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

Form C-144
July 21, 2008

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

RCVD DEC 2'11
OIL CONS. DIV.
DIST. 3

Type of action:
- [ ] Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
- [x] 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
Facility or well name. Shaw Com #1
API Number: 30-043-21108 OCD Permit Number:
U/L or Qtr/Qtr M Section 16 Township 22N Range 7W County Sandoval
Center of Proposed Design: Latitude 36.13485 N Longitude 107.58687 W NAD: [ ] 1927 [x] 1983
Surface Owner: [ ] Federal [x] State [ ] Private [ ] Tribal Trust or Indian Allotment

2.
[x] **Pit:** Subsection F or G of 19.15 17.11 NMAC
Temporary: [x] Drilling [ ] Workover
[ ] Permanent [ ] Emergency [ ] Cavitation [ ] P&A
[ ] Lined [ ] Unlined Liner type: Thickness 20 mil [x] LLDPE [ ] HDPE [ ] PVC [ ] Other
[x] String-Reinforced
Liner Seams: [ ] Welded [x] Factory [ ] Other Volume: 600 bbl Dimensions: L 76' x W 13' x D 8'

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

RECEIVED
JAN 2011
OIL CONS. DIV. DIST. 3

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.

24

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-foot hogwire

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	☐ Yes ☒ No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No ☐ 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	☐ Yes ☒ No ☐ 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	☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map, Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

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: 30-045- 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_2S, 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	☐ Yes ☐ No ☒ NA
Ground water is between 50 and 100 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☒ 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	☒ Yes ☐ No ☐ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978. Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources, USGS, NM Geological Society, Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

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 Fagrelius Title: Vice President, Exploration

Signature: Kurt Fagrelius Date 1/18/2011

e-mail address kfagrelius@duganproduction.com Telephone: 505-325-1821

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

OCD Representative Signature: Jonathan D. Kelly 12/05/2011 Approval Date: 1/25/11

Title: Compliance Officer 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:** 8-26-2011

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 36.13485° N Longitude 107.58687° 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 Fagrelius Title: VP Exploration

Signature: Kurt Fagrelius Date: 12-1-2011

e-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821

Dugan Production Corp.
Closure Report

Lease Name: Shaw Com #1
API No.: 30-043-21108

In accordance with Rule 10.15.17.13 NMAC the following information describes the closure of the temporary pit referenced above. All proper documentation concerning closure activities is included with the C-144. The temporary pit for this location was an approved design under Rule 19.15.17. **The closure plan for the temporary pit was submitted on 1-18-2011 and approved on 1-28-2011.**

1. Comply with siting criteria for temporary pits established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.10 NMAC.

   See approved permit dated 1-28-2011.

2. 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).

   See email notification dated 8-22-2011.

3. Provide the surface owner notice of the operator's proposal of an on-site closure method. Proof of notice will be attached to the permit application. Also, proof of closure notice will be provided by certified mail to surface owner after closure. Proof of notice will be attached to final closure report.

   State surface, certified notification not applicable as per BLM/OCD MOU.

4. Remove all liquid from pit and reclaim, re-use or dispose of at an NMOCD approved facility. Upon completion of drilling operations, drilling mud will be vacuumed from pit and transported to the next reserve pit for re-use at another drilling location. After the remaining mud settles, the free water that shakes out and any free water left over from completion operations will be hauled to the Dugan Production operated Sanchez O'Brien #1 SWD 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 NMPM, San Juan County, New Mexico. The disposal facility was permitted by the NMOCD with Administrative Order SWD-694.

   Drilling rig was released 5-25-2011 and drilling mud was transferred to the Holly #90 for re-use (5-25-2011) Remaining free water was transferred to the Sanchez O'Brien SWD #1 salt water disposal well. Remaining

5. Remove all fluids from temporary pit within 30-days and close within 6-months following release of drilling rig.

   Free water was removed within 30-days and temporary pit was closed (8-26-2011).

6. Air dry pit contents and stabilize or solidify to a load bearing capacity sufficient to support the temporary pit's final cover.

   Pit contents were allowed to dry prior to temporary pit closure.

7. Collect a five point, composite sample of the pit contents to demonstrate that Benzene, BTEX, the GRO and DRO combined fraction, TPH. and chlorides (depth to groundwater from bottom of pit is greater than 100-feet), do not exceed the standards as specified in 19.15.17.9.B or the background concentration, whichever is greater.

   A five point composite sample was taken of remaining cuttings in temporary pit and was tested in accordance with Subsection B of 19.15.17.13 (B)(1)(b)(ii). Depth from bottom of pit to top of ground-water is greater than 100-feet. Sample results are attached.

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	2500	**256**
GRO/DRO	EPA SW-846 8015M	500	**24.8**
Chlorides	EPA 300.1	1000 / 500	**256**

8. Other methods if the standards in 19.15.17.9.B can not be met will include: The pit contents may be mixed to a ratio not to exceed 3:1, un-contaminated soil or other material to pit contents. A second five point, composite sample of the contents after treatment or stabilization will be taken to demonstrate that the contents do not exceed the standards. If the second soil analyses do no satisfy the closure standards, the operator will close the temporary pit using the waste excavation and removal method.

