

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

30-045-28552

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	The Bear #2 (Separator)	Facility Type	Permanent Pit

Surface Owner	Federal	Mineral Owner	Federal	Lease No	NM-50999
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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
E	34	23N	8W	1980	North	660	West	San Juan

Latitude 36.18533 N Longitude 107.6748 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?					
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Date and Hour			
		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 was discovered. A five-point composite sample tested 555-mg/kg chlorides and 1850-mg/kg TPH (418.1 method) 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. C-144 ranking=10. TPH threshold from ranking=1000-mg/kg, TPH is 84 1-mg/kg (8015 method). The chloride release and TPH release does not pose a threat to groundwater contamination. See attachment to "Final C-141".

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	Kurt Fagrelus	Approved by District Supervisor	
Printed Name	Kurt Fagrelus	Approval Date 3/05/2011 Expiration Date	
Title	VP Exploration	Conditions of Approval:	
E-mail Address	kfagrelus@duganproduction.com	Attached <input type="checkbox"/>	
Date	September 8, 2010	Phone 505-325-1821	

* Attach Additional Sheets If Necessary

JK1206530296

10/14/2010

Permanent pit: The Bear #2
API number: 30-045-28552

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:

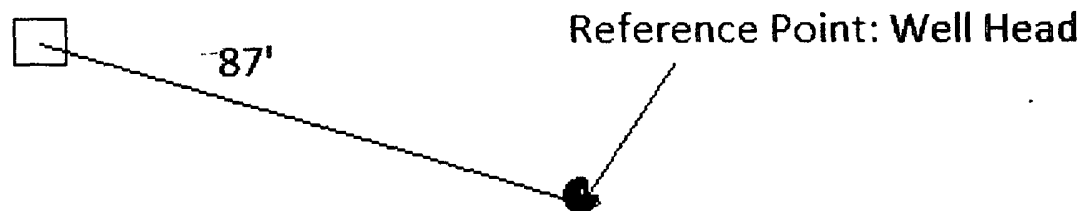
1. Stockpiled sub-surface soil will be used to backfill pit and re-contour (to a final or intermediate cover that blends with the surrounding topography). A minimum of four-feet of compacted, non-waste containing, earthen material will be used as backfill.
2. Stockpiled surface soil will be used as a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

Lease Name: The Bear #2 (Separator)						
API No 30-045-28552						
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	0	
50 - 99	10	200 - 1000	10	<200-feet domestic water	0	
>100-feet	0	>1000-feet	0			10
Total Ranking Score					Sample	
		>19	10 - 19	0 - 9	Analysis	
Benzene (mg/kg)		10	10	10	0.0099	
BTEX (mg/kg)		50	50	50	1.62	
TPH (mg/kg)		100	1000	5000	84.1	
Chlorides (mg/kg)		N.A.	N.A.	N.A.	555	
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 8015 and Chlorides 4500-C1-B						
Depth to groundwater is greater than 100-ft, the distance to surface water is between 200 and 1000-ft, it is greater than 1000-ft from water source and greater than 200-ft from private source of domestic water.						
C-144 ranking =10 Chloride and TPH release does not pose a threat to groundwater contamination						

**Dugan Production
The Bear #2
Tank & Seperator**



From Reference Point Go N.45 degrees N.W. For
a Distance of 87' to Center of Pit.

For Emergency Call (505) 325-1823

DUGAN PRODUCTION CORP.

THE BEAR # 2

FED. LS. #NM 50999

SW4 NW4 SEC.34.T23N.R8W

SAN JUAN CO. NM NMPM



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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 OCT 14'10			
N/A		OIL CONS. DIV.			
		DIST. 3			
Describe Cause of Problem and Remedial Action Taken *					
During permanent pit closure a chloride and TPH impact was discovered. A five-point composite sample tested 555-mg/kg chlorides and 1850-mg/kg TPH which exceed the threshold limits as per subsection B of 19.15.17 13(B) (1) (b). See attached sample results.					
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Contamination will be addressed under the "spill rule", 19.15 30.					
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Signature <i>Kurt Fagrelus</i>		OIL CONSERVATION DIVISION			
Printed Name Kurt Fagrelus		Approved by District Supervisor			
Title VP Exploration		Approval Date		Expiration Date	
E-mail Address kfagrelus@duganproduction.com		Conditions of Approval		Attached <input type="checkbox"/>	
Date September 8, 2010 Phone 505-325-1821					

