

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

State of New Mexico
Energy Minerals and Natural Resources

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

Form C-141
Revised October 10, 2003

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

Release Notification and Corrective Action

30-045-24439

OPERATOR

☐ Initial Report ☒ Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	Jeffers Federal #2-23	Facility Type	Permanent Pit
Surface Owner	Federal	Mineral Owner	Federal
		Lease No.	NM-29560

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
K	2	23N	8W	1750	South	1650	West	San Juan

Latitude 36.25378 N Longitude 107.65376 W

NATURE OF RELEASE

Type of Release	Spill Clean-Up and Pit Closure	Volume of Release ?	Volume Recovered	N.A.
Source of Release	Below grade permanent pit 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.*

During permanent pit closure a chloride and TPH impact were discovered. A five-point composite sample tested 7360-mg/kg chloride and 2740-mg/kg TPH (418.1 mthd) which exceed the threshold limits of 19.15.17.13.C. See attached "preliminary" sample results.

Describe Area Affected and Cleanup Action Taken.* Contamination was addressed under the "spill rule" 19.15.30. Following preliminary sample analysis data, 40-yds of contaminated soil was hauled from site of release to Envirotech Landfarm. Pit was then re-sampled and "confirmation" sample analysis data tested 656-mg/kg chloride and 2180-mg/kg TPH (8015 mthd) Bedrock was encountered, digging reached maximum practical depth Sidewall samples tested 2760-mg/kg Chloride and <10-mg/kg TPH (8015 mthd) The chloride and TPH release do not pose a threat to groundwater contamination
See attachment to "Final" C-141 and invoice #227656 C-144 ranking=10

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>		OIL CONSERVATION DIVISION	
Printed Name: Kurt Fagrelus		Approved by District Supervisor: <i>Bd Roll</i>	
Title: VP Exploration		Approval Date: 6/10/11	Expiration Date:
E-mail Address: kfagrelus@duganproduction.com		Conditions of Approval:	Attached <input type="checkbox"/>
Date: 6/6/2011	Phone: 505-325-1821	NJK1122353808	

* Attach Additional Sheets If Necessary

33



1. (1) $H^2(\mathbb{C}P^2, \mathbb{Z}) \cong \mathbb{Z}$, $H^2(M, \mathbb{Z}) \cong \mathbb{Z}$, $H^2(\mathbb{C}P^2, \mathbb{R}) \cong \mathbb{R}$, $H^2(M, \mathbb{R}) \cong \mathbb{R}$.

[illegible]

Sampling Date: 11/03/09 & 11/04/09
Sample Type: Soil
Sample Condition: COOL & INTACT @ 6"
Sample Received By: JH
Analyzed By: AB/HIM

LAB NUMBER	SAMPLE ID	418.1 TOTAL IPH (mg/kg)	CP (mg/kg)
------------	-----------	----------------------------------	---------------

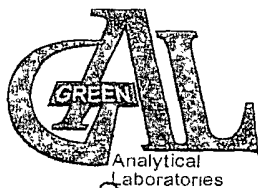
ANALYSIS DATE	11/09/09	11/09/09
H18672-1 ANABEL #1	<100	112
H18672-2 MESA #2	<100	144
H18672-3 PHANTON RANCH #1	910	896
H18672-4 JEFFERS FED 2 23	2 740	7 360
H18672-5 SLICKHORN CULCH #2	<100	< 16
Quality Control	318	500
True Value QC	300	500
% Recovery	106	100
Relative Percent Difference	3.0	<0.1

*Analyses performed on 1:4 w/v aqueous extracts. Reported on wet weight. Not accredited for Chloride and TPH 418-1.

Chemist

Fig. 1.

1. The first part of the document is a letter from the President of the United States to the President of the Senate, dated January 1, 1901. The letter is signed by William McKinley and is addressed to Charles McNary. The letter is a copy of a letter that was sent to the President of the Senate on January 1, 1901, and is a copy of a letter that was sent to the President of the Senate on January 1, 1901.



CHAIN OF CUSTODY RECORD

Page 1 of 1

Client: UGAN PRODUCTION
Contact: FRED CORNISH
Address: 4100 Piedras St.
FARMINGTON, NM 87401
Phone Number: 505-330-0929
FAX Number: 505-325-4873

NOTES.

