Form C-144 July 21, 2008

District I
1625 N. French Dr., Habbs/NIM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road Axtee 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

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.	

☐ Modification to	ly submitted for an existing permitted or non-permitted pit, closed-loop system,
Instructions: Please submit one application (Form	n C-144) per individual pit, closed-loop system, below-grade tank or alternative request
	ne operator of liability should operations result in pollution of surface water, ground water or the usibility to comply with any other applicable governmental authority's rules, regulations or ordinances.
Operator: Dugan Production Corp.	OGRID#: 006515

Operator: Dugair Floudection Corp OGRID#: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401
Facility or well name: Turk's Toast #1 (Production Tank)
API Number: 30-045-25430 OCD Permit Number:
U/L or Qtr/Qtr D Section 18 Township 30N Range 14W County: San Juan
Center of Proposed Design: Latitude 36.80926 N Longitude 108.35617 W NAD: X 1927 1983
Surface Owner: X 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 Mullined Liner type: Thicknessmil LLDPE HDPE PVC Other
☐ String-Reinforced
Liner Seams: Welded Factory Other Valume: 20 bbl Dimensions: L 10' x W 10' x D 4'
I.
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: Thicknessmil LLDPE HDPE PVC Other
Liner Seams: Welded Factory Other
Below-grade tank: Subsection 1 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: Thicknessmil
5. Alternative Method:

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Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

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, 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.	hospital,
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)	
Signs: Subsection C of 19.15.17.11 NMAC 12 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers Signed in compliance with 19.15.3.103 NMAC	,
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 consideration of approval. Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.	office for
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 acce, material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the approach of fice or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of a Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. Siting criteria does not apply to dry above-grade tanks associated with a closed-loop system.	ppriate district approval.
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
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
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.	☐ Yes ☐ No
Written confirmation or verification from the municipality; Written approval obtained from the municipality Within 500 feet of a wetland.	☐ Yes ☐ No
 US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site 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

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Emporary 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 ttached. 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 Operating and Maintenance Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC Previously Approved Design (attach copy of design) API Number: Or Pennit Number:
1 Previously Approved Design (attach copy of design) API Number: or Permit Number:
Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are trached. 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
Previously Approved Design (attach copy of design) API Number:
Previously Approved Operating and Maintenance Plan API Number:
ermanent Pits Permit Application Checklist: Subsection B of 19.15.17.9 NMAC mistructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are tached. 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 ₂ S, Prevention Plan Erosion Control Plan Coll 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
roposed Closure: 19.15.17.13 NMAC instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan. ype: Drilling Workover Emergency Cavitation P&A Permanent Pit Below-grade Tank Closed-loop System Alternative roposed 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) Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) Instructions: Each of the following items must be attached to the losure 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

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Waste Removal Closure For Closed-loop Systems That Utilize Above Groun		
Instructions: Please indentify the facility or facilities for the disposal of liquid facilities are required.	s, drilling fluids and drill cuttings. Use attachment if i	more than two
Disposal Facility Name:		
Disposal Facility Name:	Disposal Facility Permit Number:	
Will any of the proposed closed-loop system operations and associated activities Yes (If yes, please provide the information below) No	occur on or in areas that will not be used for future serv	vice and operations?
Required for impacted areas which will not be used for future service and operat Soil Backfill and Cover Design Specifications based upon the appropriat Re-vegetation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection	ate requirements of Subsection II of 19.15.17.13 NMAC on Lof 19.15.17.13 NMAC	c
Siting Criteria (regarding on-site closure methods only): 19,15,17,10 NMAC Instructions: Each siting criteria requires a demonstration of compliance in the provided below. Requests regarding changes to certain siting criteria may request considered an exception which must be submitted to the Santa Fe Environment demonstrations of equivalency are required. Please refer to 19,15,17,10 NMAC	e closure plan. Recommendations of acceptable sour fire administrative approval from the appropriate distr (al Bureau office for consideration of approval. Justi	rict office or may be
Ground water is less than 50 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; D	ata 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; D	ata 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; D	ata obtained from nearby wells	☐ Yes ☐ No ☐ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other s lake (measured from the ordinary high-water mark). Topographic map: Visual inspection (certification) of the proposed site	ignificant watercourse or lakebed, sinkhole, or playa	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or chur Visual inspection (certification) of the proposed site; Aerial photo; Satell		Yes No
Within 500 horizontal feet of a private, domestic fresh water well or spring that I watering purposes, or within 1000 horizontal feet of any other fresh water well or - NM Office of the State Engineer - iWATERS database: Visual inspection	spring, in existence at the time of initial application.	☐ Yes ☐ No
Within incorporated municipal boundaries or within a defined municipal fresh was adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approximately and the municipality of the section of the municipality.	·	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Vis	ual 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-Mini	ng and Mineral Division	☐ Yes ☐ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geok Society: Topographic map	gy & Mineral Resources; USGS; NM Geological	☐ Yes ☐ No
Within a 100-year floodplain FEMA map		☐ Yes ☐ No
Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of Subsection Disposal Facility Name and Permit Number (for liquids, drilling fluids and Soil Cover Design - based upon the appropriate requirements of Siting Criteria Compliance Demonstrations - based upon the appropriate requirements Construction/Design Plan of Burial Trench (if applicable) based upon the Construction/Design Plan of Temporary Pit (for in-place burial of a drying Protocols and Procedures - based upon the appropriate requirements of 19 Confirmation Sampling Plan based upon the appropriate requirements Disposal Facility Name and Permit Number (for liquids, drilling fluids and Soil Cover Design - based upon the appropriate requirements of Subsection Re-vegetation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements of Subsection Site Reclamation Plan - based upon the appropriate requirements Site Reclamation Site Reclamation Plan - Sate Site Site	equirements of 19.15.17.10 NMAC of Subsection F of 19.15.17.13 NMAC appropriate requirements of 19.15.17.11 NMAC pad) - based upon the appropriate requirements of 19. 15.17.13 NMAC equirements of Subsection F of 19.15.17.13 NMAC of Subsection F of 19.15.17.13 NMAC I drill cuttings or in case on-site closure standards cannot 1 of 19.15.17.13 NMAC on 1 of 19.15.17.13 NMAC	15.17.11 NMAC

