*District I - 1625 M. French Dr.: Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210 57 District III
1000 Rio Biazos Road, Azlec, NM 87410. District IV 200 357 22
District IV (00) GCT 22 1220 S. St. Francis Dr. Santa Fe, NM 87505

Alternative Method:

State of New Mexico

Energy Minerals and Natural Resources
Department
Oil Conservation Division
FIT 8 1920 South St. Francis Dr.
Santa Fe, NM 87505

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.

Proposed Alternative Method Permit or Closure Plan Application

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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.
Operator: Dugan Production Corp. OGRID #: 006515
Address: _ 709 East Murray Drive, Farmington, New Mexico 87401
Facility or well name: Baby Doe #3
API Number: 30-045-26336 OCD Permit Number:
U/L or Qtr/Qtr I Section 29 Township 27N Range 13W County: San Juan
Center of Proposed Design: Latitude 36.54411 North Longitude 108.23535 West NAD: X1927 1983
Surface Owner: [] Federal State Private Tribal Trust or Indian Allotment
2.
X Pit: Subsection F or G of 19.15.17.11 NMAC
Temporary: Drilling Workover (Taken out of commission 1-21-2008)
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A
Lined I Unlined Liner type: Thicknessmil LLDPE HDPE PVC Other
String-Reinforced
Liner Seams: Welded Factory Other Volume: 90 bbl Dimensions: L 12 ' x W 12 ' x D 4 '
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:
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

Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

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, institution or church) Four foot height, four strands of barbed wire evenly spaced between one and four feet Alternate. Please specify 4' = 3'Hog Wire + One Strand Barbed Wire	hospital.
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)	
s. 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	
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 consideration of approval. Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.	office for
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 accept material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the approoffice or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of a Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. Siting criteria does not apply to dry above-grade tanks associated with a closed-loop system.	priate district pproval.
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	☐ Yes ☐ 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	☐ Yes ☐ 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	Yes No
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	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 search; 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

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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: 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)
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 H ₂ S, 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. <u>Proposed Closure</u> : 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 E 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)
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 II 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

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Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13. Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if 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 ser 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	C
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 sou provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate disting considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Just demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.	rict office or may be
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
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
On-Site Closure Plan Checklist: (19.15.17.13 NMAC) Instructions: Each of the following items must be attached to the closure plans 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. Protocols and Procedures - based upon the appropriate requirements of Subsection F 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 cann 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 G of 19.15.17.13 NMAC	15.17.11 NMAC

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Operator Application Certification:	
Thereby certify that the information submitted with this application is true, as	ccurate and complete to the best of my knowledge and belief.
Come (Print): Fure Fagrelius	Title: Vice President, Exploration
Signature: Hurt Fzgram	Date: 09-09-2008
e-mail address: kfagrelius@duganproduction.com	Telephone: 505-325-1821 (O), 505-320-8248 (C)
26. OCD Approval: ☐ Permit Application (including closure plan) ☒ Closur	re Plan (only) OCD Conditions (see attachment)
	Approval Date: 10/28/08
Title: Tall Stoples 1	OCD Permit Number:
Closure Report (required within 60 days of closure completion): Subsect Instructions: Operators are required to obtain an approved closure plan pri The closure report is required to be submitted to the division within 60 days section of the form until an approved closure plan has been obtained and the Date soil analysis did not meet "pit rule" standards (19.15.17). Release will be handled under "spill rule" (19.15.30).	or to implementing any closure activities and submitting the closure report. of the completion of the closure activities. Please do not complete this
Closure Method: Waste Excavation and Removal On-Site Closure Method Alto If different from approved plan, please explain.	ernative Closure Method Waste Removal (Closed-loop systems only)
Closure Report Regarding Waste Removal Closure For Closed-loop Systemstructions: Please indentify the facility or facilities for where the liquids, two facilities were utilized. Disposal Facility Name: Disposal Facility Name: Were the closed-loop system operations and associated activities performed on Yes (If yes, please demonstrate compliance to the items below) No Required for impacted areas which will not be used for future service and ope Site Reclamation (Photo Documentation) Soil Backfilling and Cover Installation Re-vegetation Application Rates and Seeding Technique	Disposal Facility Permit Number: Disposal Facility Permit Number: Disposal Facility Permit Number: or in areas that will not be used for future service and operations?
Closure Report Attachment Checklist: Instructions: Each of the following 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 36.54411 N Location	re)
Operator Closure Certification: Thereby certify that the information and attachments submitted with this closure belief. I also certify that the closure complies with all applicable closure requi	
Name (Print): Kurt Fagrelius	Title: Vice President, Exploration
Signature: Kurt Fagrelius	Date: 10 - 11 - 10
e-mailaddress: kfagrelius @duganproduction.com	Telephone: 505-325-1821 (O), 505-320-8245 (C)