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

Table 1. - Matrix Type

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

FOR GAL USE ONLY

GAL JOB # _____

Project Name: EARTH P.I.T. Closure

Samplers Signature: Fred Cornish

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)				
H18672-																
1 ANABEL #1	11-3-09	12:45 PM		3									418.1	13TEX	Ca	
2 MESA #2	11-3-09	2:10 PM		3									X	X	X	
3 PHANTON Ranch #1	11-3-09	3:10 PM		3									X	X	X	
4 JEFFERSON #2-23	11-4-09	12:50		3									X	X	X	
5 SLICKHORN Gulch #2	11-4-09	2:20		3									X	X	X	
6																
7																
8																
9																
10																
Relinquished by: <u>Fred Cornish</u>			Date:	Time:		Received by: <u>[Signature]</u>		Date: <u>11/5/09</u>		Time: <u>8:30 AM</u>						
Relinquished by:			Date:	Time:		Received by: <u>[Signature]</u>		Date: <u>11/6/09</u>		Time: <u>10:30 AM</u>						

Sample Reject | | Return | | Dispose | | Store (30 Days)

6.0°C C&I
#250



Jefferys Feb 2-23
Confirmation Samples
PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

January 11, 2011

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 01/05/11 10:15.

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:	01/05/2011	Sampling Date:	01/04/2011
Reported:	01/11/2011	Sampling Type:	Soil
Project Name:	PIT CLOSURES	Sampling Condition:	Cool & Intact
Project Number:	SEPARATOR PIT JEFFERS #2-23	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

Sample ID: JEFFERS #2-23 (H100022-01)

BTEX 8260B		mg/kg		Analyzed By: CMS					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.100	0.100	01/09/2011	ND	1.87	93.7	2.00	1.13	
Toluene*	<0.100	0.100	01/09/2011	ND	1.89	94.6	2.00	0.641	
Ethylbenzene*	<0.100	0.100	01/09/2011	ND	1.92	95.8	2.00	0.369	
Total Xylenes*	<0.300	0.300	01/09/2011	ND	5.45	90.8	6.00	1.33	

Surrogate Dibromofluoromethane 113 % 80-120

Surrogate Toluene-d8 105 % 80-120

Surrogate 4-Bromofluorobenzene 107 % 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	656	16.0	01/07/2011	ND	432	108	400	0.00	

TPH 418.1		mg/kg		Analyzed By: AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	9800	500	01/07/2011	ND	1140	114	1000	0.00	

TPH 8015M		mg/kg		Analyzed By: AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<100	100	01/10/2011	ND	250	100	250	4.93	
DRO >C10-C28	2180	100	01/10/2011	ND	232	92.8	250	6.25	
Total TPH C6-C28	2180	100	01/10/2011						


Surrogate 1-Chlorooctane 106 % 70-130

Surrogate 1-Chlorooctadecane 100 % 70-130

Cardinal Laboratories

*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

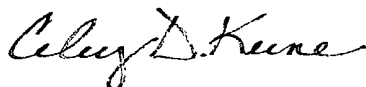
Notes and Definitions

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

Cardinal Laboratories

*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager



Jeffers Fed
Sidwell Emp's.
2nd

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

March 16, 2011

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 03/11/11 9:45.

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,

A handwritten signature in black ink, reading "Celey D. Keene".

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:	03/11/2011	Sampling Date:	03/10/2011
Reported:	03/16/2011	Sampling Type:	Soil
Project Name:	PIT CLOSURES	Sampling Condition:	Cool & Intact
Project Number:	PIT SIDE WALLS JEFFERS FED #2-23	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

Sample ID: JEFFERS FED 2-23 (H100472-01)

BTX 8021B		mg/kg		Analyzed By: CMS					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	03/11/2011	ND	1.98	99.0	2.00	2.94	
Toluene*	<0.050	0.050	03/11/2011	ND	2.07	103	2.00	3.37	
Ethylbenzene*	<0.050	0.050	03/11/2011	ND	2.14	107	2.00	3.32	
Total Xylenes*	<0.150	0.150	03/11/2011	ND	6.39	106	6.00	3.78	

Surrogate 4-Bromofluorobenzene (PIL) 99.9 % 70-130

Chloride, SM4500Cl-B		mg/kg		Analyzed By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	2760	16.0	03/14/2011	ND	416	104	400	0.00	

