

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
July 21, 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.

3583
7377
REMOVED
2/15/11
Pit, Closed-Loop System, Below-Grade Tank, or
Proposed Alternative Method Permit or Closure Plan Application

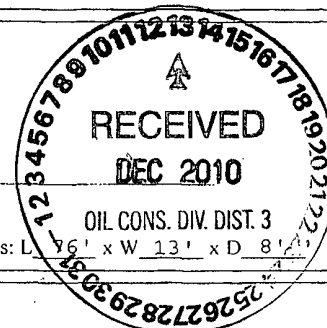
Type of action: ☐ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
☒ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method
☐ Modification to an existing permit
☐ Closure plan only submitted for an existing permitted or non-permitted 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

1. Operator: Dugan Production Corp. OGRID #: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401
Facility or well name: Martinez Begay Com #1
API Number: 30-045-34983 OCD Permit Number: _____
U/L or Qtr/Qtr P Section 34 Township 24N Range 10W County: San Juan County
Center of Proposed Design: Latitude 36.26631 N Longitude 107.87816 W NAD: ☐ 1927 ☒ 1983
Surface Owner: ☐ Federal ☐ State ☐ Private ☒ Tribal Trust or Indian Allotment

2. ☒ **Pit:** Subsection F or G of 19.15.17.11 NMAC
Temporary: ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A
☒ Lined ☐ Unlined Liner type: Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
☒ String-Reinforced
Liner Seams: ☐ Welded ☐ Factory ☐ Other _____ Volume: 600 bbl Dimensions: L 16' x W 13' x D 8'



3. ☐ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Type of Operation: ☐ P&A ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent)
☐ Drying Pad ☐ Above Ground Steel Tanks ☐ Haul-off Bins ☐ Other _____
☐ Lined ☐ Unlined Liner type: Thickness _____ mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
Liner Seams: ☐ Welded ☐ Factory ☐ Other _____



4. ☐ **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: _____ bbl Type of fluid: _____
Tank Construction material: _____
☐ Secondary containment with leak detection ☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other _____
Liner type: Thickness _____ mil ☐ HDPE ☐ PVC ☐ Other _____

5. ☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Handwritten signature

6.
Fencing: Subsection D of 19.15.17.11 NMAC (*Applies to permanent pits, temporary pits, and below-grade tanks*)

☐ Chain link, six feet in height, two strands of barbed wire at top (*Required if located within 1000 feet of a permanent residence, school, hospital, institution or church*)

☐ Four foot height, four strands of barbed wire evenly spaced between one and four feet

☒ Alternate. Please specify 4' Hogwire

7.
Netting: Subsection E of 19.15.17.11 NMAC (*Applies to permanent pits and permanent open top tanks*)

☐ Screen ☐ Netting ☐ Other _____

☐ Monthly inspections (If netting or screening is not physically feasible)

8.
Signs: Subsection C of 19.15.17.11 NMAC

☒ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers

☐ Signed in compliance with 19.15.3.103 NMAC

9.
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:

☒ Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval.

☐ Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

10.
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 significant watercourse or 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. (<i>Applies to temporary, emergency, or cavitation pits and below-grade tanks</i>) - 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. (<i>Applies to permanent pits</i>) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" 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

11. **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 19.15.17.9 NMAC
☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 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 (Please complete Boxes 14 through 18, if applicable) - 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- or Permit Number: _____

12. **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 (only for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.9
☐ Siting Criteria Compliance Demonstrations (only 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 (Please complete Boxes 14 through 18, if applicable) - 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: _____

☐ Previously Approved Operating and Maintenance Plan API Number: _____ (Applies only to closed-loop system that use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

13. **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 19.15.17.9 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

14. **Proposed Closure:** 19.15.17.13 NMAC
Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

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

Proposed Closure Method: ☐ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☒ 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)

15. **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 (for 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

16.

Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or 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. Use attachment if more than two facilities are required.

Disposal Facility Name: _____ Disposal Facility Permit Number _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please provide the information below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ 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

17.

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 significant watercourse or 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

18.

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/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC

☒ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - 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

19. **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: May 20, 2009

e-mail address: kfagrelus@duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (H)

20. **OCD Approval:** ☒ Permit Application (including closure plan) ☒ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: [Signature] Approval Date: 2/15/11

Title: Enviro Spec OCD Permit Number: 7-2-09

21. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC
Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☒ Closure Completion Date: 11/26/2010

22. **Closure Method:**

☐ Waste Excavation and Removal ☒ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)

☐ If different from approved plan, please explain.

23. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**
Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations

☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

24. **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 (surface owner and division)
☐ Proof of Deed Notice (required for on-site closure)
☒ Plot Plan (for on-site closures and temporary pits)
☒ Confirmation Sampling Analytical Results (if applicable)
☒ Waste Material Sampling Analytical Results (required for on-site closure)
☒ 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 36.26631 N Longitude 107.87816 W NAD: ☐ 1927 ☒ 1983

25. **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: Kurt Fagrelus Date: 12/2/2010

e-mail address: kfagrelus@duganproduction.com Telephone: 505-325-1821

**Dugan Production Corp.
Closure Report**

Lease Name: Martinez Begay Com #1
API No.: 30-045-34983

In accordance with Rule 10.15.17.13 NMAC the following information describes the closure of the temporary pit referenced above. All proper documentation concerning closure activities is included with the C-144. The temporary pit for this location was an approved design under Rule 19.15.17. **The closure plan for the temporary pit was submitted on 5-20-2009 and approved on 7-2-2009.**

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.

See approved permit dated 7-2-2009.

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).

See email notification dated 11-22-2010.

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.

