

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

30-045-26436

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	Marathon #1 (Separator)	Facility Type	Permanent Pit
Surface Owner	Navajo Allotted	Mineral Owner	Navajo Allotted
		Lease No.	NOO-1420-7308

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
A	4	23N	10W	630	North	550	East	San Juan

Latitude 36.26132 N Longitude 106.89362 W

NATURE OF RELEASE

Type of Release	Spill Clean-Up and Pit Closure	Volume of Release	Unknown	Volume Recovered	Unknown
Source of Release	Below grade permanent pit release	Date and Hour of Occurrence	?	Date and Hour of Discovery	Unknown
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.	RCVD MAR 14'11		

If a Watercourse was Impacted, Describe Fully *

N/A

OIL CONS. DIV.

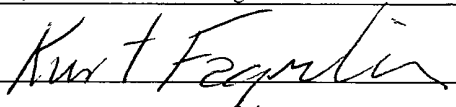
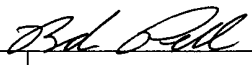
DIST. 3

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 848-mg/kg chloride and 1890-mg/kg TPH 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, 108-yards of contaminated soil was hauled from site of release to IEI Landfarm. Pit was then re-sampled and "confirmation" sample analysis data tested 1070-mg/kg Chloride and 241-mg/kg TPH (8015 Mthd). The Chloride and TPH releases do not pose a threat to groundwater contamination See attachments to "Final" C-141 and invoice #22523 and 27786. 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			
Printed Name	Kurt Fagrelus	Approved by District Supervisor	
Title	VP Exploration	Approval Date	3-14-11
E-mail Address	kfagrelus@duganproduction.com	Expiration Date	
Date	March 11, 2011	Phone	505-325-1821
		Conditions of Approval	nJK1122139459
		Attached	<input type="checkbox"/>

* Attach Additional Sheets If Necessary

38

**ARDINAL
LABORATORIES***Preliminary Sample*

PHONE (575) 393-2326 • 101 E. MAPLAND • HOBBES, NM 88240

December 30 2009

Fred Cornish
Dugan Production Corporation
4100 Piedras Street
Farmington, NM 87401

Re: Earth Pit Closure

Enclosed are the results of analyses for sample number H18941, received by the laboratory on 12/23/09 at 11:15 am.

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 524.2	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

Total Number of Pages of Report: 5 (includes Chain of Custody)

Sincerely,

Celcy D. Keene
Laboratory Director

This report conforms with NELAP requirements.



ANALYTICAL RESULTS FOR
DUGAN PRODUCTION CORP
ATTN: FRED CORNISH
4100 PIEDRAS ST
FARMINGTON, NM 87401
FAX TO: (505) 325-4873

Receiving Date: 12/23/09
Reporting Date: 12/30/09
Project Number: NOT GIVEN
Project Name: EARTH PIT CLOSURE
Project Location: NOT GIVEN

Sampling Date: 12/18/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 6°C
Sample Received By: CK
Analyzed By: AB

418.1
TOTAL
TPH
(mg/kg)

LAB NUMBER	SAMPLE ID	(mg/kg)
ANALYSIS DATE		12/29/09
H18941-1	OLSON #1	<100
H18941-2	WITTY #1	<100
H18941-3	WITS END T.B. PROD. TANK ON #3	<100
H18941-4	WITS END T.B. SEP. ON #3	228
H18941-5	OLYMPIC T.B. PROD. TANK ON #1	<100
H18941-6	OLYMPIC T.B. SEP. ON #1	<100
H18941-7	JIM THORPE #1 SEP.	544
H18941-8	SEOUL #88	<100
H18941-9	LAKE PLACID #1	<100
H18941-10	MARATHON #1 SEP.	1,890
Quality Control		315
True Value QC		300
% Recovery		105
Relative Percent Difference		0.6
METHODS: EPA 418.1		

Not accredited for: TPH 418 i Reported on wet weight

Chemist

1178947 418 1 000000

Date _____



ARDINAL LABORATORIES

Method 8260, 8211 • 1 MAP1411 • 11-CL55, NM 68241

ANALYTICAL RESULTS FOR
DUGAN PRODUCTION CORP
ATTN: FRED CORNISH
4100 PIEDRAS ST
FARMINGTON NM 87401
FAX TO (505) 325 4873

Receiving Date: 12/23/09
Reporting Date: 12/30/09
Project Number: NOT GIVEN
Project Name: EARTH FIT CLOSURE
Project Location: NOT GIVEN

Sampling Date: 12/18/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 6°C
Sample Received By: CK
Analyzed By: ZI

