

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
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 16, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Closed-Loop System, Below-Grade Tank, or
Proposed Alternative Method Permit or Closure Plan Application

Type of action: ☒ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
☐ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

Operator: Dugan Production Corp.	OGRID #: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401	
Facility or well name: Western Federal Com #90	
API Number: 30-045-33903	OCD Permit Number:
U/L or Qtr/Qtr A Section 7 Township 26N Range 11W County: San Juan	
Center of Proposed Design: Latitude 36.50672 North Longitude 108.04019 West NAD: <input type="checkbox"/> 1927 <input checked="" type="checkbox"/> 1983	
Surface Owner: <input type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input checked="" type="checkbox"/> Tribal Trust or Indian Allotment	

<input checked="" type="checkbox"/> Pit: Subsection F or G of 19.15.17.11 NMAC Temporary: <input checked="" type="checkbox"/> Drilling <input type="checkbox"/> Workover <input type="checkbox"/> Permanent <input type="checkbox"/> Emergency <input type="checkbox"/> Cavitation <input checked="" type="checkbox"/> Lined <input type="checkbox"/> Unlined Liner type: Thickness 20 mil <input checked="" type="checkbox"/> LLDPE <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other <input checked="" type="checkbox"/> String-Reinforced Seams: <input type="checkbox"/> Welded <input checked="" type="checkbox"/> Factory <input type="checkbox"/> Other Volume: 600 bbl Dimensions: L 76' x W 13' x D 8'	<input type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC <input type="checkbox"/> Drying Pad <input type="checkbox"/> Tanks <input type="checkbox"/> Haul-off Bins <input type="checkbox"/> Other <input type="checkbox"/> Lined <input type="checkbox"/> Unlined Liner type: Thickness mil <input type="checkbox"/> LLDPE <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other Seams: <input type="checkbox"/> Welded <input type="checkbox"/> Factory <input type="checkbox"/> Other Volume: bbl yd ³ Dimensions: Length x Width
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<input type="checkbox"/> Below-grade tank: Subsection I of 19.15.17.11 NMAC Volume: bbl Type of fluid: Tank Construction material: <input type="checkbox"/> Secondary containment with leak detection <input type="checkbox"/> Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off <input type="checkbox"/> Visible sidewalls and liner <input type="checkbox"/> Visible sidewalls only <input type="checkbox"/> Other Liner type: Thickness mil <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other	<input type="checkbox"/> Fencing: Subsection D of 19.15.17.11 NMAC <input type="checkbox"/> Chain link, six feet in height, two strands of barbed wire at top <input type="checkbox"/> Four foot height, four strands of barbed wire evenly spaced between one and four feet <input type="checkbox"/> Netting: Subsection E of 19.15.17.11 NMAC <input type="checkbox"/> Screen <input type="checkbox"/> Netting <input type="checkbox"/> Other <input type="checkbox"/> Monthly inspections <input type="checkbox"/> Signs: Subsection C of 19.15.17.11 NMAC <input checked="" type="checkbox"/> 12"x24", 2' lettering, providing Operator's name, site location, and emergency telephone numbers <input type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC
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<input type="checkbox"/> Alternative Method: Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.	Administrative Approvals and Exceptions: Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance. Please check a box if one or more of the following is requested, if not leave blank: <input checked="" type="checkbox"/> Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval. <input type="checkbox"/> Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.
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Siting Criteria (regarding permitting): 19.15.17.10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.

Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank.

☐ Yes ☒ No

- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells

Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark).

☐ Yes ☒ No

- Topographic map; Visual inspection (certification) of the proposed site

Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to temporary, emergency, or cavitation pits and below-grade tanks)

☐ Yes ☒ No

☐ NA

- Visual inspection (certification) of the proposed site; Aerial photo; Satellite image

Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to permanent pits)

☐ Yes ☒ No

☐ NA

- Visual inspection (certification) of the proposed site; Aerial photo; Satellite image

Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application.

☐ Yes ☒ No

- NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site

Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended.

☐ Yes ☒ No

- Written confirmation or verification from the municipality; Written approval obtained from the municipality

Within 500 feet of a wetland.

☐ Yes ☒ No

- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site

Within the area overlying a subsurface mine.

☐ Yes ☒ No

- Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division

Within an unstable area.

☐ Yes ☒ No

- Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map

Within a 100-year floodplain.

☐ Yes ☒ No

- FEMA map

Temporary Pits, Emergency Pits, and Below-grade Tanks Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.15 NMAC
- ☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.15 NMAC
- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☒ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

☐ Previously Approved Design (attach copy of design) API Number: 30-045-33903 or Permit Number: _____

Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Geologic and Hydrogeologic Data (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.15
- ☐ Siting Criteria Compliance Demonstrations (required for on-site closure) - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____

Permanent Pits Permit Application Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.15 NMAC
☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
☐ Climatological Factors Assessment
☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Quality Control/Quality Assurance Construction and Installation Plan
☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Nuisance or Hazardous Odors, including H₂S, Prevention Plan
☐ Emergency Response Plan
☐ Oil Field Waste Stream Characterization
☐ Monitoring and Inspection Plan
☐ Erosion Control Plan
☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

Proposed Closure: 19.15.17.13 NMAC

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ Permanent Pit ☐ Below-grade Tank ☐ Closed-loop System ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal
☒ On-site Closure Method (only for temporary pits and closed-loop systems)
 ☒ In-place Burial ☐ On-site Trench Burial
☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC

Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

- | | |
|---|--|
| Ground water is less than 50 feet below the bottom of the buried waste.
- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> NA |
| Ground water is between 50 and 100 feet below the bottom of the buried waste
- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> NA |
| Ground water is more than 100 feet below the bottom of the buried waste.
- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> NA |
| Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark).
- Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application.
- Visual inspection (certification) of the proposed site; Aerial photo; Satellite image | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application.
- NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended.
- Written confirmation or verification from the municipality; Written approval obtained from the municipality | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within 500 feet of a wetland.
- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within the area overlying a subsurface mine.
- Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within an unstable area.
- Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within a 100-year floodplain.
- FEMA map | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) *Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.*

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☐ Disposal Facility Name and Permit Number (or liquids, drilling fluids and drill cuttings)
- ☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Waste Removal Closure For Closed-loop Systems That Utilize Haul-off Bins Only: (19.15.17.13.D NMAC) *Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings.*

Disposal Facility Name: _____

Disposal Facility Permit Number: _____

On-Site Closure Plan Checklist: (19.15.17.13 NMAC) *Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.*

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☐ Construction and Design of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Kurt Fagrelus

Title: Vice President, Exploration

Signature: Kurt Fagrelus

Date: 7-7-2008

e-mail address: kfagrelus@duganproduction.com

Telephone: 505-325-1821 (O), 505-320-8248 (C)

OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: Brenda Bell

Deputy Oil & Gas Inspector,
District #3

Approval Date:

JUL 09 2008

Title: _____

OCD Permit Number: _____

Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

☐ Closure Completion Date: _____

Closure Method:

- ☐ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method
- ☐ If different from approved plan, please explain.

