

District I
25 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
220 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: Sly Slav #1 (Producing Tank)
API Number: 30-045-25354 OCD Permit Number: _____
U/L or Qtr/Qtr 0 Section 13 Township 30N Range 15W County: San Juan
Center of Proposed Design: Latitude 36.8092 North Longitude 108.36433 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 (Taken out of commission 4-9-2008)
Temporary: ☐ Drilling ☐ Workover
☒ Permanent ☐ Emergency ☐ Cavitation ☐ P&A
☐ Lined ☒ Unlined Liner type: Thickness _____ mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
☐ String-Reinforced
Liner Seams: ☐ Welded ☐ Factory ☐ Other _____ Volume: 80 bbl Dimensions: L 12' x W 12' 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 | <input type="checkbox"/> Yes <input type="checkbox"/> 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 | <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. (Applies to temporary, emergency, or cavitation pits and below-grade tanks) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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 | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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 | <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 |

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 H₂S, 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: 10/28/08

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: 12/12/2010

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 36.8092 N Longitude 108.36433 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: 12/13/2010

e-mail address: kfagrelus@duganproduction.com

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

Sly Slav #1 (Production Tank) 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. Rqst 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. Rqst 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 Sly Slav #1 (production tank) 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 4/9/2008 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 12/2/2010.

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 owner via certified mail (8/8/2010), prior to closing the permanent pit (See attached return receipt). Well is located on private surface.
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 | <20.0 |
| Chlorides | EPA 300.1 | 250 or Background | 64 |

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 successfule re-vegetation has been achieved.

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 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.

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 Fagrelus

From: Lucas_Vargo@blm.gov
Sent: Wednesday, November 24, 2010 10:01 AM
To: Kurt Fagrelus
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

3772 6684

dugan production corp.

August 8, 2010

Clement and Elsie Koogler Trust
10501 La Grima de Oro, NE
Apt. 270
Albuquerque, NM 87111

Re: Notice of Pit Burial
Sly Slav #1
SW/4SE/4 Section 13, T30N, R15W
San Juan County, New Mexico


Dear Mr. & Mrs. Koogler:

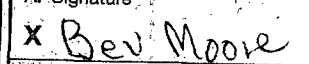
This letter is to notify you, in accordance with Section 19.15.17.13.F.1.f of the NMAC (Pit Rules), that Dugan Production Corp. is going to reclaim the production pit on the above-captioned well in the very near future.

Enclosed is 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 the San Juan County, New Mexico County Clerks office.

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

Respectfully yours,

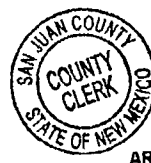

Skip Fraker
Land Manager
skipfraker@duganprod

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
|---|---|
| <input type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. <input type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits. | A. Signature  <input type="checkbox"/> Agent <input type="checkbox"/> Addressee |
| 1. Article Addressed to: <i>Clement + Elsie Koogler Trust</i> <i>10501 La Grima de Oro, NE</i> <i>Apt 270</i> <i>Albuquerque, NM 87111</i> | B. Received by (Printed Name) <i>Bev Moore</i> C. Date of Delivery <i>09-71</i> |
| 2. Article Number (Transfer from service label) | D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No |
| | 3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. |
| | 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes |

709 E. MURRAY DR. • P. O. BOX 42

STATE OF NEW MEXICO }
COUNTY OF SAN JUAN }

201011888 09/17/2010 11:14 AM
1 of 1 B1515 P403 R \$9.00
San Juan County, NM DEBBIE HOLMES



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: Sly Slav #1
Pit Type: Production
Latitude (DDD°MM.MMM'): 36.8092 N.
Longitude (DDD°MM.MMM'): 108.36433 W. (NAD 1927)
Unit Letter (1/4, 1/4): O (SW/4 SE/4)
Section: 13
Township: T30N
Range: R15W
County: San Juan
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 Fagrelius
Kurt Fagrelius
Vice-President, Exploration

