

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 22570

Name of Company Dugan Production Corp.		Contact Kurt Fagrelus	<input checked="" type="checkbox"/> Initial Report <input type="checkbox"/> Final Report
Address P.O. Box 420		Telephone No. 505-325-1821 (O), 320-8248 (C)	
Facility Name Mucho Deal #1		Facility Type Dakota Gas Well-Production Tank	
Surface Owner Federal	Mineral Owner BLM	Lease No. NM-26052	

LOCATION OF RELEASE

Unit Letter F	Section 14	Township 30N	Range 14W	Feet from the 1850	North/South Line North	Feet from the 1800	East/West Line West	County San Juan
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Latitude 36.8164 N Longitude 108.28059 W

RCVD FEB 1 '10
OIL CONS. DIV.
DIST. 3

NATURE OF RELEASE (Est. 32-bls Oil+108-bls-Wtr.)

Type of Release Spill of oil and water.	Volume of Release 140-bls	Volume Recovered 24-bls O & W
Source of Release Production Storage Tank	Date and Hour of Occurrence 1630	Date and Hour of Discovery 1-27-2010
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Answering machine at NMOCD & BLM 1st Brandon Powell NMOCD, Scott Hall BLM 1-28-2010	
By Whom? Rodger Mullins with Dugan Prod. Corp.	Date and Hour 1-27-2010 at 1700-hrs.	
Was a Watercourse Reached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If YES, Volume Impacting the Watercourse. Very small unknown volume reached a small arroyo.	

If a Watercourse was Impacted, Describe Fully.* A very small, unknown volume reached a small arroyo. A soft tired backhoe was used to construct a berm below the spill and across the small arroyo to prevent spill from extending further downstream into a larger arroyo. All visible oil was removed by hand shovel and wheelbarrow and disposed of in large steel, storage tank on wellpad.

Describe Cause of Problem and Remedial Action Taken.* Small corrosion hole in bottom of production tank allowed release of stored oil and water. Well was shut in, hole in tank was plugged, notified BLM and NMOCD, vacuum truck removed remaining oil from tank and inside of berm. Extent of spill beneath snow cover was traced and marked, clean-up operations began immediately.

Describe Area Affected and Cleanup Action Taken.* Note: at time of spill it was snowing and raining hard with 8-10" of snow cover on the ground. Tank contents overflowed tank fire-wall, across northeast corner of pad and off towards small arroyo below. Spill outside of fire-wall was cleaned up with a rubber tired backhoe, shovels and wheelbarrow and put in two large storage tanks.

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: Kurt Fagrelus		OIL CONSERVATION DIVISION	
Printed Name: Kurt Fagrelus		Approved by District Supervisor: [Signature] For: CP	
Title: VP-Exploration		Approval Date: 4/4/10	Expiration Date:
E-mail Address: kfagrelus@duganproduction.com		Conditions of Approval:	Attached <input type="checkbox"/>
Date: 1-29-2010 Phone: 505-325-1821			

* Attach Additional Sheets If Necessary

NRWD 1011038196