Navajo Allotted surface, certified notification not applicable as per BLM/OCD MOU.

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.

Drilling rig was released 7-31-2010 and drilling mud was transferred to the Sixteen G's #90S for re-use (7-31-2010). Remaining free water was transferred to Basin Disposal Inc. (see attached invoice #508803) and the Sanchez O'Brien SWD #1 salt water disposal well.

5. Remove all fluids from temporary pit within 30-days and close within 6-months following release of drilling rig.

Free water was removed within 30-days and temporary pit was closed (11-26-2010).

6. Air dry pit contents and stabilize or solidify to a load bearing capacity sufficient to support the temporary pit's final cover.

Pit contents were allowed to dry prior to temporary pit closure.

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.

A five point composite sample was taken of remaining cuttings in temporary pit and was tested in accordance with Subsection B of 19.15.17.13 (B)(1)(b)(ii). Depth from bottom of pit to top of ground-water is greater than 100-feet. Sample results are attached.

Components	Test Method	Limit (mg/kg)	*Results (mg/kg)
Benzene	EPA SW-846.8021B or 8260B	0.2	<0.050
BTEX	EPA SW-846 8021B or 8260B	50	0.299
TPH	EPA SW-846 418.1	2500	70
GRO/DRO	EPA SW-846 8015M	500	<10
Chlorides	EPA 300.1	1000 / 500	1170

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.

Initial sample testing did not meet "pit rule" standards. Chlorides tested 1170-mg/kg exceeding 1000-mg/kg (groundwater is greater than 100-feet below bottom of pit. One foot of clean soil was mixed to a ratio of 1:5 with pit contents (1-ft. clean to 5-ft. dirty) while maintaining a minimum of 4-foot freeboard to accommodate a minimum of 4-feet of compacted, non-waste containing, earthen material to be used for backfill.

A second, five point composite sample was taken of remaining cuttings in temporary pit and was tested in accordance with Subsection B of 19.15.17.13 (B)(1)(b)(ii). Depth from bottom of pit to top of ground-water is greater than 100-feet. Confirmation sample results are attached.

Components	Test Method	Limit (mg/kg)	*Results (mg/kg)
Benzene	EPA SW-846 8021B or 8260B	0.2	<0.100
BTEX	EPA SW-846 8021B or 8260B	50	<0.300
TPH	EPA SW-846 418.1	2500	473
GRO/DRO	EPA SW-846 8015M	500	<10.0
Chlorides	EPA 300.1	1000 / 500	752

Testing standards of 19.15-17.9 were met as shown in confirmation sample results.

9. Cut pit liner off at the mud line (solids level); remove liner and apron and transport to a NMOCD approved facility for disposal.

Pit liner was removed 11-26-2010 and disposed of at the Crouch Mesa Waste Management facility on 11-26-2010 (see attached invoice #1322087).

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.

Stockpiled sub-surface soil was used to backfill temporary pit and re-contour well pad. A minimum of four-feet of compacted, non-waste containing, earthen material was used to backfill pit.

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.

Stockpiled surface soil was used to cover backfilled temporary pit and disturbed areas of the well pad no longer needed for production operations. The soil cover included the greater of either the background thickness or one foot of suitable material necessary to establish vegetation. The location was re-contoured to approximate the original topography of the site and diversions were constructed to protect soil cover and minimize erosion.

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.

Re-seeding will be done according to BLM guidelines as specified by BLM/OCD memorandum of understanding.

13. The NMOCD will be notified once successful re-vegetation has been achieved.

Re-seeding will be done according to BLM guidelines as specified by BLM/OCD memorandum of understanding.

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.

A flat steel marker (24" X 24") with the lettering "on-site burial location" was set at ground-level in the center of the burial site. The marker is welded to a 4" pipe that is cemented in a 3-foot deep hole and is shown in the attached photographs (administrative approval was received). When the well is P&A'd, the steel plate will be removed and a 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 the 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 within 60-days of completion of temporary pit closure. Closure report will include the following:
- 1) Proof of Closure Notice.
 - 2) Proof of Deed Notice (if applicable).
 - 3) Plot Plan.
 - 4) Confirmation Sampling Analytical Results.
 - 5) Waste Material Sampling Analytical Results.
 - 6) Disposal Facility Name and Permit Number.
 - 7) Soil Backfilling and Cover Installation.
 - 8) Re-vegetation Application Rates and Seeding Technique.

All items listed above if applicable are attached and submitted on this date.

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.

Navajo Allotted surface, deed notice identifying exact location of on-site burial is not applicable according to BLM/OCD MOU.

Kurt Fagrelius

From: Kurt Fagrelius
Sent: Monday, November 22, 2010 11:12 AM
To: 'Powell, Brandon, EMNRD'; 'Spencer, Bertha'; Evan Rowland (erowland@slo.state.nm.us); 'dave_mankiewicz@nm.blm.gov'; 'Mark_Kelly@nm.blm.gov'; 'lucas_vargo@blm.gov'; Kurt Fagrelius
Subject: Notice to Close Temporary Drilling Reserve Pits
Attachments: 72-Hr Notice to Close Temp Drlg Pits 11-26&27-2010.xls

November 22, 2010

Mr. Brandon Powell, Ms. Bertha Spencer, Mr. Evan Rowland, Mr. Dave Mankiewicz, Mr. Mark Kelly and Mr. Lucas Vargo, Dugan Production Corp. is hereby giving notice that Dugan will be closing the following drilling reserve pits (Temporary Pits):

- 1) Federal I Com #102S – Private Surface
- 2) Coal #3 – Navajo Tribal Trust Surface
- 3) Martinez Begay Com #1 – Navajo Allotted Surface
- 4) Sixteen G's #90S – Federal Surface
- 5) Sixteen G's Com #91 – Federal Surface
- 6) Sixteen G's Com #91S – Federal Surface
- 7) Sanchez O'Brien #90S – Federal Surface

Site specific and cuttings analysis information for each drilling reserve pit is included in the enclosed attachment.