LAB NO.	SAMPLE ID	BENZENE (mg/kg)	TOLUENE (mg/kg)	ETHYL BENZENE (mg/kg)	TOTAL XYLENES (mg/kg)
ANALYSIS DATE		12/29/09	12/29/09	12/29/09	12/29/09
H18941-1	OLSON #1	<0.050	<0.050	<0.050	<0.300
H18941-2	WITTY #1	<0.050	<0.050	<0.050	<0.300
H18941-3	WIT'S END T.B. PROD. TANK ON #3	<0.050	<0.050	<0.050	<0.300
H18941-4	WIT'S END T.B. SEP. ON #3	<0.050	<0.050	<0.050	<0.300
H18941-5	OLYMPIC T.B. PROD. TANK ON #1	<0.050	<0.050	<0.050	<0.300
H18941-6	OLYMPIC T.B. SEP. ON #1	<0.050	<0.050	<0.050	<0.300
H18941-7	JIM THORPE #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18941-8	SEOUL #88	<0.050	<0.050	<0.050	<0.300
H18941-9	LAKE PLACID #1	<0.050	<0.050	<0.050	<0.300
H18941-10	MARATHON #1 SEP	0.101	<0.050	<0.050	<0.300
Quality Control		0.048	0.046	0.048	0.146
True Value QC		0.050	0.050	0.050	0.150
% Recovery		96.0	92.0	96.0	97.3
Relative Percent Difference		8.8	5.7	2.2	9.1

METHODS: BTEX - SW-846 8021B

TEXAS NELAP ACCREDITATION T104704398-08-TX FOR BENZENE, TOLUENE, ETHYL BENZENE,
AND TOTAL XYLENES Reported on wet weight

Chemist

Date

ARDINAL LABORATORIES

2,2,4,4-Tetramethyl-5-bis(4-methylphenyl)-1,3-dioxane

1,2,4,5-Tetramethyl-3,6-bis(4-methylphenyl)-1,3-dioxane

1,2,4,5-Tetramethyl-3,6-bis(4-methylphenyl)-1,3-dioxane



PHONE (505) 855-2321 • 101 E. MAPLE • HOBBES, NM 86024

ANALYTICAL RESULTS FOR
DUGAN PRODUCTION
ATTN: FRED CORNISH
4100 PIEDRAS STREET
FARMINGTON, NM 87401
FAX TO: (505) 325-4872

Receiving Date: 12/23/09
Reporting Date: 12/30/09
Project Number: NOT GIVEN
Project Name: EARTH PIT CLOSURE
Project Location: NOT GIVEN

Analysis Date: 12/29/09
Sampling Date: 12/18/09
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 6°C
Sample Received By: CK
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/kg)
H18941-1	OLSON #1	1,960
H18941-2	WITTY #1	320
H18941-3	WITS END T.B. PROD TANK ON #3	384
H18941-4	WITS END TB SEP ON #3	1,040
H18941-5	OLYMPIC T.B. PROD TANK ON #1	2,360
H18941-6	OLYMPIC T.B. SEP ON #1	928
H18941-7	JIM THORPE #1 SEP	4,480
H18941-8	SEOUL #88	368
H18941-9	LAKE PLACID #1	192
H18941-10	MARATHON #1 SEP	848
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		< 0.1

METHOD: Standard Methods

4500-Cl⁻

Note: Analyses performed on 1:4 w/v aqueous extracts. Not accredited for Chloride

Chad Keene
Chemist

12/30/09
Date

H18941 Dugan



CHAIN OF CUSTODY RECORD

Page 1

Client DUGAN PRODUCTION
Contact FRED CORNISH
Address _____
Phone Number 530-3929
Fax Number 530-3954873

NOTES:

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

PO# _____

Project Name: EARTH PIT Closure

Table 1. -- Matrix Type

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

Sampler's Signature: Fred Cornish

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227										Analyses Required				Comments	
Address: 70 Suttle Street, Durango, CO 81305															
Sample ID	Date	Time	Collected by: (Init.)	Matrix Type From Table 1	No. of Containers	Sample Filtered Y/N	Preservative(s)	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NaOH	Other (Specify)		
H18941-															
1. C1-0111	12-18-09	12:24PM		3											
2. C1-0111	12-18-09	12:08PM													
3. C1-0111	12-18-09	1:00PM													
4. C1-0111	12-18-09	1:15PM													
5. C1-0111	12-18-09	1:30PM													
6. C1-0111	12-18-09	1:45PM													
7. C1-0111	12-18-09	2:00PM													
8. C1-0111	12-18-09	2:15PM													
9. C1-0111	12-18-09	2:30PM													
10. C1-0111	12-18-09	2:50PM													
Requisitioned by: <u>Fred Cornish</u>			Date: <u>12-18-09</u>		Time: <u>3:50 PM</u>		Received by: <u>Al Greene</u>		Date: <u>12/18/09</u>		Time: <u>1:55</u>				
Requisitioned by: <u>Fred Cornish</u>			Date: _____		Time: _____		Received by: _____		Date: <u>12/23/09</u>		Time: <u>11:45</u>				

