

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: <u>Dugan Production Corp.</u> OGRID #: <u>006515</u>	
Address: <u>709 East Murray Drive, Farmington, New Mexico 87401</u> RCVD JUL 15 '08	
Facility or well name: <u>Gold Medal #93-S</u> OIL CONS. DIV.	
API Number: <u>30-045-34223</u> OCD Permit Number: <u>DIST. 3</u>	
U/L or Qtr/Qtr <u>I</u> Section <u>33</u> Township <u>24N</u> Range <u>10W</u> County: <u>San Juan</u>	
Center of Proposed Design: Latitude <u>36.26703</u> North Longitude <u>107.89493</u> 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 <u>20</u> 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: <u>600</u> bbl Dimensions: L <u>76'</u> x W <u>13'</u> x D <u>8'</u>	<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 _____
<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
<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.

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. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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. (Applies to temporary, emergency, or cavitation pits and below-grade tanks) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to permanent pits) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
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 search; 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

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.	
<input type="checkbox"/> Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.15 NMAC <input checked="" type="checkbox"/> Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.15 NMAC <input checked="" type="checkbox"/> Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC <input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC <input checked="" type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC <input checked="" type="checkbox"/> Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC	
<input type="checkbox"/> Previously Approved Design (attach copy of design) API Number: <u>30-045-</u> 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.	
<input type="checkbox"/> Geologic and Hydrogeologic Data (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.15 NMAC <input type="checkbox"/> Siting Criteria Compliance Demonstrations (required for on-site closure) - based upon the appropriate requirements of 19.15.17.10 NMAC <input type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC <input type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC <input type="checkbox"/> Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC NMAC	
<input type="checkbox"/> 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

☐ Yes ☐ No
☒ 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

☐ Yes ☐ No
☒ 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

☒ Yes ☐ No
☐ 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

☐ Yes ☒ 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

☐ Yes ☒ 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

☐ Yes ☒ 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

☐ Yes ☒ No

Within 500 feet of a wetland.

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

☐ Yes ☒ No

Within the area overlying a subsurface mine.

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

☐ Yes ☒ No

Within an unstable area.

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

☐ Yes ☒ No

Within a 100-year floodplain.

- FEMA map

☐ Yes ☒ 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: 7-10-08

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: Josh Oeff

Approval Date: 7-16-08

Title: Enviro/spec

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): Kurt Fagrelus

Title: Vice President, Exploration

Signature: _____

Date: _____

e-mail address: kfagrelus@duganproduction.com

Telephone: 505-325-1821

District I
1625 N French Dr., Hobbs, NM 88240

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State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October, 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name GOLD MEDAL		*Well Number 93S
*GRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6648'

¹⁰ Surface Location

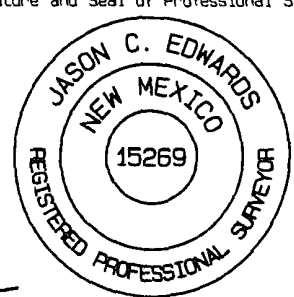
UL or lot no. I	Section 33	Township 24N	Range 10W	Lot Idn	Feet from the 1500	North/South line SOUTH	Feet from the 700	East/West line EAST	County SAN JUAN
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320.0 Acres - (S/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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	5231.16'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Kurt Fagrelus</i> 3/12/07 Signature Date Kurt Fagrelus Printed Name
5229.84'	33 DUGAN NM-22044	¹⁸ SURVEYOR CERTIFICATION 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. Survey Date: DECEMBER 27, 2006 Signature and Seal of Professional Surveyor  <i>JASON C. EDWARDS</i> Certificate Number 15269
	5245.68'	