TPH 418.1	mg/kg		Analyzed By: AB						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	<100	100	03/16/2011	ND	1170	98.3	1190	3.36	

TPH 8015M		mg/kg		Analyzed By: CK/					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	03/13/2011	ND	223	112	200	1.12	
DRO >C10-C28	<10.0	10.0	03/13/2011	ND	223	111	200	0.539	
Total TPH C6-C28	<10.0	10.0	03/13/2011	ND	446	112	400	0.893	

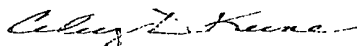
Surrogate 1-Chlorooctane 109 % 70-130

Surrogate 1-Chlorooctadecane 108 % 70-130

Cardinal Laboratories

*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

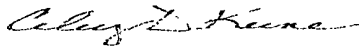
Notes and Definitions

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

Cardinal Laboratories

*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client: Diagon Prod.
Contact: Mike Sandoval
Address: _____
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# Pit side walls

Project Name: Jeffers Fed # 2-23

Table 1. - Matrix Type

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

FOR GAL USE ONLY

GAL JOB # _____

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)		
H100472- 1 Series Fed 2-23	3-10-11	1:45												
2														
3														
4														
5														
6														
7														
8														
9														
10														
Relinquished by: <u>[Signature]</u>			Date: <u>3-10-11</u>	Time: <u>3:30</u>		Received by: <u>Justin Clark</u>			Date: <u>3/11/11</u>	Time: <u>13:30</u>				
Relinquished by: _____			Date: _____	Time: _____		Received by: <u>John Benson</u>			Date: <u>3/11/11</u>	Time: <u>9:45</u>				

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

5.5°C #26

Envirotech
 5796 US Hwy 64
 Farmington, NM 87401
 Phone. 505-632-0615
 Fax. 505-632-1865



To
 Dugan Production Corp.
 PO Box 420
 Farmington, NM 87401

Invoice

Invoice Number. 27656
 Job 06094-0088
 DATE: January 10, 2011

Jeffers Federal #2-23 - accept exempt
 contaminated soil from cleaning out old
 earthen pit

Ordered Mike Sandoval

Project Manager. April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
01/04/2011					
Landfarm					
		BOL# 37417	1 00 EA	10.00	10 00
Paint Filter Test (LF)					
		BOL# 37417	1.00 EA	15 00	15.00
Chloride (LF)					
		BOL# 37417	20 00 CY	18.00	360 00
Contaminated Soil Receival					
Landfarm Total:			22.00		385.00
01/04/2011 Total:			22.00		385.00
01/05/2011					
Landfarm					
		BOL# 37423	1.00 EA	10.00	10 00
Paint Filter Test (LF)					
		BOL# 37423	1.00 EA	15 00	15 00
Chloride (LF)					
		BOL# 37423	10.00 CY	18.00	180 00
Contaminated Soil Receival					
		BOL# 37424	1.00 EA	10 00	10 00
Paint Filter Test (LF)					
		BOL# 37424	1 00 EA	15 00	15 00
Chloride (LF)					
		BOL# 37424	10.00 CY	18 00	180 00
Contaminated Soil Receival					
Landfarm Total:			24.00		410.00
01/05/2011 Total:			24.00		410.00

Invoice # 27656 Job # 06094-0088

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Invoice Sub-total			795.00
		Sales Tax			50.18
Amount due this Invoice					<u><u>\$845.18</u></u>

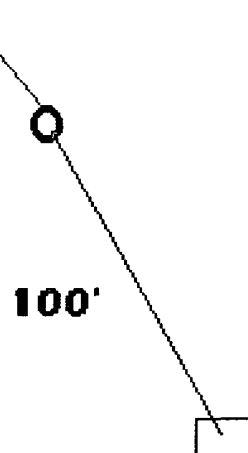
All invoices are due upon receipt A late charge of 1 5% will be added to any unpaid balance after 30 days

This may not be the final bill - if charges are received after this invoice has been mailed, you will receive a separate invoice for those costs

Dugan Production
Jeffers Fed #2-23
Seperator &
Production Tank



Reference Point: Well head



100'

27'W X 40'L X 6' 4" Can't Dig any
deeper because of Sand Stone.

