...rench Dr. Hobbs, NM 88240
...W. Grand Avenue, Artesia, NM 88210
...rict III
...000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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2008 SEP 22 AM 8 11

State of New Mexico
Energy, Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
July 21, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Closed-Loop System, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

Type of action:
- ☐ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
- ☒ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method
- ☐ Modification to an existing permit
- ☐ Closure plan only submitted for an existing permitted or non-permitted pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: ***Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request***

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1.
Operator: Dugan Production Corp. OGRID #: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401
Facility or well name: Gold Medal #2 (Seperator)
API Number: 30-045-26519 OCD Permit Number:
U/L or Qtr/Qtr K Section 33 Township 24N Range 10W County: San Juan
Center of Proposed Design: Latitude 36.26839 North Longitude 107.90297 West NAD: ☒ 1927 ☐ 1983
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.
☒ **Pit:** Subsection F or G of 19.15.17.11 NMAC
Temporary: ☐ Drilling ☐ Workover (Taken out of commission 10-10-2007)
☒ 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	☐ Yes ☐ No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No ☐ NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to permanent pits)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No ☐ NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☐ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☐ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☐ No

11.
Temporary Pits, Emergency Pits, and Below-grade Tanks Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
- ☐ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____ or Permit Number: _____

12.
Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Geologic and Hydrogeologic Data (only for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.9
- ☐ Siting Criteria Compliance Demonstrations (only for on-site closure) - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____

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

13.
Permanent Pits Permit Application Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

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

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

Proposed Closure Method: ☒ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☐ On-site Closure Method (Only for temporary pits and closed-loop systems)
☐ In-place Burial ☐ On-site Trench Burial
☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

15.
Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) *Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.*

- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- ☒ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

16.
Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☐ No

Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

17.
Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC
Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

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

18.
On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***
☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
☐ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
☐ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
☐ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

19.
Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Kurt Fagrelius Title: Vice President, Exploration

Signature: Kurt Fagrelius Date: 09-09-2008

e-mail address: kfagrelius@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:** 12/28/08

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 indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.
Disposal Facility Name: Disposal Facility Permit Number:
Disposal Facility Name: Disposal Facility Permit Number:
Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?
☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:
☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

24.
Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***
☒ Proof of Closure Notice (surface owner and division)
☐ Proof of Deed Notice (required for on-site closure)
☒ Plot Plan (for on-site closures and temporary pits)
☒ Confirmation Sampling Analytical Results (if applicable)
☐ Waste Material Sampling Analytical Results (required for on-site closure)
☐ Disposal Facility Name and Permit Number
☒ Soil Backfilling and Cover Installation
☒ Re-vegetation Application Rates and Seeding Technique
☐ Site Reclamation (Photo Documentation)
On-site Closure Location: Latitude 36.26839 N Longitude 107.90297 W NAD: ☒ 1927 ☐ 1983

25.
Operator Closure Certification:
I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): Kurt Fagrelius Title: Vice President, Exploration

Signature: Kurt Fagrelius Date: 10-11-10

e-mail address: kfagrelius @duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (C)

Kurt Fagrelius

From: Kurt Fagrelius

Sent: Monday, September 13, 2010 5:36 PM

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

Subject: Gold Medal #2 (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 "Gold Medal #2" (separator); API #30-045-26519 on Federal Lease NM-22044; on Federal Surface; Location Unit K of S33, T24N, R10W; 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 <0.050-mg/kg, BTEX <0.300- mg/kg, TPH – <100-mg/kg and Chloride 448-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.

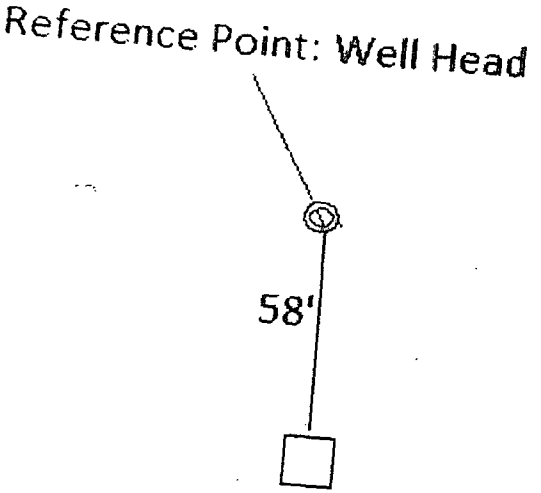
If you have any questions or require additional information, please contact me.

Sincerely,

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

Dugan Production
Gold Medal #2
Seperator & Tank Pit

N



From Reference Point Go Due S For
a distance of 58' to Center of Pit.

Gold Medal #2 Seperator Permanent Pit Closure Report–Methods, Procedures and Protocols

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

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

2. The Gold Medal #2 seperator 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 10/10/2007 but has not been closed yet. ***This report serves as the closure plan and final closure report for the pit.***
Permanent pit was closed on12-31-2009 (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 9-13-2010, via e-mail).