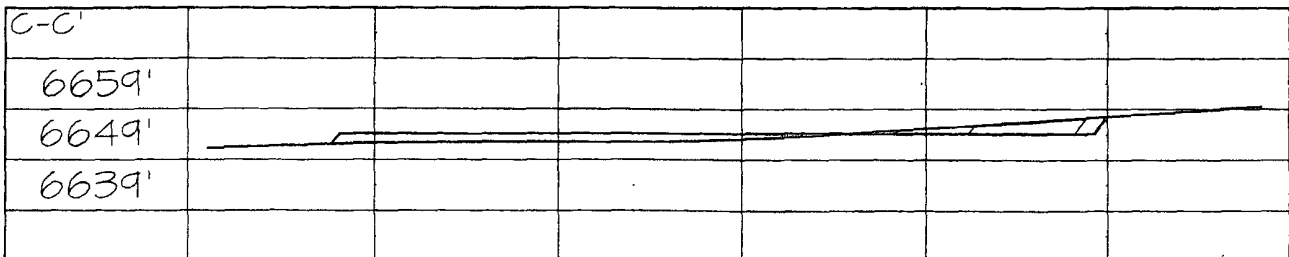
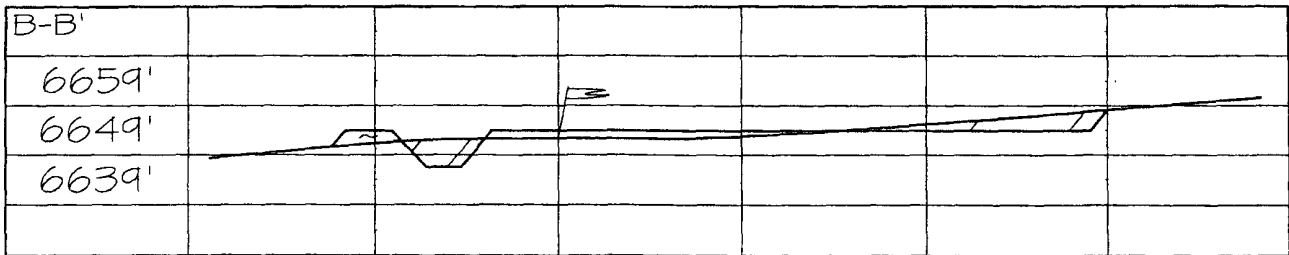
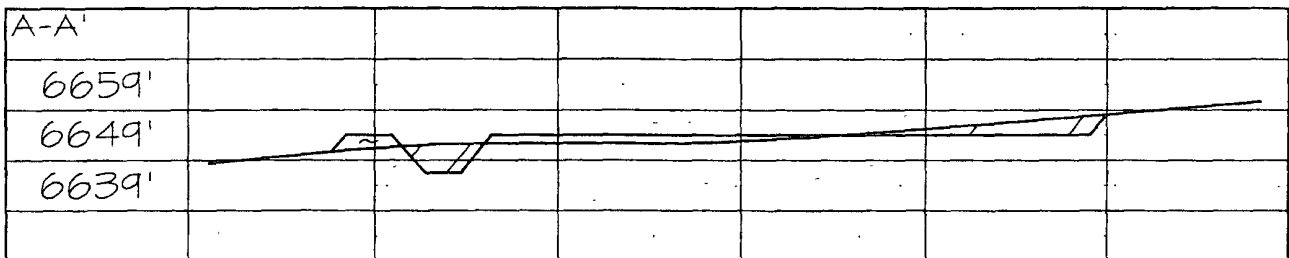
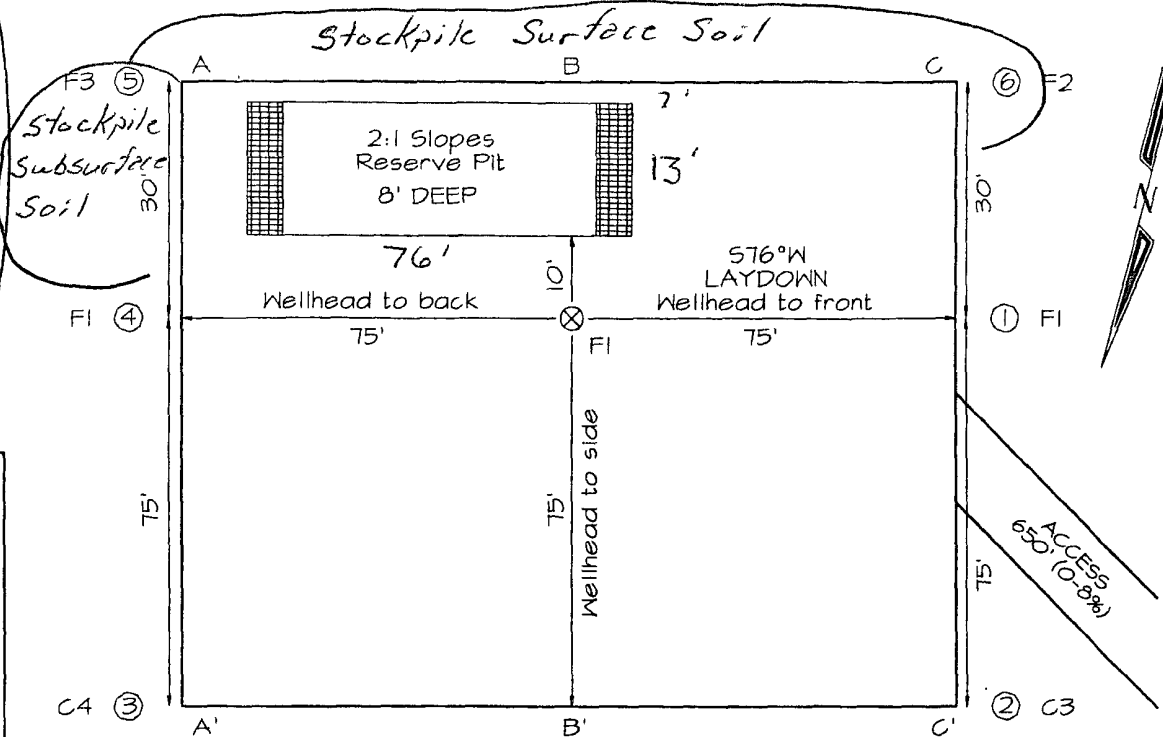
LAT: 36.26703°N
LONG: 107.89493°W
DATUM: NAD1983