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Permanent pit: The Bear #2 (Separator)
API number: 30-045-28552

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505-325-1821 (O), 505-320-8248 (C)
kfagrelus@duganproduction.com

Client	Dugan Production	Project #	06094-0003
Sample ID	Bear #2	Date Reported	11-21-08
Laboratory Number	48179	Date Sampled	11-18-08
Chain of Custody	5719	Date Received	11-19-08
Sample Matrix	Soil	Date Analyzed	11-20-08
Preservative	Cool	Date Extracted	11-19-08
Condition	Intact	Analysis Requested	BTEX

Parameter	Concentration (ug/Kg)	Det. Limit (ug/Kg)
Benzene	9.9	0.9
Toluene	476	1.0
Ethylbenzene	104	1.0
p,m-Xylene	732	1.2
o-Xylene	299	0.9
Total BTEX	1,620	

ND - Parameter not detected at the stated detection limit

Surrogate Recoveries	Parameter	Percent Recovery
	Fluorobenzene	97.0 %
	1,4-difluorobenzene	97.0 %
	Bromochlorobenzene	97.0 %

References Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Method 8021B, Aromatic Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments: Pit Closures.

Analyst

Review

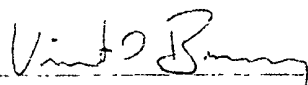
Client	Dugan Production	Project #	06094-0003
Sample ID	Bear #2	Date Reported	11-21-08
Laboratory Number.	48179	Date Sampled	11-18-08
Chain of Custody No	5719	Date Received	11-19-08
Sample Matrix	Soil	Date Extracted	11-19-08
Preservative	Cool	Date Analyzed	11-19-08
Condition	Intact	Analysis Needed	TPH-418.1

Parameter	Concentration (mg/kg)	Det. Limit (mg/kg)
Total Petroleum Hydrocarbons	1,850	5.0

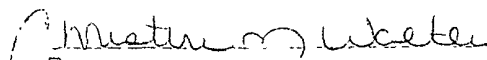
ND = Parameter not detected at the stated detection limit

References Method 418.1, Petroleum Hydrocarbons, Total Recoverable, Chemical Analysis of Water and Waste, USEPA Storet No. 4551, 1978.

Comments: **Pit Closure.**



Analyst



Review



Chloride

Client	Dugan Production	Project #	06094-0003
Sample ID	Bear #2	Date Reported	11-21-08
Lab ID#	48179	Date Sampled	11-18-08
Sample Matrix	Soil	Date Received	11-19-08
Preservative	Cool	Date Analyzed	11-20-08
Condition	Intact	Chain of Custody	5719

Parameter

Concentration (mg/Kg)

Total Chloride

555

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983
Standard Methods For The Examination of Water And Waste Water", 18th ed , 1992

Comments: Pit Closure.

Vincent B...
Analyst

Master of W...
Review



EPA METHOD 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons

Client	Dugan Production	Project #	06094-0003
Sample ID	Bear #2	Date Reported	11-21-08
Laboratory Number	48179	Date Sampled	11-18-08
Chain of Custody No	5719	Date Received	11-19-08
Sample Matrix	Soil	Date Extracted	11-19-08
Preservative	Cool	Date Analyzed	11-20-08
Condition	Intact	Analysis Requested	8015 TPH

Parameter	Concentration (mg/Kg)	Det. Limit (mg/Kg)
Gasoline Range (C5 - C10)	ND	0.2
Diesel Range (C10 - C28)	84.1	0.1
Total Petroleum Hydrocarbons	84.1	0.2

ND - Parameter not detected at the stated detection limit

References Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments Pit Closure .

Analyst

Review