

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
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: Pierre #1 (Seperator)
API Number: 30-045-29237 OCD Permit Number: _____
U/L or Qtr/Qtr D Section 12 Township 23N Range 11W County: San Juan
Center of Proposed Design: Latitude 36.24673 North Longitude 107.96174 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 11-26-2007)
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 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 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.

Date soil analysis did not meet "pit rule" standards (19.15.17).

Release will be handled under "spill rule" (19.15.30).

☒ Closure Completion Date: 12-31-09

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 36.24673 N Longitude 107.96174 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: 10-11-10

e-mail address: kfagrelus@duganproduction.com

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

Kurt Fagrelus

From: Kurt Fagrelus
Sent: Monday, September 13, 2010 5:40 PM
To: 'Powell, Brandon, EMNRD'; 'brad.a.jones@state.nm.us.'; 'dave_mankiewicz@nm.blm.gov'
Subject: Pierre #1 Separator Permanent Pit Closure Notice

Mr. Brandon Powell, Mr. Brad Jones and Mr. Dave Mankiewicz,

We are giving notice that Dugan will be closing the permanent pit on Dugan Production Corp.'s "Pierre #1" (separator); API #30-045-29237 on Federal Lease NM-80498; on Federal Surface; Location Unit D of S12, T23N, R11W; on September 16, 2010.

This permanent pit will be closed according to the guidelines of the "Spill Rule" (19.15.30 NMAC). Sample testing results were not within acceptable limits of the pit rule and are as follows: Benzene 0.112-mg/kg, BTEX <0.300-mg/kg, TPH – <100-mg/kg and Chloride 336-mg/kg. NM State Form C-141 with analytical results will be included with the C-144 final closure report and submitted to the Santa Fe office of the NMOCD, and the cleanup of contamination will be addressed under guidelines of the spill rule with a final C-141 sent to the NMOCD district office.

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

Sincerely,

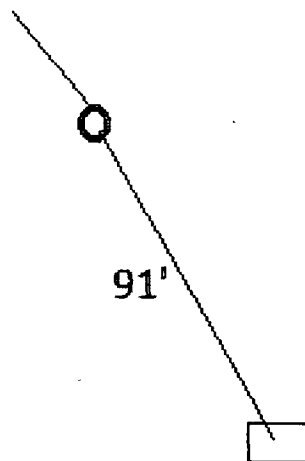
Kurt Fagrelus
Dugan Production Corp.
709 East Murray Drive
Farmington, New Mexico 87401
505-325-1821 (O), 505-320-8248 (C)
kfagrelus@duganproduction.com

10/11/2010

**Dugan Production
Pierre #1
Seperator & Tank Pit**



Reference Point: Well head



91'

From Reference Point Go S.30' degrees SE. For
a Distance of 91' to Center of Pit.

Pierre #1 Separator Permanent Pit Closure Report—Methods, Procedures and Protocols

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

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

2. The Pierre #1 separator 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 11/26/2007 but has not been closed yet. ***This report serves as the closure plan and final closure report for the pit. Permanent pit was closed on 12-31-09 (date soil analysis did not met “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 is attached (sent 9-13-10, 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 e-mail (9-13-10), prior to closing the permanent pit (See attached e-mail). Well is located on Federal surface, 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.
104.00-cubic yards of contaminated soil was hauled prior to initial sampling. Copy of invoice to Envirotech (#23051) 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, 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	0.112
BTEX	EPA SW-846 8021B or 8260B	50	<0.300
TPH	EPA SW-846 418.1	100	<100
GRO/DRO	EPA SW-846 8015M	NS	
Chlorides	EPA 300.1	250 or Background	336

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 336-mg/kg, exceeding the limit of 250- 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 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.

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

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

15. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area no longer needed for production operations. The soil cover will include either the background thickness of top soil or one foot of suitable material to establish vegetation at the site whichever is greater.