700'
1500'

**DUGAN PRODUCTION CORPORATION GOLD MEDAL #93S
1500' FSL & 700' FEL, SECTION 33, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6648'**

LATITUDE: 36.26703°N
LONGITUDE: 107.89493°W
DATUM: NAD1983

SURFACE OWNER
Navajo Tribal Trust



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

Gold Medal #93-S Hydrogeologic Data

The Gold Medal #93-S is located on Navajo Tribal Trust land on the Chaco Slope area in San Juan County, New Mexico. The region is characterized as a high arid mesa broken by numerous, deep cutting arroyos.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Gold Medal #93-S location (Exhibit 2). A water well 1200 feet to the south of the subject pit was located. This well was drilled to a depth of 373 feet. The top of water was not reported, however, the well was tested at 3.5 gallons per minute (Exhibit 4). The results of the search are shown on Exhibit 1. A second water well was located 11,100 feet to the north and west. This well was drilled to a total depth of 640 feet and the top of water was reported at 595 feet. No other information was available on this well.

The main source of stock water in the region is encountered in 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 700 feet away.

The Nacimiento Formation extends from the surface down to a depth of approximately 235 feet. Thin silty sands can occur near the base. However, the sands are discontinuous, have high silt content and would not be expected to contain any water.

The underlying Ojo Alamo Sandstone ranges from approximately 235 feet down to a depth of approximately 310 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.

The Nacimiento and Ojo Alamo are potential sources of water in the area, however, nearby arroyos have breached the surface down to a depth of approximately 70 feet, there are no springs in the area and the zones are not expected to contain water in the area.

Based on electric open hole logs, the iWATERS database and literature reviewed, a water well in the area encountered groundwater at 373 feet, lesser amounts of poor quality ground water might be found at a depth of approximately 275 feet from the basal, Ojo Alamo Sandstone.

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: 23N Range: 10W Sections: 3,4,5

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 06/25/2008

(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

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

Township: 24N Range: 10W Sections: 27,28,29,,32,33,34

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 06/25/2008

(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 Well	Depth Water	Water (in feet) Column
03141	24N	10W	29	1	2	3				640	595	45
01713	24N	10W	33	4	4					373		

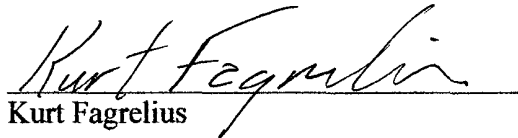
Record Count: 2

Siting Criteria for the Gold Medal #93-S

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 2) 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 3) 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 4) 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 mine. See the attached Mine, Mills and Quarry Map of New Mexico (New Mexico, EMND 2008) (Exhibit 5) showing the location and area around the subject pit.
8. 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.
9. The temporary pit is not located within a 100-year floodplain area. See the attached FEMA map (Exhibit 6) of the 100 year floodplain showing the location and area around the subject pit.