From Reference Point Go S. **35** degrees SE. For
a Distance of **100'** to Center of Pit.

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 four-feet 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 Fagrelus
VP – Exploration, Dugan Production Corp.
Farmington, New Mexico 87401
505-325-1821 (O), 505-320-8248 (C)
kfagrelus@duganproduction.com

—

Lease Name: Jeffers Federal #2-23							
API No	30-045-24439						
Site Specific Information							
Depth to	200-ft	Distance to Surface	400-ft	Wellhead Protection Area	>1000-ft		
Groundwater		Water Body		Distance from Water Source			
Total Ranking Score							
Depth to	Ranking	Distance to Surface	Ranking	Wellhead Protection Area	Ranking Score	Total Ranking	
Groundwater	Score	Water Body	Score	Distance from Water Source	Yes =20, No=0	Score	
<50-feet	20	<200-feet	20	<1000-feet from water source	0		
50 - 99	10	200 - 1000	10	<200-feet domestic water	0		
>100-feet	0	>1000-feet	0			10	
Total Ranking Score					Preliminary	Confirmation	Sidewall
					Sample	Sample	Sample
		>19	10 - 19	0 - 9	Analysis	Analysis	Analysis
Benzene (mg/kg)		10	10	10	<0.050	<0.100	<0.050
BTEX (mg/kg)		50	50	50	<0.300	<0.300	<0.150
TPH (mg/kg)		100	1000	5000	2740	2180	<10.
Chlorides (mg/kg)		N.A.	N.A.	N A	7360	656	2760
					418.1	8015	8015
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 418 1 (Preliminary) and 8015 (Confir,atio and Sidewall), Chlorides 4500-C1-B.							
C-144 ranking = 10. Unable to dig and haul any more due to solid rock in bottom of pit (See photos) Maximum practical depth had been reached. Chloride and TPH levels do not pose a threat to contamination of groundwater.							

Jeffers Federal #2-23 Hydrogeologic Data

The Jeffers Federal #2-23 is located on Federal land on the Chaco Slope area of the San Juan Basin in San Juan County, New Mexico. The area can be characterized as an arid, gentle hilly region with sparse stands of pinon and juniper surrounded by lower, Nacimiento shale flats and "bad lands" topography with sparse grass and sage brush.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Jeffers Federal #2-23 location (Exhibit 2). Seven water wells were located on the data search. The closest water well is located 5,500-feet to the northeast (there is no available information on the well). The other six water wells are located from 6,500 to 8,000 feet away to the northeast. There is very little information available on these; three have reported total depths of 90, 100 and 250 feet, one reports a depth to water of 40 feet and the rest have no information at all. The results of the data search are shown on Exhibit 1.

The main source of stock water in the region is encountered in valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface. The below grade tank is not located in an arroyo. A small arroyo is located 400-feet to the west and Blanco Wash is located 8,000 feet to the northeast.

The Nacimiento Formation extends from the surface down to a depth of approximately 1235-feet. From the surface down to 200-feet, the section is all mudstone / shale. There are five siltstone layers below 200-feet (200-220, 270-285, 590-600, 740-750 and 890-905) that are laterally discontinuous, inter-bedded with mudstone / shale, have poor reservoir qualities and might contain very small amounts of poor quality ground water. Toward the base of the unit mud content decreases, sand content increases and the cleanest, potential water bearing sands exist (975-1015, 1100-1135 and 1150-1195 feet). These sands have good reservoir quality and should contain poor quality groundwater.

The Nacimiento is a source of ground water for livestock purposes and more rarely domestic use in some areas near the outcrop. With depth and distance from the outcrop, water quality decreases quickly and may be useful for livestock only (Stone, 1983).

Based on electric open hole logs, the iWATERS database, literature reviewed, depth to ground water ranges from 25 - 50 feet below the surface in major arroyos in the area. Moving away from the wash ground water depth drops rapidly to greater than 200 feet below the surface. At the location of the below grade tank, lesser amounts of poor quality ground water might be found at depths below 200-feet from thin, laterally discontinuous siltstone stringers of the upper Nacimiento. Sands near the base of the Nacimiento from 975-1105 feet would provide better sources of poor quality groundwater.