Depending on prevailing weather conditions, those highlighted in red (#'s 1 - 3) will be closed on Friday, November 26, 2010, and those highlighted in blue (#'s 4 - 7) will be closed on Saturday, November 27, 2010.

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

Kurt Fagrelius
Dugan Production Corp.
709 East Murray Drive
Farmington, New Mexico 87401
505-325-1821 (O), 505-320-8248 (C)
kfagrelius@duganproduction.com

11/24/2010

Dugan Production Corp. Permanent Pits to be Closed on November 8, 2010

Lease Name	Federal I Com #102S	Coaly #3	Martinez Begay Com #1
API Number	30-045-35013	30-045-35012	30-045-34983
Surface Owner - Notice Sent	Private	Navajo Tribal Trust	Navajo Allotted
Location - UL, Sec., Twp, Rge	I-12-29N-14W	P-28-27N-12W	P-34-24N-10W
Latitude	36.74038 N	36.54076 N	36.26631 N
Longitude	108.25630 W	108.11156 W	107.887816 W
Benzene (<0.2 mg/kg)	<0.050 mg/kg	<0.100 mg/kg	<0.100 mg/kg
Betex (<50 mg/kg)	0.201 mg/kg	<0.300 mg/kg	<0.300 mg/kg
TPH - Analytic Mthd-418.1 (<2500 mg/kg)	517 mg/kg	386 mg/kg	473 mg/kg
GRO + DRO - Analytic Mthd-8015 (<200 mg/kg)	15.6 mg/kg	35.9 mg/kg	<10 mg/kg
Chlorides (<1000 mg/kg)	448 mg/kg	544 mg/kg	752 mg/kg
Thresholds as per "Pit Rule" 19.15.17 NMAC are highlighted in red.			

Dugan Production Corp. Permanent Pits to be Closed on November 8, 2010

Sixteen G's #90S 30-045-35143	Sixteen G's Com #91 30-045-35144	Sixteen G's Com #91S 30-045-35145	Sanchez O'Brie #90S 30-045-35146
Federal D-7-24N-9W 36.33228 N 107.83704 W	Federal M-7-24N-9W 36.32419 N 107.83658 W	Federal O-7-24N-9W 36.32446 N 107.82612 W	Federal E-6-24N-9W 36.34627 N 107.83508 W
<0.050 mg/kg <0.150 mg/kg 80 mg/kg <10 mg/kg 560 mg/kg	0.061 mg/kg 0.536 mg/kg 32 mg/kg <10 mg/kg 768 mg/kg	<0.050 mg/kg 0.288 mg/kg 20 mg/kg <10 mg/kg 368 mg/kg	<0.100 mg/kg <0.300 mg/kg 452 mg/kg <10 mg/kg 784 mg/kg

Kurt Fagrelius

From: System Administrator
To: Kurt Fagrelius
Sent: Monday, November 22, 2010 11:12 AM
Subject: Delivered: Notice to Close Temporary Drilling Reserve Pits

Your message

To: Powell, Brandon, EMNRD; Spencer, Bertha; Evan Rowland (erowland@slo.state.nm.us); dave_mankiewicz@nm.blm.gov; Mark_Kelly@nm.blm.gov; lucas_vargo@blm.gov; Kurt Fagrelius
Subject: Notice to Close Temporary Drilling Reserve Pits
Sent: 11/22/2010 11:12 AM

was delivered to the following recipient(s):

Kurt Fagrelius on 11/22/2010 11:12 AM

Kurt Fagrelius

From: Rowland, Evan [erowland@slo.state.nm.us]
To: Kurt Fagrelius
Sent: Monday, November 22, 2010 1:33 PM
Subject: Read: Notice to Close Temporary Drilling Reserve Pits

Your message

To: erowland@slo.state.nm.us
Subject:

was read on 11/22/2010 1:33 PM.

Kurt Fagrelius

From: Mark_Kelly@blm.gov
Sent: Tuesday, November 23, 2010 6:09 AM
To: Kurt Fagrelius
Subject: Notice to Close Temporary Drilling Reserve Pits

Return Receipt

Your Notice to Close Temporary Drilling Reserve Pits
document:

was Mark Kelly/FFO/NM/BLM/DOI
received
by:

at: 11/23/2010 06:09:15 AM

Kurt Fagrelius

From: Lucas_Vargo@blm.gov
Sent: Tuesday, November 23, 2010 9:29 AM
To: Kurt Fagrelius
Subject: Notice to Close Temporary Drilling Reserve Pits

Return Receipt

Your Notice to Close Temporary Drilling Reserve Pits
document:

was Lucas Vargo/FFO/NM/BLM/DOI
received
by:

at: 11/23/2010 09:29:19 AM

Kurt Fagrelus

From: postmaster@duganproduction.com
Sent: Monday, November 22, 2010 11:13 AM
To: Kurt Fagrelus
Subject: Delivery Status Notification (Relay)

Attachments: ATT20879.txt; Notice to Close Temporary Drilling Reserve Pits



ATT20879.txt (407 B) Notice to Close
Temporary Drill...