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

100% * see comment



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

January 24, 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 01/18/11 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,

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 01/18/2011
Reported 01/24/2011
Project Name PIT CLOSURES
Project Number SEP PIT MARATHON #1
Project Location NOT GIVEN

Sampling Date: 01/17/2011
Sampling Type: Soil
Sampling Condition: Cool & Intact
Sample Received By: Jodi Henson

Sample ID: MARATHON #1 (H100113-01)

BTX 82608		mg/kg		Analyzed By: AB/					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.100	0.100	01/19/2011	ND	1.85	92.5	2.00	5.62	
Toluene*	<0.100	0.100	01/19/2011	ND	1.87	93.3	2.00	3.47	
Ethylbenzene*	<0.100	0.100	01/19/2011	ND	1.78	89.0	2.00	1.12	
Total Xylenes*	<0.300	0.300	01/19/2011	ND	5.70	95.1	6.00	0.249	

Surrogate Dibromofluoromethane 104 % 80-120

Surrogate Toluene-d8 108 % 80-120

Surrogate 4-Bromofluorobenzene 106 % 80-120

Chloride, SM4500Cl-B		mg/kg		Analyzed By: LR					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	1070	16.0	01/18/2011	ND	432	108	400	0.00	

TPH 418.1		mg/kg		Analyzed By: CK					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	989	100	01/21/2011	ND	1060	106	1000	0.948	

TPH 8015M		mg/kg		Analyzed By: AB					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<50.0	50.0	01/20/2011	ND	242	96.8	250	3.42	
DRO >C10-C28	241	50.0	01/20/2011	ND	235	94.2	250	2.87	
Total TPH C6-C28	241	50.0	01/20/2011						

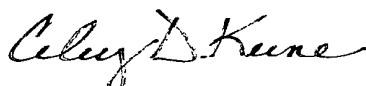
Surrogate 1-Chlorooctane 94.6 % 70-130

Surrogate 1-Chlorooctadecane 96.7 % 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

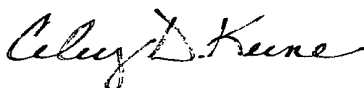
Notes and Definitions

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



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client Duran Prod
 Contact Mike Sandoval
 Address _____
 Phone Number 330-0909
 FAX Number 337-4045

NOTES

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

PO# Separator 8.1
 Project Name Merathon #1

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)						
HID0113																		
1-17-11	1-17-11	2:40																
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
Relinquished by	<u>[Signature]</u>		Date	1-17-11	Time	3:57	Received by	<u>[Signature]</u>		Date	1/17/11	Time	7:55					
Relinquished by	<u>[Signature]</u>		Date		Time		Received by	<u>[Signature]</u>		Date	1/18/11	Time	9:45					

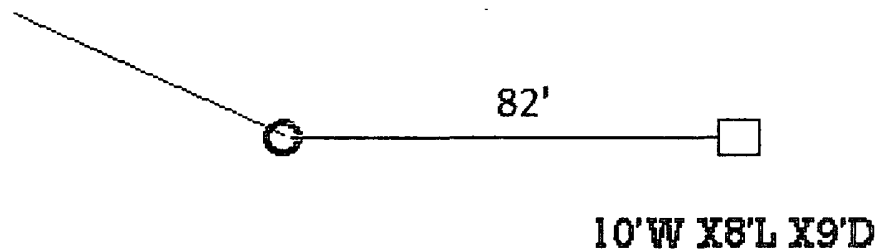
* Sample Reject [] Return [] Dispose [] Store (30 Days)

5°C #26

Dugan Production
Marathon # 1
Tank & Seperator Pit



Reference Point: Well head



From Reference Point Go Due E. For
a Distance of 82' to Center of Pit.