   Not applicable, testing standards of 19.15-17.9 were met.

9. Cut pit liner off at the mud line (solids level); remove liner and apron and transport to a NMOCD approved facility for disposal.

   Pit liner was removed 8-26-2011 and disposed of at the Crouch Mesa Waste Management facility on 11-27-2010 (see attached invoice #131351695, 1387046 and 19206).

10. Stockpiled sub-surface soil will be used to backfill pit and re-contour well pad (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 temporary pit and re-contour well pad. A minimum of four-feet of compacted, non-waste containing, earthen material was used to backfill pit.

11. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed areas of the well pad 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 backfilled temporary pit and disturbed areas of the well pad no longer needed for production operations. The soil cover included the greater of either the background thickness or one foot of suitable material necessary to establish vegetation. The location was re-contoured to approximate the original topography of the site and diversions were constructed to protect soil cover and minimize erosion.

12. 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.

    Re-seeding will be done according to BLM guidelines as specified by BLM/OCD memorandum of understanding.

13. The NMOCD will be notified once successful re-vegetation has been achieved.

    Re-seeding will be done according to BLM guidelines as specified by BLM/OCD memorandum of understanding.

14. A steel marker will be set at the center of the on-site burial following onsite-pit closure (see application for administrative approval). The marker will be (24" X 24") and will have the operator name, lease name, well number, location (UL, Sec., Twp. and Rge.) and that it designates an "on-site burial location" lettering welded on the top side with a 4" threaded collar welded to the bottom side. The marker will be set at ground level and attached to a 4" diameter pipe that is cemented in a hole three feet deep. When the well is abandoned, a steel riser that is 4" in diameter, extending 4'

above the ground will be welded to the pipe anchored in cement below the surface. The riser will have lettering welded on side showing operator name, well number, location (UL, Sec., Twp., and Rge.) and that it designates an on-site burial location.

A flat steel marker (24" X 24") with the lettering "on-site burial location" was set at ground-level in the center of the burial site. The marker is welded to a 4" pipe that is cemented in a 3-foot deep hole and is shown in the attached photographs (administrative approval was received). When the well is P&A'd, the steel plate will be removed and a riser that is 4" in diameter, extending 4' above the ground will be welded to the pipe anchored in cement below the surface. The riser will have lettering welded on the side showing operator name, well number, location (UL, Sec., Twp., and Rge.) and that it designates an on-site burial location.

15. Closure Report will be submitted within 60-days of completion of temporary pit closure. Closure report will include the following:
    1) Proof of Closure Notice.
    2) Proof of Deed Notice (if applicable).
    3) Plot Plan.
    4) Confirmation Sampling Analytical Results.
    5) Waste Material Sampling Analytical Results.
    6) Disposal Facility Name and Permit Number.
    7) Soil Backfilling and Cover Installation.
    8) Re-vegetation Application Rates and Seeding Technique.

    All items listed above if applicable are attached and submitted on this date.

16. A deed notice identifying the exact location of the on-site burial will be filed with the County clerk in the county where the on-site burial occurs.

    Federal surface, deed notice identifying exact location of on-site burial is not applicable according to BLM/OCD MOU.

Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87401

Well Name:	Shaw Com #1
Location:	M-Sec.16, T22N, R7W
Drilling Operator:	Wayne Smith Drlg Co
Rig # :	1
Spud Date:	5-16-11
Date : Rig Moved Off	
Date to Remove Liquids by: (30-days from rig release)	
Date to Close Pit by: (180-days from rig release)	

Basie Com #1
Pit water After Empty was 800 ppm

Log Book of Daily inspections during Drilling/workover operations, weekly after rig is moved off.

Date:	Signature	Freeboard (> 2-ft.) Yes / No	Tears or Holes Yes / No	Oil Yes / No	Trash Yes / No	Remarks
						Trans Ferred 4 load From
5-16-11	[signature]	✓	NO	NO	NO	Basie #1 - 1 load water
						Set 8 5/8 & Cemented
5-17-11	[signature]	✓	✓	✓	✓	Add ½ load From Sesnon ½ - Basie
						Drlg Cement Mix 15 sx starch
		✓ 4'	✓	✓	✓	Total - 480 bbls Fluid - Freeboard - 4'
5-18-11		✓ 4'	✓	✓	✓	✓
5-19-11		✓ 4'	✓	✓	✓	✓ Pulled to 120'
5-20-21-22 -	Shut Down					Shut Down @ 1160'
5-23-11	[signature]	3½	✓	✓	✓	Gih - Washing Thru Bridges Cir mix starch - Pack @ 116
5-24-11	[signature]	3'	✓	✓	✓	Added 1 load 80 bbls (1x35 Check)
						Drlg Coal lost 20 bbls
						Added 40 bbls - mix Dispersed (Check 5)
5-25-11	[signature]	3' before Cementing	✓	✓	✓	Ran 5½ & Cemented
		2½' After Cementing				Displaced w/ 32 bbls
		Sucked out 1 load while Cementing				Cir 25 bbls Cement back to Pit
		Then 1 load After				
		Trans Ferred to Holly #90				

