

District I  
25 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  
220 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.

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: Sly Slav #1 (Producing Tank)  
API Number: 30-045-25354 OCD Permit Number: \_\_\_\_\_  
U/L or Qtr/Qtr 0 Section 13 Township 30N Range 15W County: San Juan  
Center of Proposed Design: Latitude 36.8092 North Longitude 108.36433 West 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 (Taken out of commission 4-9-2008)  
Temporary:  Drilling  Workover  
 Permanent  Emergency  Cavitation  P&A  
 Lined  Unlined Liner type: Thickness \_\_\_\_\_ mil  LLDPE  HDPE  PVC  Other \_\_\_\_\_  
 String-Reinforced  
Liner Seams:  Welded  Factory  Other \_\_\_\_\_ Volume: 80 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:  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.

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' = 3' Hog Wire + One Strand Barbed Wire

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 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 type="checkbox"/> No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to temporary, emergency, or cavitation pits and below-grade tanks) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to permanent pits) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input 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 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 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 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 type="checkbox"/> No
Within a 100-year floodplain. - FEMA map	<input type="checkbox"/> Yes <input 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: \_\_\_\_\_ 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 H<sub>2</sub>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. **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 indentify 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input 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 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 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 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 type="checkbox"/> No
Within a 100-year floodplain. - FEMA map	<input type="checkbox"/> Yes <input type="checkbox"/> 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: 09-09-2008  
 e-mail address: kfagrelus@duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (C)

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

OCD Representative Signature: [Signature] Approval Date: 10/28/08  
 Title: [Signature] OCD Permit Number: \_\_\_\_\_

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: 12/12/2010

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 indentify 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 36.8092 N Longitude 108.36433 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: 12/13/2010  
 e-mail address: kfagrelus@duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (C)

**Sly Slav #1 (Production Tank) 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 Modification Request	File Closure Plan By	Stop Use By	Close By
On June 16, 2008				
Temporary Pit - Unlined	Not Permtd under 19.15.17	7/16/2008	Upon drlg rig release	9/16/2008
Permanent Pit - Unlined or Lined	Not permitted or Registered with NMOCD	7/16/2008	6-16-2008	12/16/2008
Permanent Pit – Unlined	Permitted or Registered with NMOCD	12-16-2008	6-16-2010	6-16-2011
BGT-Aprvd. Design	Not Permtd under 19.15.17 Applc. by 9-16-2008	12/16/2008	fail integrity replc w/apprvd design	
BGT-Not Aprvd Design Nor Retrofit to Comply w/19.15.17	Not Permtd under 19.15.17 Mod. Rqust by 9-16-2008	12/16/2008	6/16/2013	6-16-2013
BGT-Not Aprvd Design Nor Retrofit to comply w/19.15.17	NA	12/16/2008	6/16/2013	6/16/2013
Permanent Pit-Design and Constr	Mod. Rqust by 12-16-2008	12/16/2008	fail integrity replc	60-days after cessation
Does not comply w/19.15.17 permitted and lined	Comply w/in 18-mos of aprvl	submit w/mod request	w/apprvd design	
Permanent Pit-Design and Constr	Permit Applc by 12-16-2008	12/16/2008		60-days after cessation
Does not comply w/19.15.17 Registered and Lined	Comply w/in 18-mos of aprvl	submit w/permit Applc		
Permanent Pit	Permitted under 19.15.17	60-Days prior to close		
Temporary Pit	Permitted under 19.15.17	Prior to closure	Upon drlg rig release	6-mos after rig release
BGT	Permitted under 19.15.17	12/16/2013 or prior to closure	failed integrity replc w/apprvd design	60-days after cessation

2. The Sly Slav #1 (production tank) 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 4/9/2008 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 12/2/2010.***

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 11/24/2010, 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 certified mail (8/8/2010), prior to closing the permanent pit (See attached return receipt). Well is located on private surface.*
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. Initial samples tested "good".*
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	<100
GRO/DRO	EPA SW-846 8015M	NS	<20.0
Chlorides	EPA 300.1	250 or Background	64

11. The NMOCD will be notified of the testing results on form C-141.  
*C-141 with results of sample analysis is attached. Samples tested within permissible levels of 19.15.17.13.*

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.

***No release occurred.***

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.