Closure Report Attachment Checklist: *Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.*

- ☐ Proof of Closure Notice
- ☐ Proof of Deed Notice (if applicable)
- ☐ Plot Plan
- ☐ Confirmation Sampling Analytical Results
- ☐ Waste Material Sampling Analytical Results
- ☐ Disposal Facility Name and Permit Number
- ☐ Soil Backfilling and Cover Installation
- ☐ Re-vegetation Application Rates and Seeding Technique
- ☐ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude _____

Longitude _____

NAD: ☐ 1927 ☐ 1983

Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): _____

Title: _____

Signature: _____

Date: _____

e-mail address: _____

Telephone: _____

District II
PD Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name WESTERN FEDERAL COM		*Well Number 90
*OGRID No. 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6120'


¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	7	26N	11W		1155	NORTH	1255	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320.0 Acres - (E/2)					¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

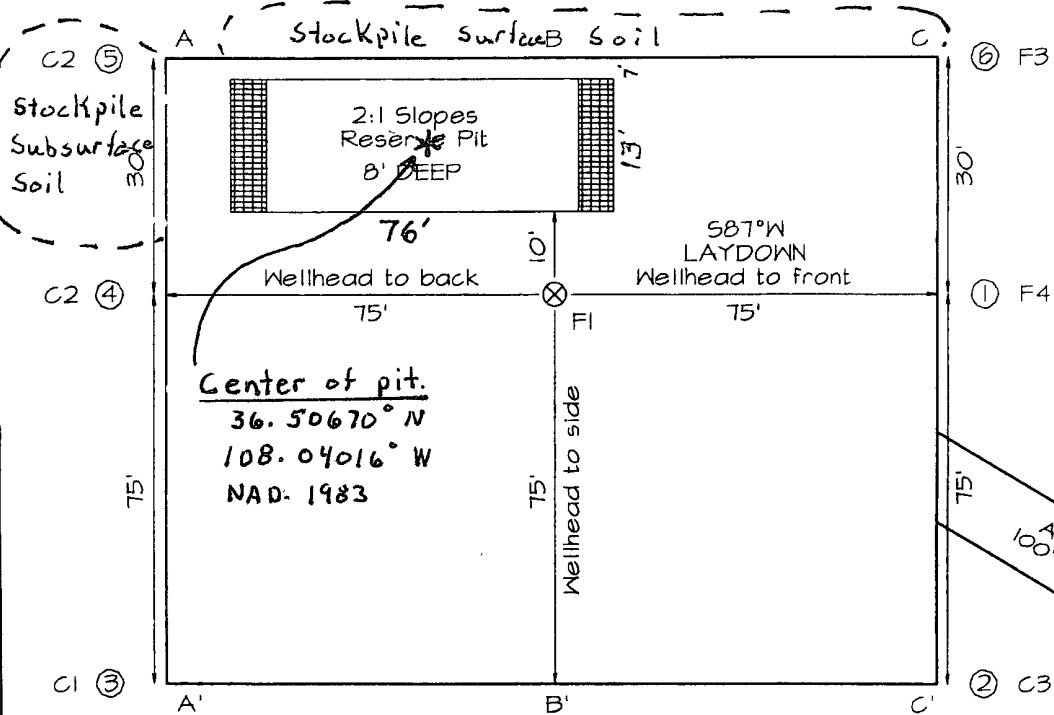
16	1317.36'	1342.44'	1342.77'	1342.77'	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Kurt Fagrelis</i></p> <p>Signature Kurt Fagrelis</p> <p>Printed Name Geology</p> <p>Title July 2, 2006</p> <p>Date</p> <p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief</p> <p>Date of Survey, JUNE 23, 2006</p> <p>Signature and Seal of Professional Surveyor</p> <div style="text-align: center;">  <p>JASON C. EDWARDS</p> <p>Certificate Number 15269</p> </div>
	LOT 1		<p>LAT: 36.50672°N LONG: 108.04019°W DATUM: NAD1983</p>	<p>1155'</p> <p>1255'</p>	
	LOT 2		<p>MERRION SF-078897-A</p> <p>DUGAN SF-078897</p>	<p>5289.24'</p>	
5280.00'	LOT 3		<p>DUGAN SF-078897</p> <p>DUGAN SF-078897-A</p>		
	LOT 4	1302.84'	1321.98'	1321.98'	

DUGAN PRODUCTION CORPORATION WESTERN FEDERAL COM #90
1155' FNL & 1255' FEL, SECTION 7, T26N, R11W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6120'

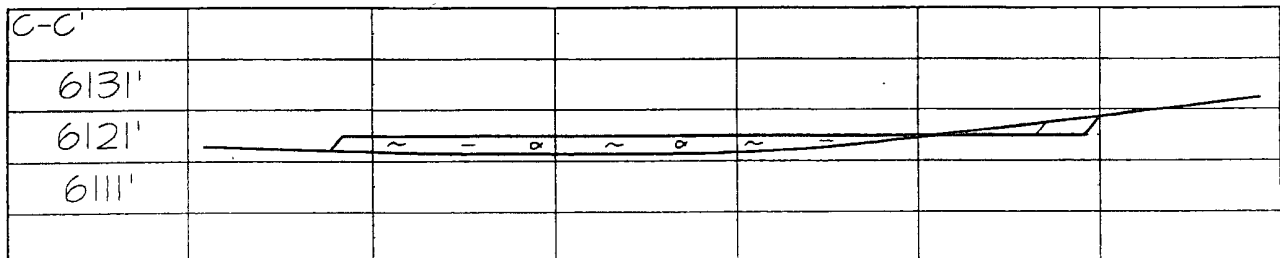
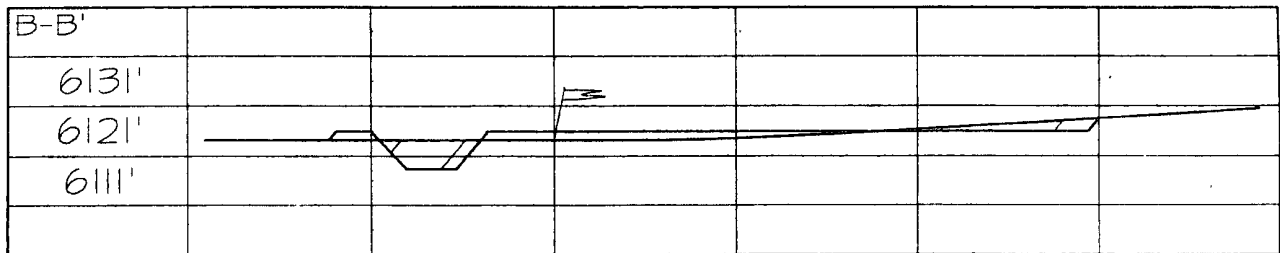
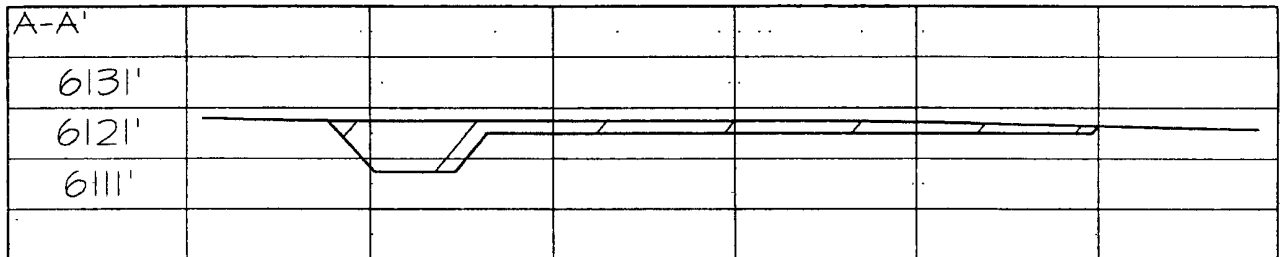
LATITUDE: 36.50672° N
LONGITUDE: 108.04019° W
 DATUM: NAD1983

