

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

July 21, 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: ☐ 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  
☐ Modification to an existing permit  
☐ Closure plan only submitted for an existing permitted or non-permitted 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.

1. Operator: Dugan Production Corp. OGRID #: 006515  
 Address: 709 East Murray Drive, Farmington, New Mexico 87401  
 Facility or well name: Anderson A #1  
 API Number: 30-039-05324 OCD Permit Number: \_\_\_\_\_  
 U/L or Qtr/Qtr B Section 25 Township 24N Range 2W County: San Juan  
 Center of Proposed Design: Latitude 36.2863 North Longitude 106.9973 West NAD: ☒ 1927 ☐ 1983  
 Surface Owner: ☒ Federal ☐ State ☒ Private ☐ Tribal Trust or Indian Allotment

2. ☒ **Pit:** Subsection F or G of 19.15.17.11 NMAC  
 Temporary: ☐ Drilling ☐ Workover (Taken out of commission 6-14-2007)  
☒ Permanent ☐ Emergency ☐ Cavitation ☐ P&A  
☐ Lined ☒ Unlined Liner type: Thickness \_\_\_\_\_ mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other \_\_\_\_\_  
☐ String-Reinforced  
 Liner Seams: ☐ Welded ☐ Factory ☐ Other \_\_\_\_\_ Volume: 70 bbl Dimensions: L 15' x W 8' x D 4'

3. ☐ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC  
 Type of Operation: ☐ P&A ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent)  
☐ Drying Pad ☐ Above Ground Steel Tanks ☐ Haul-off Bins ☐ Other \_\_\_\_\_  
☐ Lined ☐ Unlined Liner type: Thickness \_\_\_\_\_ mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other \_\_\_\_\_  
 Liner Seams: ☐ Welded ☐ Factory ☐ Other \_\_\_\_\_

4. ☐ **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 \_\_\_\_\_

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

6.

**Fencing:** Subsection D of 19.15.17.11 NMAC (*Applies to permanent pits, temporary pits, and below-grade tanks*)

- ☐ Chain link, six feet in height, two strands of barbed wire at top (*Required if located within 1000 feet of a permanent residence, school, hospital, institution or church*)
- ☐ Four foot height, four strands of barbed wire evenly spaced between one and four feet
- ☒ Alternate. Please specify 4' = 3' Hog Wire + One Strand Barbed Wire

7.

**Netting:** Subsection E of 19.15.17.11 NMAC (*Applies to permanent pits and permanent open top tanks*)

- ☐ Screen ☐ Netting ☐ Other \_\_\_\_\_
- ☐ Monthly inspections (If netting or screening is not physically feasible)

8.

**Signs:** Subsection C of 19.15.17.11 NMAC

- ☒ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
- ☐ Signed in compliance with 19.15.3.103 NMAC

9.

**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:*

- ☒ 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.

10.

**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 significant watercourse or 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

11. **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 19.15.17.9 NMAC  
☐ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 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 (Please complete Boxes 14 through 18, if applicable) - 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: \_\_\_\_\_ or Permit Number: \_\_\_\_\_

12. **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 (only for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.9  
☐ Siting Criteria Compliance Demonstrations (only 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 (Please complete Boxes 14 through 18, if applicable) - 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: \_\_\_\_\_

☐ Previously Approved Operating and Maintenance Plan API Number: \_\_\_\_\_ (Applies only to closed-loop system that use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

13. **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 19.15.17.9 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<sub>2</sub>S, 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

14. **Proposed Closure:** 19.15.17.13 NMAC  
*Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.*

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

Proposed Closure Method: ☒ Waste Excavation and Removal  
☐ Waste Removal (Closed-loop systems only)  
☐ 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)

15. **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 (for 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

16.

**Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)

*Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.*

Disposal Facility Name: \_\_\_\_\_ Disposal Facility Permit Number: \_\_\_\_\_

Disposal Facility Name: \_\_\_\_\_ Disposal Facility Permit Number: \_\_\_\_\_

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please provide the information below) ☐ No

*Required for impacted areas which will not be used for future service and operations:*

☐ 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

17.

**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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within a 100-year floodplain. - FEMA map	<input type="checkbox"/> Yes <input type="checkbox"/> No

18.

**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/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - 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

19.

**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 Fagrelus

Title: Vice President, Exploration

Signature: Kurt Fagrelus

Date: 09-09-2008

e-mail address: kfagrelus@duganproduction.com

Telephone: 505-325-1821 (O), 505-320-8248 (C)

20.