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Oil Conservation Division

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Operator Application Certification:	
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.	
Name (Print): Kurt Fagrelius Title: Vice President, Exploration	n_
Signature: Kurt Fagrelly Date: March 9, 2011	
Signature: <u>furl 12grer</u> Date: <u>March 9, 2011</u>	
e-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821 (0), 505-320-82	48 (C)
20.	
OCD Approval: Permit Application (including closure plan) Closure Plan (only) OCD Conditions (see attachment)	/
2000	
OCD Representative Signature: Approval Date: 3/15/11	<u> </u>
Title: Commental Engine OCD Permit Number:	
Title: 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 the	lis
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).	
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 m	ore than
two facilities were utilized.	0.01
Disposal Facility Name: Disposal Facility Pennit 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 Longitude 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 a	ınd
belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.	
Namc (Print): Kurt, Fagrelius Title: Vice President, Exploration	
Signature: Kur Tegralin Date: 3-28-2011	
c-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821 (0), 505-320-82	48 (C)

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Turk's Toast #1 Production Tank Permanent Pit Closure Report-Methods, Procedures and Protocols

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

Existing	Permit Applc. Submittal or	File Closure Plan	Stop Use By	Close By
On June 16, 2008	Modification Request	Ву		
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	NA NA	12/16/2008	6/16/2013	6/16/2013
to comply w/19.15.17				
Permanent Pit-Design and Constr	Mod. Rqust by 12-16-2008	12/16/2008	fail integrity replo	60-days after cessation
Does not comply w/19.15.17	Comply w/in 18-mos of aprvl	submit w/mod request	w/apprvd design	
permitted and lined				· · · · · ·
Permanent Pit-Design and Constr	Permit Apple by 12-16-2008	12/16/2008		60-days after cessation
Does not comply w/19.15.17	Comply w/in 18-mos of aprvl	submit w/permit Applc		
Registered and Lined	<u> </u>			
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 Turk's Toast #1 (Production) 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 March 19, 2008 but has not been closed yet. This report serves as the closure plan and final closure report for the pit.

 Permanent pit was closed on 1-13-2011 (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.

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 (3-18-2011), 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.

24.0-cubic yards of contaminated soil was hauled prior to initial sampling. Copy of invoice to Envirotech (#15959) 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	<0.100
BTEX	EPA SW-846 8021B or 8260B	50	<0.300
TPH	EPA SW-846 418.1	100	595
GRO/DRO	EPA SW-846 8015M	NS	N.A.
Chlorides	EPA 300.1	250 or Background	1490

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 1490-mg/kg exceeding the limit of 250-mg/kg and TPH tested 595-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 reseeded. 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.
- 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.