PLAT NOTE:

SURFACE OWNER
 Navajo Tribal Trust



Center of pit.
 36.50670° N
 108.04016° W
 NAD: 1983



Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

Western Federal Com #90 Hydrogeologic Data

The Western Federal Com #90 is on Navajo Nation Trust Lands within the Navajo Indian Irrigation Project (NIIP), San Juan County, New Mexico. Water used for irrigation on NIIP is transported to the area from Cutter Dam and Navajo Dam over 25-30 miles to the north and east through an elaborate, cement lined canal system.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Western Federal Com #90 location (Exhibit 1). No water wells were located within the search area. The results of the search are shown on Exhibit 1 and 2.

The only known source of stock water in the region is encountered in Quarternary valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface. The proposed temporary pit is not located in an arroyo, the closest arroyo is over 2,000 feet away.

The Paleocene, Nacimiento Formation extends from the surface down to a depth of approximately 400 feet and is comprised of dominantly mudstones with minor, laterally discontinuous fluvial and alluvial, fine grained sandstones. Near the base of the Nacimiento (350 - 400 feet below surface) thin, silty sandstones can occur. However, these sands are discontinuous, have high silt content and would not be expected to be a good source of water.

The underlying, Paleocene, Ojo Alamo Sandstone ranges from approximately 400 feet down to about 490 feet and is comprised of a coarse grained alluvial sandstone inter-bedded with lenses of mudstone and occasional conglomeratic sandstone. The Ojo Alamo may yield marginal quantities of water for livestock, however, the water quality is typically greater than 1,000 ppm total dissolved solids and high in sulfate.

Both the Nacimiento and Ojo Alamo are potential sources of water in the area, however, excessive drilling depths, unpredictable variations in reservoir quality and water quality have discouraged the drilling of water wells in the in the subject area.

This report is based on 31-years of drilling experience (both air and mud), sample description, mud logging and literature reviews the preparer has done in the immediate area.

- 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. Geological Survey, Atlas HA-720-B, Sheet 1 and 2.

**New Mexico Office of the State Engineer
POD Reports and Downloads**

Township: 26N Range: 12W Sections: 1,12,13

NAD27 X: Y: Zone: ☐ Search Radius:

County: ☐ Basin: ☐ Number: Suffix:

Owner Name: (First) (Last) Non-Domestic Domestic All

POD / Surface Data Report

Avg Depth to Water Report

Water Column Report

Clear Form

iWATERS Menu

Help

WATER COLUMN REPORT 06/23/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are biggest to smallest)

Number	Tw	Rng	Sec	q	q	q	Zone	X	Y	Depth	Depth	Water (in feet)
										Well	Water	Column
Records found, try again												

Records found, try again

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 26N Range: 11W Sections: 5,6,7,8,18,17

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic Domestic All

POD / Surface Data Report

Avg Depth to Water Report

Water Column Report

Clear Form

iWATERS Menu

Help

WATER COLUMN REPORT 06/23/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are biggest to smallest)

Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth	Depth	Water (in feet)
										Well	Water	Column

Records found, try again

Siting Criteria for the Western Federal Com #90

1. Ground water is not less than 50-feet below the bottom of the temporary pit. Ground water is greater than 100-feet below the bottom of the temporary pit.
 2. The temporary pit is not within 300-feet of a continuously flowing water course, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from ordinary high water mark). See the attached Topographic map (Exhibit 3) and Visual Inspection Certification of the location and area around the subject temporary pit.
 3. The temporary pit is not within 300-feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. See the attached Satellite Image (Exhibit 4) and Visual Inspection certification of the location and area around the subject temporary pit.
 4. The temporary pit is not within 500-feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. See the attached NM Office of the State Engineer iWATERS database search (Exhibit 5) and Visual Inspection certification of the location and area around the subject temporary pit.
 5. The temporary pit is not located within the incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978 Section 3-27-3, as amended. See the attached Topographic map of the location and area around the subject temporary pit.
 6. The temporary pit is not located within 500-feet of a wetland. See the attached Topographic map and Visual Inspection Certification of the location and area around the subject temporary pit.
 7. The temporary pit is not located within the area overlying a subsurface map. See the attached Mine, Mills and Quarry Map of New Mexico (New Mexico, EMND 2008) (Exhibit 6) showing the location and area around the subject pit.
- The temporary pit is not located within an unstable area. See the attached Topographic map of the location and area around the subject temporary pit.
8. The temporary pit is not located within a 100-year floodplain area. See the attached FEMA map (Exhibit 7) of the 100 year floodplain showing the location and area around the subject pit.