**OCD Approval:** ☐ Permit Application (including closure plan) ☒ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: [Signature]

Approval Date: 10/22/08

Title: Env. Engineer

OCD Permit Number: \_\_\_\_\_

21.

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

*Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.*

☒ Closure Completion Date: 11-30-2010

22.

**Closure Method:**

☒ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)  
☐ If different from approved plan, please explain.

23.

**Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

*Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.*

Disposal Facility Name: \_\_\_\_\_

Disposal Facility Permit Number: \_\_\_\_\_

Disposal Facility Name: \_\_\_\_\_

Disposal Facility Permit Number: \_\_\_\_\_

Were the closed-loop system operations and associated activities performed on or in areas that will not be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

- ☐ Site Reclamation (Photo Documentation)  
☐ Soil Backfilling and Cover Installation  
☐ Re-vegetation Application Rates and Seeding Technique

24.

**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 (surface owner and division)  
☒ Proof of Deed Notice (required for on-site closure)  
☒ Plot Plan (for on-site closures and temporary pits)  
☐ Confirmation Sampling Analytical Results (if applicable)  
☒ Waste Material Sampling Analytical Results (required for on-site closure)  
☐ 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 36.2863 N Longitude 106.9973 W NAD: ☒ 1927 ☐ 1983

25.

**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 Fagrelus

Title: Vice President, Exploration

Signature: Kurt Fagrelus

Date: 12-3-2010

e-mail address: kfagrelus@duganproduction.com

Telephone: 505-325-1821 (O), 505-320-8248 (C)

## Anderson A #1 Permanent Pit Closure Report–Methods, Procedures and Protocols

1. Comply with deadlines for closure of a permanent pit established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.13 NMAC, or an earlier date if required by the NMOCD in the case of imminent danger to fresh water, public health or the environment.

Existing	Permit Applc. Submittal or	File Closure Plan	Stop Use By	Close By
On June 16, 2008	Modification Request	By		
Temporary Pit - Unlined	Not Permted under 19.15.17	7/16/2008	Upon drlg rig release	9/16/2008
Permanent Pit - Unlined or Lined	Not permitted or Registered with NMOCD	7/16/2008	6-16-2008	12/16/2008
Permanent Pit – Unlined	Permitted or Registered with NMOCD	12-16-2008	6-16-2010	6-16-2011
BGT-Aprvd. Design	Not Permted under 19.15.17 Applc. by 9-16-2008	12/16/2008	fail integrity replc w/apprvd design	
BGT-Not Aprvd Design Nor Retrofit to Comply w/19.15.17	Not Permted under 19.15.17 Mod. Rqust by 9-16-2008	12/16/2008	6/16/2013	6-16-2013
BGT-Not Aprvd Design Nor Retrofit to comply w/19.15.17	NA	12/16/2008	6/16/2013	6/16/2013
Permanent Pit-Design and Constr	Mod. Rqust by 12-16-2008	12/16/2008	fail integrity replc	60-days after cessation
Does not comply w/19.15.17 permitted and lined	Comply w/in 18-mos of aprvl	submit w/mod request	w/apprvd design	
Permanent Pit-Design and Constr	Permit Applc by 12-16-2008	12/16/2008		60-days after cessation
Does not comply w/19.15.17 Registered and Lined	Comply w/in 18-mos of aprvl	submit w/permit Applc		
Permanent Pit	Permitted under 19.15.17	60-Days prior to close		
Temporary Pit	Permitted under 19.15.17	Prior to closure	Upon drlg rig release	6-mos after rig release
BGT	Permitted under 19.15.17	12/16/2013 or prior to closure	failed integrity replc w/apprvd design	60-days after cessation

2. The Anderson A #1 permanent pit is an approved design registered under rule 50, but was not permitted under rule 19.15.17. The permanent pit is not in use; it was taken out of commission on 6/14/2007 but has not been closed yet. This report serves as the closure plan and final closure report for the pit.  
***Permanent pit was closed on 11/30/2010.***

3. 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).  
***Notification is attached (sent 11/24/2010, via e-mail).***

4. Provide the Environmental Bureau in the NMOCD Santa Fe office a closure plan with this notice. Upon approval of this closure plan, provide the Environmental Bureau in the NMOCD Santa Fe office a proposed schedule for closure at least 60-days prior to closing the permanent pit.