***No release occurred.***

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 re-seeded. 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.***

## Kurt Fagrelius

---

**From:** Kurt Fagrelius  
**Sent:** Wednesday, November 24, 2010 9:07 AM  
**To:** Powell, Brandon, EMNRD; Evan Rowland (erowland@slo.state.nm.us); dave\_mankiewicz@nm.blm.gov; Mark\_Kelly@nm.blm.gov; lucas\_vargo@blm.gov; Kurt Fagrelius  
**Cc:** Mike Sandoval; Johnny Lane  
**Subject:** 72-Hour Notice to Close Permanent Pits  
**Attachments:** 72-Hour Notice to Close 11-30 to 12-2-2010.xls

Mr. Brandon Powell, 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 permanent pits on the following well pads:

- 1) Anderson A #1
- 2) Hill #1
- 3) April Surprise #8 (Prod Tank)
- 4) Sly Slav #1 (Prod Tank)
- 5) Sly Slav #1 (Sep Tank)
- 6) Frank W. Pyle # 2

Site specific and soil analysis information for each permanent pit is included in the enclosed attachment.

Those highlighted in blue (#'s 1, 2 and 4 - 6) are located on Private Surface; and that highlighted in red (# 3) is located on Federal surface.

Permanent pits will be closed starting Tuesday November 30, 2010 thru Thursday December 2, 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

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

Lease Name	Anderson A #1	Hill #1	April Surprise #8	Sly Slav #1 Prod Tnk
API Number	30-039-05324	30-039-22962	30-045-29419	30-045-25354
Surface Owner - Notice Sent	Private	Private	Federal	Private
Location - UL, Sec., Twp, Rge	B-25-24N-2W	A-16-25N-2W	P-30-24N-9W	0-13-30N-15W
Latitude	36.25489 N	36.40289 N	36.27977	36.8092 N
Longitude	107.89304 W	107.04875 W	107.8221 W	108.36433 W
C-144 Ranking Score	N.A. - Close under pit rule standards			
Benzene (mg/kg)	<0.050	<0.050	<0.050	<0.050
Betex (mg/kg)	<0.150	0.424	<0.150	<0.150
TPH (mg/kg) - Analy Mthd	<100 - 418.1	<100 - 418.1	<100 - 418.1	<100 - 418.1
Chlorides (mg/kg)	32	96	16	64
Total Yards Contaminated	N.A.	N.A.	24-yds	N.A.
Soil Hauled to Landfarm				

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

Sly Slav #1 Sep Tnk	Frank W. Pyle #2
30-045-25354	30-045-08965
Private	Private
0-13-30N-15W	N-34-30N-15W
36.8092 N	36.76551 N
108.36433 W	108.40605 W
20	10
<0.050	<0.050
<0.150	0.188
<100 - 418.1	<100 - 418.1
736	912
N.A.	N.A.

## Kurt Fagrelius

---

**From:** postmaster@duganproduction.com  
**Sent:** Wednesday, November 24, 2010 9:07 AM  
**To:** Kurt Fagrelius  
**Subject:** Delivery Status Notification (Relay)

**Attachments:** ATT22691.txt; 72-Hour Notice to Close Permanent Pits



ATT22691.txt (407 B) 72-Hour Notice to  
Close Perman...

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

## Kurt Fagrelius

---

**From:** postmaster@duganproduction.com  
**Sent:** Wednesday, November 24, 2010 9:07 AM  
**To:** Kurt Fagrelius  
**Subject:** Delivery Status Notification (Relay)

**Attachments:** ATT22700.txt; 72-Hour Notice to Close Permanent Pits



ATT22700.txt (422 B) 72-Hour Notice to  
Close Perman...

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.

erowland@slo.state.nm.us

## Kurt Fagrelius

---

**From:** Mark\_Kelly@blm.gov  
**Sent:** Tuesday, November 30, 2010 6:49 AM  
**To:** Kurt Fagrelius  
**Subject:** 72-Hour Notice to Close Permanent Pits

### Return Receipt

Your 72-Hour Notice to Close Permanent Pits  
document:

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

at: 11/30/2010 06:49:05 AM

## Kurt Fagrelius

---

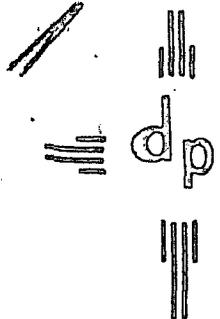
**From:** Lucas\_Vargo@blm.gov  
**Sent:** Wednesday, November 24, 2010 10:01 AM  
**To:** Kurt Fagrelius  
**Subject:** 72-Hour Notice to Close Permanent Pits