Kurt Fagrelius

From: Kurt Fagrelius
Sent: Monday, August 22, 2011 8.50 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'
Subject: 72-hour Notice to Close Temporary Drilling Pits
Attachments: Copy of 72-Hr Notice to Close Temp Drlg Pits 8-26-2011 xls

August 22, 2011

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 following drilling reserve pits (Temporary Pits):

1) Shaw Com #1 - State Surface

2) Basie Com #1 – Federal Surface

Site specific and cuttings analysis information for each drilling reserve pit is included in the enclosed attachment.

Depending on prevailing weather conditions; the pits will be closed on Friday, August 26, 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)
kfagrelius@duganproduction.com

Dugan Production Corp. Permanent Pits to be Closed on August 26, 2011

Lease Name	Shaw Com #1	Basie Com #1
API Number	30-045-38465	30-043-21112
Surface Owner - Notice Sent	NM State	Federal
Location - UL, Sec., Twp, Rge	M-16-22N-7W	D-21-22N-7W
Latitude	36.13486 N	36.12943 N
Longitude	107.58700 W	107.58657 W
Benzene (<0.2 mg/kg)	<0.050-mg/kg	<0.050-mg/kg
Betex (<50 mg/kg)	<0.150-mg/kg	0.151-mg/kg
TPH - Analytic Mthd-418.1 (<2500 mg/kg)	403-mg/kg	166-mg/kg
GRO + DRO - Analytic Mthd-8015 (<200 mg/kg)	24.8- mg/kg	13.8-mg/kg
Chlorides (<1000 mg/kg)	256-mg/kg	896-mg/kg
Thresholds as per "Pit Rule" 19.15.17 NMAC are		
highlighted in red.		

Kurt Fagrelius

From: postmaster@duganproduction.com
Sent: Monday, August 22, 2011 8:50 AM
To: Kurt Fagrelius
Subject: Delivery Status Notification (Relay)

Attachments: ATT14730.txt; 72-hour Notice to Close Temporary Drilling Pits


ATT14730.txt (413 B)


72-hour Notice to Close Tempor...

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

Shaw Com #1

CARDINAL Laboratories

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

July 25, 2011

KURT FAGRELIUS

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 07/19/11 9:15.

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 Hydorcarbons

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

Cardinal Laboratories is accreditated through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2	Haloacetic Acids (HAA-5)
Method EPA 524.2	Total Trihalomethanes (TTHM)
Method EPA 524.4	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,

Celey D. Keene

Celey D. Keene

Lab Director/Quality Manager

CARDINAL Laboratories

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

Analytical Results For:

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

Received:	07/19/2011	Sampling Date:	07/18/2011
Reported:	07/25/2011	Sampling Type:	Soil
Project Name:	PIT CLOSURES	Sampling Condition:	Cool & Intact
Project Number:	NONE GIVEN	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

Sample ID: SHAW COM #1 (H101491-03)

BTEX 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	07/22/2011	ND	1.51	75.7	2.00	29.5	
Toluene*	<0.050	0.050	07/22/2011	ND	1.63	81.5	2.00	28.3	
Ethylbenzene*	<0.050	0.050	07/22/2011	ND	1.73	86.7	2.00	29.0	
Total Xylenes*	<0.150	0.150	07/22/2011	ND	5.21	86.9	6.00	27.7	

Surrogate 4-Bromofluorobenzene (PIL *108 %* *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	**256**	16.0	07/19/2011	ND	448	112	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	**403**	100	07/24/2011	ND	1260	125	1010	3.23	

TPH 8015M mg/kg **Analyzed By: ab**

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	07/21/2011	ND	175	87.4	200	0.597	
DRO >C10-C28	**24.8**	10.0	07/21/2011	ND	157	78.5	200	1.02	
Total TPH C6-C28	**24.8**	10.0	07/21/2011						

Surrogate 1-Chlorooctane *103 %* *70-130*

Surrogate 1-Chlorooctadecane *119 %* *70-130*

Cardinal Laboratories

*=Accredited Analyte

Celey D. Keene, Lab Director/Quality Manager

CARDINAL Laboratories

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

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

Celey D. Keene, Lab Director/Quality Manager

CHAIN OF CUSTODY RECORD

Client: Chevron Pipeline Co.

Contact: Kurt Fagrelius

Address: 247 S. Mineral Dr.

Phone Number: 307-328-5262

FAX Number:

NOTES

1) Ensure proper container packaging

2) Ship samples promptly following collection.

3) Designate Sample Reject Disposition.

PO=

Project Name.