4. Provide the Environmental Bureau in the NMOCD Santa Fe office a closure plan with this notice. Upon approval of this closure plan, provide the Environmental Bureau in the NMOCD Santa Fe office a proposed schedule for closure at least 60-days prior to closing the permanent pit.
10/29/2008 and 11/15/2008 e-mails to NMOCD Santa Fe office.

5. Proof of closure notice will be provided by certified mail to surface owner prior to closing the permanent pit. Proof of notice will be attached to final closure report.
The closure notification was sent to the surface owner via e-mail (9-13-2010), 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.
30.0-cubic yards of contaminated soil was hauled prior to initial sampling. Copy of invoice to Envirotech (#22524) 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	***<0.050***
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	***448***

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 448-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

envirotech

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

Invoice

Invoice Number: 22524
Job: 06094-0046
DATE: January 2,2009

Gold Medal #2- accept exempt contaminated soil and oil from production stream.

Ordered by Fred Cornish

Project Manager: April Pohl

Employee	Staff Type	Description	Units		Rate	Total
12/29/2008						
Landfarm						
Paint Filter Test		BOL# 32256	3.00	ea	10.00	30.00
Chloride Analysis-Water		BOL# 32256	3.00	ea	15.00	45.00
Contaminated Soil Receival		BOL# 32256	30.00	cy	18.00	540.00
		Landfarm Total:	**36.00**			**615.00**
		12/29/2008 Total:	**36.00**			**615.00**

Invoice Sub-total	615.00
Sales Tax	38.05
Amount due this Invoice	$653.05

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.

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

Surface Owner	Federal	Mineral Owner	Federal	Lease No.	NM-22044

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
K	33	24N	10W	1980	South	1980	West	San Juan

Latitude 36.26839 N **Longitude** 107.90297 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? ☐ Yes ☐ No ☒ Not Required	If YES, To Whom? N/A	
By Whom?	Date and Hour	
Was a Watercourse Reached? ☐ Yes ☒ No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

During permanent pit closure a chloride impact was discovered. A five-point composite sample tested 448-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: Kurt Fagrelius	OIL CONSERVATION DIVISION	
Printed Name: Kurt Fagrelius	Approved by District Supervisor:	
Title: VP Exploration	Approval Date:	Expiration Date:
E-mail Address: kfagrelius@duganproduction.com	Conditions of Approval:	Attached ☐
Date: September 7, 2010 Phone: 505-325-1821		

* Attach Additional Sheets If Necessary

Permanent pit: Gold Medal #2 (Separator)
API number: 30-045-26519

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

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

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

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

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

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

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

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

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

CARDINAL LABORATORIES

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

December 31, 2009

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

Re: Earth Pit Closure

Enclosed are the results of analyses for sample number H18942, 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 though 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: 6 (includes Chain of Custody)

Sincerely,

Celey D. Keene
Laboratory Director

This report conforms with NELAP requirements.

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: 12/21/09
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
H18942-1	ST. MORITZ #1	<0.050	<0.050	<0.050	<0.300
H18942-2	AUGUST #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18942-3	GOLD MEDAL #1	<0.050	<0.050	<0.050	<0.300
H18942-4	SILVER MEDAL #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18942-5	GOLD MEDAL #2 SEP.	<0.050	<0.050	<0.050	<0.300
H18942-6	CHAMP #1 T.B. PROD. T.	<0.050	<0.050	0.223	<0.300
H18942-7	CHAMP #1 T.B. SEP.	<0.050	<0.050	<0.050	<0.300
H18942-8	CHAMP #7 T.B. PROD. T.	<0.050	<0.050	<0.050	<0.300
H18942-9	CHAMP #7 T.B. SEP.	<0.050	<0.050	<0.050	<0.300
H18942-10	MARY LOU T. BON #1	<0.050	<0.050	<0.050	<0.300
H18942-11	CALGARY #88 T.B., P.T.	<0.050	<0.050	<0.050	<0.300
H18942-12	CALGARY #88 T.B. SEP.	<0.050	<0.050	<0.050	<0.300
H18942-13	GOLD MEDAL #5 T.B., P.T.	<0.050	<0.050	<0.050	<0.300
H18942-14	GOLD MEDAL #5 T.B., SEP.	<0.050	<0.050	<0.050	<0.300
H18942-15	FLO JO #1 PROD. T.	<0.050	<0.050	<0.050	<0.300
Quality Control		0.049	0.047	0.048	0.130
True Value QC		0.050	0.050	0.050	0.150
% Recovery		98.0	94.0	96.0	86.7
Relative Percent Difference		<1.0	<1.0	<1.0	<1.0