### Return Receipt

Your 72-Hour Notice to Close Permanent Pits  
document:

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

at: 11/24/2010 10:01:00 AM



# dugan production corp.

August 8, 2010

Clement and Elsie Koogler Trust  
10501 La Grima de Oro, NE  
Apt. 270  
Albuquerque, NM 87111

Re: Notice of Pit Burial  
Sly Slav #1  
SW/4SE/4 Section 13, T30N, R15W  
San Juan County, New Mexico

Dear Mr. & Mrs. Koogler:

This letter is to notify you, in accordance with Section 19.15.17.13.F.1.f of the NMAC (Pit Rules), that Dugan Production Corp. is going to reclaim the production pit on the above-captioned well in the very near future.

Enclosed is copy of the Recordation Notice of Pit Burial as required by the above recitation for the New Mexico Pit Rules that will be recorded in the San Juan County, New Mexico County Clerks office.

If you have further questions, please contact me at your convenience.

Respectfully yours,

  
Skip Fraker  
Land Manager  
skipfraker@duganprod

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<input type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. <input type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.	A. Signature: X Bev Moore <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	C. Date of Delivery: 09-71
1. Article Addressed to: Clement + Elsie Koogler Trust 10501 La Grima de Oro, NE Apt 270 Albuquerque, NM 87111	B. Received by (Printed Name) Bev Moore	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No
2. Article Number (Transfer from service label)	3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

7005 2570 0001 3772 6684

709 E. MURRAY DR. • P. O. BOX 42

STATE OF NEW MEXICO }  
COUNTY OF SAN JUAN }

201011888 09/17/2010 11:14 AM  
1 of 1 B1515 P403 R \$9.00  
San Juan County, NM DEBBIE HOLMES



**RECORDATION NOTICE OF PIT BURIAL**

In accordance with Section 19.15.17.13.F.1.f of the NMAC, operator hereby provides notice in the public record of an on-site burial of a permanent pit at the following location:

Well Name: Sly Slav #1  
Pit Type: Production  
Latitude (DDD°MM.MMM'): 36.8092 N.  
Longitude (DDD°MM.MMM'): 108.36433 W. (NAD 1927)  
Unit Letter (1/4, 1/4): O (SW/4 SE/4)  
Section: 13  
Township: T30N  
Range: R15W  
County: San Juan  
State: New Mexico

IN WITNESS WHEREOF, this Recordation Notice of Pit Burial has been executed on the date indicated below by the undersigned.

**DUGAN PRODUCTION CORPORATION**

Kurt Fagrelius  
Kurt Fagrelius  
Vice-President, Exploration

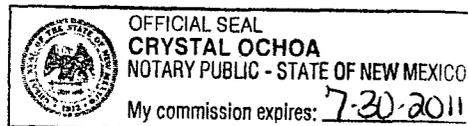
9/18/2010  
Date

STATE OF NEW MEXICO }  
COUNTY OF SAN JUAN }

This instrument was acknowledged before me this 8<sup>th</sup> of September, 2010 by Kurt Fagrelius, Vice - President, Exploration, on behalf of said corporation.

My Commission Expires: July 30, 2011

Crystal Ochoa  
Notary Public



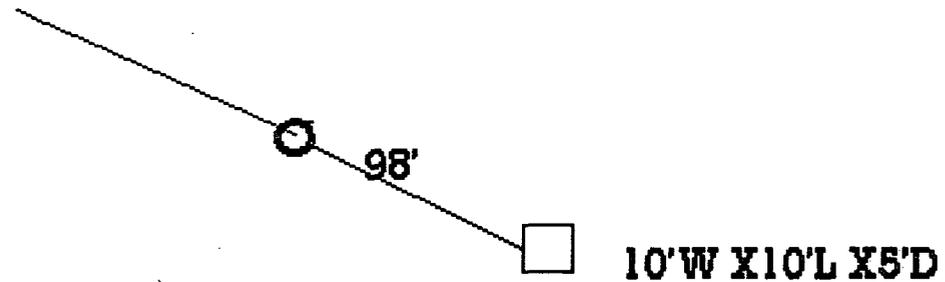
Dugan Production

Sly Slav #1

Tank Pit



Reference Point: Well head



From Reference Point Go S 30 Degrees SE. For  
a Distance of 98' to Center of pit.

