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: McDougall #2
API Number: 30-045-28619 OCD Permit Number:
U/L or Qtr/Qtr I Section 9 Township 23N Range 10W County: San Juan
Center of Proposed Design: Latitude 36.23956 North Longitude 107.89488 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
☒ Permanent ☐ Emergency ☐ Cavitation ☐ P&A
☐ Lined ☒ Unlined Liner type: Thickness _____ mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
☐ String-Reinforced
Liner Seams: ☐ Welded ☐ Factory ☐ Other _____ Volume: 370 bbl Dimensions: L 14 x W 14 x D 8

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: Steel (See Closure Plan #2)
☐ 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_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

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

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 Fagrelius Title: VP-Land and Exploration

Signature: Kurt Fagrelius Date: February 8, 2012

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

20.
OCD Approval: ☐ Permit Application (including closure plan) ☒ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: [signature] **Approval Date:** 2/13/12

Title: Environmental 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.

Date soil analysis did not meet "pit rule" (19.15.17)
Release will be handled under "spill rule" (19.15.30) ☒ **Closure Completion Date:** 2-16-2012

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 indentify 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 36.23956° N Longitude 107.89488° 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 Fagrelius Title: VP. Land & Expl.

Signature: Kurt Fagrelius Date: 2-18-2012

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

Kurt Fagrelius

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

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

Dear Dave Mankiewicz, Mark Kelly and Lucas Vargo,

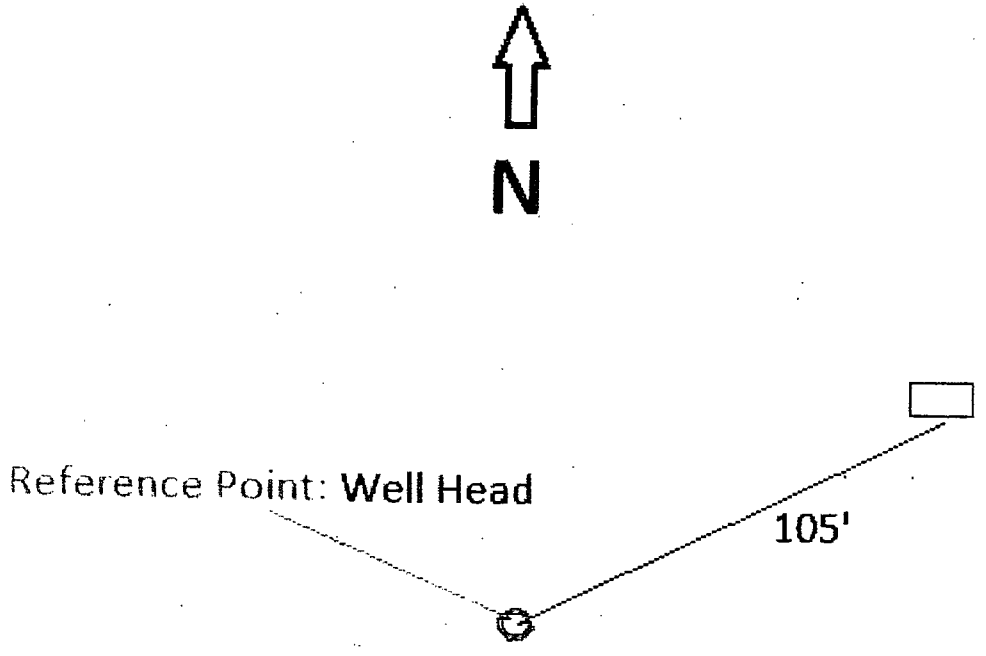
As per requirements of the NMOCD "pit rule" you are hereby being notified of Dugan Production Corp.'s intent to close the permanent pit on the McDougal #2 (UL-I, Sec. 9, T23N, R10W). Once the pit is ready for final closure operations, you will be given 72-hours advance notice of the closure date. If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

Kurt Fagrelius
Dugan Production Corp.
505.325.1821 office
505.320.8248 cell
505.327.4613 fax

Dugan Production

Mc Dougall #2

Tank Pit



From Reference Point Go N. 45 Degrees NE. For a Distance of 105' to Center of Pit.

McDougall #2 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 On June 16, 2008	Permit Applc. Submittal or Modification Request	File Closure Plan By	Stop Use By	Close By
Temporary Pit - Unlined	Not Permtd 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 Permtd 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 Permtd 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 Does not comply w/19.15.17 permitted and lined	Mod. Rqust by 12-16-2008 Comply w/in 18-mos of aprvl	12/16/2008 submit w/mod request	fail integrity replc w/apprvd design	60-days after cessation
Permanent Pit-Design and Constr Does not comply w/19.15.17 Registered and Lined	Permit Applc by 12-16-2008 Comply w/in 18-mos of aprvl	12/16/2008 submit w/permit Applc		60-days after cessation
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 McDougall #2 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 9/24/2007 but has not been closed yet. This report serves as the final closure report for the pit.
   Permanent pit was closed on 2-16-2012 (date soil analysis did not meet "pit rule" standards (19.15.17). Release will be handled under "spill rule" (19.15.30).