Western Federal Com #90 Visual Inspection Certification

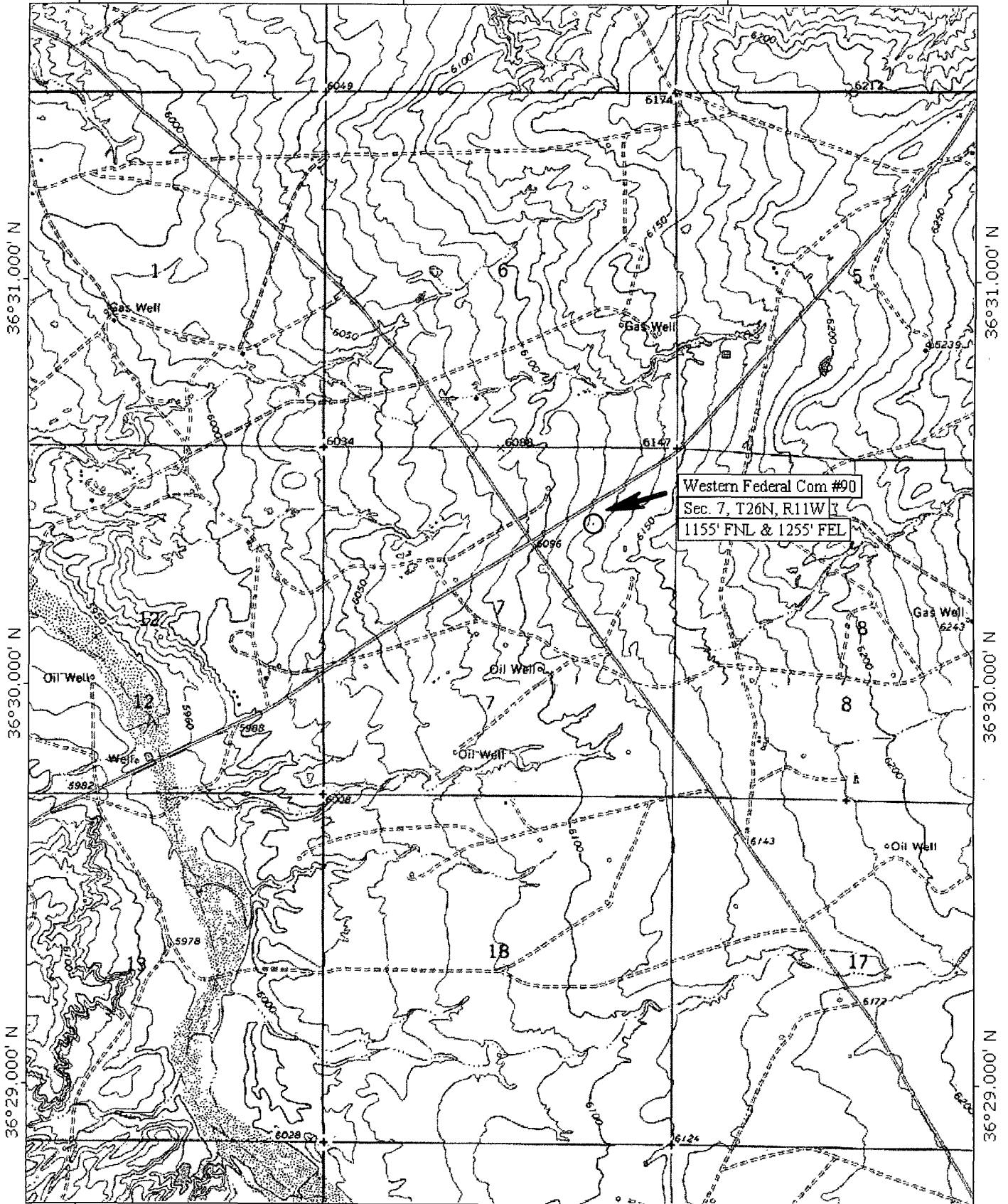
I, Kurt Fagrelus, Vice President of Exploration for Dugan Production Corp. 709 East Murray Drive, Farmington, New Mexico hereby certify that I or persons under my direct supervision, prepared the attached exhibits and conducted a Visual Inspection of the location and area around the Western Federal Com #90 temporary pit (June 12 and 16, 2008) and that this application is in full compliance with all siting criteria and standards for temporary pits established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.10 NMAC.

Kurt Fagrelus
Kurt Fagrelus

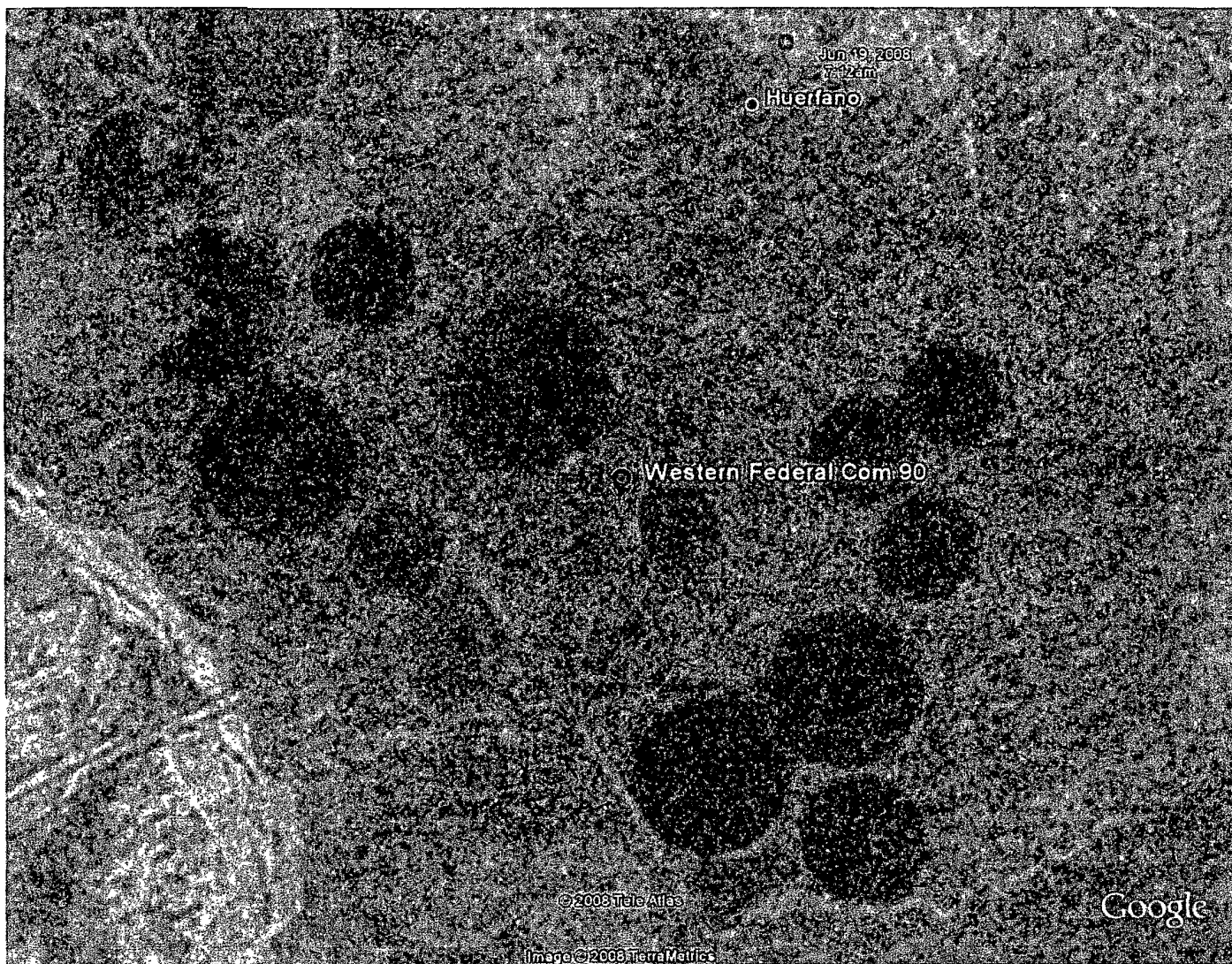
July 8, 2008

Date

TOPOI map printed on 06/26/08 from "New Mexico.tpo" and "Untitled.tpg"
 108°04.000' W 108°03.000' W WGS84 108°02.000' W



