

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**

30-045-25430

**OPERATOR**

☐ Initial Report ☒ Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	Turks Toast #1 (Separator)	Facility Type	Permanent Pit

Surface Owner	Federal	Mineral Owner	Federal	Lease No.	NM-19163
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**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
D	18	30N	14W	790	South	790	West	San Juan

Latitude 36.80926 N Longitude 108.35617 W

**NATURE OF RELEASE**

Type of Release	Spill Clean-up and Pit Closure	Volume of Release ?	Volume Recovered	N.A.
Source of Release	Below grade permanent pit release	Date and Hour of Occurrence ?	Date and Hour of Discovery	N.A.
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	N/A	
By Whom?	Date and Hour			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.		

If a Watercourse was Impacted, Describe Fully.\*

N/A

Describe Cause of Problem and Remedial Action Taken \*

During permanent pit closure a chloride and TPH impact were discovered. A five point composite sample tested 1360-mg/kg chlorides and 4200-mg/kg TPH (Mthd 418.1) which exceed 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 was addressed under the "spill rule", 19.15.30. 60-cubic yards of contaminated soil was hauled from site of release to IEI Landfarm. C-144 ranking=10. The chloride release (1360-mg/kg) and TPH release (311-mg/kg, 8015 Mthd.) do not pose a threat to the contamination of groundwater. See attachment to "Final C-141" and invoice #15960.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Kurt Fagrelus</i>	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: Kurt Fagrelus	Approved by District Supervisor: <i>Bob Bell</i>	
Title: VP Exploration	Approval Date: 6/10/11	Expiration Date:
E-mail Address: kfagrelus@duganproduction.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: June 6, 2011 Phone: 505-325-1821	nJK1122354239	

\* Attach Additional Sheets If Necessary

28



PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88401

Turks Toast \*  
Scp.

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 Hydrocarbons

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

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

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

Accreditation applies to public drinking water matrices.

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

Sincerely,

Celey D. Keene

Lab Director/Quality Manager

**Analytical Results For:**

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

Received: 01/18/2011  
Reported: 01/24/2011  
Project Name: PIT CLOSURES  
Project Number: SEP PIT TURKS TOAST #1  
Project Location: NOT GIVEN

Sampling Date: 01/13/2011  
Sampling Type: Soil  
Sampling Condition: Cool & Intact  
Sample Received By: Jodi Henson

**Sample ID: TURKS TOAST #1 (H100110-01)**

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 106 % 80-120

Surrogate: Toluene-d8 108 % 80-120

Surrogate: 4-Bromofluorobenzene 107 % 80-120

Chloride, SM4500Cl-B		mg/kg	Analyzed By: LR						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	1360	16.0	01/18/2011	ND	432	108	400	0.00	

TPH 418.1		mg/kg	Analyzed By: CK						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	4200	500	01/21/2011	ND	1060	106	1000	0.948	

TPH 8015M		mg/kg	Analyzed By: AB						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<50.0	50.0	01/18/2011	ND	215	86.2	250	2.76	
DRO >C10-C28	311	50.0	01/18/2011	ND	204	81.7	250	4.94	
Total TPH C6-C28	311	50.0	01/18/2011	ND	419	83.8	500	3.98	

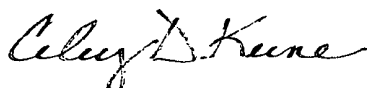
Surrogate 1-Chlorooctane 88.2 % 70-130

Surrogate 1-Chlorooctadecane 94.5 % 70-130

Cardinal Laboratories

\*=Accredited Analyte

PLEASE NOTE Liability and Damages Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager

**Notes and Definitions**

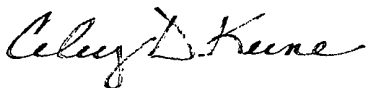
ND	Analyte NOT DETECTED at or above the reporting limit
RPD	Relative Percent Difference
**	Samples not received at proper temperature of 6°C or below.
***	Insufficient time to reach temperature.
-	Chloride by SM4500Cl-B does not require samples be received at or below 6°C
	Samples reported on an as received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

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Cardinal Laboratories

\*=Accredited Analyte

PLEASE NOTE Liability and Damages Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



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Celey D. Keene, Lab Director/Quality Manager



## CHAIN OF CUSTODY RECORD

Page of

Client: Duggan Prod.