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 will be provided as directed at the appropriate time.

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.
2/9/2012 e-mail to NMOCD Santa Fe office contained schedule shown below.

McDougall #2 Permanent Pit Closure Schedule

# of Days	Following approval of Closure Plan by the NMOCD in Santa Fe, New Mexico
10-days	Collect composite sample as described below (10).
30-days	Notiofy NMOCD of testing results as described below ((11).
40-days	If a release has occurred comply with rules as described below (12).
60-days	If a release has not occurred backfill pit as described below in (13, 14 and 15).
	Re-seed as described below (16).
	Notify NMOCD of closure as described below (17 and 18).

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 e-mail, prior to closing the permanent pit (See attached e-mail). Well is located on Federal land, certified mail is not required per BLM/OCD MOU).

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.
80.0-cubic yards of contaminated soil was land farmed on location and 38.0 cubic yards of contaminated soil was hauled to Envirotech (invoice #30480 is attached).

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 and chlorides to demonstrate that Benzene, BTEX, TPH 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	***2030***
GRO/DRO	EPA SW-846 8015M	NS	***N.A.***
Chlorides	EPA 300.1	250 or Background	***1630***

11. The NMOCD will be notified of the testing results on form C-141.
C-141 with results of sample analysis is attached. Sample analyses exceeded limits permissible under 19.15.17.13. Chlorides tested 1630-mg/kg exceeding the limit of 250- mg/kg and TPH tested 2030-mg/kg exceeding the limit of 100-mg/kg.

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.
A release of Chlorides and TPH did occur. Contamination will be addressed under the "spill rule" 19.15.30.

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.
There was a release of Chlorides and TPH.

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.

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.

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 OCDE 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.

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.

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

envirotech

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

Invoice

Invoice Number: 30480
Job: 06094-0105
DATE: February 20,2012

McDougall #2 - Accept exempt contaminated soil from earthen pit

Ordered by: Mike Sandoval

Project Manager: Kendra Runung

Employee	Staff Type	Description	Units		Rate	Total
02/09/2012						
Landfarm						
Paint Filter Test (LF)		BOL# 40766	1.00	EA	10.00	10.00
Chloride (LF)		BOL# 40766	1.00	EA	15.00	15.00
Contaminated Soil Receival		BOL# 40766	36.00	CY	18.00	648.00
		Landfarm Total:	**38.00**			**673.00**
		02/09/2012 Total:	**38.00**			**673.00**

Invoice Sub-total	673.00
Sales Tax	42.48
Amount due this Invoice	$715.48

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

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

Permanent pit: McDougall #2
API number: 30-045-28619

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

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

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

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

1. Stockpiled sub-surface soil will be used to backfill pit and re-contour (to a final or intermediate cover that blends with the surrounding topography). A minimum of four-feet of compacted, non-waste containing, earthen material will be used as backfill.

2. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area no longer needed for production operations. The soil cover will include either the background thickness of top soil or one-foot of suitable material to establish vegetation at the site whichever is greater. The soil cover will be constructed to the sites existing grade and prevent water collection or ponding and erosion of the cover material.

3. Disturbed areas will be seeded the first growing season after the pit is closed. Seeding will be accomplished by drilling on contour whenever possible or by other division approved methods. BLM stipulated seed mixes will be used on all Federal lands and OCD approved seed mixes (administratively approved if required) will be used on all State or private lands. Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two consecutive growing seasons. If alternate seed mix is required by the state, private owner or tribe, it will be implemented with administrative approval if needed. Seeding or planting will be continued until successful vegetative growth occurs.

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

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

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

RECEIVED OCD
2012 FEB 23 P 12:24

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 Fagrelius
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	McDougall #2	Facility Type	Permanent Pit

Surface Owner Federal	Mineral Owner Federal	Lease No. NM51005

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
I	9	23N	10W	1980	South	790	East	San Juan

Latitude 36.23956 N **Longitude** 107.89488 W

NATURE OF RELEASE

Type of Release Reporting Pit Sampling	Volume of Release Unknown	Volume Recovered Unknown
Source of Release Below grade permanent pt release	Date and Hour of Occurrence ?	Date and Hour of Discovery Unknown
Was Immediate Notice Given? ☐ Yes ☐ No ☒ Not Required	If YES, To Whom? N/A	
By Whom?	Date and Hour.	
Was a Watercourse Reached? ☐ Yes ☒ No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

During permanent pit closure, chloride and TPH impacts were discovered. A five-point composite sample tested 1630-mg/kg chlorides and 2030-mg/kh TPH which exceed the threshold limits of 19.15.17.13.C. See attached sample results.