TN 11°



**New Mexico Office of the State Engineer
POD Reports and Downloads**

Township: 26N Range: 11W Sections: 7

NAD27 X: Y: Zone: ☐ Search Radius:

County: ☐ Basin: ☐ Number: Suffix:

Owner Name: (First) (Last) Non-Domestic Domestic
All

POD / Surface Data Report Avg Depth to Water Report
Water Column Report

Clear Form iWATERS Menu Help

POD / SURFACE DATA REPORT 06/19/2008

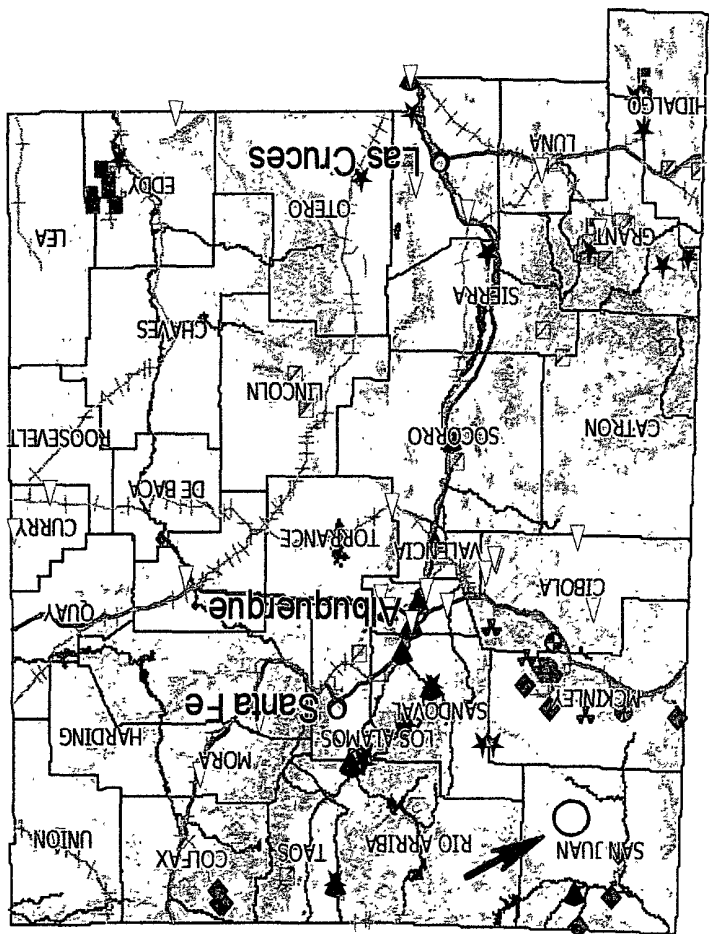
DB File Nbr	(acre ft per annum)	Use	Diversion	Owner	POD Number	(qua
						(qua

No Records found, try again

EXHIBIT 5.

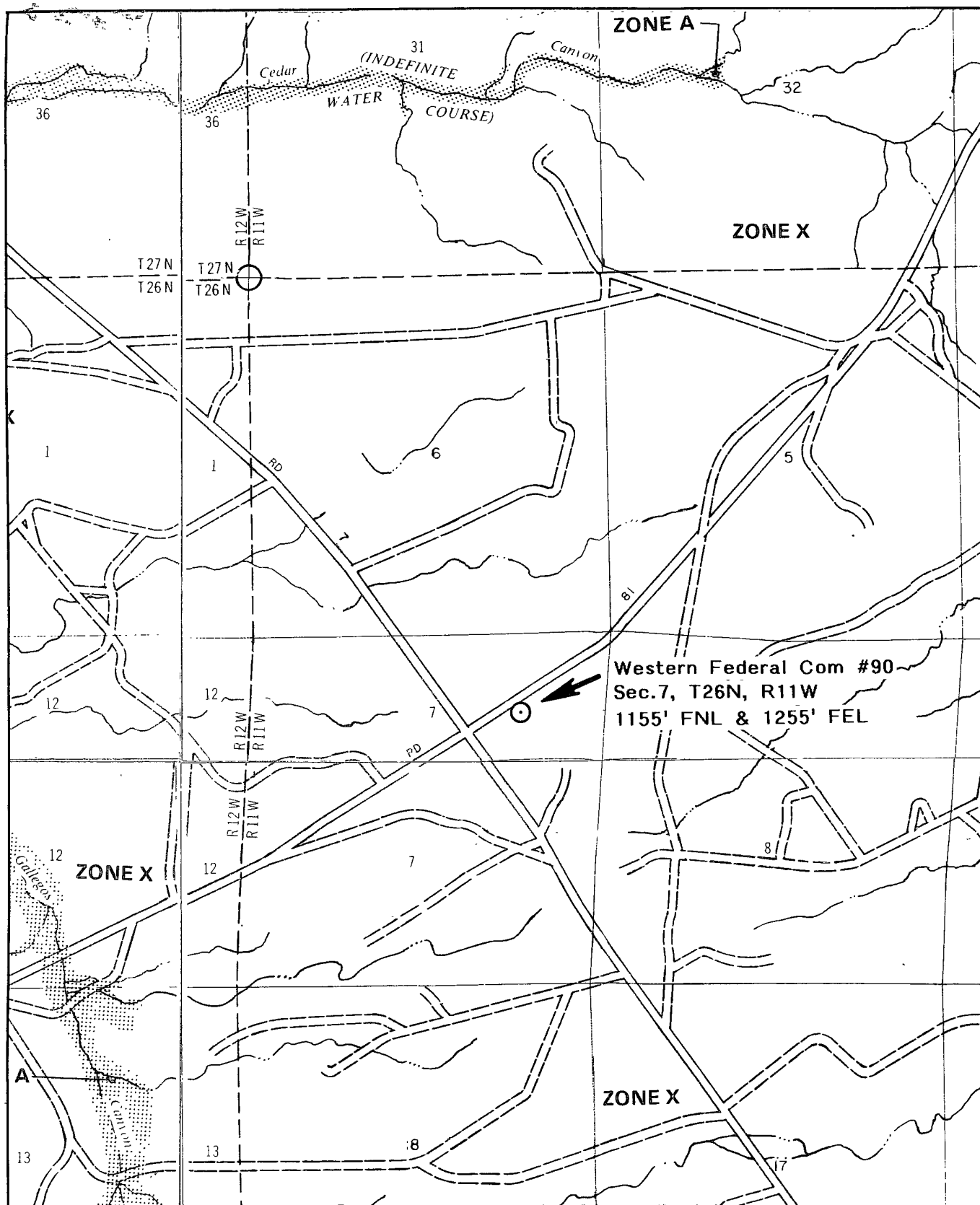
EXHIBIT 6.