*10/29/2008 and 11/15/2008 e-mails to NMOCD Santa Fe office.*

5. Proof of closure notice will be provided by certified mail to surface owner prior to closing the permanent pit. Proof of notice will be attached to final closure report.

*The closure notification was sent to the surface owners via certified mail (9/21/2010) prior to closing the permanent pit and returned as undeliverable (see attached, letters, unsigned returned receipt cards and email from Glenn VonGonten with EMNRD).*

6. Remove all liquid from the permanent pit prior to closure and dispose of at the Dugan Production operated Sanchez O'Brien #1 SWD (permit SWD-694) 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.

*Permanent pit did not have any fluids in it to be hauled.*

7. All solids from the permanent pit will be excavated, hauled to and disposed of at either the Envirotech facility (permit #NM-01-0011) located in Section 6, Township 26 North, Range 10 West or the IEI facility (permit NM-01-0010B) located in Section 2, Township 29 North, Range 12 West.

*Nothing was hauled from this permanent pit. Initial samples tested "good".*

8. Remove pit liner system, if applicable and dispose of in a NMOCD approved facility (Waste Management's Crouch Mesa facility).

*Permanent pit did not have a liner system.*

9. On site equipment associated with the permanent pit will be removed unless it is needed for some other purpose.

10. Collect at a minimum, a five point, composite sample; also, collect individual grab samples from any area that is wet, discolored or showing other evidence of a release; and analyze for Benzene, BTEX, TPH, GRO/DRO and chlorides to demonstrate that Benzene, BTEX, TPH, GRO/DRO and chlorides do not exceed the standards as specified in 19.15.17.13.E or the background chloride concentration, whichever is greater.

Components	Test Method	Limit (mg/kg)	Results (mg/kg)
Benzene	EPA SW-846 8021B or 8260B	0.2	<0.050
BTEX	EPA SW-846 8021B or 8260B	50	<0.150
TPH	EPA SW-846 418.1	100	<100
GRO/DRO	EPA SW-846 8015M	NS	<10
Chlorides	EPA 300.1	250 or Background	32

11. The NMOCD will be notified of the testing results on form C-141.

*C-141 with results of sample analysis is attached. Samples tested within permissible levels of 19.15.17.13.*

12. If it is determined that a release has occurred, rules 19.15.3.116 NMAC and 19.15.1.19 NMAC will be complied with as required.

***No release occurred.***

13. If the sampling results demonstrate that a release has not occurred, or that any release does not exceed the concentrations specified above or background concentrations, the pit will be backfilled with compacted, non-waste containing, earthen material.

***No release occurred.***

14. 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.

***Stockpiled sub-surface soil was used to backfill permanent pit and re-contour. A minimum of four-feet of compacted, non-waste containing, earthen material was used as backfill.***

15. 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.

***Stockpiled surface soil was used to cover over the backfilled permanent pit and disturbed area no longer needed for production operations. The soil cover included background thickness of topsoil (which was greater than 1-foot thick) to establish vegetation at the site. The soil cover was constructed to the site's existing grade and will prevent water collection or ponding and erosion of the cover material.***

16. The area will be re-seeded as per BLM guidelines. Re-seeding will be repeated until 70% of the native natural cover is achieved and maintained for two successive growing seasons. The first growing season after the pit is closed the disturbed area will be re-seeded. The seeding method will be to drill on contour whenever possible.

***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.***

***This provision will/has been accomplished through complying with BLM seeding requirements as allowed by the BLM/OCD MOU.***

17. The NMOCD will be notified within 60-days of closure of the permanent pit. The closure report will be filed on form C-144 and will include the following:

- a. Proof of Closure Notice (surface owner and division)
- b. Confirmation Sampling Analytical Results (if applicable)
- c. Disposal Facility Name and Permit Number \_\_\_\_\_
- d. Soil Backfilling and Cover Installation
- e. Re-vegetation Application Rates and Seeding Technique

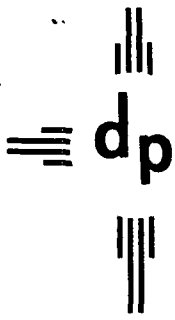


f. Site Reclamation (Photo Documentation)

18. The NMOCD will be notified once successful re-vegetation has been achieved.

***The Aztec District office of the OCD will be notified after each re-seeding operation and after successful re-vegetation has been achieved.***

---



# dugan production corp.

---

September 21, 2010

James C. Watson  
P.O. Box 135  
Lindrith, NM 87029

RE: Notice of Pit Burial  
Anderson A #1  
NW/4NE/4 Section 25, T24N, R2W  
Rio Arriba County, New Mexico

Dear Mr. Watson:

Our records indicate that you are the owner of the land on which the above-captioned well is located. Therefore, this letter is to notify you, in accordance with Section 19.15.17.13F.1f of the NMAC (Pit Rules), that Dugan Production Corp. is going to reclaim the production pit at this site in the very near future.