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

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

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

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

17. The NMOCD will be notified within 60-days of closure of the permanent pit. The closure report will be filed on form C-144 and will include the following:
- a. Proof of Closure Notice (surface owner and division)
 - b. Confirmation Sampling Analytical Results (if applicable)
 - c. Disposal Facility Name and Permit Number

- d. Soil Backfilling and Cover Installation
- e. Re-vegetation Application Rates and Seeding Technique
- f. Site Reclamation (Photo Documentation)

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

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



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

Invoice

Invoice Number: 23051
 Job: 06094-0059
 DATE: March 10, 2009

Pierre #1- accept exempt contaminated soil
 and oil from production stream

Ordered by Fred Cornish

Project Manager: April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
03/02/2009					
Landfarm					
		BOL# 32840	2.00 EA	10.00	20.00
Paint Filter Test		BOL# 32840	2.00 EA	15.00	30.00
Chloride Analysis-Water		BOL# 32840	24.00 CY	18.00	432.00
Contaminated Soil Receival		BOL# 32844	1.00 EA	10.00	10.00
Paint Filter Test		BOL# 32844	1.00 EA	15.00	15.00
Chloride Analysis-Water		BOL# 32844	10.00 CY	18.00	180.00
Contaminated Soil Receival					
Landfarm Total:			40.00		687.00
03/02/2009 Total:			40.00		687.00
03/03/2009					
Landfarm					
		BOL# 32851	6.00 EA	10.00	60.00
Paint Filter Test		BOL# 32851	6.00 EA	15.00	90.00
Chloride Analysis-Water		BOL# 32851	70.00 CY	18.00	1,260.00
Contaminated Soil Receival					
Landfarm Total:			82.00		1,410.00
03/03/2009 Total:			82.00		1,410.00

Invoice # 23051 Job # 06094-0059

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Invoice Sub-total			2,097.00
		Sales Tax			129.75
Amount due this Invoice					<u>\$2,226.75</u>

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: Pierre #1 (Separator)
API number: 30-045-29237

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 Fagrelus
VP – Exploration, Dugan Production Corp.
Farmington, New Mexico 87401
505-325-1821 (O), 505-320-8248 (C)
kfagrelus@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

Form C-141
Revised October 10, 2003
Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	Pierre #1 (Separator)	Facility Type	Permanent Pit
Surface Owner	Federal	Mineral Owner	Federal
		Lease No.	NM-80498

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
D	12	23N	11W	545	North	565	West	San Juan

Latitude 36.24673 N Longitude 107.96174 W

NATURE OF RELEASE

Type of Release	Reporting Pit Sampling	Volume of Release	Unknown	Volume Recovered	Unknown
Source of Release	Below grade permanent pit release	Date and Hour of Occurrence	?	Date and Hour of Discovery	Unknown
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.*

During permanent pit closure a chloride impact was discovered. A five-point composite sample tested 336-mg/kg chlorides which exceeds the threshold limits as per subsection B of 19.15.17.13(B) (1) (b). 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: <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: September 7, 2010	Phone: 505-325-1821		

* Attach Additional Sheets If Necessary

**CARDINAL
LABORATORIES**

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

December 31, 2009

Fred Cornish
Dugan Production Corporation
4100 Piedras Street
Farmington, NM 87401

Re: Earth Pit Closure

Enclosed are the results of analyses for sample number H18943, received by the laboratory on 12/23/09 at 11:15 am.

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 524.2	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

Total Number of Pages of Report: 5 (includes Chain of Custody)

Sincerely,

Celey D. Keene
Laboratory Director


**CARDINAL
LABORATORIES**

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

ANALYTICAL RESULTS FOR
DUGAN PRODUCTION CORP.
ATTN: FRED CORNISH
4100 PIEDRAS ST.
FARMINGTON, NM 87401
FAX TO: (505) 325-4873

Receiving Date: 12/23/09
Reporting Date: 12/31/09
Project Number: NOT GIVEN
Project Name: EARTH PIT CLOSURE
Project Location: NOT GIVEN

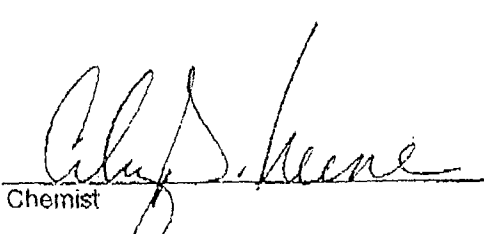
Sampling Date: 12/22/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 6 °C
Sample Received By: CK
Analyzed By: ZL

LAB NO.	SAMPLE ID	BENZENE (mg/kg)	TOLUENE (mg/kg)	ETHYL BENZENE (mg/kg)	TOTAL XYLENES (mg/kg)
---------	-----------	--------------------	--------------------	-----------------------------	-----------------------------