Permanent pit: Marathon #1 (Separator)
API number: 30-045-26436

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

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 22523
Job 06094-0045
DATE January 2, 2009

Marathon #1- accept exempt contaminated
soil and oil from production stream

Ordered by Fred Cornish

Project Manager April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
12/22/2008					
Landfarm					
		BOL# 32246	1 00 ea	10 00	10 00
Paint Filter Test		BOL# 32246	1 00 ea	15 00	15 00
Chloride Analysis-Water		BOL# 32246	10 00 cy	18 00	180 00
Contaminated Soil Receival					
Landfarm Total:			12.00		205.00
12/22/2008 Total:			12.00		205.00
12/29/2008					
Landfarm					
		BOL# 32257	1 00 ea	10 00	10 00
Paint Filter Test		BOL# 32257	1 00 ea	15 00	15 00
Chloride Analysis-Water		BOL# 32257	10 00 cy	18 00	180 00
Contaminated Soil Receival					
Landfarm Total:			12.00		205.00
12/29/2008 Total:			12.00		205.00
Invoice Sub-total					410 00

Invoice # 22523 Job # 06094-0045

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Sales Tax			25 37

Amount due this Invoice	<u><u>\$435 37</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.

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 27786
 Job 06094-0093
 DATE January 25, 2011

Marathon #1 - accept exempt contaminated
 soil from closing earthen pit

Ordered by 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>
01/14/2011					
Landfarm					
		BOL# 37502	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 37502	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 37502	30 00 CY	18 00	540 00
Contaminated Soil Reveal		BOL# 37506	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 37506	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 37506	10 00 CY	18 00	180 00
Contaminated Soil Reveal					
Landfarm Total.			44.00		770.00
01/14/2011 Total:			44.00		770.00
01/17/2011					
Landfarm					
		BOL# 37515	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 37515	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 37515	48 00 CY	18 00	864 00
Contaminated Soil Reveal					
Landfarm Total:			50.00		889 00
01/17/2011 Total:			50.00		889.00

Invoice # 27786 Job # 06094-0093

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Invoice Sub-total			1,659 00
		Sales Tax			104 72
Amount due this Invoice					<u><u>\$1,763 72</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

Lease Name: Marathon #1 (Separator)						
API No	30-045-26436					
Site Specific Information						
Depth to	200-ft	Distance to Surface	300-ft	Wellhead Protection Area	1,170-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					Sample	
		>19	10 - 19	0 - 9	Analysis	
Benzene (mg/kg)		10	10	10	<0.100	
BTEX (mg/kg)		50	50	50	<0.300	
TPH (mg/kg)		100	1000	5000	241	
Chorides (mg/kg)		N A.	N.A.	N.A	1070	
Note Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 8015 and Chlorides 4500-C1-B.						
C-144 ranking = 10 Chloride and TPH release does not pose a threat to groundwater contamination.						

Marathon #1 Below Grade Tank Hydrogeologic Report Hydrogeologic Report

The Marathon #1 below grade tank is located on Navajo Allotted land on the Chaco Slope area of the San Juan Basin, in San Juan County, New Mexico. The area is characterized by an arid, south and west sloping, gentle hilly terrain covered with sage, grass and isolated stands of pinon and juniper. It is well drained by numerous arroyos that carry water during seasonal periods (rainstorms and snowmelt) to the southwest.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Marathon #1 below grade tank location (Exhibit 2). One water well is located 1170-feet north of the below grade tank (total depth of 373-feet, the depth to water was not reported). The results of the 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 and stock tanks constructed on surface shale in the upper reaches and confluences of arroyos. The below grade tank is not located in an arroyo. The closest arroyo is 300-feet northwest of the below grade tank (Exhibit 2). The location sits atop a ridge, the surface of which has been breeched down to a depth of 50-feet directly to the north and 80-feet ½-mile to the south.

The Nacimiento Formation extends from the surface down to approximately 230-feet. From surface down to 200-feet, the interval consists primarily of mudstone / shale with a trace of siltstone. The interval from approximately 200-230 is shaly sand or siltstone with very poor reservoir quality. This zone could possibly contain minimal amounts of poor quality groundwater.

The underlying Ojo Alamo Sandstone ranges from 230-315 feet and is comprised of a coarse grained alluvial sandstone inter-bedded with lenses of mudstone and occasional conglomeratic sandstone. The Ojo Alamo may yield marginal quantities of water for livestock, however, the water quality is typically greater than 1,000 ppm total dissolved solids and high in sulfate (Stone, 1983).

Based on electric open hole logs, the iWATERS database, literature reviewed, poor quality groundwater might be found at a depth of 200-230 feet from discontinuous, shaly sands or siltstone in the Nacimiento Formation. However, the underlying Ojo Alamo Sandstone (230-315) is capable of producing a larger volume of better quality groundwater.

