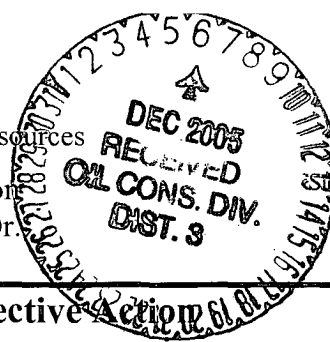


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505



Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

Release Notification and Corrective Action

30 045 20397

OPERATOR

Initial Report Final Report

Name of Company	Dugan Production Corp.	Contact	Paul Sikora
Address	P. O. Box 420, Farmington, NM 87499-0420	Telephone No.	(505)325-1821
Facility Name	Stella Needs A Com #1 Injection (@Fed I#4)	Facility Type	Injection Plant

Surface Owner	Federal	Mineral Owner	Federal	Lease No.	SF-078110
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
C	1	29N	14W	1100	North	1600	West	San Juan

Latitude 36.75978 Longitude 108.26358

NATURE OF RELEASE

Type of Release	produced water	Volume of Release	100 bbl	Volume Recovered	20 bbl
Source of Release	oil storage tank	Date and Hour of Occurrence	12-01-05 @ 6:00 a.m.	Date and Hour of Discovery	12-01-05 @ 8:00 a.m.
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?	Aztec Office NMOCD - Denny Foust @ 8:30 a.m.		
By Whom?	Paul Sikora	Date and Hour	12/1/05 @ 8:30 a.m.		
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	Estimated 50 bbl		
If a Watercourse was Impacted, Describe Fully.*	N/A				

Describe Cause of Problem and Remedial Action Taken.*
On 12-1-05 a report of produced water spill at the Stella Needs a Com #1 Injection Plant (located @ Federal I #4) was discovered. The spill was estimated at occurring at approximately 12-01-05 at 6:00 a.m. Spill was caused due to CO2 (in filter POD) causing rupture in aluminum. Further, remedial action taken includes clean up of affected areas, and replacement of defective filter housing. Remedial action also included building a berm for spill containment near injection building facility. Replaced aluminum filter POD w/stainless steel.

Describe Area Affected and Cleanup Action Taken.*
The affected area includes that of the areas surrounding the building on location where the water accumulated. A cleanup crew was immediately dispatched to remove any contaminated soil. A water truck was dispatched to recover any standing/pooled produced water and successfully recovered 20 bbls. Blagg Engineering was contacted to determine if soil samples will be collected and test results will be forwarded to OCD in a follow-up report.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature:	OIL CONSERVATION DIVISION	
Printed Name: Paul Sikora	Approved by District Supervisor:	
Title: Production Foreman	Approval Date: 12/27/05	Expiration Date:
E-mail Address: paulsikora@duganproduction.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: December 5, 2005 Phone: (505)325-1821		

* Attach Additional Sheets If Necessary

NDGF 0536132444