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

Kfagrelius@kayenpipeline.com

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227

Address: 75 Suttle Street, Durango, CO 81303

	Sample ID	Collection: Date	Collection: Time	Misc: Collected by: (Init.)	Misc: Matrix Type From Table 1	Misc: No. of Containers	Misc: Sample Filtered ? Y/N	Preservative(s): Unpreserved (Ice Only)	Preservative(s): HNO3	Preservative(s): HCL	Preservative(s): H2SO4	Preservative(s): NAOH	Preservative(s): Other (Specify)	Analyses Required: Dist. Chlorides	Analyses Required: Pb	Analyses Required: TPH 418	Analyses Required: TPH 8015	Analyses Required: BTEX	Comments
	H101491																		
-1	1. Suction Cut #1	7-12-11	9 AM		3	1								X					
	2																		
2	3. Base Cut #1	7-13-11	10 AM		3	1								X					
	4.																		
3	5. Skin Cut #1	7-13-11	10:45 AM		3	1								X					
	6.																		
4	7. Belly Cut #1	7-13-11	1:15 PM		3	1								X					
	8																		
	9.																		
	10.																		

Relinquished by: Kurt Fagrelius	Date: 7-15-11	Time: 2:20 PM	Received by: Jennifer Clark	Date: 7/15/11	Time: 1426
Relinquished by:	Date:	Time	Received by: Josh Denson	Date: 7/19/11	Time: 9:15

5°C #26

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

WASTE MANAGEMENT

WM of NM - San Juan County
78 County Road 3140
Aztec, NM, 87410
Ph: (505) 334-1121

Original
Ticket# 1051695

Customer Name DUGAN PRODUCTION DUGAN PRODUC
Ticket Date 04/28/2011
Payment Type Credit Account
Manual Ticket#
Hauling Ticket#
Route
State Waste Code
Manifest
Destination
PO
Profile ()
Generator

Carrier DUGPRO DUGAN PRODUCTION CORP.
Vehicle# 8
Container
Driver
Check#
Billing # 0000019
Gen EPA ID
Grid

Volume

	Time	Scale	Operator	Inbound		
In	04/28/2011 15:01:11	Inbound 301	vickyq		Gross	10720 lb
Out	04/28/2011 15:10:47	Outbound 302	mgonzales		Tare	9700 lb
					Net	1020 lb
					Tons	0.51

Comments

	Product	LD%	Qty	UOM	Rate	Tax	Amount	Origin
1	MLV-MSW-Loose- Yds	100	2.00	Yards	4.25	0.54	$8.50	SANJ

Stanlcon #90
Susanlcon #1
Basic Con #90

clean Liner Scraps

Kurt Fagrelius

Driver's Signature

Total Tax	$0.54
Total Ticket	$9.04

403WM

WM of NM - San Juan County
78 County Road 3140
Aztec, NM, 87410
Ph: (505) 334-1121

Reprint
Ticket# 1387046

Customer Name DUGANPRODUCTION DUGAN PRODUCT
Ticket Date 09/09/2011
Payment Type Credit Account
Manual Ticket#
Hauling Ticket#
Route
State Waste Code
Manifest 19206
Destination
PO
Profile 101364NM (Dugan Production - Various Locations)
Generator 153-DUGANPRODUCTIONVARIOUS Dugan Production - Various Locations

Carrier DUGPRO DUGAN PRODUCTION CORP.
Vehicle# XXX
Container
Driver
Check#
Billing # 0000019
Gen EPA ID
Grid

Volume

	Time	Scale	Operator	Inbound		
In	09/09/2011 15:37:28	Inbound 301	mgonzales		Gross	9800 lb
Out	09/09/2011 15:51:07	Outbound 302	mgonzales		Tare	9240 lb
					Net	560 lb
					Tons	0.28

Comments

	Product	LD%	Qty	UOM	Rate	Tax	Amount	Origin
1	SpwasteSolidOth-Cu	100	3.00	Yards				FARM
2	EVFt-P-Standard En	100		%				FARM
3	FUEL-T-Fuel Surcha	100		%				FARM

Kurt Fagrelius
Shaw Con #1
Holly Ion #90

Total Tax
Total Ticket

Driver's Signature

403WM

1-11

SPECIAL WASTE SHIPMENT RECORD

19206

WASTE MANAGEMENT OF NEW MEXICO, INC.
SAN JUAN COUNTY REGIONAL LANDFILL
PERMIT #SWM-052426, #SWM-052426SP
#78 CR 3140 P.O. Box 1402
Aztec, New Mexico 87410
505/334-1121

Shipment # ____________

Profile # 101364 NM (Required)

1. Generator's Work site name and address (physical site address of waste generation)	
2. Generator's name and address Dugan Production Corp. PO Box 420 Farmington, NM 87499	**Generator's Telephone no.** 505-325-182
3. Authorized Agent name and address (if different from #2) Kurt Fagrelius VP Exploration PO Box 420 Farmington, NM 87499	Agent's Telephone no. 505-320-8248

4. Description materials	**5. Container's**	**6. Total Quantity**
20 mills pit liner (CLEAN)	No. 1 Type R	(tons) (yd3)
Shaw Com #1	1 20 ml liner	3
Holly Com #90	" "	3

7. Special handling instructions
N/A

8. GENERATOR or AUTHORIZED AGENT CERTIFICATION: I hereby declare that the contents of this consignment are fully and accurately described above and are classified, packed, marked and labeled, and are in all respects in proper condition for transport by highway in accordance with applicable international and government regulations. I hereby certify that the above named material does not contain free liquid as defined by 40CFR Part 258.28 and is not a hazardous waste as defined by 40CFR 261 or any applicable state law.