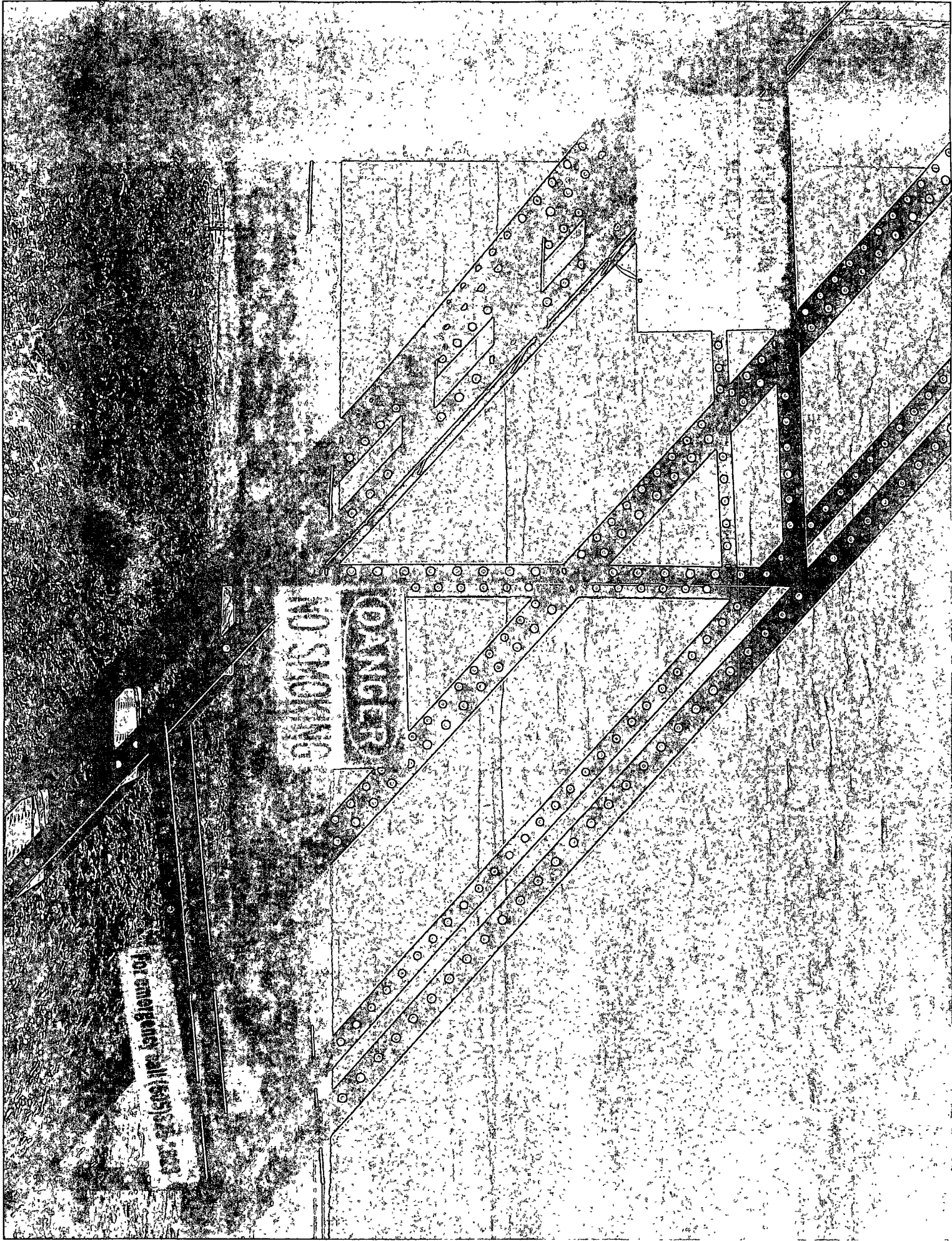
This Hydrogeologic Report was prepared by Mr. Kurt Fagrelus, Geologist for Dugan Production. Mr. Fagrelus has been employed as a geologist for Dugan for the past 31-years, received a MS in Geology from NMIMT in Socorro, NM and a BS in Geology from FLC in Durango, CO.

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.