Contact: Mike Sandovul

Address: \_\_\_\_\_

Phone Number. 370-0929

FAX Number: 307-4043

NOTES:

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

PO# Separator P. +

Project Name: Turks Togeth\*

## Table 1. — Matrix Type

1 = Surface Water, 2 = Ground Water

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

6 = Waste, 7 = Other (Specify)

Samplers Signature 

FOR GAL USE ONLY

GAL JOB #

Lab Name: Green Analytical Laboratories		(970) 247-4220 FAX (970) 247-4227		Analyses Required											
Address: 75 Suttle Street, Durango, CO 81303															
Sample ID	Collection		Miscellaneous			Preservative(s)					Comments				
	Date	Time	Collected by: (Init.)	Matrix Type From Table 1	No of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4		NAOH	Other (Specify)		
H1DD11D															
1. Turcks Teget #1	1-13-11	12:30													
2.															
3.															
4.															
5.															
6.															
7.															
8.															
9.															
10.															
Relinquished by: <i>Michael S. L...</i>			Date: 1-13-11		Time: 3:51		Received by: <i>Christy Clark</i>					Date: 1/13/11		Time: 1:55	
Relinquished by:			Date:		Time:		Received by: <i>Memora</i>					Date: 1/13/11		Time: 4:50	

\* Sample Reject: ☐ Return ☐ Dispose ☐ Store (30 Days)

b<sup>o</sup>c #26



Invoice Number: 15960  
 Invoice Date: Jan 14, 2011  
 Page: 1

**Industrial Ecosystems Inc.**  
 P.O. Box 1202  
 Flora Vista, NM 87415  
 PH. (505) 632-1782 Fax: (505) 632-1876  
 TAX I.D. #94-3200034

PLEASE REMIT PAYMENT TO:  
 Industrial Ecosystems, Inc  
 PO Box 1202  
 Flora Vista NM 87415

Sold To: DUGAN PRODUCTION CORP  
 709 E MURRAY DRIVE  
 FARMINGTON, NM 87499-0420

Location: MIKE SANDOVAL  
 TURKS TOAST #1 SEPARATOR PIT

Contact	Payment Terms	Due Date	Customer PO
MIKE SANDOVAL	Net 30 Days	2/13/11	

Quantity	Description	Unit Price	Extension
	DATE OF SERVICE: 1/13/11		
	REF WO #15662		
	MATERIAL TRANSPORTED BY RALPH MILLER, D07/T-75		
	DISPOSED OF CONTAMINATED SOIL		
1.00	CHLORIDE TEST	15.00	15.00
60.00	DISPOSAL PER YARD	17.50	1,050.00

**FOR BILLING INQUIRIES PLEASE CALL  
 (505) 632-1782**

ACCOUNTS ARE DUE NET 30 DAYS. PURCHASER AGREES TO PAY  
 FINANCE CHARGES OF 1.5% PER MONTH (ANNUAL PERCENTAGE RATE  
 OF 18%) OR A 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	1,065.00
Sales Tax	67.23
Total Invoice Amount	1,132.23
<b>TOTAL</b>	<b>1,132.23</b>