From: Kurt Fagrelius

Sent: Tuesday, March 29, 2011 2:06 PM

To: 'dave_mankiewicz@nm.blm.gov'; 'brad.a.jones@state.nm.us.'; 'Powell, Brandon, EMNRD'; Kurt Fagrelius

Subject: Surface Owners Notice of Intent to Close Permanent Pits

Dear Sirs:

In accordance with the New Mexico Oil Conservation Division "Pit Rule" (19.15.17.13 NMAC) you are hereby being notified that Dugan Production Corp. intends to close and reclaim the surface (both are located on Federal Surface) at the "permanent pits" listed below. Also, in accordance with 19.15.17.13, the Aztec district office of the OCD will be given at least a 72-hour notice (but less than one week) prior to commencement of final closure of the subject permanent pits. Also, in accordance with the "Terms and Conditions" of the approved APD's, the Farmington field office of the BLM will be given a 48-hour notice prior to commencing final closure of the subject pits.

If you have any questions or require additional information, please contact me (contact information is listed at bottom).

Dugan Production Corp. - Permanent Pits Located on Federal Surface

API Number			ז
	Unit Ltr.	Sect.	,
30-045-25430 30-045-25430	D	18 18	
		Unit Ltr. 30-045-25430 D	Unit Ltr. Sect. 30-045-25430 D 18

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

From:

dmankiew@blm.gov

Sent:

Wednesday, March 30, 2011 3:09 PM Kurt Fagrelius

To:

Subject:

FW: Surface Owners Notice of Intent to Close Permanent Pits

Return Receipt

Your

FW: Surface Owners Notice of Intent to Close Permanent Pits

document:

was

Dave Mankiewicz/FFO/NM/BLM/DOI

received

by:

at:

03/30/2011 03:08:50 PM

From: To:

Jones, Brad A., EMNRD [brad.a.jones@state.nm.us] Kurt Fagrelius Tuesday, March 29, 2011 2:13 PM

Sent:

Subject:

Read: Surface Owners Notice of Intent to Close Permanent Pits

Your message

To:

brad.a.jones@state.nm.us

Subject:

was read on 3/29/2011 2:13 PM.

From:

System Administrator

To:

Kurt Fagrelius

Sent:

Tuesday, March 29, 2011 2:06 PM

Subject:

Delivered: Surface Owners Notice of Intent to Close Permanent Pits

Your message

To:

'dave_mankiewicz@nm.blm.gov'; 'brad.a.jones@state.nm.us.'; 'Powell, Brandon, EMNRD'; Kurt Fagrelius

Subject:

Surface Owners Notice of Intent to Close Permanent Pits

Sent:

3/29/2011 2:06 PM

was delivered to the following recipient(s):

Kurt Fagrelius on 3/29/2011 2:06 PM

From:

postmaster@duganproduction.com

Sent:

Tuesday, March 29, 2011 2:06 PM

To:

Kurt Fagrelius

Subject:

Delivery Status Notification (Relay)

Attachments:

ATT06395.txt; Surface Owners Notice of Intent to Close Permanent Pits





ATT06395.txt (544 Surface Owners

3)

Notice of Inten...

This is an automatically generated Delivery Status Notification.

Your message has been successfully relayed to the following recipients, but the requested delivery status notifications may not be generated by the destination.

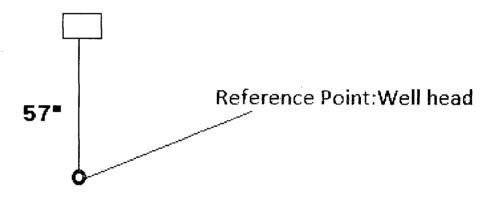
brad.a.jones@state.nm.us
Brandon.Powell@state.nm.us

Dugan Production

Turks Toast #1

Production Tank Pit





From Reference Point Go Due N. For a Distance of **57**° to Center of Pit.

Permanent pit: Turks Toast #1 (Production Tank)

API number: 30-045-25430

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 fourfeet 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

* Attach Additional Sheets If Necessary

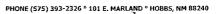
State of New Mexico Energy Minerals and Natural Resources

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505 Form C-141 Revised October 10, 2003 Submit 2 Copies to appropriate