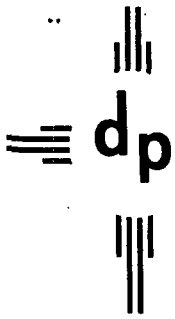
Enclosed is a copy of the Recordation Notice of Pit Burial as required by the above recitation for the New Mexico Pit Rules that will be recorded in Rio Arriba County, New Mexico, County Clerk's office.

If you have further questions, please contact me at your convenience.

Respectfully,

Skip Fraker  
Land Manager

/egl



# dugan production corp.

---

September 21, 2010

Manuel Chavez  
185 W. Meadowlark Lane  
Corrales, NM 87048

RE: Notice of Pit Burial  
Anderson A #1  
NW/4NE/4 Section 25, T24N, R2W  
Rio Arriba County, New Mexico

Dear Mr. Chavez:

Our records indicate that you are the owner of the land on which the above-captioned well is located. Therefore, this letter is to notify you, in accordance with Section 19.15.17.13F.1f of the NMAC (Pit Rules), that Dugan Production Corp. is going to reclaim the production pit at this site in the very near future.

Enclosed is a copy of the Recordation Notice of Pit Burial as required by the above recitation for the New Mexico Pit Rules that will be recorded in Rio Arriba County, New Mexico, County Clerk's office.

If you have further questions, please contact me at your convenience.

Respectfully,

Skip Fraker  
Land Manager

/egl

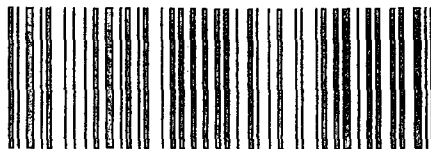
7005 2570 0001 3772 6721

U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
OFFICIAL USE	
Postage	\$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span> 9/21/10
Certified Fee	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span>
Return Receipt Fee (Endorsement Required)	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span>
Restricted Delivery Fee (Endorsement Required)	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span>
Total Postage & Fees	\$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span> Postmark Here Anderson A #1 pit burial
Sent To James C. Watson	
Street, Apt. No., or PO Box No. P.O. Box 135	
City, State, ZIP+4 Lindrieth 87029	
PS Form 3800, June 2002 See Reverse for Instructions	

7005 2570 0001 3772 6745

U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
OFFICIAL USE	
Postage	\$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span> 9-21-10
Certified Fee	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span>
Return Receipt Fee (Endorsement Required)	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span>
Restricted Delivery Fee (Endorsement Required)	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span>
Total Postage & Fees	\$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span> Postmark Here Pit burial Anderson A #1
Sent To Manuel Chavez	
Street, Apt. No., or PO Box No. 185 W. Meadowlark	
City, State, ZIP+4 Corrales 87048	
PS Form 3800, June 2002 See Reverse for Instructions	

CERTIFIED MAIL™



7005 2570 0001 3772 6721



UNITED STATES POSTAGE  
PITNEY BOWES  
02 1P \$005.54<sup>0</sup>  
0003140120 SEP 21 2010  
MAILED FROM ZIP CODE 87401

dugan production corp.

P. O. BOX 420  
FARMINGTON, NEW MEXICO 87499-0420

9.27.10  
RETURNED TO SENDER  
ATTEMPTED NOT KNOWN

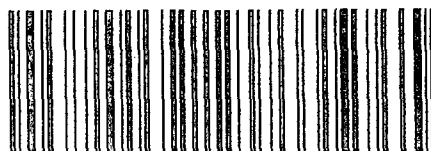
RTS  
ANK

James C. Watson  
P.O. Box 135  
Lindrith, NM 87029

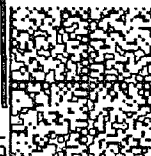
8702980135 8002



CERTIFIED MAIL™



7005 2570 0001 3772 6745



UNITED STATES POSTAGE  
PITNEY BOWES  
02 1P \$005.54<sup>0</sup>  
0003140120 SEP 21 2010  
MAILED FROM ZIP CODE 87401

dugan production corp.