Industrial Ecosystems Inc.  
Soil Reclamation Center

P.O. Box 2043  
Farmington NM 87499

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

#49 CR 3150  
Aztec NM 87410

## Material Entry Record

Date: 1-13-11

Company Representatives Name: Mike Sandbrook

Generator of Material: Dugan

Phone Number: \_\_\_\_\_

Origin of Material (Location): Turks Toast #1 Separator Pit

Material Transported by: Ralph Miller

H2S Gas ☒ Non-Detect ☐ Detect: Level \_\_\_\_\_

Driver's Name: Nasser Kozic STEVE BAKER

Driver's Cell #: \_\_\_\_\_

Truck Number: D-07, T-75

Pile Number: \_\_\_\_\_

☐ Logged in Corresponding BioPile Sheet

400 Chlorides 6 PH \_\_\_\_\_ TDS

Paint Filter Test: ☒ Passed ☐ Failed

☐ Pit ☐ Tanks

Mud

☐ DENIED / REJECTED

### Type of Material

Soil

Gravel

Solidified Liquid

Other

<input checked="" type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Tank Bottom Sludge  
Tank Cleaning Residue  
Charcoal Filter Media  
Washout by: \_\_\_\_\_

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

### Amount of Material

	Load #1	Load #2	Load #3	Load #4	Load #5	Load #6	Load #7	Load #8	Load #9	Load #10
Cubic Yards	12	12	12	12	12					
Barrels										
Washout										
Truck #	D-07	T-75	T-75	D-07	D-07					
Time In	10:08	10:08	12:50	12:52	4:34P					
Time Out	10:34	10:34	1:06	1:05	4:51P					
Login Initials	LM	LM	LM	LM	MS					

Exempt

XXX

Non Exempt

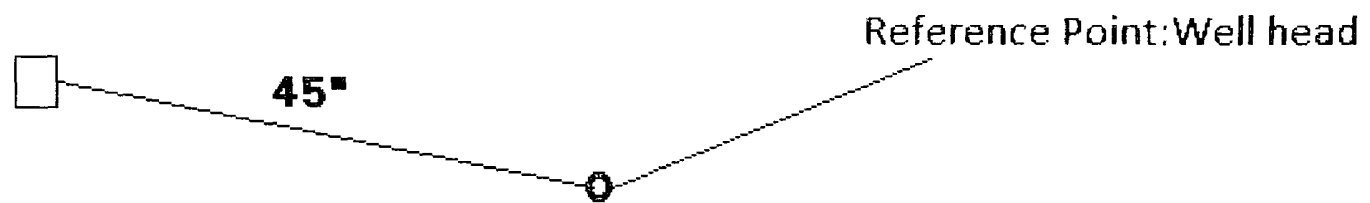
I certify that the quantity and type of waste is that listed above. To the best of my knowledge, no other quantities or types of wastes have been added or removed.

Driver's signature: Nasser Kozic STEVE BAKER

Attendant's Signature: [Signature]

\*Attach copy of test results to C-138/COW

Dugan Production  
Turks Toast # 1  
Seperater Pit



From Reference Point Go N. **60** Degrees NW. For  
a Distance of **45'** to Center of Pit.



Permanent pit: Turks Toast #1 (Separator)  
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 four-feet of compacted, non-waste containing, earthen material will be used as backfill.
2. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area no longer needed for production operations. The soil cover will include either the background thickness of top soil or one-foot of suitable material to establish vegetation at the site whichever is greater. The soil cover will be constructed to the sites existing grade and prevent water collection or ponding and erosion of the cover material.
3. Disturbed areas will be seeded the first growing season after the pit is closed. Seeding will be accomplished by drilling on contour whenever possible or by other division approved methods. BLM stipulated seed mixes will be used on all Federal lands and OCD approved seed mixes (administratively approved if required) will be used on all State or private lands. Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two consecutive growing seasons. If alternate seed mix is required by the state, private owner or tribe, it will be implemented with administrative approval if needed. Seeding or planting will be continued until successful vegetative growth occurs.
4. The Aztec District office of the OCD will be notified after each re-seeding operation and after successful re-vegetation has been achieved.

