

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**

30-045-28619

**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	McDougall #2	Facility Type	Permanent Pit
Surface Owner	Federal	Mineral Owner	Federal
		Lease No.	NM51005

**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
I	9	23N	10W	1980	South	790	East	San Juan

Latitude 36.23956 N Longitude 107.89488 W

**NATURE OF RELEASE**

Type of Release	Reporting Pit Sampling	Volume of Release	Unknown	Volume Recovered	Unknown
Source of Release	Below grade permanent pt 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.*		RCVD FEB 23 '12 OIL CONS. DIV. DIST. 3			
N/A					
Describe Cause of Problem and Remedial Action Taken *					
During permanent pit closure, chloride and TPH impacts were discovered. A five-point composite sample tested 1630-mg/kg chlorides and 2030-mg/kh TPH which exceed the threshold limits of 19.15.17.13.C. 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 Fagrelus		OIL CONSERVATION DIVISION			
Printed Name Kurt Fagrelus		Approved by District Supervisor. [Signature]			
Title VP-Land & Exploration		Approval Date. 2/27/2012		Expiration Date:	
E-mail Address kfagrelus@duganproduction.com		Conditions of Approval:		Attached <input type="checkbox"/>	
Date 22-18-2012		Phone 505-325-1821			

\* Attach Additional Sheets If Necessary

NJK 1205850443

Permanent pit: McDougall #2  
API number: 30-045-28619

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



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

---

February 16, 2012

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: EARTHEN PIT

Enclosed are the results of analyses for samples received by the laboratory on 02/14/12 13:00.

Cardinal Laboratories is accredited through Texas NELAP under certificate number T104704398-11-3. Accreditation applies to drinking water, non-potable water and solid and chemical materials. All accredited analytes are denoted by an asterisk (\*). For a complete list of accredited analytes and matrices visit the TCEQ website at [www.tceq.texas.gov/field/qa/lab\\_accred\\_certif.html](http://www.tceq.texas.gov/field/qa/lab_accred_certif.html).

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 (V1, 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,

Caley 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: 02/14/2012  
 Reported: 02/16/2012  
 Project Name: EARTHEN PIT  
 Project Number: MC DOUGALL #2  
 Project Location: NOT GIVEN

 Sampling Date: 02/10/2012  
 Sampling Type: Soil  
 Sampling Condition: Cool & Intact  
 Sample Received By: Jodi Henson

**Sample ID: MC DOUGALL #2 (H200384-01)**

BTX 8021B		mg/kg		Analyzed By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene <sup>+</sup>	<0.050	0.050	02/16/2012	ND	1.93	96.5	2.00	16.0	
Toluene <sup>+</sup>	<0.050	0.050	02/16/2012	ND	2.09	105	2.00	15.8	
Ethylbenzene <sup>+</sup>	<0.050	0.050	02/16/2012	ND	2.15	107	2.00	15.0	
Total Xylenes <sup>+</sup>	<0.150	0.150	02/16/2012	ND	6.65	111	6.00	15.5	

Surrogate 4-Bromofluorobenzene (P11) 115 % 64.4-134

Chloride, SM4500Cl-B		mg/kg		Analyzed By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	1630	16.0	02/15/2012	ND	416	104	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	2030	100	02/16/2012	ND	2620	105	2500	3.49	

TPH 8015M		mg/kg		Analyzed By: MS					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	28.8	10.0	02/14/2012	ND	190	95.2	200	3.43	
DRO >C10-C28	441	10.0	02/14/2012	ND	181	90.3	200	5.09	
Total TPH C6-C28	470	10.0	02/14/2012	ND	371	92.8	400	4.24	

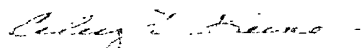
Surrogate 1-Chlorooctane 98.5 % 55.5-154

Surrogate 1-Chlorooctadecane 101 % 57.6-158

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. 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 interruption, 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**

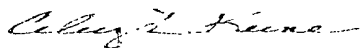
ND	Analyte NOT DETECTED at or above the reporting limit
RPD	Relative Percent Difference
**	Samples not received at proper temperature of 6°C or below.
***	Insufficient time to reach temperature.
-	Chloride by SM4500Cl-B does not require samples be received at or below 6°C
	Samples reported on an as received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

---

Cardinal Laboratories

\*=Accredited Analyte

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



## CHAIN OF CUSTODY RECORD

Page \_\_\_\_ of \_\_\_\_

Client: Oxygen Production  
Contact: Mike Sandover  
Address: \_\_\_\_\_

Phone Number: 330-0929  
FAX Number: 325-4873

### NOTES.

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

PO# Earthen P.K

Project Name: Mc Dougall #2

### 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 # \_\_\_\_\_

Samplers Signature: [Signature]

Mike Sandover @ Oxygen Production - CO

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227		Analyses Required										Comments		
Address: 75 Suttle Street, Durango, CO 81303		Collection		Miscellaneous			Preservative(s)							
Sample ID	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)	
1- <u>H200384</u> <u>Mc Dougall #2</u>	<u>2-10-12</u>	<u>1:10</u>											<u>Below grade earth pit</u> <u>TPH 416.1</u> <u>TPH 8015</u> <u>BTEX</u> <u>CE-</u>	<u>Results by</u> <u>Thwining</u> <u>no extra charge</u> <u>Talked to John</u> <u>Ches</u>
2														
3														
4														
5														
6														
7														
8														
9														
10														

Relinquished by: <u>[Signature]</u>	Date: <u>2-10-12</u>	Time: <u>3:35</u>	Received by: <u>[Signature]</u>	Date: <u>2/10/12</u>	Time: <u>14:35</u>
Relinquished by: _____	Date: _____	Time: _____	Received by: <u>John Benson</u>	Date: <u>2/14/12</u>	Time: <u>13:00</u>

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