Generator or Agent (Printed/typed name and title)	Generator or Agents Signature	Month/Day/Year
Kurt Fagrelius VP Exploration	Kurt Fagrelius	9/9/11

9. Transporter 1 (Acknowledgement of receipt of materials)

Printed/typed name & title, address, telephone no.	Driver Signature	Month/Day/Year
Kurt Fagrelius VP Exploration PO Box 420 505-320-8248 Farmington, NM 87499		/ /

10. Transporter 2 (Acknowledgement of receipt of materials)

Printed/typed name & title, address, telephone no.	Driver Signature	Month/Day/Year
Kurt Fagrelius as Above	Kurt Fagrelius	9/9/11

11. Discrepancy indication space

12. Waste disposal site Location co-ordinates (X,Y,Z)

Received by name and title (Printed/typed)	SJC Landfill Rep. Signature	Month / Day / Year
[illegible]	[illegible]	9/9/11

White/GEN Yellow/LANDFILL Pink/TRANSPORTER Golden/GEN

san juan reproduction 98-165

District I
1625 N French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
	71629	BASIN FRUITLAND COAL

[4] Property Code	[5] Property Name	[6] Well Number
	SHAW COM	1

[7] OGRID No.	[8] Operator Name	[9] Elevation
006515	DUGAN PRODUCTION CORPORATION	6866'

[10] Surface Location

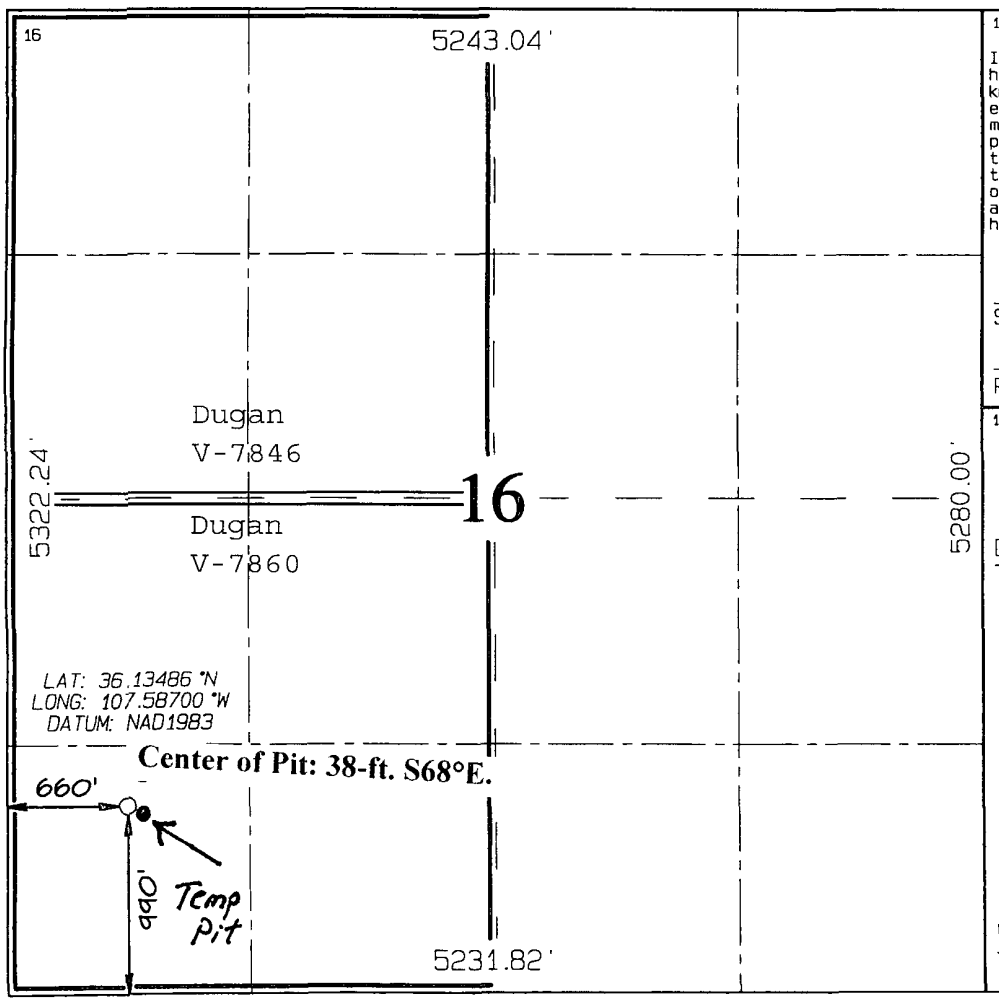
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	16	22N	7W		990	SOUTH	660	WEST	SANDOVAL