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

<b>Lease Name: Turks Toast #1 (Separator)</b>						
API No.: 30-045-25430						
<b>Site Specific Information</b>						
Depth to	<b>520-ft</b>	Distance to Surface	<b>600-ft</b>	Wellhead Protection Area	<b>&gt;1000-ft</b>	
Groundwater		Water Body		Distance from Water Source		
<b>Total Ranking Score</b>						
Depth to	Ranking	Distance to Surface	Ranking	Wellhead Protection Area	Ranking Score	Total Ranking
Groundwater	Score	Water Body	Score	Distance from Water Source	Yes =20, No=0	Score
<50-feet	20	<200-feet	20	<1000-feet from water source	<b>0</b>	
50 - 99	10	200 - 1000	<b>10</b>	<200-feet domestic water	<b>0</b>	
>100-feet	<b>0</b>	>1000-feet	0			<b>10</b>
<b>Total Ranking Score</b>					<b>Sample</b>	
		>19	<b>10 - 19</b>	0 - 9	<b>Analysis</b>	
Benzene (mg/kg)		10	<b>10</b>	10	<b>&lt;0.100</b>	
BTEX (mg/kg)		50	<b>50</b>	50	<b>&lt;0.300</b>	
TPH (mg/kg)		100	<b>1000</b>	5000	<b>311</b>	
Chlorides (mg/kg)		N.A.	<b>N.A.</b>	N.A.	<b>1360</b>	
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 8015 and Chlorides 4500-C1-B.						
C-144 ranking = 10. Release does not pose a threat to groundwater contamination.						

## **Turk's Toast #1 Hydrogeologic Report**

The Turk's Toast #1 is located on Federal land on the northwest margin of the San Juan Basin, in San Juan County, New Mexico. The area is characterized as a poorly drained, Kirtland Shale "Badlands" area that is bordered by "Pinon Mesa" (2-miles east).

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Turk's Toast #1 location (Exhibit 2). No water wells were located in the database search. The search results are shown on Exhibit 1.

The main source of stock water in the region is encountered in valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface and stock tanks constructed on surface shale layers at the confluence and upper reaches of arroyos. The below grade tank is not located in an arroyo; the closest arroyo is 600-feet to the southeast (Exhibit 2). The arroyo is very small and carries water only during seasonal periods (rainfall and snowmelt).

The Kirtland Shale extends from the surface down to a depth of approximately 505-feet. The interval is comprised of an upper shale member, middle sandstone member (Farmington Ss.) and a lower shale member. The middle sandstone member is either absent or very poorly developed in the area. The entire Kirtland section is comprised of siltstone and shale and does not have rocks capable of storing water. The Kirtland is not expected to contain groundwater in the area.

The underlying Fruitland Formation extends from 505 to 1000-feet. There is sand at 520-550, 660-680 and 810-885 inter-bedded with shale and coal that contain groundwater. Also, the Fruitland Coal / Pictured Cliffs interval from 960 to 1100-feet contain groundwater and natural gas. The water quality is very poor (>10,000 ppm TDS). Water that is recovered with natural gas production is disposed of in nearby salt water disposal wells (analysis of this water is available upon request from Dugan Production).

Based on electric open hole logs, the iWATERS database and literature reviewed, depth to ground water ranges from 15 – 20 feet below the surface in major arroyos in the area. Moving away from the washes, depth to ground water drops rapidly to greater than 200 feet below the surface. At the location of the below grade tank, poor quality ground water might be found in the Fruitland sand at 520-885 feet or the Fruitland Coal / Pictured Cliffs interval at a depth of 960-1100 feet below the surface.

Excessive drilling depth, unpredictable variations in reservoir quality and water quality have discouraged the drilling of water wells in the in the subject area.

This Hydrogeologic Report was prepared by Mr. Kurt Fagrelus, Geologist for Dugan Production. Mr. Fagrelus has been employed as a geologist for Dugan for the past 31-years, received a MS in Geology from NMIMT in Socorro, NM and a BS in Geology from FLC in Durango, CO.

Stone, W.J., Lyford, F.P., Frenzel, P.F., Mizell, N.H., and Padgett, E.T., 1983, Hydrogeology and water resources of San Juan Basin, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrologic Report 6, 70 p.