Mine, Mills and Quarry Map of New Mexico



Dugan Production Corp.
WESTERN FEDERAL COM #90

Taken from the New Mexico Energy, Minerals and Natural Resources Department.
Mining and Minerals Division.



FEMA 100-Year Floodplain Map

Dugan Production Corp.
Western Federal Com #90

Western Federal Com #90 Design and Construction Plan

1. The Western Federal Com #90 temporary pit will be designed and constructed in accordance with the following requirements:
2. Temporary pit will be designed and constructed to contain liquids and solids and prevent contamination of fresh water and protect public health and the environment.
3. Stockpile topsoil prior to digging pit, keep separate from subsoil and use as final cover and fill when closing pit.
4. Sign-12" by 24" with operator name, lease name, well #, location (unit letter, qtr/qtr, Sect., Twp., and Rnge.) and emergency phone #'s will be posted on location. Sign will be posted in a location where it can be easily read.
5. Fencing around the Western Federal Com #90 temporary pit will be constructed and operated in a manner that prevents unauthorized access and shall be maintained in good condition to protect the public and wildlife. Western Federal Com #90 temporary pit is not located within 1000 feet of house, school, hospital or church. Administrative Approval is requested for alternative design (4'-hogwire). See attachment.
6. Western Federal Com #90 temporary pit will be designed and constructed to ensure the confinement of liquids and prevent unauthorized releases. Pit will be constructed with a firm foundation and interior slopes, smooth and free of rocks or sharp edges. Administrative Approval is requested for alternative design (2H:1V slopes on 2-sides, vertical on 2-sides). See attachment.
7. Liner will be 20-mil string reinforced LLDPE, impervious material, resistant to UV light, hydrocarbons, salt, acidic or basic liquids. Liner seams will be minimized, oriented up and down, not across slopes, will have factory seam welds. Construction methods to avoid excessive stress-strain on the liner will be used. Geo-textile will be used under the liner as needed to reduce localized stress-strain on the liner in order to prevent punctures or tears in the liner.
8. Anchor trenches for the liner will be at least 18-inches deep.
9. A header, diverter, smooth flanged fittings or other devices that prevent damage to the liner by fluid force or mechanical damage at any point of discharge into or suction from the pit will be used.
10. Diversionary berms, ditches or sloping will be constructed as necessary to prevent surface run-off from flowing into pit.

Western Federal Com #90 Operational Requirements

1. The Western Federal Com #90 temporary pit will be maintained and operated in accordance with the following requirements:
2. Recycle, re-use, reclaim or dispose of fluids in a manner approved by the NMOCD rules.
3. Drilling fluids will be transferred to the next temporary (drilling reserve) pit to be used again in drilling the next well. Free fluid that shakes out of mud will be transferred to the Dugan operated Sanchez O'Brien SWD #1 disposal well.
4. Do not dispose of solid waste, trash, debris or hazardous material into the pit.
5. If the pit liner becomes torn or damaged, notify the appropriate NMOCD district office within 48-hours and repair or replace and remove all liquid above leak (505) 334-6178. If a hole or tear occurs below the fluid level, call the NMOCD office within 24-hours.
6. All injection or withdrawal of liquids from a pit using a water truck will be done through a header, diverter or other device that prevents damage to the liner by erosion, fluid jets or impact from installation and removal of hoses or pipes.
7. Discharge line from pit and suction lines to mud pumps will be equipped with smooth flanged fittings and hoses to prevent damage to the pit liner.
8. BOP manifolds will be constructed, installed and staked down in a manner that prevents damage to the pit liner.
9. Temporary pit will be constructed and operated in a manner that prevents surface water from entering the pit. Diversion berms will be constructed along the upslope sides of pit.
10. Oil absorbent booms or other devices to contain and remove oil from pit's surface will be kept onsite until final pit closure.
11. Discharge only fluids generated during drilling or work-over operations into the pit.
12. Immediately following drilling or work-over operations, remove any oil from pit surface.
13. Maintain at least 2-feet of freeboard in pit at all times.
14. Keep log book of daily inspections during drilling and work-over operations.
15. Keep log book of weekly inspections after rig is moved off, until final pit closure.
16. Note date of drilling or work-over rig release on form C-105 or C-103

Western Federal Com #90 Closure Plan–Methods, Procedures and Protocols

1. Comply with siting criteria for temporary pits established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.10 NMAC.
2. Provide the NMOCD district office at least 72-hours notice but no greater than 1 week prior to any closure operations. Notice will include operator name, well name and number, API number, and location (unit letter, section, township and range).
3. Provide the surface owner notice of the operator's proposal of an on-site closure method. Proof of notice will be attached to the permit application. Also, proof of closure notice will be provided by certified mail to surface owner after closure. Proof of notice will be attached to final closure report.
4. Remove all liquid from pit and reclaim, re-use or dispose of at an NMOCD approved facility. Upon completion of drilling operations, drilling mud will be vacuumed from pit and transported to the next reserve pit for re-use at another drilling location. After the remaining mud settles, the free water that shakes out and any free water left over from completion operations will be hauled to the Dugan Production operated Sanchez O'Brien #1 SWD located 1650 feet from the South line and 990 feet from the West line (Unit L) of Section 6, Township 24 North, Range 9 West NMPM, San Juan County, New Mexico. The disposal facility was permitted by the NMOCD with Administrative Order SWD-694.
5. Remove all fluids from temporary pit within 30-days and close within 6-months following release of drilling rig.
6. Air dry pit contents and stabilize or solidify to a load bearing capacity sufficient to support the temporary pit's final cover.
7. Collect a five point, composite sample of the pit contents to demonstrate that Benzene, BTEX, the GRO and DRO combined fraction, TPH, and chlorides (depth to groundwater from bottom of pit is greater than 100-feet), do not exceed the standards as specified in 19.15.17.9.B or the background concentration, whichever is greater.

Components	Test Method	Limit (mg/kg)
Benzene	EPA SW-846 8021B or 8260B	0.2
BTEX	EPA SW-846 8021B or 8260B	50
TPH	EPA SW-846 418.1	2500
GRO/DRO	EPA SW-846 8015M	500
Chlorides	EPA 300.1	1000 / 500

8. Other methods if the standards in 19.15.17.9.B can not be met will include:
The pit contents may be mixed to a ratio not to exceed 3:1, un-contaminated soil or other material to pit contents. A second five point, composite sample of the contents after treatment or stabilization will be taken to demonstrate that the contents do not exceed the standards. If the second soil analyses do not satisfy the closure

standards, the operator will close the temporary pit using the waste excavation and removal method.