Gold Medal #93-S Visual Inspection Certification

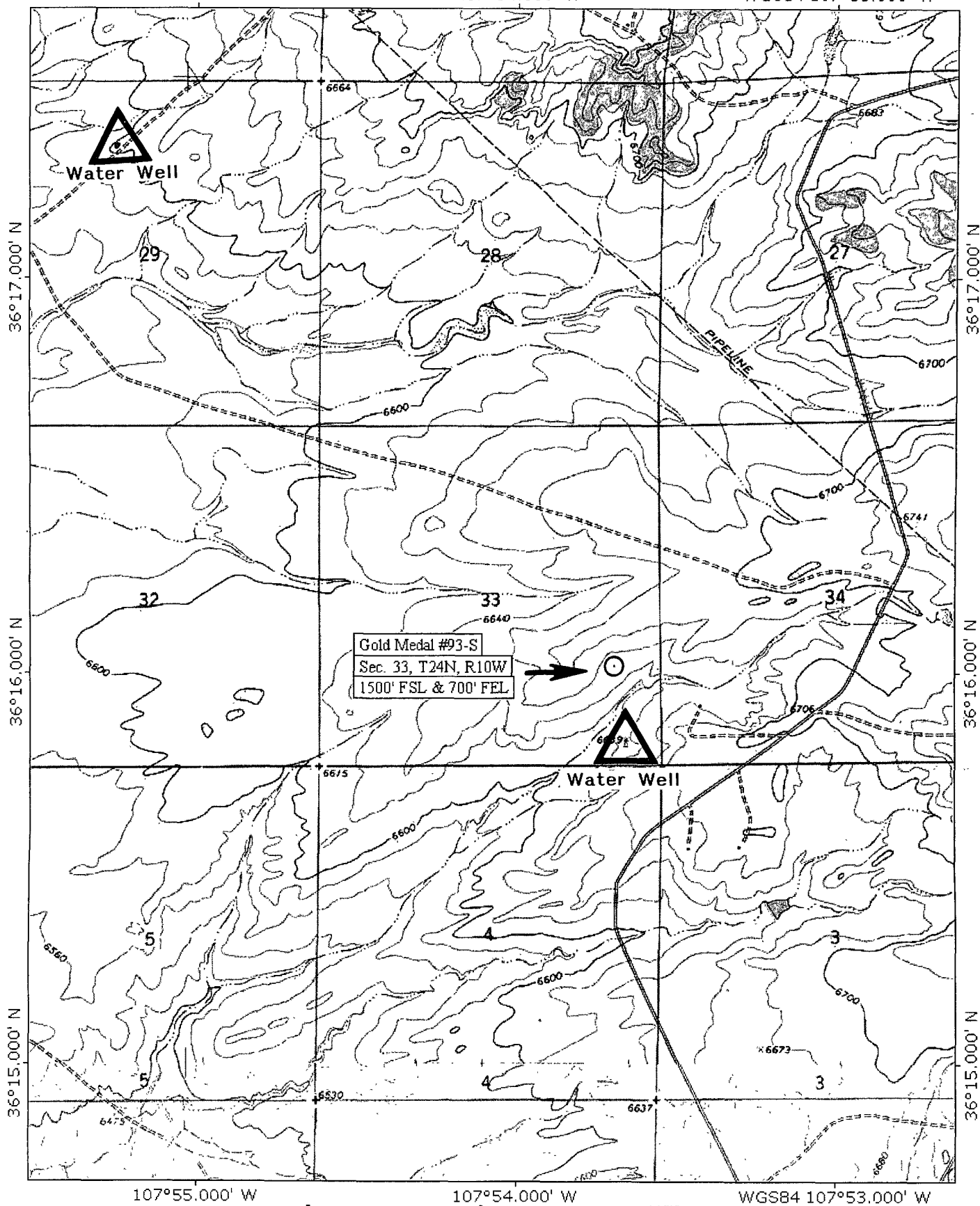
I, Kurt Fagrelus, Vice President of Exploration for Dugan Production Corp. 709 East Murray Drive, Farmington, New Mexico hereby certify that I or persons under my direct supervision, prepared the attached exhibits and conducted a Visual Inspection of the location and area around the Gold Medal #93-S 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

July 8, 2008

Date

TOPOI map printed on 06/26/08 from "New Mexico:tpo" and "Untitled.tpg"
 107°55.000' W 107°54.000' W WGS84 107°53.000' W



TN * MN
 10 1/2°

0 1000 FEET 0 500 1000 METERS
 Printed from TOPOI ©2001 National Geographic Holdings (www.topo.com)



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

EXHIBIT 4.

Township: 24N Range: 10W Sections: 33

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 06/25/2008

(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 Well	Depth Water	Water (in feet) Column
01713	24N	10W	33	4	4					373		

Record Count: 1

Log in location file

Revised December 1975

232058

C-107868

IMPORTANT — READ INSTRUCTIONS ON BACK BEFORE FILLING OUT THIS FORM.

Declaration of Owner of Underground Water Right

SAN JUAN UNDERGROUND WATER BASIN

Declaration No. 83-1713 Date received April 29, 1983

STATEMENT

- Name of Declarant U. S. Dept. of the Interior, Bureau of Land Management
Mailing Address P. O. Box 568, Farmington, New Mexico 87499-0568
County of San Juan, State of New Mexico
- Source of water supply Ojo Alamo Sandstone
(artesian or shallow water aquifer)
- Describe well location under one of the following subheadings:
 - 1/4 SE 1/4 SE 1/4 of Sec. 33 Twp. 24 N. Rge. 10 W. N.M.P.M., in
San Juan County.
 - Tract No. _____ of Map No. _____ of the _____
 - X = _____ feet, Y = _____ feet, N. M. Coordinate System _____ Zone _____
in the _____ Grant.
On land owned by Bureau of Land Management (see address above)
Oren Kirk
- Description of well: date drilled 7/12/63-1/28/64 driller Drilling Co. depth 373 feet.
outside diameter of casing 6 5/8 inches; original capacity 3.5 gal. per min.; present capacity 3.5
gal. per min.; pumping life 357 feet; static water level _____ feet (above) (below) land surface;
make and type of pump 1 7/8 inch cylinder (plunger type)
make, type, horsepower, etc., of power plant 14 foot diameter Aermotor windmill
Fractional or percentage interest claimed in well 100% (all)
- Quantity of water appropriated and beneficially used 6
(acre feet per acre) (acre feet per annum)
for livestock and wildlife purposes.
- Acreage actually irrigated n/a acres, located and described as follows (describe only lands actually irrigated):

Subdivision	Sec.	Twp.	Ronge	Acres Irrigated	Survey	Section
					ALBUQUERQUE	8345829
						A/D: 34

(Note: location of well and acreage actually irrigated must be shown on plot on reverse side.)