This Hydrogeologic Report was prepared by Mr. Kurt Fagrelus, Geologist for Dugan Production. Mr. Fagrelus has been employed as a geologist for Dugan for the past 31-years, received a MS in Geology from NMIMT in Socorro, NM and a BS in Geology from FLC in Durango, CO.

- Stone, W.J., Lyford, F.P., Frenzel, P.F., Mizell, N.H., and Padgett, E.T., 1983, Hydrogeology and water resources of San Juan Basin, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrologic Report 6, 70 p.
- Brown, D.R., and Stone, W.J., 1979, Hydrogeology of Aztec quadrangle, San Juan County, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrogeologic Sheet 1.
- Levings, G.W., Craig, S.D., Dam, W.L., Kernodle, J.M., and Thorn, C.R., 1990, Hydrogeology of the San Jose, Nacimiento, and Animas Formations in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S. Geological Survey, Atlas HA-720-A, Sheet 1 and 2.
- Thorn, C.R., Levings, G.W., Craig, S.D., Dam, W.L., and Kernodle, J.M., 1990, Hydrogeology of the Ojo Alamo Sandstone in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S. Geological Survey, Atlas HA-720-B, Sheet 1 and 2.



DUGAN PRODUCTION CORP.

JEFFERS FEDERAL # 2-23
NM-29560

API # 30-045-24439

NE/4, SW/4, UNIT K

SEC. 2, T23N, R8W

LAT. 36° 15' 13" LONG. 107° 39' 13"