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

Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87401

Well Name:
Location:
Drilling Operator:
Rig #:

YMAH Line 2 - Begay
#1
Wayne Smith Drilling Co
1

Spud Date:

7-23-10

Date:

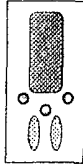
Rig Moved Off

Date to Remove Liquids by:
(30-days from rig release)

Date to Close Pit by:
(30-days from rig release)

Log Book of Daily Inspections during Drilling / workover operations, weekly after rig is moved off.

Date:	Signature	Freeboard (> 2-ft.) Yes / No	Tears or Holes Yes / No	Oil Yes / No	Trash Yes / No	Remarks
7-23-10	Wayne Smith	yes - 5'	No	NO	NO	Stands Fresh water
7-26-10	Wayne Smith	yes - 4'	No	NO	NO	Load total 500 bbls min stand
7-27-10	Wayne Smith	yes - 4'	✓	✓	✓	Only 500 bbls out 355 y 1500 bbls
7-28	Wayne Smith	yes 3'	✓	✓	✓	Add 800 bbls water - 55x5x5x5
7-29	Wayne Smith	yes 2 1/2'	✓	✓	✓	Add 400 bbls - 10 gal Polymer After 1st
7-29		NOT - Fluid Loss in Core. Started losing some @ 1280' in p.e. soft sd. Lost some until TD. About 60 bbls CIL LDDP TO 1020' Dis 34 wt 8.8 w.c 7.2 Clouds 400 - after Dily to 600 - Raised Dis to 60 After TD				
7-30	Wayne Smith	yes 3'	NO	NO	NO	No Cementation - Gih. CIL LDDP
7-31	Wayne Smith After Cement	yes 3' 2'	NO ✓	NO ✓	NO ✓	Rm 5th casing & Cemented 1000 bbls Cementing
7-31	Kurt Fogelin					Transfer mud to Sixteen G's #90-S



BASIN DISPOSAL, INC.
SPECIALIZING IN DISPOSAL OF PRODUCED WATER AND DRILLING MUD
P.O. BOX 100 • AZTEC, NEW MEXICO 87410 • PHONE (505) 632-8936

NO. **508803**

NMOCID PERMIT: NM -001-0005
Oil Field Waste Document, Form C138
INVOICE:

DATE 10-21-10

DEL. TKT# 6584

GENERATOR: DUGAN

BILL TO: DUGAN

HAULING CO. SSO WATER SERVICE

DRIVER: Justin

(Print Full Name)

ORDERED BY: Murt Fardelias

CODES:

WASTE DESCRIPTION: ☒ Exempt Oilfield Waste

☒ Produced Water

☐ Drilling/Completion Fluids

☐ Reserve Pit

STATE: ☒ NM ☐ CO ☐ AZ ☐ UT TREATMENT/DISPOSAL METHODS: ☒ EVAPORATION ☒ INJECTION ☒ TREATING PLANT

NO.	TRUCK	LOCATION(S)	VOLUME	AM	PM	COST	TOTAL	TIME
1	2	Cealy 3	80			854	68 ⁹	10:56AM
2		machines DUGAN 2011						
3		240012 abruca 905 / 1698905	sixteen 65					
4		sixteen 65 com 915 / com 91						
5								
TOTAL								

I, [Signature] representative or authorized agent for the above generator and hauler hereby certify that according to the Resource Conservation and Recovery Act (RCRA) and the US Environmental Protection Agency's July 1988 regulatory determination that the above described waste is RCRA Exempt. Oil field wastes generated from oil and gas exploration and production operations and not mixed with non-exempt waste, per OCD's mixing policy.

☒ Approved

☐ Denied

ATTENDANT SIGNATURE: [Signature]

Ment. Bagg C. #1
Initial



CARDINAL
Laboratories

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

November 19, 2010

KURT FAGRELIUS

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: PIT CLOSURES

Enclosed are the results of analyses for samples received by the laboratory on 11/11/10 9:30.

Cardinal Laboratories is accredited through Texas NELAP for:

Method SW-846 8021	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method SW-846 8260	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method TX 1005	Total Petroleum Hydrocarbons

Certificate number T104704398-08-TX. Accreditation applies to solid and chemical materials and non-potable water matrices.

Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2	Haloacetic Acids (HAA-5)
Method EPA 524.2	Total Trihalomethanes (TTHM)
Method EPA 524.4	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,

Celey D. Keene
Lab Director/Quality Manager

Analytical Results For:

DUGAN PRODUCTION
KURT FAGRELIUS
P. O. BOX 420
FARMINGTON NM, 87499
Fax To: (505) 327-4043

Received: 11/11/2010
Reported: 11/19/2010
Project Name: PIT CLOSURES
Project Number: MARTINEZ BEGAY COM #1
Project Location: NOT GIVEN

Sampling Date: 11/09/2010
Sampling Type: Soil
Sampling Condition: Cool & Intact
Sample Received By: Jodi Henson


Sample ID: MARTINEZ BEGAY #1 (H021272-01)

BTEX 8021B		mg/kg		Analyzed By: cms						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Benzene*	<0.050	0.050	11/16/2010	ND	1.78	89.1	2.00	5.94		
Toluene*	0.127	0.050	11/16/2010	ND	1.71	85.7	2.00	7.23		
Ethylbenzene*	<0.050	0.050	11/16/2010	ND	1.65	82.3	2.00	7.95		
Total Xylenes*	0.299	0.150	11/16/2010	ND	5.09	84.9	6.00	7.42		
Surrogate: 4-Bromofluorobenzene (PIL)		105 %	80-120							
Chloride, SM4500Cl-B		mg/kg		Analyzed By: HM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Chloride	1170	16.0	11/11/2010	ND	416	104	400	0.00		
TPH 418.1		mg/kg		Analyzed By: CK						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
TPH 418.1	70.0	10.0	11/16/2010	ND	120	91.6	131	0.00	SUB-SS	
TPH 8015M		mg/kg		Analyzed By: AB						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
GRO C6-C10	<10.0	10.0	11/15/2010	ND	153	76.7	200	14.7		
DRO >C10-C28	<10.0	10.0	11/15/2010	ND	156	78.1	200	14.2		
Total TPH C6-C28	<10.0	10.0	11/15/2010							
Surrogate: 1-Chlorooctane		92.2 %	70-130							
Surrogate: 1-Chlorooctadecane		104 %	70-130							

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager

Notes and Definitions

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

Cardinal Laboratories

* = Accredited Analyte

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client: Lugen Prod Corp

Contact: Hurt Legrelis

Address: 209 E. Murray Dr.