Kurt Fagrelius

From: Kurt Fagrelius

Sent: Monday, September 13, 2010 5:20 PM

'Powell, Brandon, EMNRD'; 'brad.a.jones@state.nm.us.'; 'bertha.spencer@bia.gov'; 'dave_mankiewicz@nm.blm.gov'

Subject: Baby Doe #3 Permanent Pit Closure Notice

Mr. Brandon Powell, Mr. Brad Jones, Ms. Bertha Spencer and Mr. Dave Mankiewicz,

We are giving notice that Dugan will be closing the permanent pit on Dugan Production Corp.'s "Baby Doe #3", API #30-045-26336 on Federal Lease NM-33044; on Tribal Trust Surface; Location Unit I of S29, T27N, R13W; on September 16, 2010.

This permanent pit will be closed according to the guidelines of the "Spill Rule" (19.15.30 NMAC). Sample testing results were not within acceptable limits of the pit rule and are as follows: Benzene - <0.050 mg/kg, BTEX - 0.150 mg/kg, TPH - 548 mg/kg and Chloride <16 mg/kg. NM State Form C-141 with analytical results will be included with the C-144 final closure report and submitted to the Santa Fe office of the NMOCD, and the cleanup of contamination will be addressed under guidelines of the spill rule with a final C-141 sent to the NMOCD district office.

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

Sincerely,

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

Dugan Production
Baby Doe # 3
Tank & Seperater Pit



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Reference Point:Well Head

60

From Reference Point Go N. 60 Degrees NW. For a Distance of 63' to Center of Pit.

Permanent pit: Baby Doe #3 API number: 30-045-26336

Results of sample analysis on the five-point composite sample collected on the subject permanent pit exceeded limits permissible under the "pit rule" (19.15.17.13.C) (see attached C-141 with analytic results).

The Environmental Bureau of the Oil Conservation Division (OCD) in Santa Fe is hereby provided a C-144 (closure report) and an "initial" C-141 (release notification) with analytic results of soil testing. The closure date on the C-144 (box 21) shows the date that the soil analysis did not meet pit rule standards. Also, this letter hereby provides notice that the subject permanent pit will be closed according to the requirements of the "spill rule" (19.15.30).

The OCD district office in Aztec is hereby provided a copy of the "initial report" C-141 (release notification) with analytic results of soil testing and also notice that the subject permanent pit will be closed according to the requirements of the "spill rule" (19.15.30). Assessment, clean-up and remediation of the reported spill will be done in accordance with the spill rule under the authority of the Aztec District office of the OCD. The "final report" C-141 with photo documentation of site reclamation will be sent to the Aztec District office of the OCD.

Following clean-up of the reported release and determination that the release is not a threat to groundwater contamination, the permanent pit will be closed in accordance with the approved C-144 (closure plan) and will include the following:

- 1. Stockpiled sub-surface soil will be used to backfill pit and re-contour (to a final or intermediate cover that blends with the surrounding topography). A minimum of fourfeet of compacted, non-waste containing, earthen material will be used as backfill.
- 2. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area 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. The soil cover will be constructed to the sites existing grade and prevent water collection or ponding and erosion of the cover material.
- 3. Disturbed areas will be seeded the first growing season after the pit is closed. Seeding will be accomplished by drilling on contour whenever possible or by other division approved methods. BLM stipulated seed mixes will be used on all Federal lands and OCD approved seed mixes (administratively approved if required) will be used on all State or private lands. Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two consecutive growing seasons. If alternate seed mix is required by the state, private owner or tribe, it will be implemented with administrative approval if needed. Seeding or planting will be continued until successful vegetative growth occurs.
- 4. The Aztec District office of the OCD will be notified after each re-seeding operation and after successful re-vegetation has been achieved.