- Water was first applied to beneficial use 1 month 28 day 1964 year and since that time
has been used fully and continuously on all of the above described lands or for the above described purposes except
as follows: n/a

- Additional statements or explanations Otis Well (see Log of Well and Project Completion Report)

I, Farmington Resource Area Manager being first duly sworn upon my oath,
depose and say that the above is a full and complete statement prepared in accordance with the instructions on the re-
verse side of this form and submitted in evidence of ownership of a valid underground water right, that I have carefully
read each and all of the items contained therein and that the same are true to the best of my knowledge and belief.

Jim Davis, declarant.
by: _____

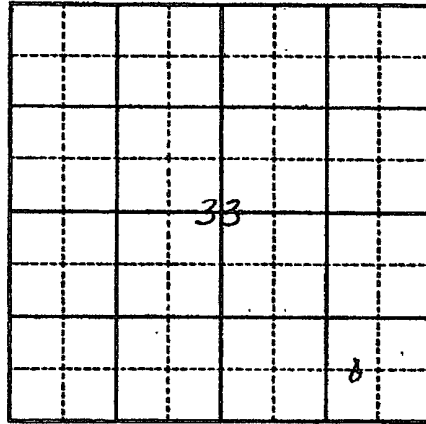
Subscribed and sworn to before me this 25 day of April, A.D. 19 83
My commission expires April 13, 1987 Anthony G. Dawen Notary Public

FILED
UNDER NEW MEXICO LAW A DECLARATION IS ONLY A STATEMENT OF DECLARANT'S CLAIM.
ACCEPTANCE FOR FILING DOES NOT CONSTITUTE APPROVAL OR REJECTION OF THE CLAIM.

Log in location file

Locate well and areas actually irrigated as accurately as possible on following plat:

Section (e) 33 Township 24 N. Range 10 W. N. P. M.



INSTRUCTIONS

Declaration shall be executed (preferably typewritten) in triplicate and must be accompanied by a \$1.00 filing fee. Each of triplicate copies must be properly signed and attested.

A separate declaration must be filed for each well in use.

All blanks shall be filled out fully. Required information which cannot be sworn to by declarant shall be supplied by affidavit of person or persons familiar with the facts and shall be submitted herewith.

Secs. 1-3. Complete all blanks.

Sec. 4. Fill out all blanks applicable as fully as possible.

Sec. 5. Irrigation use shall be stated in acre feet of water per acre per year applied on the land. If used for domestic, municipal, or other purposes, state total quantity in acre feet used annually.

Sec. 6. Describe only the acreage actually irrigated. When necessary to clearly define irrigated acreages, describe to nearest $2\frac{1}{2}$ acre subdivision. If located on unsurveyed lands, describe by legal subdivision "as projected" from the nearest government survey corners, or describe by metes and bounds and tie survey to some permanent, easily-located natural object.

Sec. 7. Explain and give dates as nearly as possible of any years when all or part of acreage claimed was not irrigated.

Sec. 8. If well irrigates or supplies supplemental water to any other land than that described above, or if land is also irrigated from any other source, explain under this section. Give any other data necessary to fully describe water right.

If additional space is necessary, use a separate sheet or sheets and attach securely hereto.



United States Department of the Interior

IN REPLY REFER TO

7421

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA
P.O. BOX 668
FARMINGTON, NEW MEXICO 87499-0668

APR 28 1983

New Mexico State Engineer
District I Office
2340 Menaul, NE, Suite 206
Albuquerque, New Mexico 87107-1884

Dear Sir:

Enclosed, please find Declaration of Owner of Underground Water Right
for sixteen of our wells for livestock and wildlife watering purposes.
Sixteen dollars are enclosed for filing fees.

If you have any questions, please call Dana Shuford of our staff
(505-325-3581).

Sincerely yours,

Art J. Lewis
Acting Area Manager

Enclosures

STAFF DISTRICT I
ALBUQUERQUE, N. MEX.