Phone Number: 505-320-8248

FAX Number:

Project Name:

Samplers Signature:

NOTES:

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

PO#

Table 1. - Matrix Type

1 = Surface Water, 2 = Ground Water
3 = Soil/Sediment, 4 = Rinseate, 5 = Oil
6 = Waste, 7 = Other (Specify) _____

FOR GAL USE ONLY
GAL JOB # _____

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227

Address: 75 Suttle Street, Durango, CO 81303

Analyses Required

Sample ID	Date	Time	Collected by: (Init.)	Miscellaneous				Preservative(s)					Comments	
				Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)		
<u>H2+H2T2</u>	<u>11-9-10</u>	<u>2:00 pm</u>												
<u>Merline Z</u>														
<u>27 Bay #1</u>														
<u>4. 11/19/10</u>														
5.														
6.														
7.														
8.														
9.														
10.														

Relinquished by: Hurt Legrelis Date: 11-9-10 Time: 4:50 Received by: John H. Hark Date: 11/9/10 Time: 11:26

Relinquished by: _____ Date: _____ Time: _____ Received by: _____ Date: _____ Time: _____

* Sample Reject: [] Return [] Dispose [] Store (30 Days)
* Sample ID changed 11/19/10 as per turn +

3.5°C #26

M. Haggerty #1
confirmation



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

November 21, 2010

KURT FAGRELIUS

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: PIT CLOSURES

Enclosed are the results of analyses for samples received by the laboratory on 11/20/10 10:00.

Cardinal Laboratories is accredited through Texas NELAP for:

Method SW-846 8021	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method SW-846 8260	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method TX 1005	Total Petroleum Hydrocarbons

Certificate number T104704398-08-TX. Accreditation applies to solid and chemical materials and non-potable water matrices.

Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2	Haloacetic Acids (HAA-5)
Method EPA 524.2	Total Trihalomethanes (TTHM)
Method EPA 524.4	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,

Celey D. Keene
Lab Director/Quality Manager

Analytical Results For:

DUGAN PRODUCTION
KURT FAGRELIUS
P. O. BOX 420
FARMINGTON NM, 87499
Fax To: (505) 327-4043

Received: 11/20/2010
Reported: 11/21/2010
Project Name: PIT CLOSURES
Project Number: NOT GIVEN
Project Location: NOT GIVEN

Sampling Date: 11/19/2010
Sampling Type: Soil
Sampling Condition: Cool & Intact
Sample Received By: Jodi Henson

Sample ID: MARTINEZ - BEGAY - COM #1 (H021358-01)
BTEX 8260B
mg/kg
Analyzed By: CMS

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.100	0.100	11/20/2010	ND	4.59	115	4.00	5.41	
Toluene*	<0.100	0.100	11/20/2010	0.114	4.70	118	4.00	5.75	
Ethylbenzene*	<0.100	0.100	11/20/2010	ND	4.64	116	4.00	6.17	
Total Xylenes*	<0.300	0.300	11/20/2010	ND	13.8	115	12.0	6.36	

Surrogate: Dibromofluoromethane 82.5 % 80-120

Surrogate: Toluene-d8 110 % 80-120

Surrogate: 4-Bromofluorobenzene 102 % 80-120

Chloride, SM4500Cl-B
mg/kg
Analyzed By: HM

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	752	16.0	11/20/2010	ND	416	104	400	0.00	

TPH 418.1
mg/kg
Analyzed By: AB

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	473	100	11/20/2010	ND	1260	110	1140	0.478	

TPH 8015M
mg/kg
Analyzed By: AB

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	11/20/2010	ND	194	96.8	200	13.6	
DRO >C10-C28	<10.0	10.0	11/20/2010	ND	225	113	200	17.3	
Total TPH C6-C28	<10.0	10.0	11/20/2010						

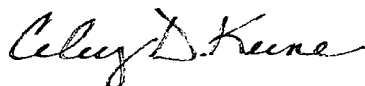
Surrogate: 1-Chlorooctane 89.0 % 70-130

Surrogate: 1-Chlorooctadecane 94.9 % 70-130

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager

Notes and Definitions

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

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager



Analytical
Laboratories

CHAIN OF CUSTODY RECORD

Page ____ of ____

Client: Bayco Products

Contact: Kurt Fagnelli

Address: _____

Phone Number: 585-320-8248

FAX Number: _____

Project Name: _____

Samplers Signature: _____

NOTES:

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

PO# _____

Table 1. - Matrix Type

1 = Surface Water, 2 = Ground Water
3 = Soil/Sediment, 4 = Rinse, 5 = Oil
6 = Waste, 7 = Other (Specify) _____