Kurt Fagrelius VP – Exploration, Dugan Production Corp. Farmington, New Mexico 87401 505-325-1821 (O), 505-320-8248 (C) kfagrelius@duganproduction.com

Baby Doe #3 Permanent Pit Closure Report-Methods, Procedures and Protocols

1. Comply with deadlines for closure of a permanent pit established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.13 NMAC, or an earlier date if required by the NMOCD in the case of imminent danger to fresh water, public health or the environment.

Existing	Permit Applc. Submittal or	File Closure Plan	Stop Use By	Close By
On June 16, 2008	Modification Request	Ву		
Temporary Pit - Unlined	Not Permtd under 19.15.17	7/16/2008	Upon drlg rig release	9/16/2008
Temporary Fit - Offinied	140(1 cimia dilaci 15:10:11	1710/2000	10.0000	071072000
Permanent Pit - Unlined or Lined	Not permitted or Registered	7/16/2008	6-16-2008	12/16/2008
	with NMOCD			
Permanent Pit – Unlined	Permitted or Registered with	12-16-2008	6-16-2010	6-16-2011
	NMOCD			
BGT-Aprvd. Design	Not Permtd under 19.15.17	12/16/2008	fail integrity replc	
46,14	Applc. by 9-16-2008		w/apprvd design	1
			011010010	0.40.0040
BGT-Not Aprvd Design Nor Retrofit	Not Permtd under 19.15.17	12/16/2008	6/16/2013	6-16-2013
to Comply w/19.15.17	Mod. Rqust by 9-16-2008			
BGT-Not Aprvd Design Nor Retrofit	NA NA	12/16/2008	6/16/2013	6/16/2013
to comply w/19.15.17				
Barrage A D't Barrian and County	Mark Daniel I. 40 40 0000	40/40/0000	fail intermite and	60-days after
Permanent Pit-Design and Constr	Mod. Rqust by 12-16-2008	12/16/2008 submit w/mod	fail integrity replc	cessation
Does not comply w/19.15.17	Comply w/in 18-mos of aprvl	request	w/apprvd design	
permitted and lined				
				60-days after
Permanent Pit-Design and Constr	Permit Apple by 12-16-2008	12/16/2008		cessation
Does not comply w/19.15.17	Comply w/in 18-mos of aprvl	submit w/permit Applc		
Registered and Lined	Comply will 10-mes of april	Турго		
Registered and Lined				
		60-Days prior to		
Permanent Pit	Permitted under 19.15.17	close		
			Upon drlg rig	6-mos after
Temporary Pit	Permitted under 19.15.17	Prior to closure	release	rig release
			foiled integrity	60-days after
BGT	Permitted under 19.15.17	12/16/2013	failed integrity replc	cessation
		or prior to closure	w/apprvd design	

- 2. The Baby Doe #3 permanent pit is an approved design registered under rule 50, but was not permitted under rule 19.15.17. The permanent pit is not in use; it was taken out of commission on 1/21/2008 but has not been closed yet. This report serves as the closure plan and final closure report for the pit.

 Permanent pit was closed on 8-10-2010. Date soil analysis did not meet "pit rule" standards (19.15.17). Release will be handled under "spill rule" (19.15.30).
- 3. 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). *Notification is attached (sent 9-13-2010, via e-mail).*

4. Provide the Environmental Bureau in the NMOCD Santa Fe office a closure plan with this notice. Upon approval of this closure plan, provide the Environmental Bureau in the NMOCD Santa Fe office a proposed schedule for closure at least 60-days prior to closing the permanent pit.

10/29/2008 and 11/15/2008 e-mails to NMOCD Santa Fe office.

- 5. Proof of closure notice will be provided by certified mail to surface owner prior to closing the permanent pit. Proof of notice will be attached to final closure report.

 The closure notification was sent to the surface owner via e-mail (9-13-2010), prior to closing the permanent pit (see attached e-mail). Well is located on Tribal Trust surface, certified mail is not required per BLM/OCD MOU.
- 6. Remove all liquid from the permanent pit prior to closure and dispose of at the Dugan Production operated Sanchez O'Brien #1 SWD (permit SWD-694) 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.

Permanent pit did not have any fluids in it to be hauled.