ANALYSIS DATE:	12/30/09	12/30/09	12/30/09	12/30/09
H18943-1 ROADRUNNER #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18943-2 FLO JO #2 SEP.	<0.050	<0.050	<0.050	<0.300
H18943-3 FLO JO #4	<0.050	<0.050	<0.050	<0.300
H18943-4 PIERRE #1 SEP.	0.112	0.132	<0.050	<0.300
H18943-5 HOSS #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18943-6 HERRY MONSTER #1	<0.050	<0.050	<0.050	<0.300
H18943-7 PLATERO NAVAJO #1 PROD. TANK	<0.050	<0.050	<0.050	<0.300
H18943-8 PLATERO NAVAJO #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18943-9 RACHET #2 SEP.	<0.050	<0.050	<0.050	<0.300
H18943-10 CHACO PLANT 90 SEP.	0.101	<0.050	<0.050	<0.300
Quality Control	0.047	0.047	0.048	0.149
True Value QC	0.050	0.050	0.050	0.150
% Recovery	94.0	94.0	96.0	99.3
Relative Percent Difference	4.1	3.3	3.1	3.5

METHODS: BTEX - SW-846 8021B.

TEXAS NELAP ACCREDITATION T104704398-08-TX FOR BENZENE, TOLUENE, ETHYL BENZENE,
AND TOTAL XYLENES. Reported on wet weight.



Chemist



Date

H18943 BTEX DUGAN

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 subcontractors, affiliates or successors arising out of or related to the performance of 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.



CARDINAL LABORATORIES

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

ANALYTICAL RESULTS FOR
DUGAN PRODUCTION
ATTN: FRED CORNISH
4100 PIEDRAS STREET
FARMINGTON, NM 87401
FAX TO: (505) 325-4873

Receiving Date: 12/23/09
Reporting Date: 12/30/09
Project Number: NOT GIVEN
Project Name: EARTH PIT CLOSURE
Project Location: NOT GIVEN

Analysis Date: 12/29/09
Sampling Date: 12/22/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 6°C
Sample Received By: CK
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/kg)
H18943-1	ROADRUNNER #1 SEP.	1,440
H18943-2	FLO JO #2 SEP.	992
H18943-3	FLO JO #4	800
H18943-4	PIERRE #1 SEP.	336
H18943-5	HOSS #1 SEP.	688
H18943-6	HERRY MONSTER #1	1,490
H18943-7	PLATERO NAVAJO #1 PROD. TANK	224
H18943-8	PLATERO NAVAJO #1 SEP.	112
H18943-9	RACHET #2 SEP.	896
H18943-10	CHACO PLANT 90 SEP.	768
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		< 0.1

METHOD: Standard Methods

4500-Cl⁻B

Note: Analyses performed on 1:4 w:v aqueous extracts. Not accredited for Chloride.

Cheryl Kene
Chemist

12/31/09
Date

H18943 Dugan

Client: Dugan PRODUCTIONContact: FRED CORNISH

Address: _____

Phone Number: 505-330-0929FAX Number: 505-325-4873

CHAIN OF CUSTODY RECORD

Page 1 of 1

NOTES:

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

PO# _____

Project Name: EARTH PIT Closure Samplers Signature: Fred Cornish

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 # _____

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)																		
H18943-													Benzene	BTX	418.1	Chlorides														
1. Roadrunner #1 Sep	12-22-09	1:58 PM		3																										
2. Flo. So #2 Sep.	12-22-09	2:15 PM																												
3. Flo. So #4	12-22-09	2:45 PM																												
4. Pierre #1 Sep.	12-22-09	9:12 AM																												
5. Hoss #1 Sep.	12-22-09	9:30 AM																												
6. Harry Monster #1	12-22-09	10:35 AM																												
7. Platero Navajo #1 Sep	12-22-09	11:41 AM																												
8. Platero Navajo #1 Sep	12-22-09	12:10 AM																												
9. Racket #2 Sep	12-22-09	1:00 PM																												
10. Chaco Plant #1 Sep	12-22-09	1:20 PM																												
Relinquished by: <u>Fred Cornish</u>			Date: <u>12-22-09</u>		Time: <u>2:48 PM</u>		Received by: <u>Christina</u>		Date: <u>12/22/09</u>		Time: <u>1:48</u>																			
Relinquished by: <u>Fed Ex</u>			Date: _____		Time: _____		Received by: <u>Cal Greene</u>		Date: <u>12/23/09</u>		Time: <u>11:05</u>																			

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

6°C C+I #26