FOR GAL USE ONLY
GAL JOB # _____

Address: 75 Suttle Street, Durango, CO 81303

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227

Sample ID	Date	Time	Collected by: (Init.)	Miscellaneous			Preservative(s)					Analyses Required	Comments	
				Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH			Other (Specify)
H21358														
1. Martine Z-														
2. Bayco-														
3. Can #1														
4.														
5.														
6.														
7.														
8.														
9.														
10.														
Relinquished by: <u>Kurt Fagnelli</u>	Date: <u>11-15-2010</u>	Time: _____	Received by: <u>Shirley Paul</u>	Date: <u>11-15-2010</u>	Time: _____	Relinquished by: <u>Shirley Paul</u>	Date: <u>11-15-2010</u>	Time: _____	Relinquished by: <u>Shirley Paul</u>	Date: <u>11-15-2010</u>	Time: _____	Relinquished by: <u>Shirley Paul</u>	Date: <u>11-15-2010</u>	Time: _____

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

60 26 11/20/10

[illegible][illegible]

Product	Class	Year	Volume	Rate	Cost	Amount	Quantity
Black & White Photo	100%	1980	1000	1.00	1.00	\$1.00	1000

Andragogus

original in Fed I ltr 102.

Federal T Com 102-5

Copy #3

Total for
four Niche.

$\delta 1.0$
 $\delta 1.4$

Martinez
Bogotom #1

der 1. der 2. Spalte.





WM of NM - San Juan County
78 County Road 3140
Aztec, NM, 87410
Ph: (505) 334-1121

Original
Ticket# 1314607

Customer Name DUGAN PRODUCTION DUGAN PRODUCTION Carrier DUGPRO DUGAN PRODUCTION CORP.
Ticket Date 10/20/2010 Vehicle# KURT Volume
Payment Type Credit Account Container
Manual Ticket# Driver
Hauling Ticket# Check#
Route Billing # 0000019
State Waste Code Gen EPA ID
Manifest
Destination Grid
PO
Profile ()
Generator

	Time	Scale	Operator	Inbound	Gross	
In	10/20/2010 11:32:23	Inbound 301	vickyq		Tare	8000 lb
Out	10/20/2010 11:47:43	Outbound 302	vickyq		Net	7760 lb
					Tons	240 lb
						0.12

Comments

Product	LDX	Qty	UOM	Rate	Tax	Amount	Origin
1	MLY-MSW-Loose-	Yds 100	1.00 Yards	4.25	0.27	\$4.25	SANJ

Martinez Begay #1
16-6's #90-S, 91, 91-S
Sanchez O'Brien #90-S

Total Tax \$0.27
Total Ticket \$4.52

Driver's Signature

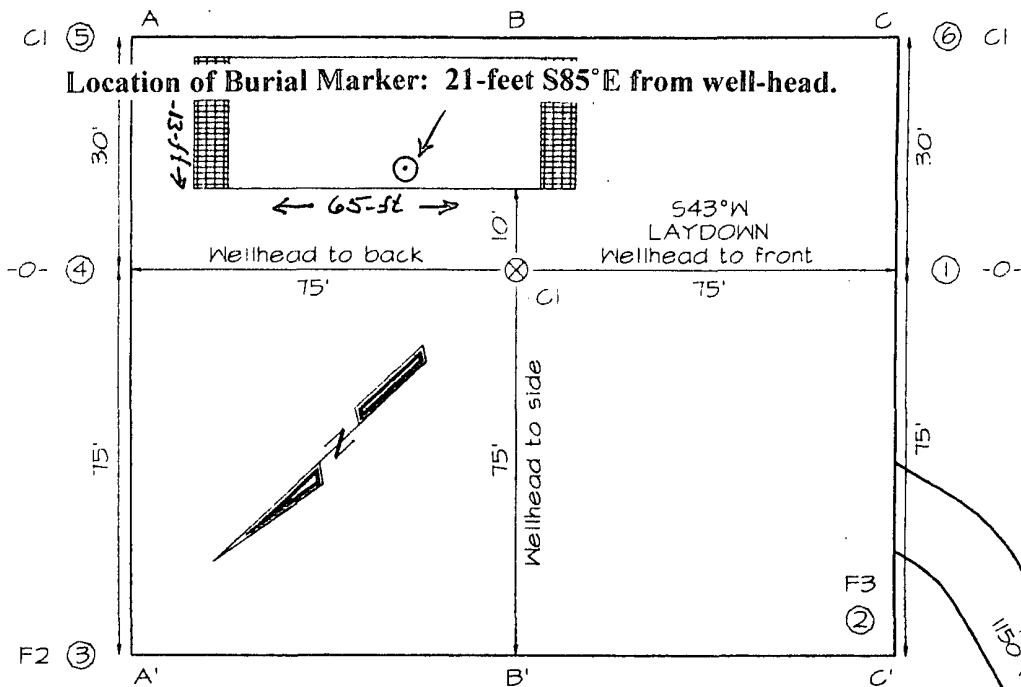
Kurt Fegredo

DUGAN PRODUCTION CORPORATION MARTINEZ BEGAY #1
1200' FSL & 1000' FEL, SECTION 34, T24N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6721'