7. All solids from the permanent pit will be excavated, hauled to and disposed of at either the Envirotech facility (permit #NM-01-0011) located in Section 6, Township 26 North, Range 10 West or the IEI facility (permit NM-01-0010B) located in Section 2, Township 29 North, Range 12 West.

Nothing was hauled from this permanent pit.

8. Remove pit liner system, if applicable and dispose of in a NMOCD approved facility (Waste Management's Crouch Mesa facility).

Permanent pit did not have a liner system.

- 9. On site equipment associated with the permanent pit will be removed unless it is needed for some other purpose.
- 10. Collect at a minimum, a five point, composite sample; also, collect individual grab samples from any area that is wet, discolored or showing other evidence of a release; and analyze for Benzene, BTEX, TPH, GRO/DRO and chlorides to demonstrate that Benzene, BTEX, TPH, GRO/DRO and chlorides do not exceed the standards as specified in 19.15.17.13.E or the background chloride concentration, whichever is greater.

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	<0.150
TPH	EPA SW-846 418.1	100	548
GRO/DRO	EPA SW-846 8015M	NS	<219
Chlorides	EPA 300.1	250 or Background	<16

11. The NMOCD will be notified of the testing results on form C-141.

C-141 with results of sample analysis is attached. Sample analyses exceeded limits permissible under 19.15.17.13. TPH tested 548-mg/kg, exceeding the limit of 100- mg/kg.

- 12. If it is determined that a release has occurred, rules 19.15.3.116 NMAC and 19.15.1.19 NMAC will be complied with as required.
 - A release of TPH did occur. Contamination will be addressed under the "spill rule" 19.15.30
- 13. If the sampling results demonstrate that a release has not occurred, or that any release does not exceed the concentrations specified above or background concentrations, the pit will be backfilled with compacted, non-waste containing, earthen material. *There was a release of TPH*.
- 14. Stockpiled sub-surface soil will be used to backfill pit and re-contour (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 permanent pit and re-contour. A minimum of four-feet of compacted, non-waste containing, earthen material was used as backfill.
- 15. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area 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 over the backfilled permanent pit and disturbed area no longer needed for production operations. The soil cover included background thickness of topsoil (which was greater than 1-foot thick) to establish vegetation at the site. The soil cover was constructed to the site's existing grade and

will prevent water collection or ponding and erosion of the cover material.

- 16. 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 reseeded. The seeding method will be to drill on contour whenever possible.

 Disturbed areas will be seeded the first growing season after the pit is closed.

 Seeding will be accomplished by drilling on contour whenever possible or by other division approved methods. BLM stipulated seed mixes will be used on all Federal lands and OCD approved seed mixes (administratively approved if required) will be used on all State or private lands. Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two consecutive growing seasons. If alternate seed mix is required by the state, private owner or tribe, it will be implemented with administrative approval if needed. Seeding or planting will be continued until successful vegetative growth occurs.
 - This provision will/has been accomplished through complying with BLM seeding requirements as allowed by the BLM/OCD MOU.
- 17. The NMOCD will be notified within 60-days of closure of the permanent pit. The closure report will be filed on form C-144 and will include the following:
 - a. Proof of Closure Notice (surface owner and division)
 - b. Confirmation Sampling Analytical Results (if applicable)
 - c. Disposal Facility Name and Permit Number
 - d. Soil Backfilling and Cover Installation

- e. Re-vegetation Application Rates and Seeding Technique
- f. Site Reclamation (Photo Documentation)
- 18. The NMOCD will be notified once successful re-vegetation has been achieved. The Aztec District office of the OCD will be notified after each re-seeding operation and after successful re-vegetation has been achieved.

<u>District I</u> 1625 N. French Dr., Hobbs, NM 88240 <u>District II</u> 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