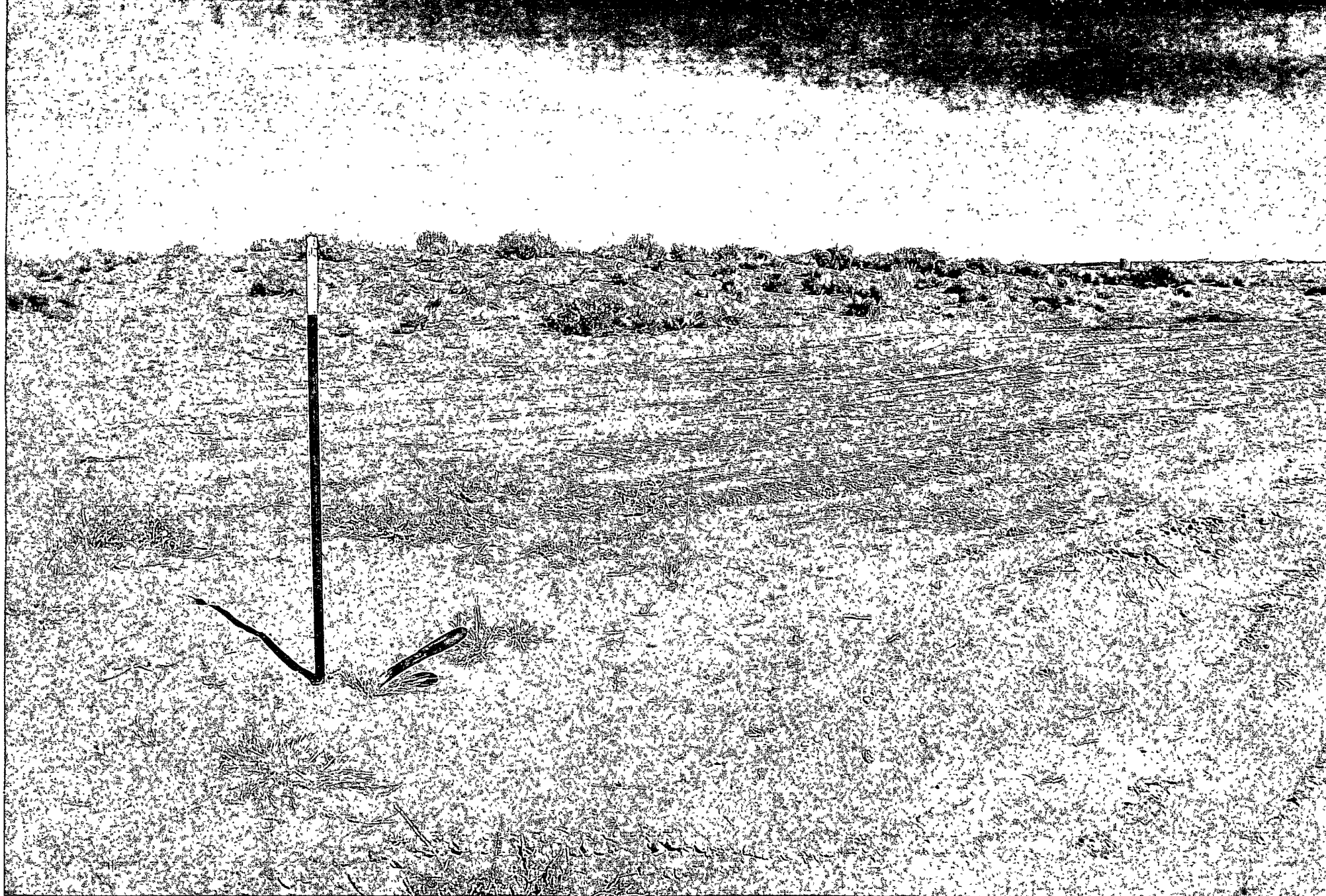
Brown, D.R., and Stone, W.J., 1979, Hydrogeology of Aztec quadrangle, San Juan County, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrogeologic Sheet 1.

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.