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**

**OPERATOR**

Initial Report  Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	Box 420, Farmington, NM 87401	Telephone No.	505-325-1821
Facility Name	Sly Slav #1 (Prod. Tank)	Facility Type	Permanent Pit
Surface Owner	Private	Mineral Owner	Private
		Lease No.	Fee

**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
O	13	30N	15W	790'	South	1700'	West	San Juan

Latitude 36.8092 N Longitude 108.36433 W

**NATURE OF RELEASE**

Type of Release	Reporting Pit Sampling	Volume of Release	Volume Recovered	N/A
Source of Release		Date and Hour of Occurrence	Date and Hour of Discovery	N/A
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	N/A	
By Whom?		Date and Hour		
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.		
If a Watercourse was Impacted, Describe Fully.*				
N/A				
Describe Cause of Problem and Remedial Action Taken.*				
N/A				
Describe Area Affected and Cleanup Action Taken.*				
N/A				
There was no release. Samples tested within acceptable limits of 19.15.17.13. Results of analyses are attached.				

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: <i>Kurt Fagrelus</i>	<b>OIL CONSERVATION DIVISION</b>		
Printed Name: Kurt Fagrelus	Approved by District Supervisor:		
Title: VP-Exploration	Approval Date:	Expiration Date:	
E-mail Address: kfagrelus@duganproduction.com	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 8-30-2010	Phone: 505-325-1821		

\* Attach Additional Sheets If Necessary



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

Received:	08/06/2010	Sampling Date:	08/04/2010
Reported:	08/10/2010	Sampling Type:	Soil
Project Name:	PIT CLOSURES	Sampling Condition:	Cool & Intact
Project Number:	SLY SLAV #1	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

**Sample ID: SLY SLAV #1 (H020570-01)**

BTEX 8021B		mg/kg		Analyzed By: ZL						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Benzene*	<0.050	0.050	08/07/2010	ND	1.11	111	1.00	0.713		
Toluene*	<0.050	0.050	08/07/2010	ND	1.12	112	1.00	1.65		
Ethylbenzene*	<0.050	0.050	08/07/2010	ND	1.13	113	1.00	1.59		
Total Xylenes*	<0.150	0.150	08/07/2010	ND	3.35	112	3.00	1.34		

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	64.0	16.0	08/09/2010	ND	416	104	400	3.77		

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	<100	100	08/06/2010	ND	971	95.2	1020	2.18		

TPH 8015M		mg/kg		Analyzed By: AB							QM-05
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	157	78.7	200	0.202			
DRO >C10-C28	<10.0	10.0	08/08/2010	ND	152	76.2	200	0.648			

Surrogate: 1-Chlorooctane 84.9 % 70-130

Surrogate: 1-Chlorooctadecane 100 % 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

- QM-05      The spike recovery was outside acceptance limits for the MS and/or MSD due to matrix interference. The LCS and/or LCSD were within acceptance limits showing that the laboratory is in control and the data is acceptable.
- 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

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**

**OPERATOR**

Initial Report  Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	Box 420, Farmington, NM 87401	Telephone No.	505-325-1821
Facility Name	Sly Slav #1 (Prod. Tank)	Facility Type	Permanent Pit

Surface Owner	Private	Mineral Owner	Private	Lease No.	Fee
---------------	---------	---------------	---------	-----------	-----

**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
O	13	30N	15W	790'	South	1700'	West	San Juan

Latitude 36.8092 N Longitude 108.36433 W

**NATURE OF RELEASE**

Type of Release	Reporting Pit Sampling	Volume of Release	Volume Recovered	N/A
Source of Release		Date and Hour of Occurrence	Date and Hour of Discovery	N/A
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	N/A	
By Whom?		Date and Hour		
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.		

If a Watercourse was Impacted, Describe Fully.\*  
N/A

Describe Cause of Problem and Remedial Action Taken.\*  
N/A

Describe Area Affected and Cleanup Action Taken.\* N/A  
There was no release. Samples tested within acceptable limits of 19.15.17.13.  
Results of analyses are attached.