* Attach Additional Sheets If Necessary

State of New Mexico **Energy Minerals and Natural Resources**

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

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

Form C-141

side of form

Revised October 10, 2003

Release Notification and Corrective Action

OPERATOR

						OPERA	TOR	X Initia	al Report		Final Repor
Name of Co	ompany	Dugan P	roduc	tion Corp	. [Contact	Kurt B	Fagrelius			
Address		P.O. Bo	x 420			Telephone 1	No. 505-3:	25-1821			
Facility Na	me I	Baby Do	e #3_			Facility Typ	e Perman	nent Pit			
Surface Ow	ner '	Tribal	Trust	Mineral C)wner	Federa	1	Lease N	lo. NM-	33044	l
				LOCA	ATION	OF RE	LEASE				
Unit Letter	Section	Township	Range	Feet from the	North/	South Line	Feet from the	East/West Line	County		
I	29	27N	13W	1850	So	uth	790	East	San	Juan	ī
			Lat	titude_36.54	411	N Longitud	le_108.235	35 W			
					URE	OF REL					
Type of Rele		orting P					Release Unkn		ecovered		
			perman	ent pit re	Lease		lour of Occurrence	e ? Date and	Hour of Dis	covery U	Jnknown
Was Immedi	ate Notice C		Yes	No 🛚 Not Re	equired	If YES, To	wnom? N/	A			
By Whom?						Date and H	lour				
Was a Water	course Read		Yes X	l No		If YES, Vo	dume Impacting t	he Watercourse.			
If a Waterger	urga uyaa Im	pacted, Descr									
II a waterco	mse was im	pacieu, Deser	ioc runy.								
N/A	A.										
											
1		em and Reme									-1-
								ive-point cost the thresh			
1				B)(1)(b). S					ora iriii.	ics as	s ber
		and Cleanup /									
Contam	ination	will be	addres	ssed under	the "	spill ru	le" 19.15.	30.			
								nderstand that purs			
								tive actions for rele			
								eport" does not reli eat to ground water			
								responsibility for co			
federal, state.	or local lay	ws and/or regu	ılations.								
	//	/ /					OIL CON	SERVATION	DIVISIC	<u>N</u>	
Signature:	Kurt	tagra	du								
Printed Name	: Kurt	Fagrelius	5		1	Approved by	District Supervis	or:			
Title:		ploration	1			Approval Dat	e:	Expiration I	Date:		
	ag kfog	reliveado	annra	duction.com							
						Conditions of	Approvai:		Attached		
Date: Sept	ember 7	, 2010	Phone:	50 5 -325-182	1						



August 10, 2010

MIKE SANDOVAL

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 08/06/10 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 Hydorcarbons

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

Cardinal Laboratories is accreditated 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

Celey D. Keine





Analytical Results For:

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

Received:

08/06/2010

Reported:

08/10/2010

Project Name: Project Number: PIT CLOSURES BABY DOE #3

Project Location:

NOT GIVEN

Sampling Date:

08/04/2010

Sampling Type:

Soil

Sampling Condition: Sample Received By: Cool & Intact Jodi Henson

Sample ID: BABY DOE #3 (H020573-01)

BTEX SAZAR	mg/	leg	Analyza	d By: ZL					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	08/10/2010	ND	1.11	111	1.00	0.713	
Toluene*	<0.050	0.050	08/10/2010	ND	1.12	112	1.00	1.65	
Ethylbenzene*	<0.050	0.050	08/10/2010	ND	1.13	113	1.00	1.59	
Total Xylenes*	<0.150	0.150	08/10/2010	ND	3.35	112	3.00	1.34	
Surrogate: 4-Bromofluorobenzene (PIL	103 9	6 80-120	entir, vinderile rursegren attroprospregerado elganção	erkendegen er geglenne er dikklikter myglifgen er som fendigespligging v. – Territe e	aliant de la companya		representative de l'arres de l'arres e que diference que es présent présent en de consequence de l'arres de l'	hyperthise to the second	
Chloride, S164500CI-B	mg/	leg	Analyze	d By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	<16.0	16.0	08/09/2010	ND	416	104	400	3.77	
Analyte Benzene* Foluene* Ethylbenzene* Fotal Xylenes* Surrogate: 4-Bromofluorobenzene (Final Analyte Chloride TPH 418.1 Analyte TPH 418.1 PPH 8015M Analyte GRO C6-C10 DRO >C10-C28	mg/	leg	Analyze	d By: AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	548	100	08/06/2010	ND	970	95.1	1020	2.38	
TPH 8015M	ing/leg		Analysm	d Bys.AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	08/08/2010	ND	161	80.7	200	0.682	
DRO >C10-C28	209	10.0	08/08/2010	ND	179	89.3	200	2.55	
Surrogate: 1-Chlorooctane	80.3 5	% 70-130	- Constitution of the cons	Ŷ.			nado nado name, migra specia prilión en escribido pigare entre em españo se		
	97.7 9								

