/qtr, Sect., Twp., and Rge.) and emergency phone #'s will be posted on location. Sign will be posted in a location where it can be easily read.

5. Fencing around the Squaw Valley Com #91 temporary pit will be constructed and operated in a manner that prevents unauthorized access and shall be maintained in good condition to protect the public and wildlife. Squaw Valley Com #91 temporary pit is not located within 1000 feet of house, school, hospital or church. Administrative Approval is requested for alternative design (4'-hogwire). See attachment.

6. Squaw Valley Com #91 temporary pit will be designed and constructed to ensure the confinement of liquids and prevent unauthorized releases. Pit will be constructed with a firm foundation and interior slopes, smooth and free of rocks or sharp edges. Administrative Approval is requested for alternative design (2H: 1V slopes on 2-sides, vertical on 2-sides). See attachment.

7. Liner will be 20-mil string reinforced LLDPE, impervious material, resistant to UV light, hydrocarbons, salt, acidic or basic liquids. Liner seams will be minimized, oriented up and down, not across slopes, will have factory seam welds. Construction methods to avoid excessive stress-strain on the liner will be used. Geo-textile will be used under the liner as needed to reduce localized stress-strain on the liner in order to prevent punctures or tears in the liner.

8. Anchor trenches for the liner will be at least 18-inches deep.

9. A header, diverter, smooth flanged fittings or other devices that prevent damage to the liner by fluid force or mechanical damage at any point of discharge into or suction from the pit will be used.

10. Diversionary berms, ditches or sloping will be constructed as necessary to prevent surface run-off from flowing into pit.

Squaw Valley Com #91 Operational Requirements

1. The Squaw Valley Com #91 temporary pit will be maintained and operated in accordance with the following requirements:

2. Recycle, re-use, reclaim or dispose of fluids in a manner approved by the NMOCD rules.

3. Drilling fluids will be transferred to the next temporary (drilling reserve) pit to be used again in drilling the next well. Free fluid that shakes out of mud will be transferred to the Dugan operated Sanchez O'Brien SWD #1 disposal well.

4. Do not dispose of solid waste, trash, debris or hazardous material into the pit.

5. If the pit liner becomes torn or damaged, notify the appropriate NMOCD district office within 48-hours and repair or replace and remove all liquid above leak (505) 334-6178. If a hole or tear occurs below the fluid level, call the NMOCD office within 24-hours.

6. All injection or withdrawal of liquids from a pit using a water truck will be done through a header, diverter or other device that prevents damage to the liner by erosion, fluid jets or impact from installation and removal of hoses or pipes.

7. Discharge line from pit and suction lines to mud pumps will be equipped with smooth flanged fittings and hoses to prevent damage to the pit liner.

8. BOP manifolds will be constructed, installed and staked down in a manner that prevents damage to the pit liner.

9. Temporary pit will be constructed and operated in a manner that prevents surface water from entering the pit. Diversion berms will be constructed along the upslope sides of pit.

10. Oil absorbent booms or other devices to contain and remove oil from pit's surface will be kept onsite until final pit closure.

11. Discharge only fluids generated during drilling or work-over operations into the pit.

12. Immediately following drilling or work-over operations, remove any oil from pit surface.

13. Maintain at least 2-feet of freeboard in pit at all times.

14. Keep log book of daily inspections during drilling and work-over operations.

15. Keep log book of weekly inspections after rig is moved off, until final pit closure.

16. Note date of drilling or work-over rig release on form C-105 or C-103.

Squaw Valley Com #91 Closure Plan–Methods, Procedures and Protocols

1. Comply with siting criteria for temporary pits established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.10 NMAC.

2. Provide the NMOCD district office at least 72-hours notice but no greater than 1 week prior to any closure operations. Notice will include operator name, well name and number, API number, and location (unit letter, section, township and range).

3. Provide the surface owner notice of the operator's proposal of an on-site closure method. Proof of notice will be attached to the permit application. Also, proof of closure notice will be provided by certified mail to surface owner after closure. Proof of notice will be attached to final closure report.

4. Remove all liquid from pit and reclaim, re-use or dispose of at an NMOCD approved facility. Upon completion of drilling operations, drilling mud will be vacuumed from pit and transported to the next reserve pit for re-use at another drilling location. After the remaining mud settles, the free water that shakes out and any free water left over from completion operations will be hauled to the Dugan Production operated Sanchez O'Brien #1 SWD located 1650 feet from the South line and 990 feet from the West line (Unit L) of Section 6, Township 24 North, Range 9 West NMPM, San Juan County, New Mexico. The disposal facility was permitted by the NMOCD with Administrative Order SWD-694.