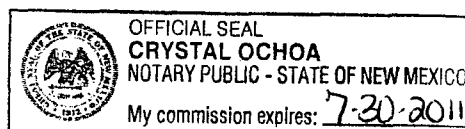
9/18/2010
Date

STATE OF NEW MEXICO }
COUNTY OF SAN JUAN }

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

My Commission Expires: July 30, 2011

Crystal Ochoa
Notary Public



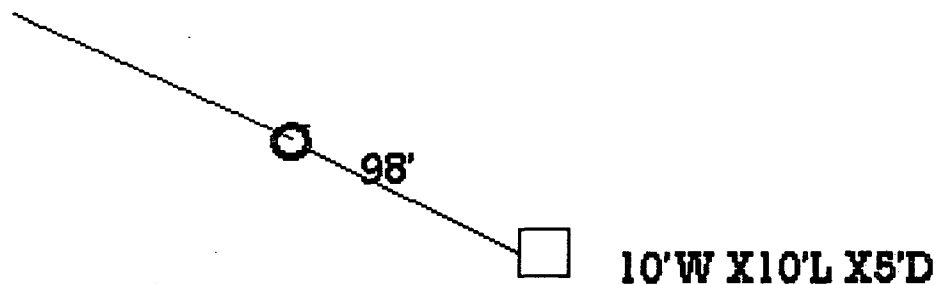
Dugan Production

Sly Slav #1

Tank Pit



Reference Point: Well head



From Reference Point Go S 30 Degrees SE. For
a Distance of 98' 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 | Box 420, Farmington, NM 87401 | Telephone No. | 505-325-1821 |
| Facility Name | Sly Slav #1 (Prod. Tank) | Facility Type | Permanent Pit |
| Surface Owner | Private | Mineral Owner | Private |
| | | Lease No. | Fee |

LOCATION OF RELEASE

| | | | | | | | | |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|----------|
| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
| O | 13 | 30N | 15W | 790' | South | 1700' | West | San Juan |

Latitude 36.8092 N Longitude 108.36433 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.* N/A | | | | |
| 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: | |
| Date: 8-30-2010 Phone: 505-325-1821 | | Attached <input type="checkbox"/> | |

* Attach Additional Sheets If Necessary



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

August 10, 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 08/06/10 10:00.

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



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

Analytical Results For:

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

| | | | |
|-------------------|--------------|---------------------|---------------|
| Received: | 08/06/2010 | Sampling Date: | 08/04/2010 |
| Reported: | 08/10/2010 | Sampling Type: | Soil |
| Project Name: | PIT CLOSURES | Sampling Condition: | Cool & Intact |
| Project Number: | SLY SLAV #1 | Sample Received By: | Jodi Henson |
| Project Location: | NOT GIVEN | | |

Sample ID: SLY SLAV #1 (H020570-01)

| BTX 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 | 08/07/2010 | ND | 1.11 | 111 | 1.00 | 0.713 | | |
| Toluene* | <0.050 | 0.050 | 08/07/2010 | ND | 1.12 | 112 | 1.00 | 1.65 | | |
| Ethylbenzene* | <0.050 | 0.050 | 08/07/2010 | ND | 1.13 | 113 | 1.00 | 1.59 | | |
| Total Xylenes* | <0.150 | 0.150 | 08/07/2010 | ND | 3.35 | 112 | 3.00 | 1.34 | | |

Surrogate: 4-Bromofluorobenzene (PIL) 105 % 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 | 64.0 | 16.0 | 08/09/2010 | ND | 416 | 104 | 400 | 3.77 | |

| 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 | 08/06/2010 | ND | 971 | 95.2 | 1020 | 2.18 | |

| TPH 8015M | | mg/kg | | Analyzed By: AB | | | | QM-05 | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| GRO C6-C10 | <10.0 | 10.0 | 08/08/2010 | ND | 157 | 78.7 | 200 | 0.202 | |
| DRO >C10-C28 | <10.0 | 10.0 | 08/08/2010 | ND | 152 | 76.2 | 200 | 0.648 | |

Surrogate: 1-Chlorooctane 84.9 % 70-130

Surrogate: 1-Chlorooctadecane 100 % 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

Page 2 of 4



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

Notes and Definitions

- 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

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

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
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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 | Box 420, Farmington, NM 87401 | Telephone No. | 505-325-1821 |
| Facility Name | Sly Slav #1 (Prod. Tank) | Facility Type | Permanent Pit |
| Surface Owner | Private | Mineral Owner | Private |
| | | Lease No. | Fee |

LOCATION OF RELEASE

| | | | | | | | | |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|----------|
| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
| O | 13 | 30N | 15W | 790' | South | 1700' | West | San Juan |