[11] Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No
320.0 Acres - (W/2)			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



[17] OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

1/10/2011
Signature Date

Kurt Fagrelius
Printed Name

[18] SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief

Date of Survey: AUGUST 16, 2010

Signature and Seal of Professional Surveyor

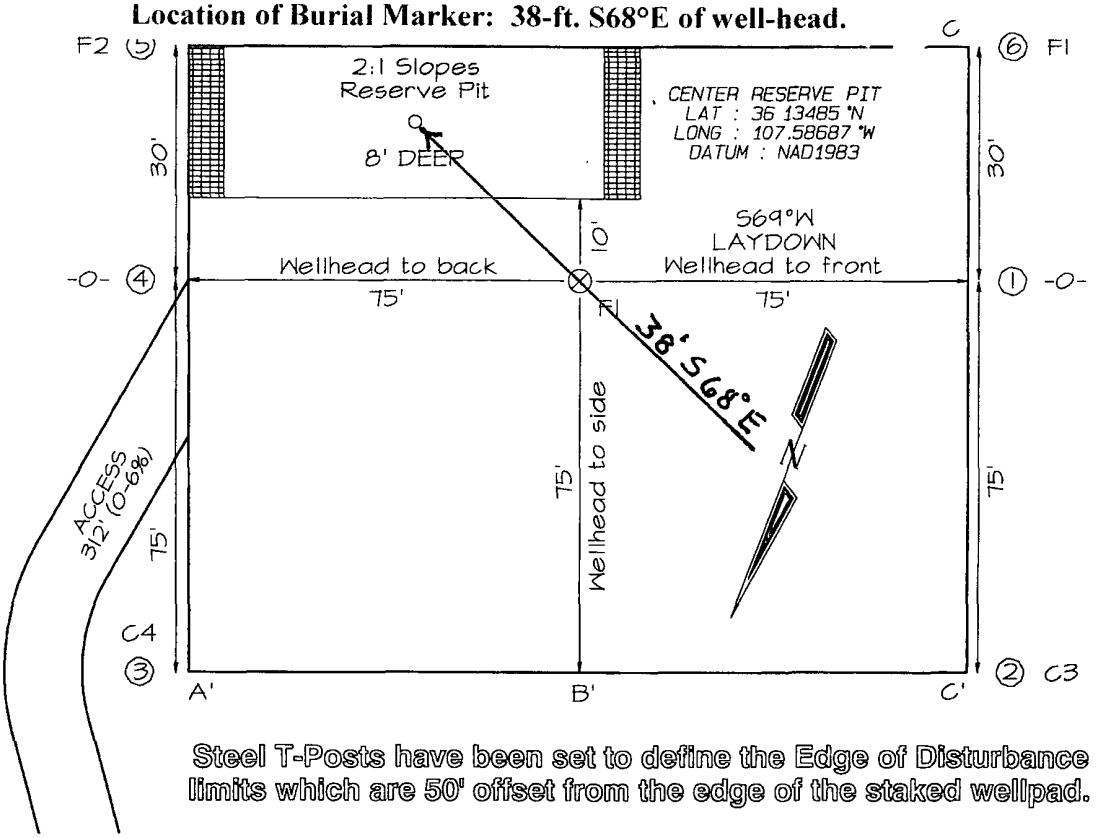
JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS
Certificate Number 15269

DUGAN PRODUCTION CORPORATION SHAW COM #1
990' FSL & 660' FWL, SECTION 16, T22N, R7W, NMPM
SANDOVAL COUNTY, NEW MEXICO GROUND ELEVATION: 6866'

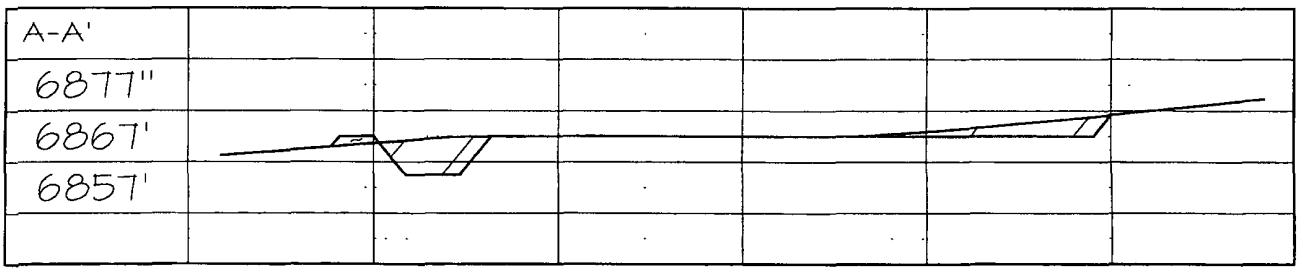
LATITUDE: 36.13486° N
LONGITUDE: 107.58700° W
DATUM: NAD1983