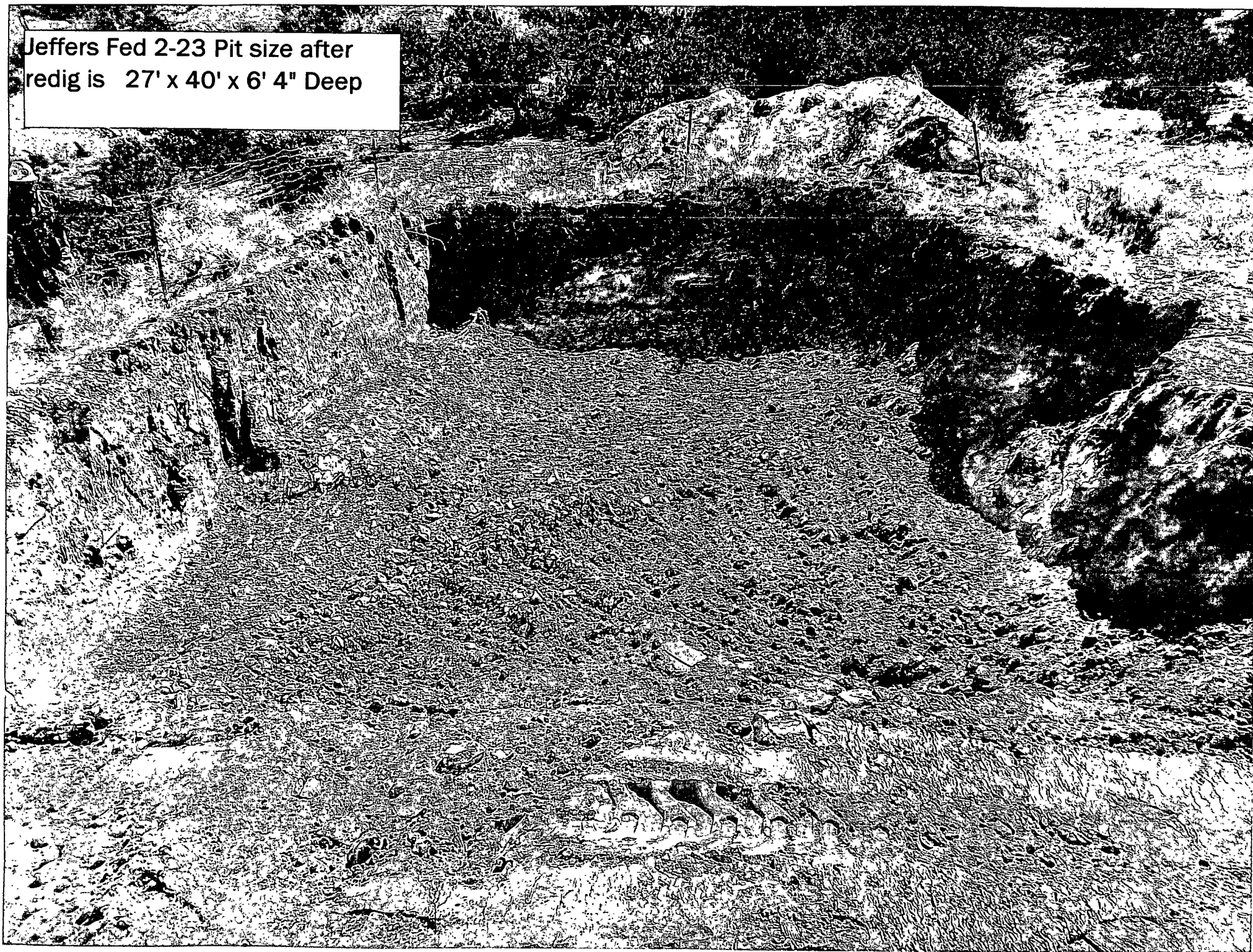
SAN JUAN COUNTY, NM

FOR EMERGENCY CALL (505)325-1823

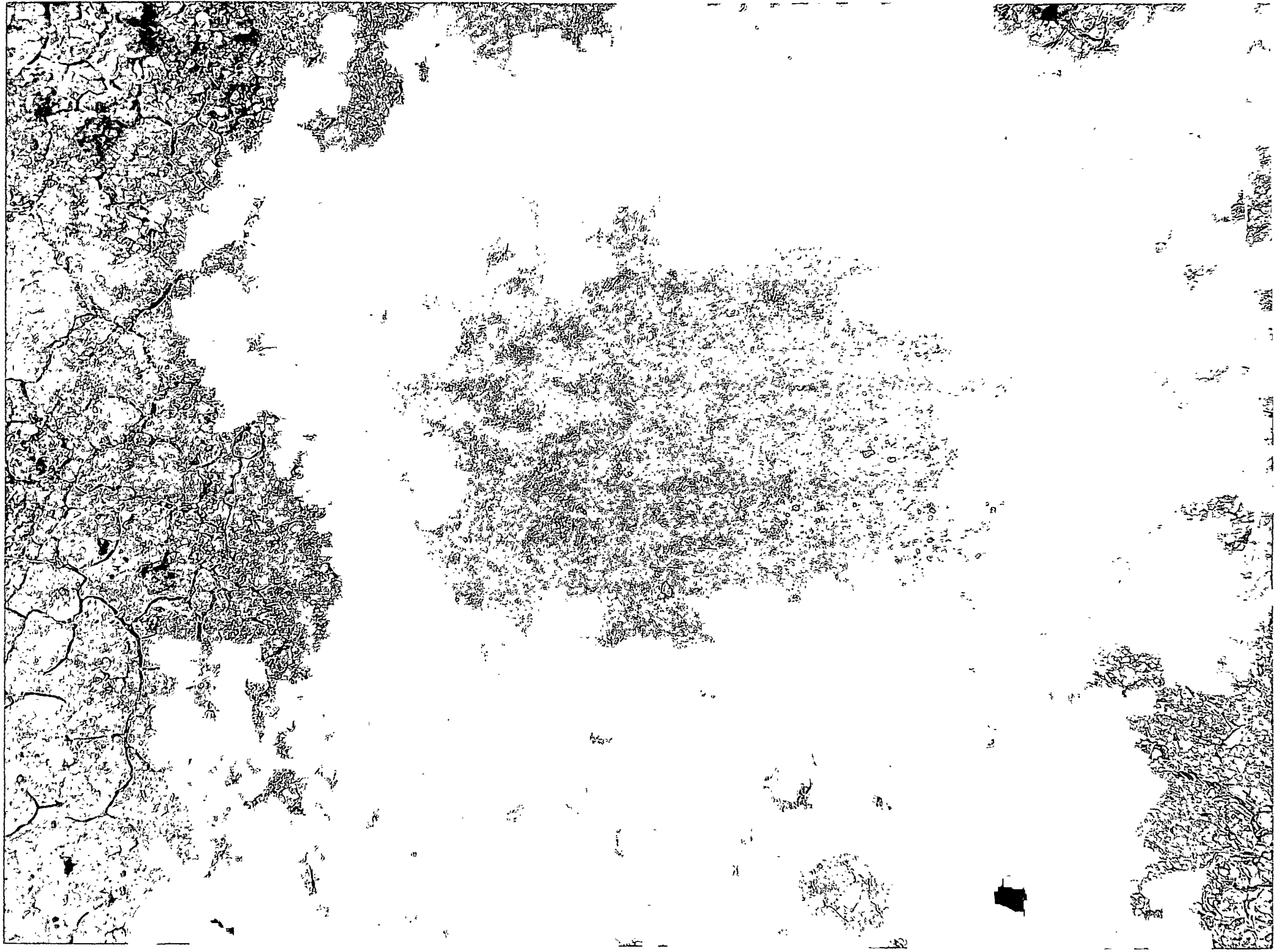
Jeffers #2-23 Seperator Pit
Close 4-29-11