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTTE: Liability and Demages. Cardinal's liability and offents excusive rement to any dainr arising, whether bases it contract or tort shall be limited to the amount paid any other cause whatsoeve shall be deemed wielved unless made a writing, and received by Cardina within thirty (30) days after completion of the applicable service. In it every shall Cardina be above for incinents or consequents damages including, without imhibition pushess interruptions loss of take or loss of profits incorrect by client, its autosidance affiliates or successors affairs, out of or related to the performance of the services increased a regardness of whether successions affairs or successors affairs out of or related to the performance of the services increased and the services increased and

Celay D. Keine

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,

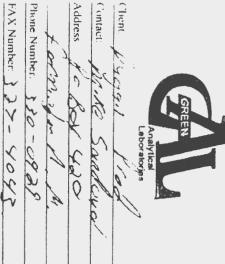
Chloride by SM4500CI-B does not require samples be received at or below 6°C Samples reported on an as received basis (wet) unless otherwise noted on report

Cardinal Laboratories *=Accredited Analyte

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Celey D. Keine

Colour D. Manney Lab Diverton/Ourslib Manney



Mease tax usults then mail paper

CHAIN OF CUSTODY RECORD

<u>:</u>_

1) Ensure proper container packaging.

2) Ship samples promptly following collection.

3) Designate Sample Reject Disposition.

3 = Soil/Sediment, 4 = Rinsate, 5 = OilI = Surface Water, 2 = Ground Water Table 1. - Matrix Type

Samplers Signature

6 =Waste, 7 =Other (Specify) CINO SO INDIBER GAL JOB #

Sample ID Date Time Collected by: (Init) Matrix Type From Table I No of Containers Sample Filtered ? Y/N Unpreserved (Ice Only) HNO3 HCL H2SO4 NAOH Other (Specify) TO H 45 O S Grand Comments Comments Comments	Relinquished by	Relinquished by	9.	200	3 1	A	۽ يي	Sap	San H7CS		Address	
Date: Da	by:	PA KA						Mac X	tple ID	nanjana ratata	75 Suttle S	
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Date: Da								16:37	Time	ion	o. CO 813	the same of the sa
Sample Filtered ? Y/N Unpreserved (Ice Only) HNO3 HCL H2SO4 NAOH Other (Specify) TOH 416.1 TOH 416.1 TOH 4015 GTEA									Collected by: (Init.)		33	
Sample Filtered ? Y/N Unpreserved (Ice Only) HNO3 HCL H2SO4 NAOH Other (Specify) TOH 416.1 TOH 416.1 TOH 4015 GTEA	Date	Date							Matrix Type From Table 1	Miscella		The second second
Sample Filtered ? Y/N Unpreserved (Ice Only) HNO3 HCL H2SO4 NAOH Other (Specify) TOH 416.1 TOH 416.1 TOH 4015 GTEA		M					ĺ		No. of Containers	neou		
HNO3 HCL H2SO4 NAOH Other (Specify) TOH 414.1 TOH 415.1 TOH 45015 GTEX CA-		9,							Sample Filtered ? Y/N	S		
HNO3 HCL H2SO4 NAOH Other (Specify) TOH 414.1 TOH 415.1 TOH 45015 GTEX CA-	Time	Time							Unpreserved (Ice Only)			
Other (Specify) TOH 418,1 TPH 8015 GTEH CL	"	K							HNO3	Pre		
Other (Specify) TOH 418,1 TPH 8015 GTEH CL		35							HCL	Serva		
Other (Specify) TOH 418,1 TPH 8015 GTEH CL	G	Pecci							H2SO4	ative		
TON 418.1 TON 418.1 TON 4015 GTEX CAT	Se Se	1	2						NAOH	(\$)		
TPH 418.1 TPH 8015 BTEX CL	1	1							Other (Specify)			
TPH 418.1 TPH 8015 BTEX CL	N/	Tu						1	Tunk p.	بخر	<_	
01/0 01/0 01/0 01/0 01/0 01/0 01/0 01/0	3								TPH 418.1			
01/0 01/0 01/0 01/0 01/0 01/0 01/0 01/0	100	L	2						TPH 8015	2		
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* Sample Reject | | Return | | Dispose | | | Store (30 Days)

5°C (41)

Page 4 of 4