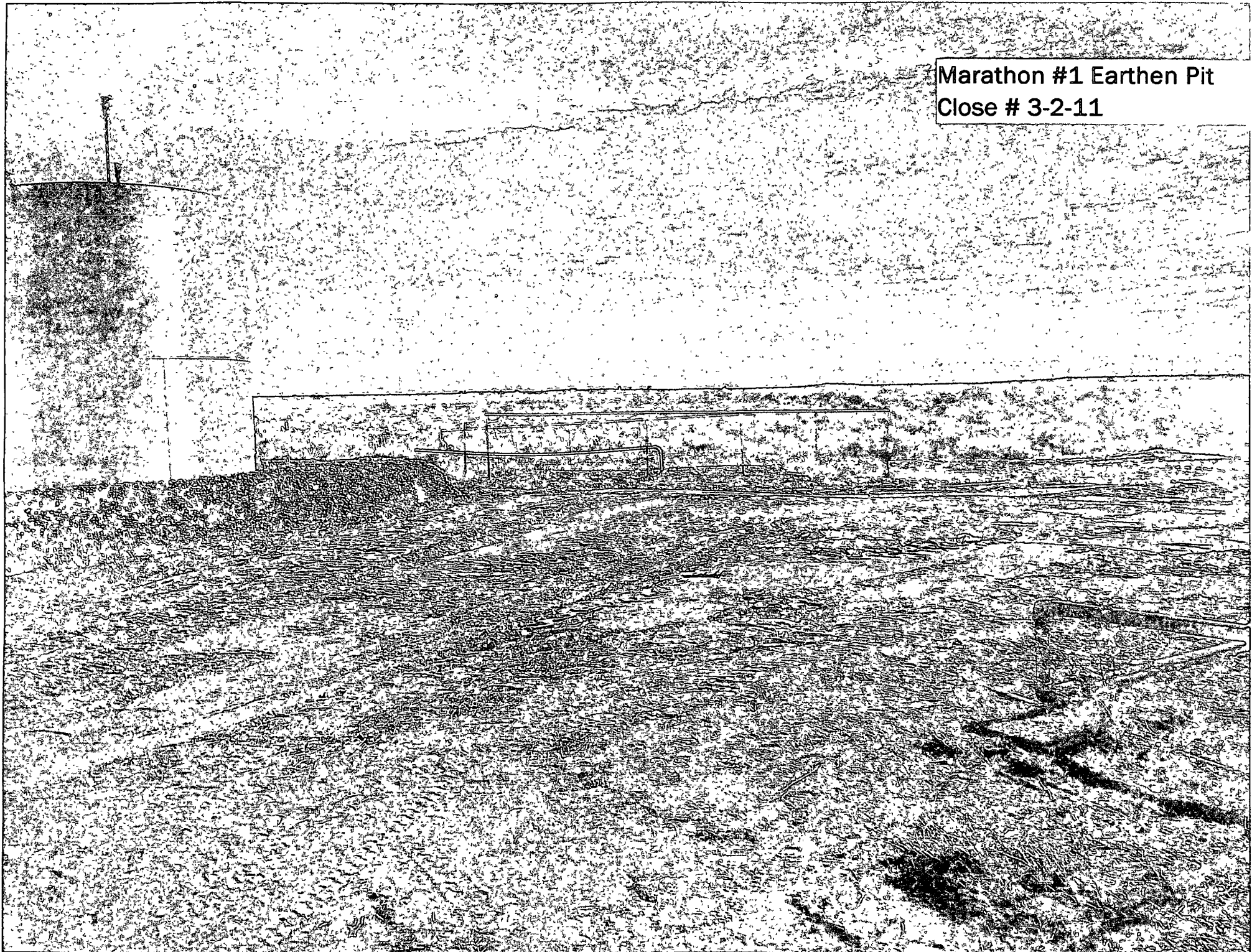
Thorn, C.R., Levings, G.W., Craig, S.D., Dam, W.L., and Kernodle, J.M., 1990, Hydrogeology of the Ojo Alamo Sandstone in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S.G.S, Atlas HA-720-B, Sheet 1 and 2



Marathon #1 LandFarm
Close 3-2-11



Marathon #1 Earthen Pit
Close # 3-2-11



Kurt Fagrelius

From: Kurt Fagrelius
Sent: Wednesday, February 23, 2011 5:15 PM
To: 'Powell, Brandon, EMNRD', Spencer, Bertha, Evan Rowland (erowland@slo.state.nm.us), 'dave_mankiewicz@nm.blm.gov', 'Mark_Kelly@nm.blm.gov', 'lucas_vargo@blm.gov'
Cc: Kurt Fagrelius, Johnny Lane, Mike Sandoval

Attachments: 72-Hr Notice to Close Permanent Pits 3-1 Thru 3-3-2011.xls

Dear Mr. Brandon Powell, Ms. Bertha Spencer, 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) Phantom Ranch #1
- 2) Marathon #1 (Separator)
- 3) Drip Tank #1 (600-ft from Greek's Fete #2)
- 4) Nice #1
- 5) Rainbow Seeker #1

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

Those highlighted in blue (#s 1, 3 & 4) are located on Federal Surface, the one highlighted in red (#2) is located on Navajo Indian Allotted Surface and the one highlighted in black (#5) is on Private surface.

