

District I
4625 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 (Production)	Facility Type	Permanent Pit
Surface Owner	Federal	Mineral Owner	Federal
		Lease No.	NM-19163

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

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

During permanent pit closure a chloride and TPH impact were discovered. A five-point composite sample tested 1490-mg/kg chlorides and 595-mg/kg (Mthd 418.1) TPH 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.*

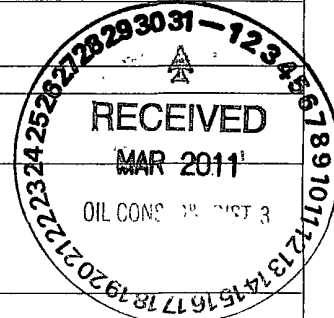
Contamination will be addressed under the "spill rule", 19.15.30.

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.

OIL CONSERVATION DIVISION

Signature: <i>Kurt Fagrelus</i>	Approved by District Supervisor: <i>Bob Pelt</i>	
Printed Name: Kurt Fagrelus	Approval Date: 3-31-11	Expiration Date:
Title: VP Exploration	Conditions of Approval:	Attached <input type="checkbox"/>
E-mail Address: kfagrelus@duganproduction.com	nJK1122137995	
Date: March 18, 2011	Phone: 505-325-1821	

* Attach Additional Sheets If Necessary



1

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 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



1 WKS Test #1
Prod Tank
Preliminary Sample Anal.
PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

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,

A handwritten signature in cursive script that reads "Celey D. Keene".

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	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)

BTX 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		Analyzed 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		Analyzed 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	

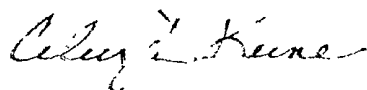
Surrogate 1-Chlorooctane 90.2 % 70-130

Surrogate 1-Chlorooctadecane 92.8 % 70-130

Cardinal Laboratories

[†] = Accredited Analyte

PLEASE NOTE: Liability and Damages. Cardinal Laboratories and clients exclude responsibility to any claim arising, whether based in contract or tort, shall be limited to the amount paid by client to analysis. 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 to incidental or consequential damages including without limitation business interruption loss of use of data or profits resulting from the use of its services. Analyses or successors arising out of or related to the performance of the services hereunder by Cardinal is subject to the terms and conditions of the contract. Cardinal is not responsible for any of the above stated reasons or otherwise. Results apply only to the samples described above. This report shall not be reproduced except in full without the report of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager

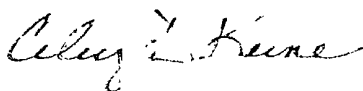
Notes and Definitions

ND	Analyte NOT DETECTED at or above the reporting limit
RPD	Relative Percent Difference
K+	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. Cardinal's liability and clients exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. No 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 service provided 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, without approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client Dugan Prod.
 Contact: Mike Sandevl
 Address: _____
 Phone Number 330-0929
 FAX Number 327-4043

NOTES:

- 1) Ensure proper container packaging.
 - 2) Ship samples promptly following collection.
 - 3) Designate Sample Reject Disposition.
- PO# Production Tank P.t
 Project Name: Tucks Toast #1

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

FOR GAT USE ONLY
 GAL JOB # _____

Samplers Signature: [Signature]

Lab Name		Green Analytical Laboratories		(970) 247-4220		FAX (970) 247-4227		Analyses Required										Comments
Address		75 Suttle Street, Durango, CO 81303																
Sample ID	Collection		Collected by: (Init.)	Miscellaneous			Preservative(s)						Production Tank P.t	GTEX	TPH 418.1	TPH 8015	J	
	Date	Time		Matrix Type From Table 1	No of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)						
H1001083 Tucks Toast #1	1-13-11	11:00																
2.																		
3.																		
4.																		
5.																		
6.																		
7.																		
8.																		
9.																		
10.																		
Relinquished by: <u>[Signature]</u>				Date: <u>1-13-11</u>		Time: <u>3:51</u>		Received by: <u>Christy Clark</u>				Date: <u>1/13/11</u>		Time: <u>1551</u>				
Relinquished by: _____				Date: _____		Time: _____		Received by: <u>[Signature]</u>				Date: <u>1/18/11</u>		Time: <u>7:50</u>				

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

6°C #26

Permanent pit: Turks Toast #1 (Production Tank)
API number: 30-045-25430

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Kurt Fagrelus
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