P. O. BOX 420  
FARMINGTON, NEW MEXICO 87499-0420

10/01

WTF

Manuel Chavez  
185 W. Meadowlark Lane  
Corrales, NM 87048

delivered

gab

NIXIE 871 DC 1 00 09/30/10

RETURN TO SENDER  
NOT DELIVERABLE AS ADDRESSED  
UNABLE TO FORWARD

BC: 87499042020 \*0958-05588-01-43

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

**SENDER: COMPLETE THIS SECTION**

- ☐ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☐ Print your name and address on the reverse so that we can return the card to you.
- ☐ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

James C Watson  
P.O. Box 135  
Lindenh, NM  
87029

2. Article Number

(Transfer from service label)

7005 2570 0001 3772 6721

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☐ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

**SENDER: COMPLETE THIS SECTION**

- ☐ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☐ Print your name and address on the reverse so that we can return the card to you.
- ☐ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mamei Chavez  
185 W. Meadowlark Ln  
Corralos, NM  
87048

2. Article Number

(Transfer from service label)

7005 2570 0001 3772 6745

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☐ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

**Skip Fraker****From:** Tatum L. Terrazas [TLTerrazas@rio-arriba.org]**Sent:** Tuesday, August 31, 2010 11:15 AM**To:** Skip Fraker**Subject:** hope this i what you needed

8/31/2010 11:06:55 COUNTY OF RIO ARRIBA Year 2010 TAASRT2  
 0026445 Dist 53 NonRend% 0 0 Centrl 88002 Full  
 WATSON, JAMES C. C/O FinCo 88002 Land 29334 Txbl  
 NELSON, ROBERT 0 Impr 0 Exmpt  
 0 P.P.  
 PO BOX 135 0 M.H. 29334 Net  
 LINDRITH NM 87029 0 Livstk  
 Print=Y

Property Description	Code ValueDesc	Quantity	Rate	Full
2 007 140 049 470	B05 MISC N-R	20.00	88002	

SECTION-25 TOWNSHIP-24N RANGE-02W  
 13-A 468  
 20.00 AC.

8/31/2010 11:11:13 COUNTY OF RIO

ARRIBA Year 2010 TAASRT2  
 0026416 Dist 53 NonRend% 0 0 Centrl 5502 Full  
 CHAVEZ, MANUEL FinCo 5502 Land 1834 Txbl  
 CHAVEZ, HELEN 0 Impr 0 Exmpt  
 0 P.P.  
 185 W MEADOWLARK LN 0 M.H. 1834 Net  
 CARRALES NM 87048 0 Livstk  
 Print=Y

Property Description	Code ValueDesc	Quantity	Rate	Full
2 007 140 049 396	B05 MISC N-R	20.00	5502	

FILE A 156 PG 399 000151655 101998  
 SECTION-25 TOWNSHIP-24N RANGE-02W  
 20 AC.  
 20 AC TR  
 S225 T24N R2W

Bottom

F3=Cancel F4=Prompt() F6=Chg Yrs F12=Return

Bottom

9/8/2010

## Kurt Fagrelus

---

**From:** VonGonten, Glenn, EMNRD [Glenn.VonGonten@state.nm.us]  
**Sent:** Friday, November 12, 2010 3:27 PM  
**To:** Kurt Fagrelus  
**Cc:** Jones, Brad A., EMNRD  
**Subject:** FW: Certified Notification for private surface owners

Kurt,

Please send copies of the returned documents and OCD will consider that Dugan has done all that is required. Your email will service as the "brief statement."

Glenn von Gonten

**From:** Jones, Brad A., EMNRD  
**Sent:** Monday, November 08, 2010 11:06 AM  
**To:** VonGonten, Glenn, EMNRD  
**Subject:** RE: Certified Notification for private surface owners

Glenn,

Kurt is referring to the notice requirement under 19.15.17.13J(1) to the surface owner that the operator "plans" to close a permanent pit based upon its approved closure plan. All he has to do is demonstrate that notice was attempted pursuant to the requirement. In this case copies can be provided of the returned documents and a brief statement (similar to the one provided in the email below) that explains "the addresses used, were those provided by the county clerk's office (Rio Arriba) from the most recent tax roles."