9. Cut pit liner off at the mud line (solids level); remove liner and apron and transport to a NMOCD approved facility for disposal.
10. Stockpiled sub-surface soil will be used to backfill pit and re-contour well pad (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.
11. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed areas of the well pad 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.
12. The area will be re-seeded as per BLM guidelines. Re-seeding will be repeated until 70% of the native natural cover is achieved and maintained for two successive growing seasons. The first growing season after the pit is closed the disturbed area will be re-seeded. The seeding method will be to drill on contour whenever possible.
13. The NMOCD will be notified once successful re-vegetation has been achieved.
14. A steel marker will be set at the center of the on-site burial following onsite-pit closure (see application for administrative approval). The marker will be (24" X 24") and will have the operator name, lease name, well number, location (UL, Sec., Twp. and Rge.) and that it designates an "on-site burial location" lettering welded on the top side with a 4" threaded collar welded to the bottom side. The marker will be set at ground level and attached to a 4" diameter pipe that is cemented in a hole three feet deep. When the well is abandoned, a steel riser that is 4" in diameter, extending 4' above the ground will be welded to the pipe anchored in cement below the surface. The riser will have lettering welded on side showing operator name, well number, location (UL, Sec., Twp., and Rge.) and that it designates an on-site burial location.
15. Closure Report will be submitted 60-days after re-seeding.
16. A deed notice identifying the exact location of the on-site burial will be filed with the County clerk in the county where the on-site burial occurs.

Western Federal Com #90 Request for Administrative Approval

Administrative approval is hereby requested for an alternative to the slope requirement (2H:1V), fencing design and steel marker to be set at the center of burial site following on-site pit closure for the Western Federal Com #90 temporary pit.

The requests for administrative approval cited above are needed to help minimize environmental impact and increase safety and protect wildlife and public health. The alternatives proposed will protect fresh water, public health, safety and the environment more effectively than the design and construction specifications established by the State of New Mexico, Energy Minerals and Natural Resources Department do in rule 19.15.17.11 NMAC.

1. The proposed alternative pit design would have 2H:1V slopes on two ends and vertical walls in the middle (Exhibit 8). The maximum depth of the pit would be 8-feet, never exceeding 6-feet of drilling fluid with at least 2-feet of freeboard. This pit size, depth and design (developed over the last 30+-years) is the best design (enabling separation of cuttings and mud) for the small water well rig and mud pump that will be used to drill the subject well. Based on the small size of the pit and larger size of liner installed, there will be not vertical strain liner. In the event someone falls into the pit they will be able to exit the pit using the 2H:1V slopes on either end of the pit (spaced 40-feet apart), using a rope ladder located at the midpoint on the far side of pit or by climbing up the suction or discharge lines on the rig side of the pit.

The existing rule (19.15.17.11.F.2) would require the operator to build a temporary pit that has 2H:1V slopes on all four sides. To achieve the minimum depth and width needed for proper separation of cuttings and mud (8-feet deep, 13-feet wide, 6-feet of mud and 2-feet of freeboard) the width of the pit required under the existing rule would have to be doubled (13-feet wide proposed design, 45-feet wide under the existing rule). The larger pit size required under the existing rule would require the pad size to be increased from the current 105-feet by 150-feet (0.36 acres) to 150-feet by 150-feet (0.52 acres). The larger pit size required under the existing rule would require a doubling of mud volume (600-bls proposed design, 1200-bls existing rule) to operate properly and would have to be disposed of once the temporary pit is closed. Also the larger pit size required under the existing rule would require a larger liner (102' X 42' proposed design, 102' X 60' existing rule) and would have to be disposed of once the temporary pit is closed. The proposed alternative temporary pit design is needed so that the optimum size and design can be constructed which will also minimize the impact on the environment.

The proposed temporary pit will be constructed and operated in a safe manner to prevent contamination of fresh water and protect public health and the environment.

2. The proposed alternative fencing design will include T-posts spaced 10-feet apart with 3-T-posts on each end. T-posts will be located outside of the liner apron and burial trench. Hog-wire / field fence 4-feet in height will be strung tightly and anchored to the top and bottom of each T-post. Small holes (3" high X 6" wide) in the hog-wire will be

located at ground level with increasing larger holes (up to 7" high X 6" wide) located at the top of the fence. Anchor braces will be put at all four corners to strengthen and tighten the fence. During drilling or work-over operations, there will be no fence adjacent to the rig. However, the ends of fence will be attached to the front and rear of rig when responsible personnel are not on-site. Once the rig is moved off, the third side of fence will be constructed in the same manner. This fence design (developed over the last 30-years) has proven to be very effective controlling unauthorized access to temporary drilling pits.