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

1300						OPERA	ГOR	X Initia	al Report 🔲 Final Repo
Name of Co				tion Corp		Contact		Fagrelius	
Address		P.O. Bo				relephone 1		25-1821	
Facility Nar	ne Turk	s Toast	: #1	(Production	on) F	Facility Typ	<u>e Permar</u>	nent Pit	
Surface Ow	ner ^I	Federal		Mineral O	wner	Federal		Lease N	No. NM-19163
						OF RE	LEASE		
Unit Letter	Section	Township	Range	Feet from the	North/S	South Line	Feet from the	East/West Line	County
D	18	3 0 N	14W	790	So	uth	790	West	San Juan
			La	titude <u> 36.80</u>	926 1	∐ Longitud	le_108.356	17_W	
	·				URE	OF REL			
Type of Relea		orting P					Release Unkn		lecovered Unknown
Was Immedia			perman	ent pit rel	.ease	Date and F	lour of Occurrenc	e ? Date and	Hour of Discovery Unknown
was milieda	ne Nonce C		Yes	No 🛚 Not Re	quired	11 1ES, 10	WHOM: N/A	A	
By Whom?						Date and H			
Was a Watero	ourse Reac		Yes X] No		If YES, Vo	lume Impacting t	he Watercourse.	
If a Watercou	rse was Im	pacted, Descr	ibe Fully.	t					
37.13									
N/A									
Describe Cau		-							
						_			five-point composite
I .					_	_			eed the threshold
					(B) (1	.) (b) . S	ee attached	sample res	ults.
Describe Are	a Affected a	and Cleanup A	Action Tak	ten.*					
Contami	nation	will be	addres	sed under t	he "s	pill ru	le", 19.15.	30.	
I hereby certi	fy that the i	nformation gi	ven above	is true and compl	ete to the	e best of my	knowledge and u	nderstand that purs	uant to NMOCD rules and
regulations al	l operators.	are required to	report an	id/or file certain re	lease no	tifications ar	nd perform correc	tive actions for rele	ases which may endanger
									eve the operator of liability
									surface water, human health ompliance with any other
federal, state,				tance of a C-141 I	ероп цо	es not renev	e the operator of i	esponsionity for co	miphance with any other
	// /						OIL CONS	SERVATION	DIVISION
Signature: /	Kurt	tram	lin						
'*	Kurt	Fagrelius	- 7		A	approved by	District Superviso	or:	
Printed Name	·					· · ·	-		
Title:	VP Ex	ploration	n		A	approval Dat	e:	Expiration I	Date:
E-mail Addre	ss: kfagı	celius@du	ganpro	duction.cor	n C	Conditions of	Approval:		Attached
Date: Marc	h 18, 2	011	Phone:	505-325-18	21				



16111 1300



January 24, 2011

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: PIT CLOSURES

Enclosed are the results of analyses for samples received by the laboratory on 01/18/11 7:50.

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 Hydorcarbons

Certificate number T104704398-08-TX. Accreditation applies to solid and chemical materials and non-potable water matrices.

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 (V2, V3)

Accreditation applies to public drinking water matrices.

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

Sincerely,

Celey D. Keene

Lab Director/Quality Manager

Celeg L. Keine



Analytical Results For:

DUGAN PRODUCTION MIKE SANDOVAL P. O. BOX 420 FARMINGTON NM, 87499

Fax To:

(505) 327-4043

Received:

01/18/2011

Sampling Date:

01/13/2011

Reported:

01/24/2011

Sampling Type:

Soil

Project Name:

PIT CLOSURES

Sampling Condition:

Cool & Intact

Project Number:

PROD TANK PIT TURKS TOAST #1

Sample Received By:

Jodi Henson

Project Location:

NOT GIVEN

Sample ID: TURKS TOAST #1 (H100108-01)

BTEX 8260B	mg/kg		Analyzed By: AB/				····		
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	< 0.100	0.100	01/19/2011	ND	1.85	92.5	2.00	5.62	
Toluene*	< 0.100	0.100	01/19/2011	ND	1.87	93.3	2.00	3.47	
Ethylbenzene*	<0.100	0.100	01/19/2011	ND	1.78	89.0	2.00	1.12	
Total Xylenes*	<0.300	0.300	01/19/2011	ND	5.70	95.1	6.00	0.249	
Surrogate: Dibromofluoromethane	99.4	% 80-120							
Surrogate: Toluene-d8	103	% 80-120							
Surrogate: 4-Bromofluorobenzene	107	% 80-120							
Chloride, SM4500Cl-B mg/kg		/kg	Analyze	d By: LR					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	1490	16.0	01/18/2011	ND	384	96.0	400	11.8	
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	595	100	01/21/2011	ND	1060	106	1000	0.948	
TPH 8015M	mg,	/kg	Analyze	d By: AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	01/18/2011	ND	215	86.2	250	2.76	
DRO >C10-C28	37.3	10.0	01/18/2011	ND	204	81.7	250	4.94	
Total TPH C6-C28	37.3	10.0	01/18/2011	ND	419	83.8	500	3.98	
Surrogate: 1-Chlorooctane	90.2	% 70-130							
Surrogate: 1-Chlorooctadecane	92.8	% 70-130							

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE. Liability and Dambages. Cardinals kability and clients exclusive remedy for any claim arising, whether based in contract or ton, 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 waves unless made in whiting and received by Cardinal within thirt, (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidential or consequential damages, including, without limitation, business interruptions, loss or use, or loss of use, or loss of profits informed by client, its subsidiaries, affiliates or successors arising out or or related to the performance of the services hereinder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples denoted above. This report shall not be reproduced except in full with written approxill of Cardinal Leboratories.