Brad

**From:** VonGonten, Glenn, EMNRD  
**Sent:** Monday, November 08, 2010 10:37 AM  
**To:** Jones, Brad A., EMNRD  
**Subject:** FW: Certified Notification for private surface owners

Brad,

I think that this was a FAQ issue – we said that in these cases that the

11/12/2010



Operator must notify the surface owner by certified mail, return receipt requested, that it plans to close a temporary pit and when District Office has approved its request for on-site closure. Evidence of mailing of the notice to the address of the Surface Owner shown in the county tax records is sufficient to demonstrate compliance with this requirement.

Glenn

---

**From:** Kurt Fagrelus [mailto:kfagrelus@duganproduction.com]

**Sent:** Monday, November 08, 2010 10:32 AM

**To:** VonGonten, Glenn, EMNRD

**Subject:** Certified Notification for private surface owners

Dear Mr. Vongonten, as we spoke on the phone, Dugan is closing permanent pits and is required to provide certified notification to private surface owners and include proof of notification with our final closure report. What do we do when:

- 1). We have sent certified notification to one surface owner it was returned with the word deceased written on the front.
- 2) A second one came back and it just said un-deliverable.

The addresses used, were those provided by the county clerk's office (Rio Arriba) from the most recent tax roles.

What is an operator supposed to do when the letters and green cards are returned unsigned?

Is the returned letter proof enough for your office.

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

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

11/12/2010

## Kurt Fagrelius

**From:** Kurt Fagrelius  
**Sent:** Wednesday, November 24, 2010 9:07 AM  
**To:** Powell, Brandon, EMNRD; Evan Rowland (erowland@slo.state.nm.us); dave\_mankiewicz@nm.blm.gov; Mark\_Kelly@nm.blm.gov; lucas\_vargo@blm.gov; Kurt Fagrelius  
**Cc:** Mike Sandoval; Johnny Lane  
**Subject:** 72-Hour Notice to Close Permanent Pits  
**Attachments:** 72-Hour Notice to Close 11-30 to 12-2-2010.xls

Mr. Brandon Powell, Mr. Evan Rowland, Mr. Dave Mankiewicz, Mr. Mark Kelly and Mr. Lucas Vargo,

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

- 1) Anderson A #1
- 2) Hill #1
- 3) April Surprise #8 (Prod Tank)
- 4) Sly Slav #1 (Prod Tank)
- 5) Sly Slav #1 (Sep Tank)
- 6) Frank W. Pyle # 2

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

Those highlighted in blue (#'s 1, 2 and 4 - 6) are located on Private Surface; and that highlighted in red (# 3) is located on Federal surface.

Permanent pits will be closed starting Tuesday November 30, 2010 thru Thursday December 2, 2010.

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

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

11/24/2010

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

Lease Name	Anderson A #1	Hill #1	April Surprise #8	Sly Slav #1 Prod Tnk
API Number	30-039-05324	30-039-22962	30-045-29419	30-045-25354
Surface Owner - Notice Sent	Private	Private	Federal	Private
Location - UL, Sec., Twp, Rge	B-25-24N-2W	A-16-25N-2W	P-30-24N-9W	0-13-30N-15W
Latitude	36.25489 N	36.40289 N	36.27977	36.8092 N
Longitude	107.89304 W	107.04875 W	107.8221 W	108.36433 W
C-144 Ranking Score	N.A. - Close under pit rule standards	N.A. - Close under pit rule standards	N.A. - Close under pit rule standards	N.A. - Close under pit rule standards
Benzene (mg/kg)	<0.050	<0.050	<0.050	<0.050
Betex (mg/kg)	<0.150	0.424	<0.150	<0.150
TPH (mg/kg) - Analy Mthd	<100 - 418.1	<100 - 418.1	<100 - 418.1	<100 - 418.1
Chlorides (mg/kg)	32	96	16	64
Total Yards Contaminated	N.A.	N.A.	24-yds	N.A.
Soil Hauled to Landfarm				

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

Sly Slav #1 Sep Tnk	Frank W. Pyle #2
30-045-25354	30-045-08965
Private	Private
0-13-30N-15W	N-34-30N-15W
36.8092 N	36.76551 N
108.36433 W	108.40605 W
20	10
<0.050	<0.050
<0.150	0.188
<100 - 418.1	<100 - 418.1
736	912
N.A.	N.A.