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: <i>Kurt Fagrelus</i>	<b>OIL CONSERVATION DIVISION</b>		
Printed Name: Kurt Fagrelus	Approved by District Supervisor:		
Title: VP-Exploration	Approval Date:	Expiration Date:	
E-mail Address: kfagrelus@duganproduction.com	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 8-30-2010	Phone: 505-325-1821		

\* Attach Additional Sheets If Necessary

Slly Slly #1 Proc



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

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

Received:	08/06/2010	Sampling Date:	08/04/2010
Reported:	08/10/2010	Sampling Type:	Soil
Project Name:	PIT CLOSURES	Sampling Condition:	Cool & Intact
Project Number:	SLY SLAV #1	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

**Sample ID: SLY SLAV #1 (H020570-01)**

BTEX 8021B		mg/kg		Analyzed By: ZL						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Benzene*	0.050	0.050	08/07/2010	ND	1.11	111	1.00	0.713		
Toluene*	<0.050	0.050	08/07/2010	ND	1.12	112	1.00	1.65		
Ethylbenzene*	<0.050	0.050	08/07/2010	ND	1.13	113	1.00	1.59		
Total Xylenes*	0.150	0.150	08/07/2010	ND	3.35	112	3.00	1.34		

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	64.0	16.0	08/09/2010	ND	416	104	400	3.77		

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	<100	100	08/06/2010	ND	971	95.2	1020	2.18		

TPH 8015M		mg/kg		Analyzed By: AB							QM-05
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier		
GRO C6-C10	11.0	10.0	08/08/2010	ND	157	78.7	200	0.202			
DRO >C10-C28	<10.0	10.0	08/08/2010	ND	152	76.2	200	0.648			

Surrogate: 1-Chlorooctane 84.9 % 70-130

Surrogate: 1-Chlorooctadecane 100 % 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.

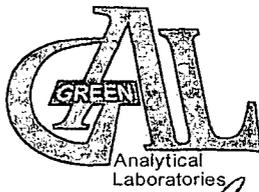


Celey D. Keene, Lab Director/Quality Manager

### Notes and Definitions

- QM-05 The spike recovery was outside acceptance limits for the MS and/or MSD due to matrix interference. The LCS and/or LCSD were within acceptance limits showing that the laboratory is in control and the data is acceptable.
- 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





# CHAIN OF CUSTODY RECORD

Client: Duress Prof.  
 Contact: Mike Sandford  
 Address: 420. La Bex  
Permythor N.M.  
 Phone Number: 330.0929  
 FAX Number: 327.4043

**NOTES:**

- 1) Ensure proper container packaging.
  - 2) Ship samples promptly following collection.
  - 3) Designate Sample Reject Disposition.
- PO# Sly Slav #1  
 Project Name: \_\_\_\_\_

Table 1. - Matrix Type	
1 = Surface Water, 2 = Ground Water	FOR GAL USE ONLY GAL JOB # _____
3 = Soil/Sediment, 4 = Rinsate, 5 = Oil	
6 = Waste, 7 = Other (Specify)	

Samplers Signature: [Signature]

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227		Analyses Required										Comments		
Address: 75 Suttle Street, Durango, CO 81303														
Sample ID	Collection		Miscellaneous				Preservative(s)							
	Date	Time	Collected by: (Init.)	Matrix Type From Table 1	No. of Containers	Sample Filtered ? Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)		
H20570- 1. <u>Sly Slav #1</u>	<u>8-4-10</u>	<u>12:58</u>											<u>Tank pit</u> <u>TPH 418.1</u> <u>TPH 8015</u> <u>BTEX</u> <u>cl</u>	
2.														
3.														
4.														
5.														
6.														
7.														
8.														
9.														
10.														
Relinquished by: <u>[Signature]</u>			Date: <u>8-4-10</u>	Time: <u>4:53</u>	Received by: <u>Christa Clau</u>			Date: <u>8/4/10</u>	Time: <u>16:55</u>					
Relinquished by: _____			Date: _____	Time: _____	Received by: <u>Geri Jensen</u>			Date: <u>8/6/10</u>	Time: <u>10:00</u>					

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

50c CHI #26

DUGAN PRODUCTION CORP.

SLY SLAV #1

NM-10875 API#30-045-25354

SW/4 SE/4 UNIT 0

SEC.13 T30N R15W

LAT 36° 48' 33" LONG 108° 21' 51"

SAN JUAN COUNTY NM

For Emergency Call (505) 325-1823

Sly Slav #1  
Production Tank  
Close 12-2-10