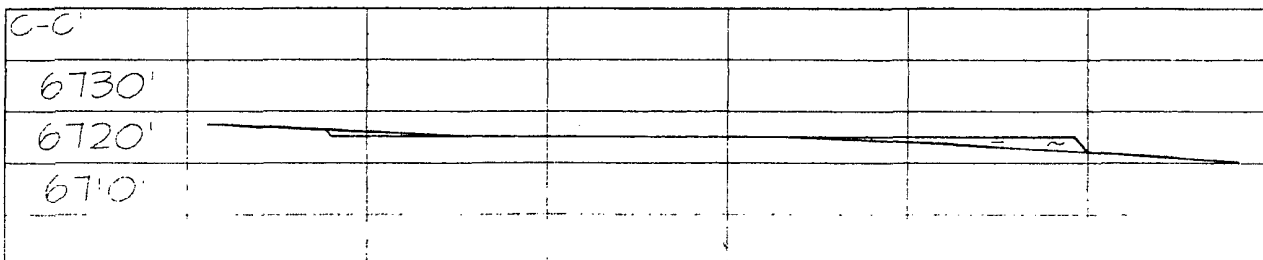
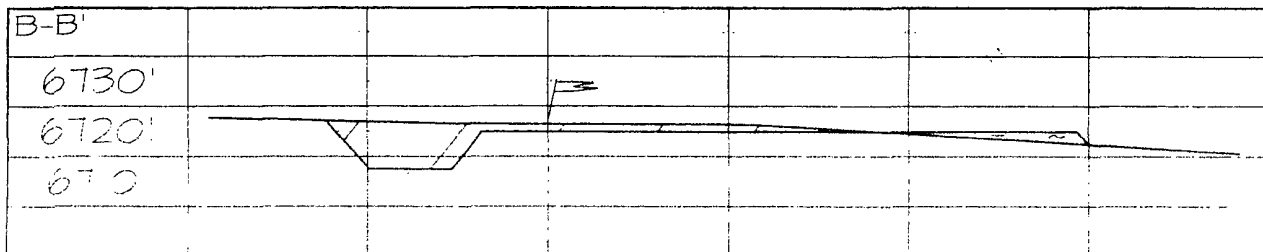
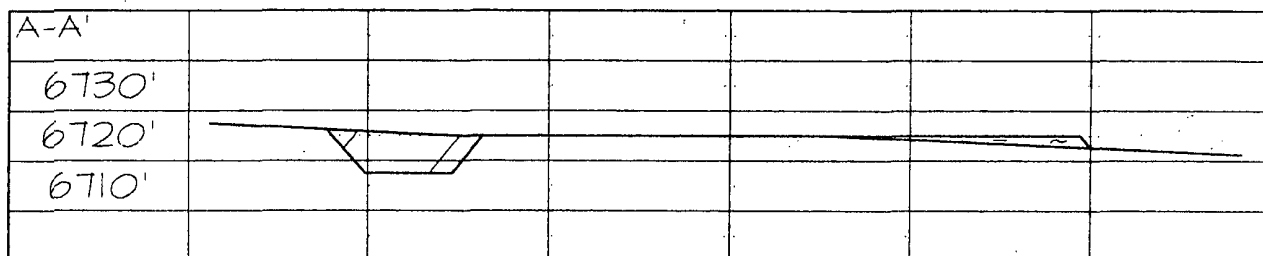
LATITUDE: 36.26631°N
LONGITUDE: 107.87816°W
 DATUM: NAD1983

PLAT NOTE:

SURFACE OWNER
 Navajo Allotted Land



Steel T-Posts have been set to define the Edge of Disturbance limits which are 50' offset from the edge of the staked wellpad.



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

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 MARTINEZ BEGAY		*Well Number 1
*OGRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6721'

¹⁰ Surface Location

U. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	34	24N	10W		1200	SOUTH	1000	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

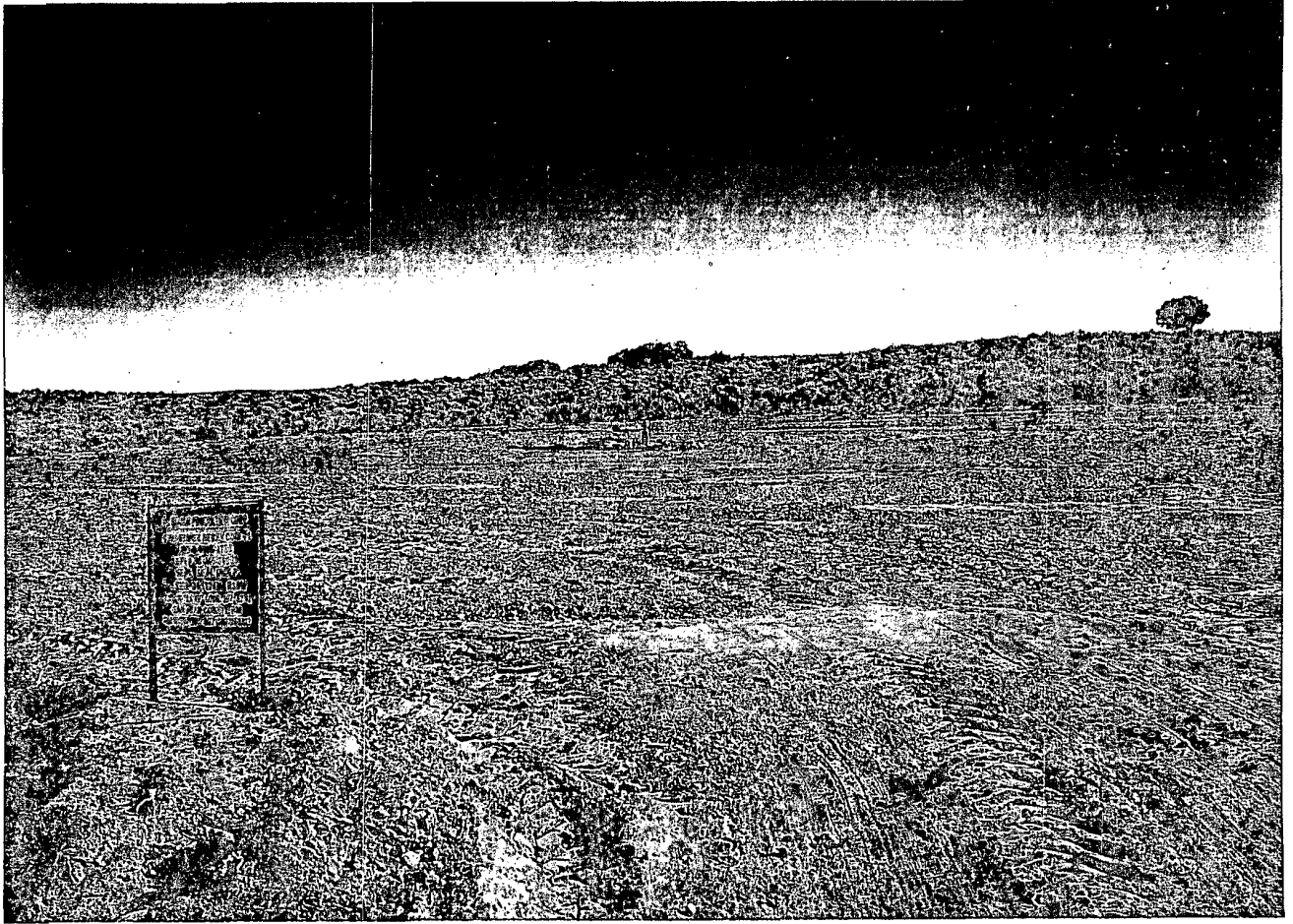
U. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320.0 Acres - (S/2)					¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.		