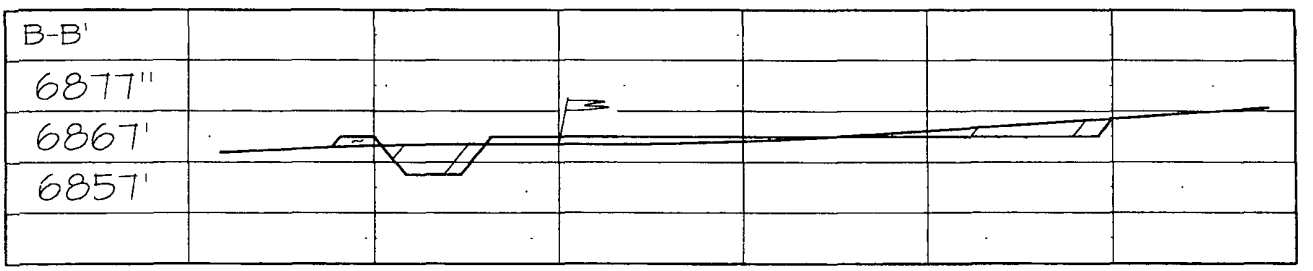
Location of Burial Marker: 38-ft. S68°E of well-head.

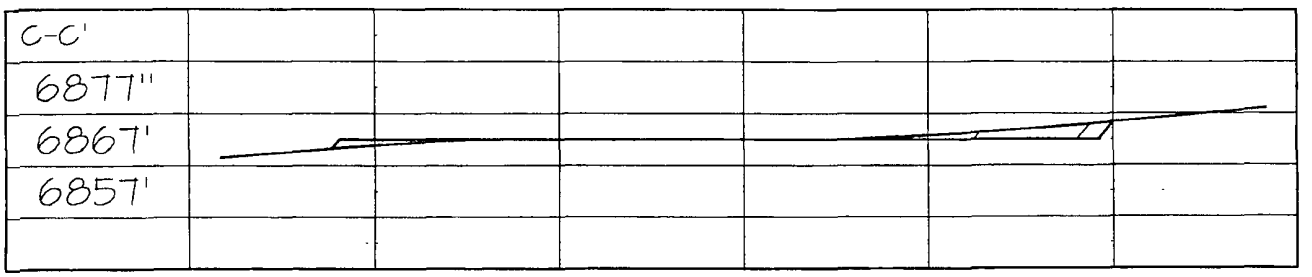


PLAT NOTE:
SURFACE OWNER State of New Mexico

Steel T-Posts have been set to define the Edge of Disturbance limits which are 50' offset from the edge of the staked wellpad.







Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

Submit To Appropriate District Office
Two Copies
District I
1625 N French Dr , Hobbs, NM 88240
District II
811 S. First St , Artesia, NM 88210
District III
1000 Rio Brazos Rd., 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-105
Revised August 1, 2011

1. WELL API NO.
30-043-21108

2 Type of Lease
☒ STATE ☐ FEE ☐ FED/INDIAN

3. State Oil & Gas Lease No.
V-7860

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

4 Reason for filing

☐ **COMPLETION REPORT** (Fill in boxes #1 through #31 for State and Fee wells only)

☒ **C-144 CLOSURE ATTACHMENT** (Fill in boxes #1 through #9, #15 Date Rig Released and #32 and/or #33, attach this and the plat to the C-144 closure report in accordance with 19 15.17 13.K NMAC)

5. Lease Name or Unit Agreement Name
Shaw Com

6. Well Number:
1

7 Type of Completion:
☒ NEW WELL ☐ WORKOVER ☐ DEEPENING ☐ PLUGBACK ☐ DIFFERENT RESERVOIR ☐ OTHER

8 Name of Operator
Dugan Production Corp.

9. OGRID
006515

10 Address of Operator
P O Box 420, Farmington, NM 87499-0420 (505)325-1821

11. Pool name or Wildcat
Basin Fruitland Coal

12.Location	Unit Ltr	Section	Township	Range	Lot	Feet from the	N/S Line	Feet from the	E/W Line	County
Surface:	M	16	22N	7W		990	South	660	West	Sandoval
BH:										

13. Date Spudded	14. Date T.D. Reached	15. Date Rig Released	16. Date Completed (Ready to Produce)	17 Elevations (DF and RKB, RT, GR, etc)
		5/25/11		

18 Total Measured Depth of Well	19. Plug Back Measured Depth	20. Was Directional Survey Made?	21. Type Electric and Other Logs Run

22 Producing Interval(s), of this completion - Top, Bottom, Name

23. **CASING RECORD** (Report all strings set in well)

CASING SIZE	WEIGHT LB /FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED

24. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

25. TUBING RECORD

SIZE	DEPTH SET	PACKER SET

26 Perforation record (interval, size, and number)

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED

28. **PRODUCTION**

Date First Production	Production Method *(Flowing, gas lift, pumping - Size and type pump)*	Well Status *(Prod or Shut-in)*

Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - Bbl	Gas - MCF	Water - Bbl.	Gas - Oil Ratio

Flow Tubing Press	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl	Oil Gravity - API - *(Corr)*

29 Disposition of Gas *(Sold, used for fuel, vented, etc)*

30 Test Witnessed By

31. List Attachments

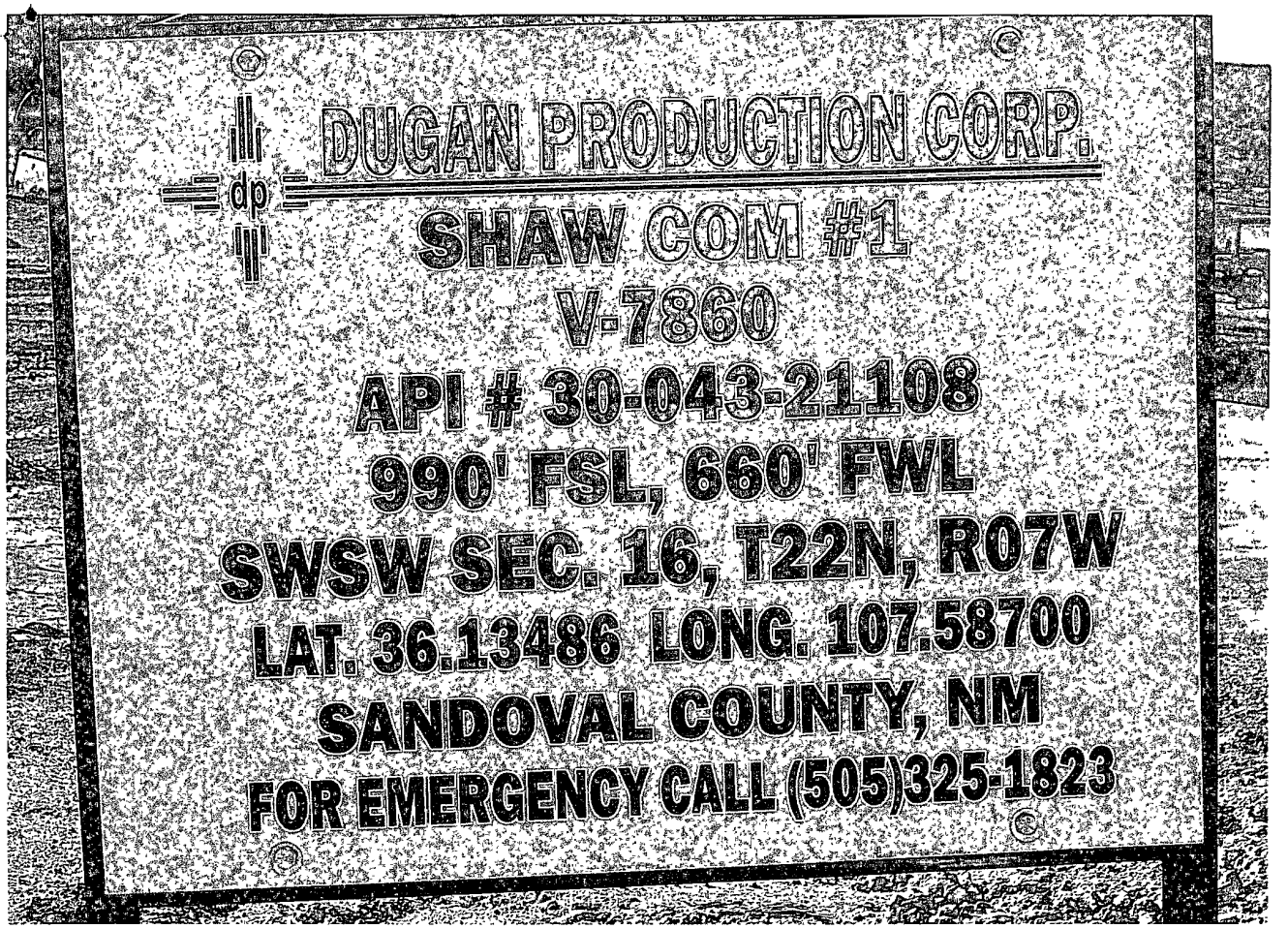
32 If a temporary pit was used at the well, attach a plat with the location of the temporary pit

33 If an on-site burial was used at the well, report the exact location of the on-site burial:
Latitude 36.13486 Longitude 108.587 NAD 1983

I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature Kurt Fagrelius Printed Name Kurt Fagrelius Title Vice-President, Exploration Date 10/27/2011

E-mail Address kfagrelius@duganproduction.com


DUGAN PRODUCTION CORP.
dp
SHAW COM #1
V-7860
API # 30-043-21108
990' FSL, 660' FWL
SWSW SEC. 16, T22N, R07W
LAT. 36.13486 LONG. 107.58700
SANDOVAL COUNTY, NM
FOR EMERGENCY CALL (505)325-1823