Permanent pits will be closed starting Tuesday, February 1, 2011 thru Thursday, February 3, 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)

2/23/2011

Dugan Production Corp. Permanent Pits to Close 3-1 thru 3-3-2011

Lease Name	Phantom Ranch #1	Marathon #1 Separator	Drip Tank #1 by Greek's Fete #2
API Number	30-045-26409	30-045-26436	N.A.
Surface Owner - Notice Sent	Federal	Indian Allotment	Federal
Location - UL, Sec., Twp, Rge	F-21-T24N-R8W	A-4-T23N-R10W	B-24-T30N-R15W
Latitude	36.30156 N	36.26132 N	36.80409 N
Longitude	107.6888 W	107.89362 W	107.36689 W
Benzene (<0.2 mg/kg)	<0.050 mg/kg	<0.100 mg/kg	<0.100 mg/kg
Betex (<50 mg/kg)	<0.150 mg/kg	<0.300 mg/kg	<0.300 mg/kg
TPH - Analytic Mthd-418.1 (<100 mg/kg)	<100 mg/kg	989 mg/kg	<100 mg/kg
TPH=GRO + DRO - Analytic Mthd-8015 (<1000 mg/kg)	<10.0 mg/kg	241 mg/kg	<10 mg/kg
Chlorides (<250 mg/kg)	1700 mg/kg	1070 mg/kg	672 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.			

Dugan Production Corp. Permanent Pits to Close 3-1 thru 3-3-2011

Nice #1 Separator	Rainbow Seeker #1
30-045-26499	30-045-26406
Federal	Private
P-7-T30N-R14W	G-29-T31N-R13W
36.82378 N	36.87439 N
108.34379 W	108.22339 W
<0.050 mg/kg	<0.100 mg/kg
<0.150 mg/kg	<0.300 mg/kg
<100 mg/kg	545 mg/kg
11.4 mg/kg	31 mg/kg
1020 mg/kg	768 mg/kg

Kurt Fagrelus

From: postmaster@duganproduction.com
Sent: Wednesday, February 23, 2011 5 16 PM
To: Kurt Fagrelus
Subject: Delivery Status Notification (Relay)

Attachments: ATT41863.txt, Untitled Attachment



ATT41863.txt (409 Untitled Attachment
B)

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, February 23, 2011 5:16 PM
To: Kurt Fagrelius
Subject: Delivery Status Notification (Relay)

Attachments: ATT41872.txt, Untitled Attachment



ATT41872.txt (422 Untitled Attachment
B)

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: Rowland, Evan [erowland@slo.state.nm.us]
To: Kurt Fagrelius
Sent: Thursday, February 24, 2011 9:10 AM
Subject: Read

Your message

To: erowland@slo.state.nm.us
Subject:

was read on 2/24/2011 9:10 AM.

Kurt Fagrelus

From: postmaster@duganproduction.com
Sent: Wednesday, February 23, 2011 5:17 PM
To: Kurt Fagrelus
Subject: Delivery Status Notification (Relay)

Attachments: ATT41884.txt, Untitled Attachment



ATT41884.txt (396 Untitled Attachment
B)

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.

Bertha.Spencer@bia.gov

Kurt Fagrelus

From: mkelly@blm.gov
Sent: Thursday, February 24, 2011 5 58 AM
To: Kurt Fagrelus

Return Receipt

Your
document:

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

at: 02/24/2011 05:58:25 AM

Kurt Fagrelus

From: dmankiew@blm.gov
Sent: Thursday, February 24, 2011 7:27 AM
To: Kurt Fagrelus

Return Receipt

Your
document:

was received
by: Dave Mankiewicz/FFO/NM/BLM/DOI

at: 02/24/2011 07:27:03 AM

Kurt Fagrelus

From: lvargo@blm.gov
Sent: Friday, February 25, 2011 9:29 AM
To: Kurt Fagrelus

Return Receipt

Your
document:

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

at: 02/25/2011 09:29:02 AM

Kurt Fagrelus

From: System Administrator
To: Kurt Fagrelus, Johnny Lane, Mike Sandoval
Sent: Wednesday, February 23, 2011 5 15 PM
Subject: Delivered Delivery Status Notification (Success)

Your message

To: 'Powell, Brandon, EMNRD'; Spencer, Bertha; Evan Rowland (erowland@slo.state.nm.us); 'dave_mankiewicz@nm.blm.gov';
'Mark_Kelly@nm.blm.gov'; 'lucas_vargo@blm.gov'
Cc. Kurt Fagrelus, Johnny Lane; Mike Sandoval
Subject.
Sent: 2/23/2011 5:15 PM

was delivered to the following recipient(s):

Kurt Fagrelus on 2/23/2011 5:15 PM
Johnny Lane on 2/23/2011 5:15 PM
Mike Sandoval on 2/23/2011 5:15 PM

Kurt Fagrelus

From: Mike Sandoval
Sent: Thursday, February 24, 2011 6 33 AM
To: Kurt Fagrelus
Subject: Read
Attachments: Read_ txt

2/24/2011

Kurt Fagrelus

From: Johnny Lane
Sent: Thursday, February 24, 2011 7 13 AM
To: Kurt Fagrelus
Subject: Read
Attachments: Read_ txt

2/24/2011