Describe Area Affected and Cleanup Action Taken.*

Contamination will be addressed under the "spill rule" 19.15.30

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: Kurt Fagrelius

Printed Name: Kurt Fagrelius

Title: VP-Land & Exploration

E-mail Address: kfagrelius@duganproduction.com

Date: 22-18-2012 Phone: 505-325-1821

OIL CONSERVATION DIVISION

Approved by District Supervisor:

Approval Date: Expiration Date:

Conditions of Approval: Attached ☐

* Attach Additional Sheets If Necessary

CARDINAL Laboratories

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

February 16, 2012

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: EARTHEN PIT

Enclosed are the results of analyses for samples received by the laboratory on 02/14/12 13:00.

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

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

Method EPA 552.2	Haloacetic Acids (HAA-5)
Method EPA 524.2	Total Trihalomethanes (TTHM)
Method EPA 524.4	Regulated VOCs (V1, V2, V3)

Accreditation applies to public drinking water matrices.

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

Sincerely,

Celey D. Keene

Celey D. Keene

Lab Director/Quality Manager

CARDINAL Laboratories

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:	02/14/2012	Sampling Date:	02/10/2012
Reported:	02/16/2012	Sampling Type:	Soil
Project Name:	EARTHEN PIT	Sampling Condition:	Cool & Intact
Project Number:	MC DOUGALL #2	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

Sample ID: MC DOUGALL #2 (H200384-01)

BTEX 8021B mg/kg **Analyzed By: AP**

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	02/16/2012	ND	1.93	96.5	2.00	16.0	
Toluene*	<0.050	0.050	02/16/2012	ND	2.09	105	2.00	15.8	
Ethylbenzene*	<0.050	0.050	02/16/2012	ND	2.15	107	2.00	15.0	
Total Xylenes*	<0.150	0.150	02/16/2012	ND	6.65	111	6.00	15.5	

Surrogate: 4-Bromofluorobenzene (PIL *115 %* *64.4-134*

Chloride, SM4500Cl-B mg/kg **Analyzed By: AP**

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	**1630**	16.0	02/15/2012	ND	416	104	400	0.00	

TPH 418.1 mg/kg **Analyzed By: CK**

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	**2030**	100	02/16/2012	ND	2620	105	2500	3.49	

TPH 8015M mg/kg **Analyzed By: MS**

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	**28.8**	10.0	02/14/2012	ND	190	95.2	200	3.43	
DRO >C10-C28	**441**	10.0	02/14/2012	ND	181	90.3	200	5.09	
Total TPH C6-C28	**470**	10.0	02/14/2012	ND	371	92.8	400	4.24	

Surrogate: 1-Chlorooctane *98.5 %* *55.5-154*

Surrogate: 1-Chlorooctadecane *101 %* *57.6-158*

Cardinal Laboratories

*=Accredited Analyte

Celey D. Keene, Lab Director/Quality Manager

CARDINAL Laboratories

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

Notes and Definitions

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

Celey D. Keene, Lab Director/Quality Manager

CHAIN OF CUSTODY RECORD

Client: Nugen Production
Contact: Mike Sandoval
Address:

Phone Number: 330-0929
FAX Number: 325-4873
Mike.Sandoval@Nugen Production.com

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

PO# Earthen Pit
Project Name: Mc Dougall #2

Table 1. – Matrix Type
1 = Surface Water, 2 = Ground Water
3 = Soil/Sediment, 4 = Rinsate, 5 = Oil
6 = Waste, 7 = Other (Specify) ____

FOR GAL USE ONLY
GAL JOB #

Samplers Signature:

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227
Address: 75 Suttle Street, Durango, CO 81303

Sample ID	Collection: Date	Collection: Time	Misc: Collected by: (Init.)	Misc: Matrix Type From Table 1	Misc: No. of Containers	Misc: Sample Filtered ? Y/N	Preservative(s): Unpreserved (Ice Only)	Preservative(s): HNO3	Preservative(s): HCL	Preservative(s): H2SO4	Preservative(s): NAOH	Preservative(s): Other (Specify)	Analyses Required: Below ground water pit	Analyses Required: TPH 418.1	Analyses Required: TPH 8015	Analyses Required: BTEX	Analyses Required: Cl-	Comments
H200384																		
1- Mc Dougall #2	2-10-12	1:10																Results by Thursday no extra charge Talked to Josh Chas
2.																		
3.																		
4.																		
5.																		
6.																		
7.																		
8.																		
9.																		
10.																		

Relinquished by:	Date: 2-10-12	Time: 3:35	Received by: Chris Cain	Date: 2/10/12	Time: 1635
Relinquished by:	Date:	Time:	Received by: Gail Henson	Date: 2/14/12	Time: 13:00

4°C #26

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

Permanent pit: McDougall #2
API number: 30-045-28619

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

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Kurt Fagrelius
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