Jeffers Fed 2-23 Pit size after
redig is 27' x 40' x 6' 4" Deep







NOTES 100-20

Kurt Fagrelius

From: Powell, Brandon, EMNRD [Brandon.Powell@state.nm.us]
Sent: Friday, April 15, 2011 11:08 AM
To: Jim_Lovato@blm.gov; Mark_Kelly@blm.gov
Cc: Kurt Fagrelius
Subject: Dugan Jeffers Federal 2 #23
Jim and Mark-

On the Jeffers Federal 2 #23 API# 30-045-24439 I have approved Dugan to close an old production pit based off of the results meeting our requirements on the remediation. However, I requested they contact you to ensure they have met your requirements.

The bottom of the excavation still exceeds our TPH levels however due to bedrock being encountered and the depth of groundwater in the area we are allowing them to leave the rest of the contamination in-place due to its low risk to the environment. The side walls passed our TPH requirements, but there are some elevated chloride levels. The chloride levels don't appear to pose a risk to the groundwater in the area, so we are not requiring any further remediation.

If you have any questions please let me know.

Thank You
Brandon Powell
Environmental Specialist
New Mexico Oil Conservation
1000 Rio Brazos Rd, Aztec NM 87410
Office: (505) 334-6178 ext. 115
E-mail: Brandon.Powell@state.nm.us

4/26/2011

Kurt Fagrelius

From: Kurt Fagrelius
Sent: Thursday, April 21, 2011 1:18 PM
To: 'Powell, Brandon, EMNRD'; 'Mark_Kelly@nm.blm.gov'; 'dave_mankiewicz@nm.blm.gov'; 'Jim_Lovato@blm.gov'; 'Bill_Liess@blm.gov'; 'lucas_vargo@blm.gov'
Cc: Johnny Lane; Mike Sandoval; Kurt Fagrelius
Subject: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011
Attachments: 72-Hr Notice to Close Permanent Pits 4-27 Thru 4-29-2011.xls

Dear Mr. Brandon Powell, Mr. Mark Kelly, Mr. Dave Mankiewicz, Mr. Jim Lovato, Mr. Bill Liess 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) Jeffers Federal #2-23
- 2) Drip Tank #4 by the Poles Paradise #2
- 3) Turks Toast #1 Separator
- 4) Turks Toast #1 Production Tank

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

All four of the permanent pits are located on Federal Surface.

Permanent pits will be closed starting Wednesday, April 27, 2011 thru Friday, April 29, 2011.

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)