Latitude 36.8092 N Longitude 108.36433 W

NATURE OF RELEASE

| | | | |
|-----------------------------|---|---|----------------------------|
| Type of Release | Reporting Pit Sampling | Volume of Release | Volume Recovered |
| Source of Release | | Date and Hour of Occurrence | Date and Hour of Discovery |
| 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.* N/A

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



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

August 10, 2010

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: PIT CLOSURES

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| | |
|--------------------|--|
| 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) |

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Sincerely,

Celey D. Keene

Lab Director/Quality Manager



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

Analytical Results For:

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

Received: 08/06/2010
Reported: 08/10/2010
Project Name: PIT CLOSURES
Project Number: SLY SLAV #1
Project Location: NOT GIVEN

Sampling Date: 08/04/2010
Sampling Type: Soil
Sampling Condition: Cool & Intact
Sample Received By: Jodi Henson

Sample ID: SLY SLAV #1 (H020570-01)

| BTX 80218 | | mg/kg | | Analyzed By: ZL | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|-------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 08/07/2010 | ND | 1.11 | 111 | 1.00 | 0.713 | | |
| Toluene* | <0.050 | 0.050 | 08/07/2010 | ND | 1.12 | 112 | 1.00 | 1.65 | | |
| Ethylbenzene* | <0.050 | 0.050 | 08/07/2010 | ND | 1.13 | 113 | 1.00 | 1.59 | | |
| Total Xylenes* | <0.150 | 0.150 | 08/07/2010 | ND | 3.35 | 112 | 3.00 | 1.34 | | |

Surrogate: 4-Bromofluorobenzene (PIL) 105 % 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 | 64.0 | 16.0 | 08/09/2010 | ND | 416 | 104 | 400 | 3.77 | |

| 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 | 08/06/2010 | ND | 971 | 95.2 | 1020 | 2.18 | |

| TPH 8015M | | mg/kg | | Analyzed By: AB | | | | | QM-05 | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|-------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | 11.0 | 10.0 | 08/08/2010 | ND | 157 | 78.7 | 200 | 0.202 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 08/08/2010 | ND | 152 | 76.2 | 200 | 0.648 | | |

Surrogate: 1-Chlorooctane 84.9 % 70-130

Surrogate: 1-Chlorooctadecane 100 % 70-130

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*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager



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Notes and Definitions

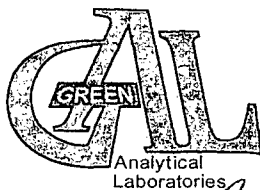
- QM-05 The spike recovery was outside acceptance limits for the MS and/or MSD due to matrix interference. The LCS and/or LCSD were within acceptance limits showing that the laboratory is in control and the data is acceptable.
- ND Analyte NOT DETECTED at or above the reporting limit
- RPD Relative Percent 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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Celey D. Keene, Lab Director/Quality Manager



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client: Dugan Prod.
Contact: Mike Sandoval
Address: 420. 1st Box
Permyth N. M.
Phone Number: 330.0929
FAX Number: 327.4043

NOTES:

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

PO# SLY S/av #1

Project Name: _____

Table 1. - Matrix Type

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

FOR GAL USE ONLY

GAL JOB # _____

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) | | |
| H20570- 1. SLY S/av #1 | 8-4-10 | 12:58 | | | | | | | | | | | Tank pit TPH 418.1 TPH 8015 BTEX cl | |
| 2. | | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | | |
| 6. | | | | | | | | | | | | | | |
| 7. | | | | | | | | | | | | | | |
| 8. | | | | | | | | | | | | | | |
| 9. | | | | | | | | | | | | | | |
| 10. | | | | | | | | | | | | | | |
| Relinquished by: <u>[Signature]</u> | | | Date: <u>8-4-10</u> | Time: <u>4:53</u> | Received by: <u>Christa Clam</u> | | | Date: <u>8/4/10</u> | Time: <u>16:55</u> | | | | | |
| Relinquished by: _____ | | | Date: _____ | Time: _____ | Received by: <u>John Benson</u> | | | Date: <u>8/6/10</u> | Time: <u>10:00</u> | | | | | |

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

50c CFI #26

UGAN PRODUCTION CORP.

SLY SLAV #1

NM-10875 API#30-045-25354

SW/4 SE/4 UNIT 0

SEC.13 T30N R15W

LAT 36°48'33" LONG 108°21'51"

SAN JUAN COUNTY NM

For Emergency Call (505) 325-1823

Sly Slav #1
Production Tank
Close 12-2-10