Brown, D.R., and Stone, W.J., 1979, Hydrogeology of Aztec quadrangle, San Juan County, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrogeologic Sheet 1.

Levings, G.W., Craig, S.D., Dam, W.L., Kernodle, J.M., and Thorn, C.R., 1990, Hydrogeology of the San Jose, Nacimiento, and Animas Formations in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S. Geological Survey, Atlas HA-720-A, Sheet 1 and 2.

Thorn, C.R., Levings, G.W., Craig, S.D., Dam, W.L., and Kernodle, J.M., 1990, Hydrogeology of the Ojo Alamo Sandstone in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S.G.S, Atlas HA-720-B, Sheet 1 and 2.

**KEEP OFF**

**DANGER**

FOR EMERGENCY CALL (505) 325-1823

**KEEP OUT**

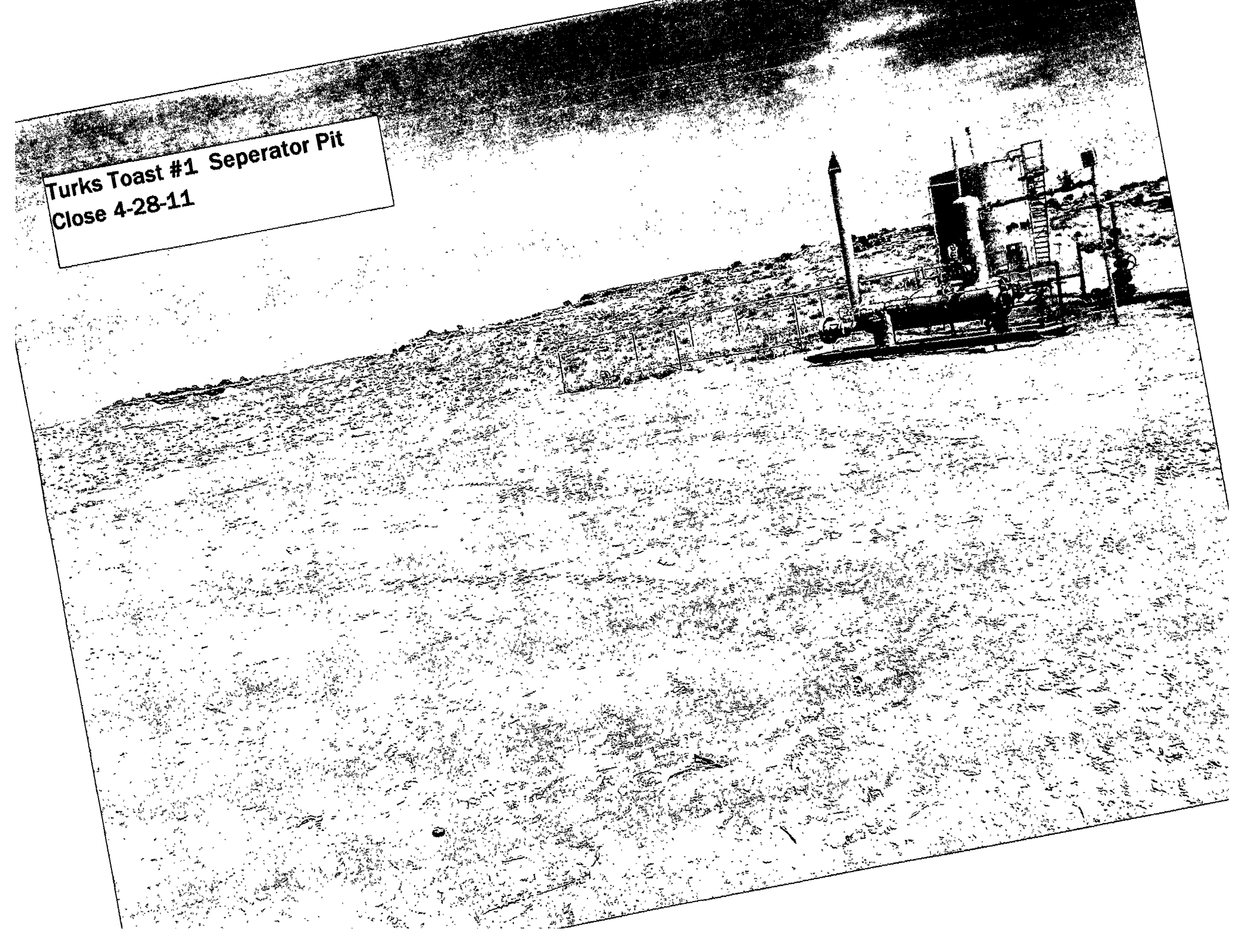
**TRESPASSING**

**NO**

**SMOKING**

DOUGAN PRODUCTION CORP.  
TURK'S HEAD  
LEASE & MINE  
7904 F ST.  
S.E. 018 1304  
SAN JUAN CO. NM

**Turks Toast #1 Seperator Pit**  
**Close 4-28-11**



**Kurt Fagrelus****From:** Kurt Fagrelus**Sent:** Tuesday, March 29, 2011 2:06 PM**To:** 'dave\_mankiewicz@nm.blm.gov'; 'brad.a.jones@state.nm.us.', 'Powell, Brandon, EMNRD'; Kurt Fagrelus**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

Well Name and Number	<u>API Number</u>	Unit Ltr.	Sect.
Turks Toast #1 (Separator)	30-045-25430	D	18
Turks Toast #1 (Production Tank)	30-045-25430	D	18

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

3/29/2011

## Kurt Fagrelus

---

**From:** dmankiew@blm.gov  
**Sent:** Wednesday, March 30, 2011 3 09 PM  
**To:** Kurt Fagrelus  
**Subject:** FW: Surface Owners Notice of Intent to Close Permanent Pits

### Return Receipt

Your document: FW: Surface Owners Notice of Intent to Close Permanent Pits

