

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	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?	If YES, Volume Impacting the Watercourse.
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

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.

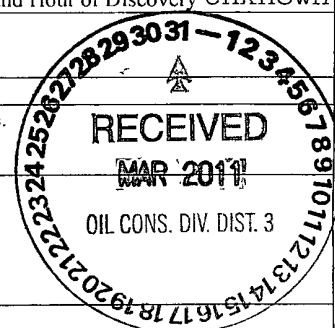
Describe Area Affected and Cleanup Action Taken.*

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

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

Signature: <i>Kurt Fagrelus</i>	OIL CONSERVATION DIVISION	
Printed Name: Kurt Fagrelus	Approved by District Supervisor <i>Brd Pull</i>	
Title: VP Exploration	Approval Date: 3/31/11	Expiration Date:
E-mail Address: kfragrelus@duganproduction.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: March 18, 2011 Phone 505-325-1821	nJK1122132012	

* Attach Additional Sheets If Necessary



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



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
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

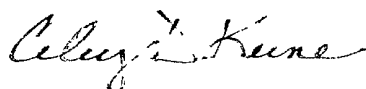
Sample ID: TURKS TOAST #1 (H100110-01)

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 without written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager

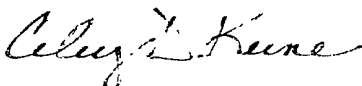
Notes and Definitions

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

Cardinal Laboratories

*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client: Dugan Prod.
 Contact: Mike Sandova
 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# Seperator P.T
 Project Name: Turks Teest #1

Table 1 - Matrix Type	
1 = Surface Water, 2 = Ground Water	
3 = Soil/Sediment, 4 = Rinsate, 5 = Oil	
6 = Waste, 7 = Other (Specify)	
Samplers Signature: <u>M-L-L</u>	

FOR GAL USE ONLY
GAL JOB #

Lab Name: Green Analytical Laboratories		(970) 247-4220 FAX (970) 247-4227		Analyses Required										Comments
Address: 75 Suttle Street, Durango, CO 81303														
Sample ID	Collection		Miscellaneous				Preservative(s)							
	Date	Time	Collected by (Init.)	Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)		
H1DD11D Turks Teest #1	1-13-11	12:30											Seperator P.T GTEX TPH 416.1 TPH 5015 cl-	
2														
3														
4														
5														
6														
7														
8														
9														
10														
Relinquished by: <u>Mike Sandova</u>			Date: <u>1-13-11</u>		Time: <u>3:51</u>		Received by: <u>Anthony Clam</u>			Date: <u>1/13/11</u>		Time: <u>1:55</u>		
Relinquished by: _____			Date: _____		Time: _____		Received by: <u>John Merson</u>			Date: <u>1/18/11</u>		Time: <u>1:50</u>		

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

boc #26