83APR29 AIO: 34

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

Dugan Production Corp.
Gold Medal #93-S

Mine, Mills and Quarry Map of New Mexico

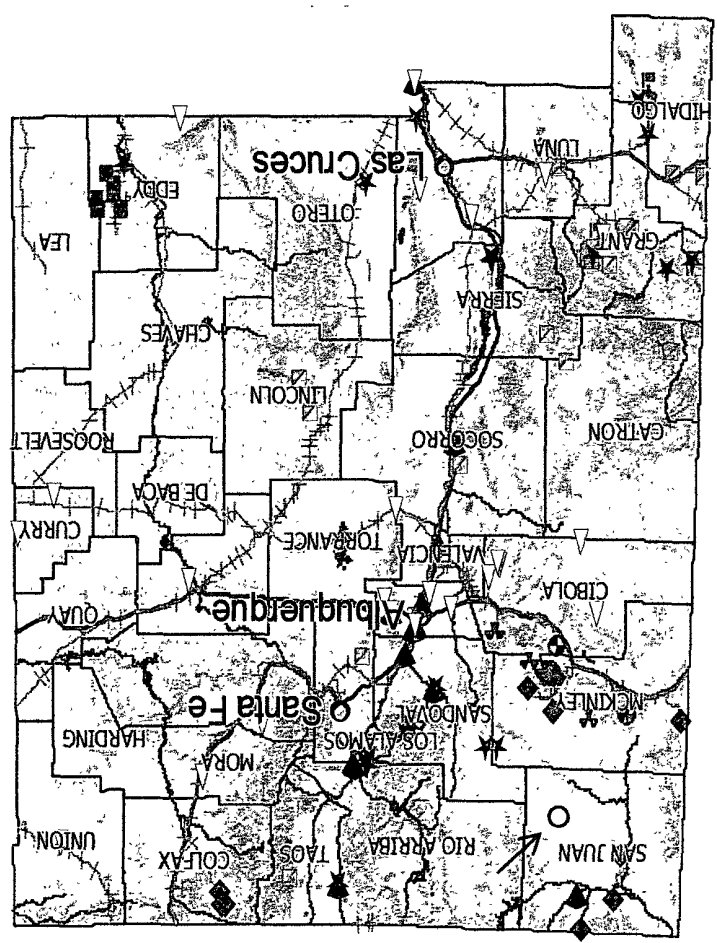
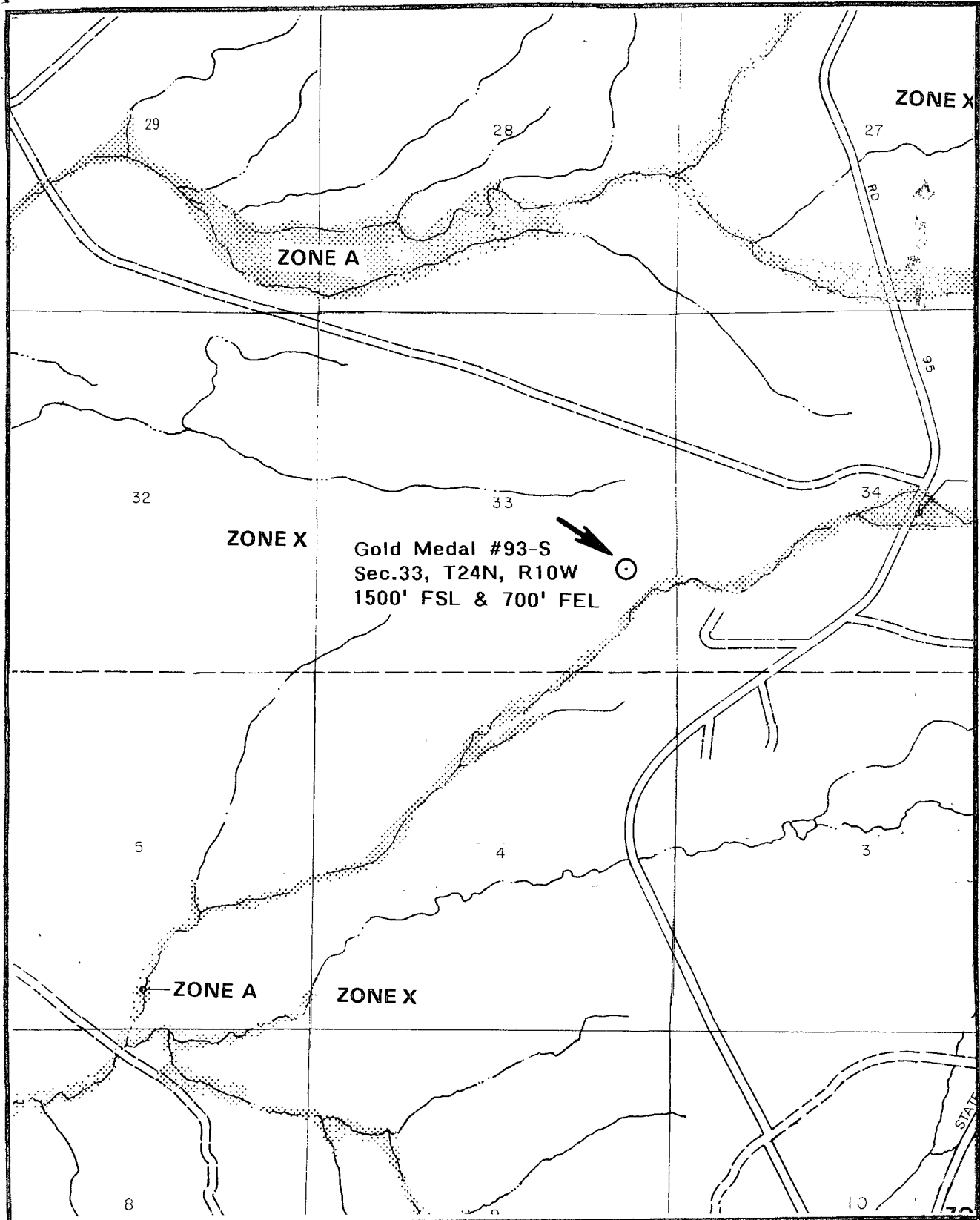