was received by: Dave Mankiewicz/FFO/NM/BLM/DOI

at: 03/30/2011 03:08:50 PM

## Kurt Fagrelius

---

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



## Kurt Fagrelius

---

**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

## Kurt Fagrelius

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**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  
B) 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

## Kurt Fagrelius

**From:** Kurt Fagrelius  
**Sent:** Thursday, April 21, 2011 1 18 PM  
**To:** 'Powell, Brandon, EMNRD'; 'Mark\_Kelly@nm.blm.gov'; 'dave\_mankiewicz@nm.blm.gov'; 'Jim\_Lovato@blm.gov'; 'Bill\_Liess@blm.gov'; 'lucas\_vargo@blm.gov'  
**Cc:** Johnny Lane; Mike Sandoval; Kurt Fagrelius  
**Subject:** 72-Hour notice to close perm. pits 4-27 thru 4-29-2011  
**Attachments:** 72-Hr Notice to Close Permanent Pits 4-27 Thru 4-29-2011.xls

Dear Mr. Brandon Powell, Mr. Mark Kelly, Mr. Dave Mankiewicz, Mr. Jim Lovato, Mr. Bill Liess and Mr. Lucas Vargo,

Dugan Production Corp. is hereby giving notice that Dugan will be closing the permanent pits on the following well pads:

- 1) Jeffers Federal #2-23
- 2) Drip Tank #4 by the Poles Paradise #2
- 3) Turks Toast #1 Separator
- 4) Turks Toast #1 Production Tank

Site specific and soil analysis information for each permanent pit is included in the enclosed attachment.

All four of the permanent pits are located on Federal Surface.

Permanent pits will be closed starting Wednesday, April 27, 2011 thru Friday, April 29, 2011.