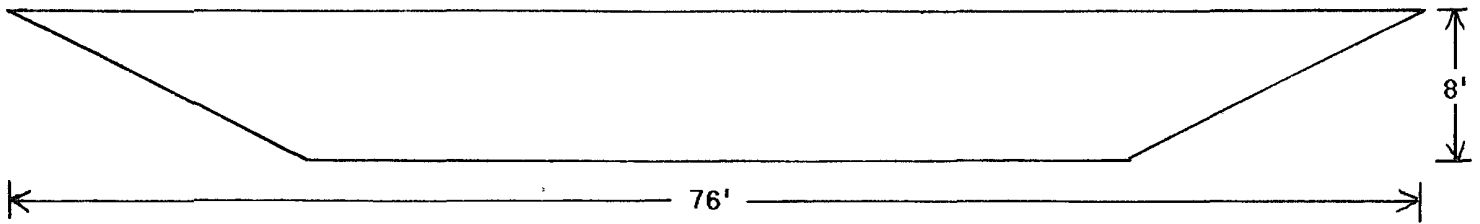
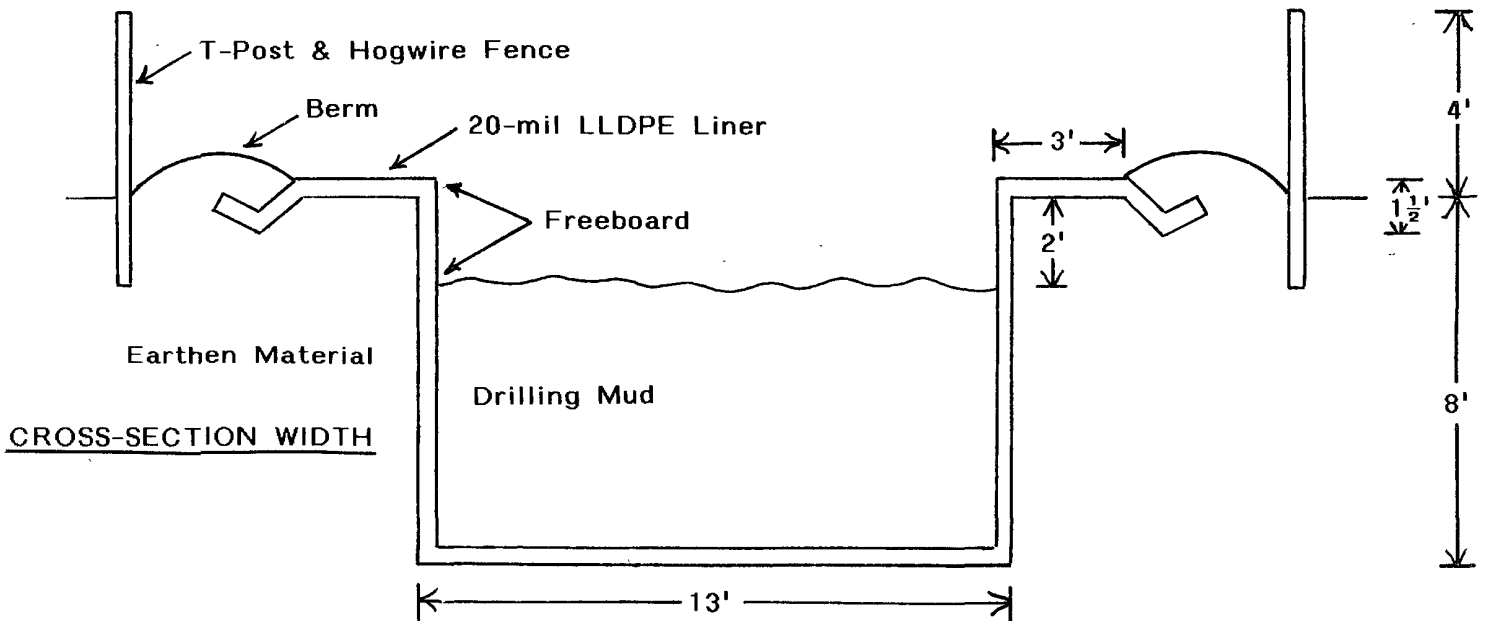
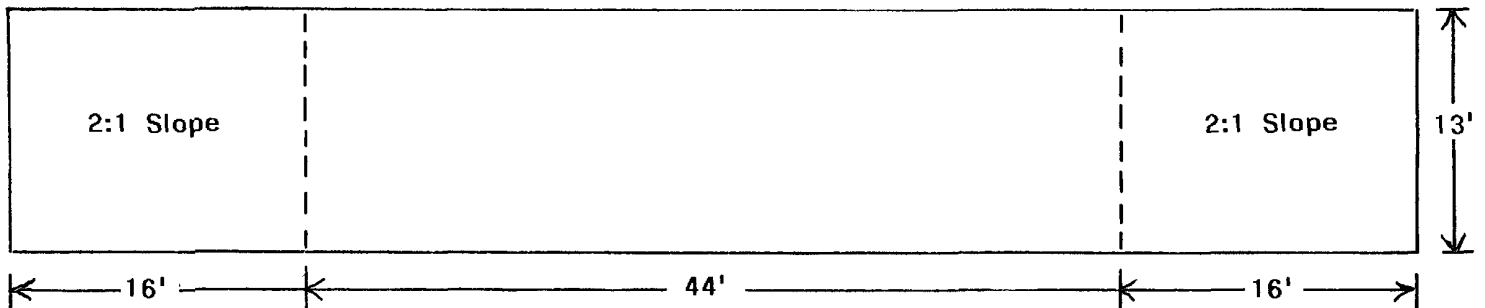
The existing rule (19.15.17.11.D.3) would require the operator to fence the temporary pit with a four foot fence that has at least four strands of barbed wire evenly spaced in the interval between on foot and four feet above the ground level. The proposed fencing alternative would provide better security against unauthorized access to temporary drilling pits. The smaller holes in hog-wire (3" X 6" up to 7" X 6") is more effective at controlling unauthorized access by the public and wildlife than 4-strands of barbed wire spaced 12" apart.

The proposed fence around the temporary pit will be constructed and operated in a manner that prevents unauthorized access and shall maintain the fence in good condition to protect the public and wildlife.

3. The proposed alternative steel marker set at the center of the on-site burial following onsite-pit closure will be a flat steel marker. The marker will be (24" X 24") and will have the operator name, lease name, well number, location (UL, Sec., Twp., Rge.) and that it designates an "on-site burial location" lettering welded on the top side with a 4" threaded collar welded to the bottom side. The marker will be set at ground level and attached to a 4" diameter pipe that is cemented in a hole three feet deep. When the well is abandoned, a steel riser that is 4" in diameter, extending 4' above the ground will be welded to the pipe anchored in cement below the surface. The riser will have lettering welded on side showing operator name, well number, location (UL, Sec., Twp., and Rge.) and that it designates an on-site burial location.

The existing rule (19.15.17.13.F.1.d) would require the operator to install a 4" diameter steel marker a minimum 3' deep in cement and extending at least 4' above ground. The proposed steel marker alternative would be much safer than the existing rule. The steel marker will be located approximately 15 – 20 feet from the well head. A marker that stands 4' tall would present a safety hazard for personnel and vehicle traffic working around the well-head.

The requests for administrative approval cited above are needed to help minimize environmental impact, increase safety and protect wildlife and public health. The alternatives proposed will protect fresh water, public health, safety and the environment more effectively than the design and construction specifications established by the State of New Mexico, Energy Minerals and Natural Resources Department do in rule 19.15.17.11 NMAC.

Temporary Drilling PitCROSS-SECTION LENGTHPLAN VIEW

Dugan Production Corp.

Kurt Fagrelius

From: Esther Kee [estherkee@frontiernet.net]
Sent: Monday, July 07, 2008 3:52 PM
To: Kurt Fagrelius
Subject: RE: Surfaceowner notification for onsite closure of the Western Federal Com #90 temporary pit.

Kurt,
I received your notification or onsite closure of Western Federal Com #90. Thank you, Esther.

From: Kurt Fagrelius [mailto:kfagrelius@duganproduction.com]
Sent: Monday, July 07, 2008 10:17 AM
To: estherkee@frontiernet.net
Subject: FW: Surfaceowner notification for onsite closure of the Western Federal Com #90 temporary pit.

Wrong e-mail address the first time. Hope this makes it. Kurt

From: Kurt Fagrelius
Sent: Monday, July 07, 2008 8:17 AM
To: 'ekee@frontiernet.net'
Cc: 'brandon.powell@state.nm.us'
Subject: Surfaceowner notification for onsite closure of the Western Federal Com #90 temporary pit.

Navajo Nation Land Department, Project Review
Esther Kee

July 7, 2008

RE: Surface Notification to close the Western Federal Com #90 temporary pit on-site at the subject location.

Dear Ms. Esther Kee,

In compliance with the State of New Mexico, Energy Minerals and Natural Resources Department new pit rule (Subsection F of 19.15.17.13 NMAC) Dugan Production is Corp. is hereby providing notice to the Navajo Nation Land Department of the operator's proposal to close the "Temporary Pit" (drilling reserve pit) for the Western Federal Com #90 gas well using "on-site burial methods".

The subject well is located (A, Section 7, T26N, R11W) on Navajo Tribal Trust surface land in San Juan County, New Mexico.

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

Sincerely,

Kurt Fagrelius
Dugan Production Corp.

7/8/2008