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

Cardinal Laboratories *=Accredited Analyte

PLEASE NOTE: Liability and Damages. Caranal's liability and clemits evidusive rement, row any claim ansing, whether based in contract or tort, shall be limited to the amount paid by client for analysts. All claims, including those for negligence and any other Clause whitsoever shall be deemed waves unless made in whiting and received by Cardinal within thirth (30) days after completion of the applicable service. In no event shall Cardinal be facile for incidental or consequential damages, including, within thirth (30) days after completion of the capital service. In no event shall Cardinal be facile for incidental or consequential damages, including within thirth (30) days after completion of the capital services in the capital services are consequential capital for or relative to the performance of the services hereunder by Cardinal approach of Cardinal Laboratories.

Celey & Frene



CHAIN OF CUSTODY RE	Pageof	
NOTES:		
Ensure proper container packaging.	Table 1 Matrix Type	FOR GAL DISE ONLY
2) Ship samples promptly following collection.	1 = Surface Water, 2 = Ground Water	GAL JOB#
		i .

Client: Descross Contact: Address: Phone Number: 330-0929 FAX Number: >27-4647

3) Designate Sample Reject Disposition.

3 = Soil/Sediment, 4 = Rinsate, 5 = Oil

6 =Waste, 7 =Other (Specify)

Samplers Signature:

Lab Name: Green Ana	lytical Labor	ratories	(9	770) 24	7-4220) F	AX (9	970)	247-	422	7	Analyses Required										7				
Address: 75 Suttle S	Street, Durar	1go, CO 81.	303										7	T				F	T		T					I
	Collection			Miscellaneous				Preservative(s)					3	}												
Sample ID HIDDIVE	Date	Time	Collected by: (Init.)	Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SQ4	NAOH	Other (Specify)	Meday Lon Town	の下十	のでする」	CLOS HOL	C CASSON IN						Con	uments		
Turks Togst#1	1-13-11	11:00																								ĺ
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Relinquished by:				Date:	,	·/	Time			Rece	wood t		عمد م	de	111	W.	/(_	<u></u>			Date	18/1	7	750 Timey	:50	

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

6° #26



Industrial Ecosystems Inc.

P.O. Box 1202 Flora Vista, NM 87415

PH (505) 632 1782 Fax: (505) 632-1876

TAX I.D. #94-3200034

Invoice Number: 15959

PULASEREMILE SYAH (146)

Jan 14, 2011

industrial conviction. In-

Personal Per

Invoice Date:

Page:

Time Visia, EAV 8 40

Sold To: DUGAN PRODUCTION CORP

709 E MURRAY DRIVE

FARMINGTON, NM 87499-0420

Location: MIKE SANDOVAL

TURKS TOAST #1 PROD. TANK PIT

Contact MIKE SANDOVAL		Payment Terms Net 30 hays	Due Date	Cu	stomer PO
Quantity		Description		Init Price	Extension
	DATE OF SERV	ICE: 1/12/11			
	TEL WO #1550	υ			
;	MATERIAL TRA	NSFORTED BY 0077T-Pi			
	DISPOSED OF	CONTAMINATED BOIL			
1.00				15.00	[5,00
24.00	DISPOSAL PER	TARD		17.50	4,10,100
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FOR BILLING INQUIRIES PLEASE CALL (505) 632-1782

ACCOUNTS ARE DUE NET 30 DAYS PURCHASER AGREES TO PAY FINANCE CHARGES OF 15% PER MONTH (ANNUAL PERCENTAGE RATE OF 13%) OF 4 MINIMUM CHARGE OF .50 PER MONTH ACCOUNTS THAT HAVE BEEN PLACED FOR COLLECTION WILL BE CHARGED A \$100.00 COLLECTION FEE IN ADDITION TO REASONABLE ATTORNEY FEES AND COLLECTION CHARGES

Subtotal
Sales Tax
Total Invoice Amount

TOTAL

452.45

To Sales