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

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

4/21/2011

# Dugan Production Corp. Permanent Pits to Close 4-27 thru 4-29-2011

Lease Name	Jeffers Federal #2-23	Jeffers Federal #2-23	Drip Tank #4
API Number	30-045-24439	Sidewall Samples	by Poles Paradise #2
Surface Owner - Notice Sent	Federal	"	Federal
Location - UL, Sec., Twp, Rge	K-2-T23N-R8W	"	K-9-T30N-R14W
Latitude	36.25378 N	"	36.82759 N
Longitude	107.65376 W	"	108.32121 W
Benzene (<0.2 mg/kg)	<0.100-mg/kg	<0.050-mg/kg	<0.100-mg/kg
Betex (<50 mg/kg)	<0.300-mg/kg	<0.150-mg/kg	<0.300-mg/kg
TPH - Analytic Mthd-418.1 (<100 mg/kg)	9800-mg/kg	<100-mg/kg	5770-mg/kg
TPH=GRO + DRO - Analytic Mthd-8015	1,000-mg/kg, 2180-mg/kg	<10-mg/kg	100-mg/kg, 1220-mg/kg
Chlorides (<250 mg/kg)	656-mg/kg	2760-mg/kg	160-mg/kg

Thresholds as per "Pit Rule" 19.15.17 NMAC are highlighted in red.

Thresholds as per "Spill Rule" 19.15.30 NMAC are highlighted in blue.

## NOTE:

The Jeffers Federal #2-23, Drip Tank #4 by the Poles Paradise #2 and Turks Toast #1 sample analysis exceed the limits as per the "Spill Rule" NMAC. TPH and Chloride levels exceed allowable levels. However, bedrock was encountered at the base of each excavation. Sidewall samples were taken in the Jeffers Federal and Drip Tank #4 (to determine remaining level of contamination from surface down to bedrock) and tested well above the threshold limits of the spill rule. The elevated Chloride and TPH levels in the bottom of the excavations do not appear to pose a risk to groundwater at the subject locations due to the depth of groundwater at the Jeffers Federal #2-23 (>200-ft.), Drip Tank #4 (>480-ft.) and Turks Toast #1 (>520-ft).

**Dugan Production Corp. Permanent Pits to Close 4-27 thru 4-29-2011**

Drip Tank #4	Turks Toast #1 Separator	Turks Toast #1 Production
Sidewall Samples	30-045-25430	30-045-25430
"	Federal	Federal
"	D-18-T30N-R14W	D-18-T30N-R14W
"	36.80926 N	36.80926 N
"	108.35617 W	108.35617 W
<0.050-mg/kg	<0.100-mg/kg	<0.100-mg/kg
<0.150-mg/kg	<0.300-mg/kg	<0.300-mg/kg
202-mg/kg	4200-mg/kg	595-mg/kg
23.5-mg/kg	1000-mg/kg, 311-mg/kg	1000-mg/kg, 37.3-mg/kg
16.0-mg/kg	1360-mg/kg	1490-mg/kg

## Kurt Fagrelius

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**From:** postmaster@duganproduction.com  
**Sent:** Thursday, April 21, 2011 1:18 PM  
**To:** Kurt Fagrelius  
**Subject:** Delivery Status Notification (Relay)

**Attachments:** ATT11610.txt; 72-Hour notice to close perm. pits 4-27 thru 4-29-2011



ATT11610.txt (413 B) 72-Hour notice to  
close perm. ...

This is an automatically generated Delivery Status Notification.

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

Brandon.Powell@state.nm.us

## Kurt Fagrelius

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**From:** Kurt Fagrelius  
**To:** Kurt Fagrelius  
**Sent:** Thursday, April 21, 2011 1:20 PM  
**Subject:** Read. 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

Your message

**To:** 'Powell, Brandon, EMNRD'; 'Mark\_Kelly@nm.blm.gov'; 'dave\_mankiewicz@nm.blm.gov'; Jim\_Lovato@blm.gov; Bill\_Liess@blm.gov; 'lucas\_vargo@blm.gov'  
**Cc:** Johnny Lane; Mike Sandoval; Kurt Fagrelius  
**Subject:** 72-Hour notice to close perm. pits 4-27 thru 4-29-2011  
**Sent:** 4/21/2011 1:18 PM

was read on 4/21/2011 1:20 PM.