5. Remove all fluids from temporary pit within 30-days and close within 6-months following release of drilling rig.

6. Air dry pit contents and stabilize or solidify to a load bearing capacity sufficient to support the temporary pit's final cover.

7. Collect a five point, composite sample of the pit contents to demonstrate that Benzene, BTEX, the GRO and DRO combined fraction, TPH. and chlorides (depth to groundwater from bottom of pit is greater than 100-feet), do not exceed the standards as specified in 19.15.17.9.B or the background concentration, whichever is greater.

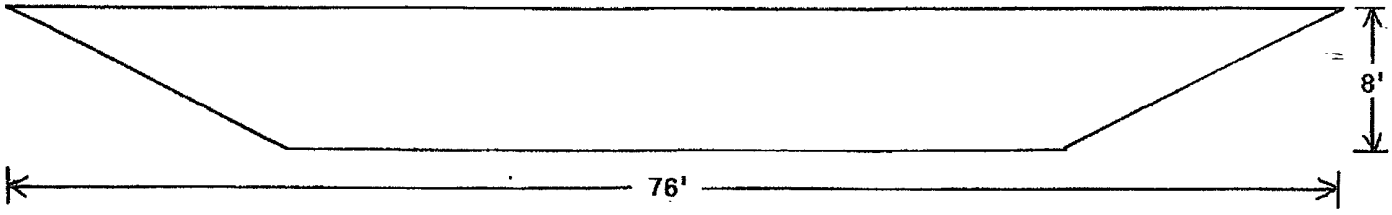
Components	Test Method	Limit (mg/kg)
Benzene	EPA SW-846 8021B or 8260B	0.2
BTEX	EPA SW-846 8021B or 8260B	50
TPH	EPA SW-846 418.1	2500
GRO/DRO	EPA SW-846 8015M	500
Chlorides	EPA 300.1	1000 / 500

8. Other methods if the standards in 19.15.17.9.B can not be met will include:
The pit contents may be mixed to a ratio not to exceed 3:1, un-contaminated soil or other material to pit contents. A second five point, composite sample of the contents after treatment or stabilization will be taken to demonstrate that the contents do not exceed the standards. If the second soil analyses do no satisfy the closure

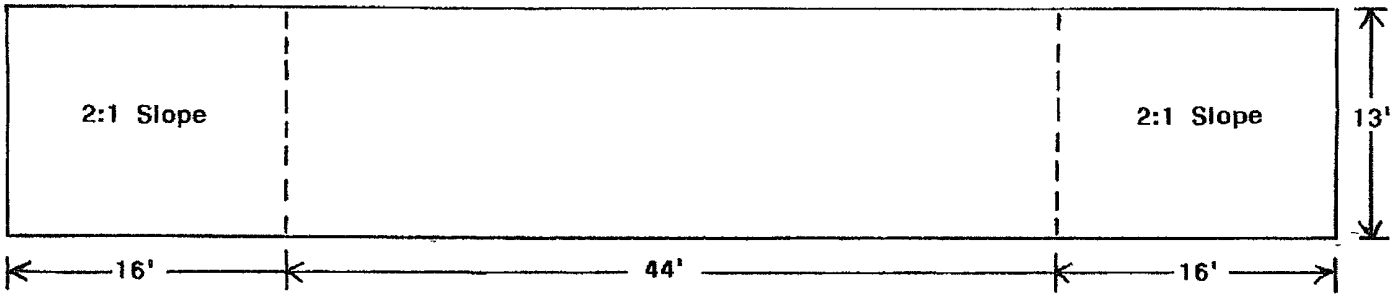
EXHIBIT 7.