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 Center of Pit: 21-ft. S85°E 1000' 1200'	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. Kurt Fagrelus Signature 5/20/2009 Date Kurt Fagrelus Printed Name
	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. Date of Survey APRIL 4, 2009 Signature and Seal of Registered Professional Surveyor JASON C. EDWARDS 15269 REGISTERED PROFESSIONAL SURVEYOR NEW MEXICO JASON C. EDWARDS Certificate Number 15269

DUGAN PRODUCTION CORP.
MARTINEZ BEGAY COM #1
NO-G-0905-1759
API # 30-045-34983
SE/4, SE/4, UNIT P
SEC. 34, T24N, R10W
LAT. 36°15'59" LONG. 107°52'41"
SAN JUAN COUNTY, NM
FOR EMERGENCY CALL (505)325-1823







Submit To Appropriate District Office Two Copies District I 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210 District III 1000 Rio Brazos Rd., Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505		State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505			Form C-105 July 17, 2008		
		1. WELL API NO. 30-045-34983					
		2. Type of Lease <input type="checkbox"/> STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> FED/INDIAN					
		3. State Oil & Gas Lease No.					
WELL COMPLETION OR RECOMPLETION REPORT AND LOG							
4. Reason for filing: <input type="checkbox"/> COMPLETION REPORT (Fill in boxes #1 through #31 for State and Fee wells only) <input checked="" type="checkbox"/> C-144 CLOSURE ATTACHMENT (Fill in boxes #1 through #9, #15 Date Rig Released and #32 and/or #33; attach this and the plat to the C-144 closure report in accordance with 19.15.17.13.K NMAC)				5. Lease Name or Unit Agreement Name Martinez Begay Com			
				6. Well Number: #1			
7. Type of Completion: <input checked="" type="checkbox"/> NEW WELL <input type="checkbox"/> WORKOVER <input type="checkbox"/> DEEPENING <input type="checkbox"/> PLUGBACK <input type="checkbox"/> DIFFERENT RESERVOIR <input type="checkbox"/> OTHER							
8. Name of Operator Dugan Production Corp.							
10. Address of Operator P.O. Box 420, Farmington, NM 87499-0420				9. OGRID 0065145			
11. Pool name or Wildcat Basin Fruitland Coal				17. Elevations (DF and RKB, RT, GR, etc.)			
12. Location	Unit Ltr	Section	Township	Range	Lot	Feet from the	
Surface:	P	34	24N	10W			
BH:							
13. Date Spudded	14. Date T.D. Reached	15. Date Rig Released 7-31-2010		16. Date Completed (Ready to Produce)		17. Elevations (DF and RKB, RT, GR, etc.)	
18. Total Measured Depth of Well		19. Plug Back Measured Depth		20. Was Directional Survey Made?		21. Type Electric and Other Logs Run	
22. Producing Interval(s), of this completion - Top, Bottom, Name							
23. CASING RECORD (Report all strings set in well)							
CASING SIZE		WEIGHT LB./FT.		DEPTH SET		AMOUNT PULLED	
24. LINER RECORD							
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN			
25. TUBING RECORD							
SIZE	DEPTH SET		PACKER SET				
26. Perforation record (interval, size, and number)				27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.			
				DEPTH INTERVAL AMOUNT AND KIND MATERIAL USED			
28. PRODUCTION							
Date First Production		Production Method (Flowing, gas lift, pumping - Size and type pump)			Well Status (Prod. or Shut-in)		
Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - Bbl	Gas - MCF	Water - Bbl.	
Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API - (Corr.)	
29. Disposition of Gas (Sold, used for fuel, vented, etc.)						30. Test Witnessed By	
31. List Attachments							
32. If a temporary pit was used at the well, attach a plat with the location of the temporary pit.							
33. If an on-site burial was used at the well, report the exact location of the on-site burial:							
Latitude 36.26631 N Longitude 107.87816 W NAD 1927 (1983)							
I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief							
Signature <i>Kurt Fagrelus</i>			Printed Name <i>Kurt Fagrelus</i>		Title		
					Date		
E-mail Address kfagrelus@duganproduction.com			VP-Exploration		12-2-2010		