## Kurt Fagrelius

---

**From:** postmaster@duganproduction.com  
**Sent:** Wednesday, November 24, 2010 9:07 AM  
**To:** Kurt Fagrelius  
**Subject:** Delivery Status Notification (Relay)

**Attachments:** ATT22691.txt; 72-Hour Notice to Close Permanent Pits



ATT22691.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:** postmaster@duganproduction.com  
**Sent:** Wednesday, November 24, 2010 9:07 AM  
**To:** Kurt Fagrelius  
**Subject:** Delivery Status Notification (Relay)

**Attachments:** ATT22700.txt; 72-Hour Notice to Close Permanent Pits



ATT22700.txt (422 72-Hour Notice to  
B) 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.

erowland@slo.state.nm.us

**Kurt Fagrelius**

---

**From:** Mark\_Kelly@blm.gov  
**Sent:** Tuesday, November 30, 2010 6:49 AM  
**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: 11/30/2010 06:49:05 AM

**Kurt Fagrelius**

---

**From:** Lucas\_Vargo@blm.gov  
**Sent:** Wednesday, November 24, 2010 10:01 AM  
**To:** Kurt Fagrelius  
**Subject:** 72-Hour Notice to Close Permanent Pits

Return Receipt

Your 72-Hour Notice to Close Permanent Pits  
document:

was Lucas Vargo/FFO/NM/BLM/DOI  
received  
by:

at: 11/24/2010 10:01:00 AM



STATE OF NEW MEXICO }  
COUNTY OF SAN JUAN }

**RECORDATION NOTICE OF PIT BURIAL**

In accordance with Section 19.15.17.13.F.1.f of the NMAC, operator hereby provides notice in the public record of an on-site burial of a permanent pit at the following location:

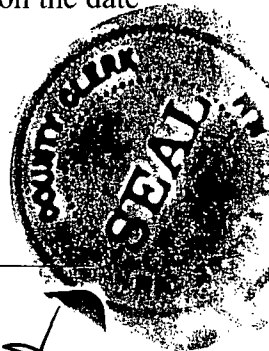
Well Name: Anderson A #1  
Pit Type: Production  
Latitude (DDD°MM.MMM') 36.2863 N.  
Longitude (DDD°MM.MMM') 106.9973 W. (NAD 1927)  
Unit Letter (1/4, 1/4): B (NW/4 NE/4)  
Section: 25  
Township: T24N  
Range: R2W  
County: Rio Arriba  
State: New Mexico

IN WITNESS WHEREOF, this Recordation Notice of Pit Burial has been executed on the date indicated below by the undersigned.

**DUGAN PRODUCTION CORPORATION**

Kurt Fagrelus  
Kurt Fagrelus  
Vice-President, Exploration

9-8-2010  
Date



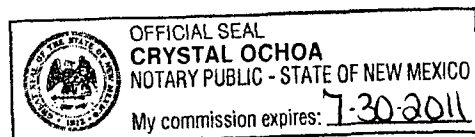
RIO ARriba COUNTY CLERK  
MOISES A MORALES JR  
201005182  
Book 533 Page 5182  
1 of 1  
09/22/2010 02:24:28 PM  
BY KASALAZAR

STATE OF NEW MEXICO }  
COUNTY OF SAN JUAN }

This instrument was acknowledged before me this 8<sup>th</sup> of September, 2010 by Kurt Fagrelus, Vice-President, Exploration, on behalf of said corporation.

My Commission Expires: July 30, 2011

Crystal Ochoa  
Notary Public



SEP 27 2010

**Dugan Production  
Anderson A#1  
Seperator Pit**



**13'W X15'L X9'D**



**Reference Point: Well head**



**From Reference Point Go Due N. For a  
Distance of 50' to Center of Pit.**

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	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	Anderson A #1	Facility Type	Permanent Pit

Surface Owner	Private	Mineral Owner	Federal	Lease No.	SF-080500
---------------	---------	---------------	---------	-----------	-----------

#### LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
B	25	24N	2W	990	North	1650	East	Rio Arriba

Latitude 36.25489 N Longitude 107.89304 W

#### NATURE OF RELEASE

Type of Release	Reporting Pit Sampling	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.\*

N/A

Describe Area Affected and Cleanup Action Taken.\*

There was no release. Samples tested within acceptable limits of 19.15.17.13.  
Results of analyses are attached.