EXHIBIT 5.



FEMA 100-Year Floodplain Map

Gold Medal #93-S

Gold Medal #93-S Design and Construction Plan

1. The Gold Medal #93-S 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 Rge.) 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 Gold Medal #93-S 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. Gold Medal #93-S 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. Gold Medal #93-S 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.

Gold Medal #93-S Operational Requirements

1. The Gold Medal #93-S 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.

Gold Medal #93-S 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.

Gold Medal #93-S 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 Gold Medal #93-S 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 7). 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 not be any vertical strain on the 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.

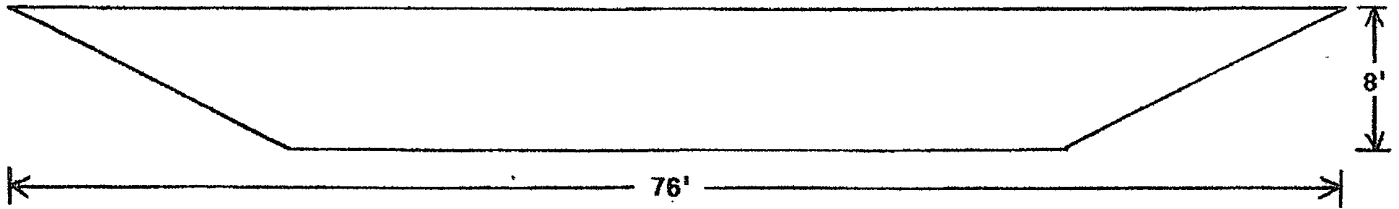
3. The proposed alternative steel marker set at the center of the on-site burial following onsite-pit closure will be a flat steel marker. The marker will be (24" X 24") and will have the operator name, lease name, well number, location (UL, Sec., Twp., Rge.) and that it designates an "on-site burial 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.