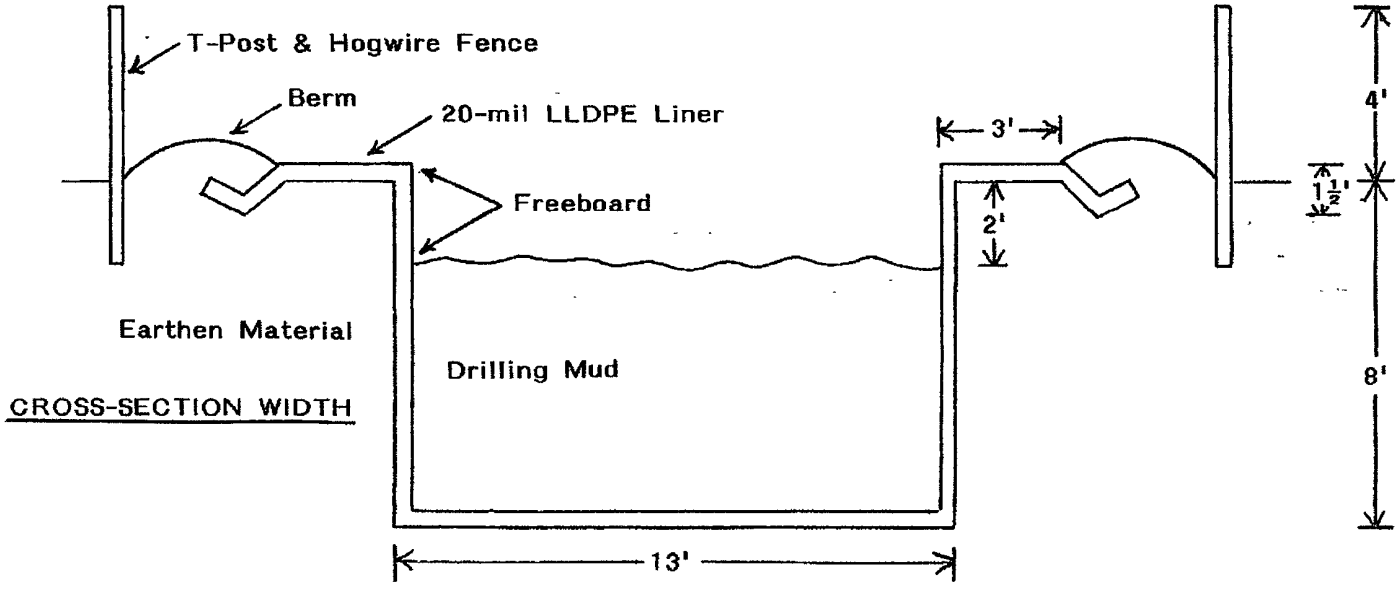
Temporary Drilling Pit

CROSS-SECTION LENGTH



PLAN VIEW





CROSS-SECTION WIDTH

Dugan Production Corp.
Squaw Valley Com #91

Yolena Patterson

From: Yolena Patterson
Sent: Monday, July 14, 2008 3:44 PM
To: 'Jim Stockbridge'
Cc: 'brandon.powell@state.nm.us'
Subject: Surface Owner notification for onesite closure of the Squaw Valley Com #91 temporary pit.

Federal Indian Minerals Office
Jim Stockbridge

July 14, 2008

RE: Surface Notification to close the Squaw Valley Com #91 temporary pit on-site at the subject location.

Dear Mr. Jim Stockbridge,

In compliance with the State of New Mexico, Energy Minerals and Natural Resources Department new pit rule (Subsection F of 19.15.17.13 NMAC) Dugan Production is Corp. is hereby providing notice to the Federal Indian Minerals Office of the operator's proposal to close the "Temporary Pit" (drilling reserve pit) for the Squaw Valley Com #91 gas well using "on-site burial methods".

The subject well is located (P, Section 4, T23N, R10W) on Indian Allotment surface land in San Juan County, New Mexico.

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

Sincerely,

Kurt Fagrelius
Dugan Production Corp.

Yolena Patterson

From: postmaster@duganproduction.com
Sent: Monday, July 14, 2008 3:44 PM
To: Yolena Patterson
Subject: Delivery Status Notification (Relay)

Attachments: ATT21292.txt; Surface Owner notification for onesite closure of the Squaw Valley Com #91 temporary pit.


ATT21292.txt (425 B)


Surface Owner notification for...

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.

Jim_Stockbridge1@NM.BLM.GOV

Yolena Patterson

From: postmaster@duganproduction.com
Sent: Monday, July 14, 2008 3:44 PM
To: Yolena Patterson
Subject: Delivery Status Notification (Relay)

Attachments: ATT21300.txt; Surface Owner notification for onesite closure of the Squaw Valley Com #91 temporary pit.


ATT21300.txt (435 B)


Surface Owner notification for...

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