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>		<u>OIL CONSERVATION DIVISION</u>	
Printed Name: Kurt Fagrelus		Approved by District Supervisor:	
Title: VP Exploration	Approval Date:	Expiration Date:	
E-mail Address: kfagrelus@duganproduction.com	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 8/30/2010	Phone: 505-325-1821		

\* Attach Additional Sheets If Necessary

August 17, 2010

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: PIT CLOSURES

Enclosed are the results of analyses for samples received by the laboratory on 08/12/10 9:30.

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.

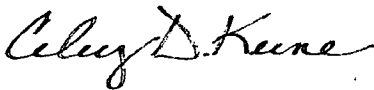
Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2	Haloacetic Acids (HAA-5)
Method EPA 524.2	Total Trihalomethanes (TTHM)
Method EPA 524.4	Regulated VOCs (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:	08/12/2010	Sampling Date:	08/11/2010
Reported:	08/17/2010	Sampling Type:	Soil
Project Name:	PIT CLOSURES	Sampling Condition:	Cool & Intact
Project Number:	ANDERSON #A-1 PIT CLOSURE	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

**Sample ID: ANDERSON #A-1 (H020624-01)**

BTEX 8021B		mg/kg		Analyzed By: ZL					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	08/13/2010	ND	0.917	91.7	1.00	7.96	
Toluene*	<0.050	0.050	08/13/2010	ND	0.981	98.1	1.00	16.9	
Ethylbenzene*	<0.050	0.050	08/13/2010	ND	0.977	97.7	1.00	4.07	
Total Xylenes*	<0.150	0.150	08/13/2010	ND	3.15	105	3.00	5.79	

Surrogate: 4-Bromofluorobenzene (PIL) 97.9 % 80-120

Chloride, SM4500Cl-B		mg/kg		Analyzed By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	32.0	16.0	08/13/2010	ND	432	108	400	0.00	

TPH 418.1		mg/kg		Analyzed By: AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	<100	100	08/12/2010	ND	970	95.1	1020	1.82	

TPH 8015M		mg/kg		Analyzed By: AB						S-04, QM-05
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
GRO C6-C10	<10.0	10.0	08/13/2010	ND	161	80.6	200	1.85		
DRO >C10-C28	<10.0	10.0	08/13/2010	ND	162	80.9	200	0.376		

Surrogate: 1-Chlorooctane 71.6 % 70-130

Surrogate: 1-Chlorooctadecane 64.6 % 70-130

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**

S-04	The surrogate recovery for this sample is outside of established control limits due to a sample matrix effect.
QM-05	The spike recovery was outside acceptance limits for the MS and/or MSD due to matrix interference. The LCS and/or LCSD were within acceptance limits showing that the laboratory is in control and the data is acceptable.
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

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Cardinal Laboratories

\*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager



## CHAIN OF CUSTODY RECORD

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

Client: Dugan  
Contact: Mike Sealoud  
Address: \_\_\_\_\_  
Phone Number: 330-0929  
FAX Number: 337-4043

### NOTES:

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

PO# Anderson #A-1

Project Name: lit Closure

### 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 # \_\_\_\_\_

Samplers 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		Miscellaneous			Preservative(s)							
	Date	Time	Collected by: (Init.)	Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)	
H201624 1. Anderson #A-1	8-11-10	1:30		3	1								lit BTEX TPH 418.1 TPH 8015 CL-
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													
Relinquished by: <u>[Signature]</u>			Date: <u>8-11-10</u>	Time: <u>3:11</u>	Received by: <u>[Signature]</u>			Date: <u>8/11/10</u>	Time: <u>1:52</u>				
Relinquished by: _____			Date: _____	Time: _____	Received by: <u>[Signature]</u>			Date: <u>8/12/10</u>	Time: <u>9:30</u>				

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

5.5°C C4I #26

For Emergency Call (505) 325-1823

DUGAN PRODUCTION CORP.

ANDERSON A #1


SF-080500 API#30-039-05324

NW/4 NE/4 UNIT B

SEC.25 T24N R2W

RIO ARRIBA COUNTY NM



A photograph of a muddy, rutted landscape. The foreground is filled with brown, churned-up mud, showing numerous tire tracks and footprints. In the middle ground, there are patches of dry, yellowish-brown grass and some small, dark shrubs. A line of dark evergreen trees forms the background under a clear blue sky. A white rectangular text box is positioned in the upper right area of the image.

Anderson A #1  
Seperator pit  
Close 11-30-10