4/21/2011

Dugan Production Corp. Permanent Pits to Close 4-27 thru 4-29-2011

Lease Name	Jeffers Federal #2-23	Jeffers Federal #2-23	Drip Tank #4
API Number	30-045-24439	Sidewall Samples	by Poles Paradise #2
Surface Owner - Notice Sent	Federal	"	Federal
Location - UL, Sec., Twp, Rge	K-2-T23N-R8W	"	K-9-T30N-R14W
Latitude	36.25378 N	"	36.82759 N
Longitude	107.65376 W	"	108.32121 W
Benzene (<0.2 mg/kg)	<0.100-mg/kg	<0.050-mg/kg	<0.100-mg/kg
Betex (<50 mg/kg)	<0.300-mg/kg	<0.150-mg/kg	<0.300-mg/kg
TPH - Analytic Mthd-418.1 (<100 mg/kg)	9800-mg/kg	<100-mg/kg	5770-mg/kg
TPH=GRO + DRO - Analytic Mthd-8015	1,000-mg/kg, 2180-mg/kg	<10-mg/kg	100-mg/kg, 1220-mg/kg
Chlorides (<250 mg/kg)	656-mg/kg	2760-mg/kg	160-mg/kg
Thresholds as per "Pit Rule" 19.15.17 NMAC are highlighted in red.			
Thresholds as per "Spill Rule" 19.15.30 NMAC are highlighted in blue.			
NOTE:			
The Jeffers Federal #2-23, Drip Tank #4 by the Poles Paradise #2 and Turks Toast #1 sample analysis exceed the limits as per the "Spill Rule" NMAC. TPH and Chloride levels exceed allowable levels. However, bedrock was encountered at the base of each excavation. Sidewall samples were taken in the Jeffers Federal and Drip Tank #4 (to determine remaining level of contamination from surface down to bedrock) and tested well above the threshold limits of the spill rule. The elevated Chloride and TPH levels in the bottom of the excavations do not appear to pose a risk to groundwater at the subject locations due to the depth of groundwater at the Jeffers Federal #2-23 (>200-ft.), Drip Tank #4 (>480-ft.) and Turks Toast #1 (>520-ft).			

Dugan Production Corp. Permanent Pits to Close 4-27 thru 4-29-2011

[illegible]

Kurt Fagrelus

From: postmaster@duganproduction.com
Sent: Thursday, April 21, 2011 1:18 PM
To: Kurt Fagrelus
Subject: Delivery Status Notification (Relay)

Attachments: ATT11610.txt; 72-Hour notice to close perm. pits 4-27 thru 4-29-2011



ATT11610.txt (413 B) 72-Hour notice to
close perm. ...

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: Kurt Fagrelius
To: Kurt Fagrelius
Sent: Thursday, April 21, 2011 1:20 PM
Subject: Read. 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

Your message

To: 'Powell, Brandon, EMNRD'; 'Mark_Kelly@nm.blm.gov'; 'dave_mankiewicz@nm.blm.gov'; Jim_Lovato@blm.gov; Bill_Liess@blm.gov; 'lucas_vargo@blm.gov'
Cc: Johnny Lane; Mike Sandoval; Kurt Fagrelius
Subject: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011
Sent: 4/21/2011 1:18 PM

was read on 4/21/2011 1:20 PM.

Kurt Fagrelus

From: mkelly@blm.gov
Sent: Thursday, April 21, 2011 1:45 PM
To: Kurt Fagrelus
Subject: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

Return Receipt

Your 72-Hour notice to close perm. pits 4-27 thru 4-29-2011
document:

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

at: 04/21/2011 01:44:44 PM

Kurt Fagrelius

From: jlovato@blm.gov
Sent: Thursday, April 21, 2011 3:36 PM
To: Kurt Fagrelius
Subject: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

Return Receipt

Your 72-Hour notice to close perm. pits 4-27 thru 4-29-2011
document:

was Jim Lovato/FFO/NM/BLM/DOI
received
by:

at: 04/21/2011 03:36:08 PM

Kurt Fagrelius

From: lvargo@blm.gov
Sent: Thursday, April 21, 2011 4:24 PM
To: Kurt Fagrelius
Subject: 72-Hour notice to close perm pits 4-27 thru 4-29-2011

Return Receipt

Your 72-Hour notice to close perm. pits 4-27 thru 4-29-2011
document:

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

at: 04/21/2011 04:24:21 PM

Kurt Fagrelius

From: System Administrator
To: Kurt Fagrelius; Johnny Lane; Mike Sandoval
Sent: Thursday, April 21, 2011 1:18 PM
Subject: Delivered: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011

Your message

To: 'Powell, Brandon, EMNRD'; 'Mark_Kelly@nm.blm.gov'; 'dave_mankiewicz@nm.blm.gov'; Jim_Lovato@blm.gov; Bill_Liess@blm.gov; 'lucas_vargo@blm.gov'
Cc: Johnny Lane; Mike Sandoval; Kurt Fagrelius
Subject: 72-Hour notice to close perm. pits 4-27 thru 4-29-2011
Sent: 4/21/2011 1:18 PM

was delivered to the following recipient(s):

Kurt Fagrelius on 4/21/2011 1:18 PM
Johnny Lane on 4/21/2011 1:18 PM
Mike Sandoval on 4/21/2011 1:18 PM