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 12/31/09

H18942 BTEX DUGAN

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: 12/30/09
Project Number: NOT GIVEN
Project Name: EARTH PIT CLOSURE
Project Location: NOT GIVEN

Sampling Date: 12/21/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 6°C
Sample Received By: CK
Analyzed By: AB

LAB NUMBER	SAMPLE ID	418.1 TOTAL TPH (mg/kg)
ANALYSIS DATE		12/28/09
H18942-1	ST. MORITZ #1	<100
H18942-2	AUGUST #1 SEP.	<100
H18942-3	GOLD MEDAL #1	<100
H18942-4	SILVER MEDAL #1 SEP.	<100
H18942-5	GOLD MEDAL #2 SEP.	<100
H18942-6	CHAMP #1 T.B. PROD. T.	8,800
H18942-7	CHAMP #1 T.B. SEP.	<100
H18942-8	CHAMP #7 T.B. PROD. T	<100
H18942-9	CHAMP #7 T.B. SEP.	<100
H18942-10	MARY LOU T. BON #1	<100
H18942-11	CALGARY #88 T.B., P.T.	141
H18942-12	CALGARY #88 T.B. SEP.	<100
H18942-13	GOLD MEDAL #5 T.B., P.T.	<100
H18942-14	GOLD MEDAL #5 T.B., SEP.	713
H18942-15	FLO JO #1 PROD. T.	900
Quality Control		306
True Value QC		300
% Recovery		102
Relative Percent Difference		3.1

METHODS: EPA 418.1
Not accredited for TPH 418.1. Reported on wet weight.

Chemist

12/31/09
Date

H18942 418 T DUGAN

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: 12/30/09
Sampling Date: 12/21/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 3.5°C
Sample Received By: CK
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl^- (mg/kg)
H18942-1	ST. MORITZ #1	8,200
H18942-2	AUGUST #1 SEP.	6,800
H18942-3	GOLD MEDAL #1	1,340
H18942-4	SILVER MEDAL #1 SEP.	992
H18942-5	GOLD MEDAL #2 SEP.	448
H18942-6	CHAMP #1 T.B. PROD T.	752
H18942-7	CHAMP #1 TB SEP.	1,120
H18942-8	CHAMP #7 TB PROD T.	864
H18942-9	CHAMP #7 TB SEP.	608
H18942-10	MARY LOU T. BON #1	880
H18942-11	CALGARY #88 T.B., P.T.	1,760
H18942-12	CALGARY #88 T.B. SEP.	352
H18942-13	GOLD MEDAL #5 T.B., P.T.	2,240
H18942-14	GOLD MEDAL #5 T.B., SEP.	1,550
H18942-15	FLOJO #1 PROD. T	1,100
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.

Chemist

12/31/09
Date

H18942 Dugan

CHAIN OF CUSTODY RECORD

Client: Dugan Production
Contact: Fred Cornish
Address:
Phone Number: 505-330-0929
FAX Number: 505-325-4873

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
Address: 75 Suttle Street, Durango, CO 81303

	Sample ID	Collection: Date	Collection: Time	Misc: Collected by; (Init)	Misc: Matrix Type From Table 1	Misc: No. of Containers	Misc: Sample Filtered ? Y/N	Preservative(s): Unpreserved (Ice Only)	Preservative(s): HNO3	Preservative(s): HCL	Preservative(s): H2SO4	Preservative(s): NAOH	Preservative(s): Other (Specify)	Analyses Required: Benzene	Analyses Required: TPH-BTEX	Analyses Required: 418.1	Analyses Required: Chlorides	Comments
1	#18942 - St. Moritz #1	12-21-09	9:35 AM		3									/	/	/	/	
2	St. August #1 Sep.	12-21-09	10:15 AM											/	/	/	/	
3	Gold Medal #1	12-21-09	10:35 AM											/	/	/	/	
4	Silver Medal #1 Sep.	12-21-09	10:50 AM											/	/	/	/	
5	Gold Medal #2 Sep.	12-21-09	11:10 AM											/	/	/	/	
6	Champ #1 TB. Prod T.	12-21-09	11:30 AM											/	/	/	/	
7	Champ #1 TB Sep.	12-21-09	11:40 AM											/	/	/	/	
8	Champ #1 TB Prod T.	12-21-09	12:00 PM											/	/	/	/	
9	Champ #1 TB Sep	12-21-09	12:10 PM											/	/	/	/	
10	Maryland TB on #1	12-21-09	1:05 P.M.											/	/	/	/	

Relinquished by: Fred Cornish	Date: 12-21-09	Time: 4:44 PM	Received by: Angie Yazzie	Date: 12/22/09	Time: 1014
Relinquished by: Fed Ex	Date:	Time:	Received by: Collbrane	Date: 12/23/09	Time: 11:15

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

3.5°C

CJ 6°C