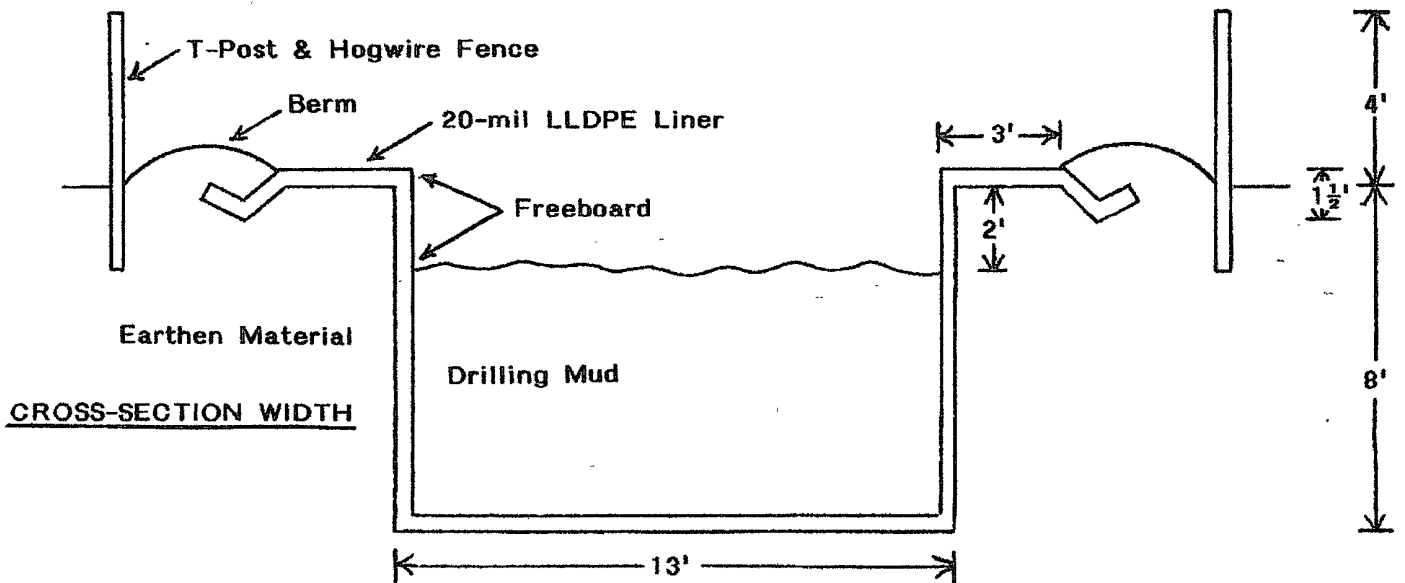
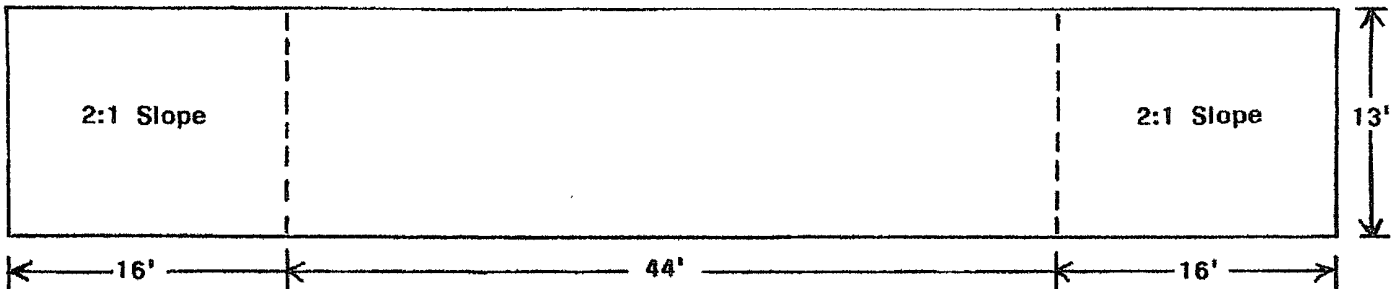
The requests for administrative approval cited above are needed to help minimize environmental impact, increase safety and protect wildlife and public health. The alternatives proposed will protect fresh water, public health, safety and the environment more effectively than the design and construction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

Temporary Drilling Pit

CROSS-SECTION LENGTH



PLAN VIEW



Dugan Production Corp.
Gold Medal #93-S

Yolena Patterson

From: Yolena Patterson
Sent: Monday, July 14, 2008 4:01 PM
To: 'Jim Stockbridge'
Cc: 'brandon.powell@state.nm.us'
Subject: Surface Owner notification for on-site closure of the Gold Medal #93-S temporary pit.

Federal Indian Minerals Office
Jim Stockbridge

July 14, 2008

RE: Surface Notification to close the Gold Medal #93-S temporary pit on-site at the subject location.

Dear Mr. Jim Stockbridge,

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 Federal Indian Minerals Office of the operator's proposal to close the "Temporary Pit" (drilling reserve pit) for the Gold Medal #93-S gas well using "on-site burial methods".

The subject well is located (I, Section 33, T24N, R10W) on Indian Allotment surface land in San Juan County, New Mexico.

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

Sincerely,

Kurt Fagrelus
Dugan Production Corp.

7/14/2008

Yolena Patterson

From: postmaster@duganproduction.com
Sent: Monday, July 14, 2008 4:01 PM
To: Yolena Patterson
Subject: Delivery Status Notification (Relay)

Attachments: ATT21377.txt, Surface Owner notification for on-site closure of the Gold Medal #93-S temporary pit.



ATT21377.txt (425 B) Surface Owner
notification for...

This is an automatically generated Delivery Status Notification.

Your message has been successfully relayed to the following recipients, but the requested delivery status notifications may not be generated by the destination.

Jim_Stockbridgel@NM.BLM.GOV

Yolena Patterson

From: postmaster@duganproduction.com
Sent: Monday, July 14, 2008 4:01 PM
To: Yolena Patterson
Subject: Delivery Status Notification (Relay)

Attachments: ATT21385.txt; Surface Owner notification for on-site closure of the Gold Medal #93-S temporary pit.



ATT21385.txt (435 B) Surface Owner notification for...

This is an automatically generated Delivery Status Notification.

Your message has been successfully relayed to the following recipients, but the requested delivery status notifications may not be generated by the destination.

brandon.powell@state.nm.us