## Kurt Fagrelius

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**From:** mkelly@blm.gov  
**Sent:** Thursday, April 21, 2011 1:45 PM  
**To:** Kurt Fagrelius  
**Subject:** 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

### Return Receipt

Your 72-Hour notice to close perm. pits 4-27 thru 4-29-2011  
document:

was Mark Kelly/FFO/NM/BLM/DOI  
received  
by:

at: 04/21/2011 01:44:44 PM



## Kurt Fagrelus

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**From:** jlovato@blm.gov  
**Sent:** Thursday, April 21, 2011 3:36 PM  
**To:** Kurt Fagrelus  
**Subject:** 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

### Return Receipt

Your 72-Hour notice to close perm. pits 4-27 thru 4-29-2011  
document:

was Jim Lovato/FFO/NM/BLM/DOI  
received  
by:

at: 04/21/2011 03:36:08 PM

## Kurt Fagrelus

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**From:** lvargo@blm.gov  
**Sent:** Thursday, April 21, 2011 4:24 PM  
**To:** Kurt Fagrelus  
**Subject:** 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

### Return Receipt

Your 72-Hour notice to close perm. pits 4-27 thru 4-29-2011  
document:

was Lucas Vargo/FFO/NM/BLM/DOI  
received  
by:

at: 04/21/2011 04:24:21 PM

## Kurt Fagrelius

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**From:** System Administrator  
**To:** Kurt Fagrelius; Johnny Lane; Mike Sandoval  
**Sent:** Thursday, April 21, 2011 1:18 PM  
**Subject:** Delivered: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

Your message

**To:** 'Powell, Brandon, EMNRD'; 'Mark\_Kelly@nm.blm.gov'; 'dave\_mankiewicz@nm.blm.gov'; Jim\_Lovato@blm.gov; Bill\_Liess@blm.gov; 'lucas\_vargo@blm.gov'  
**Cc:** Johnny Lane; Mike Sandoval; Kurt Fagrelius  
**Subject:** 72-Hour notice to close perm. pits 4-27 thru 4-29-2011  
**Sent:** 4/21/2011 1:18 PM

was delivered to the following recipient(s):

Kurt Fagrelius on 4/21/2011 1:18 PM  
Johnny Lane on 4/21/2011 1:18 PM  
Mike Sandoval on 4/21/2011 1:18 PM

## Kurt Fagrelus

**From:** Powell, Brandon, EMNRD [Brandon.Powell@state.nm.us]  
**Sent:** Friday, April 15, 2011 11:08 AM  
**To:** Jim\_Lovato@blm.gov, Mark\_Kelly@blm.gov  
**Cc:** Kurt Fagrelus  
**Subject:** Dugan Jeffers Federal 2 #23  
Jim and Mark-

On the Jeffers Federal 2 #23 API# 30-045-24439 I have approved Dugan to close an old production pit based off of the results meeting our requirements on the remediation. However, I requested they contact you to ensure they have met your requirements.

The bottom of the excavation still exceeds our TPH levels however due to bedrock being encountered and the depth of groundwater in the area we are allowing them to leave the rest of the contamination in-place due to its low risk to the environment. The side walls passed our TPH requirements, but there are some elevated chloride levels. The chloride levels don't appear to pose a risk to the groundwater in the area, so we are not requiring any further remediation.

If you have any questions please let me know.

Thank You  
Brandon Powell  
Environmental Specialist  
New Mexico Oil Conservation  
1000 Rio Brazos Rd, Aztec NM 87410  
Office: (505) 334-6178 ext. 115  
E-mail: [Brandon.Powell@state.nm.us](mailto:Brandon.Powell@state.nm.us)

4/26/2011