

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

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
☒ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

Operator: Dugan Production Corp.	OGRID #: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401	RCVD JUL 17 '08 OIL CONS. DIV.
Facility or well name: Mancini #6	DIST. 3
API Number: 30-045-34759	OCD Permit Number:
U/L or Qtr/Qtr: E Section: 10 Township: 22N Range: 8W County: San Juan	
Center of Proposed Design: Latitude 36.15641 North Longitude 107.67433 West NAD: <input type="checkbox"/> 1927 <input checked="" type="checkbox"/> 1983	
Surface Owner: <input checked="" type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment	

<input checked="" type="checkbox"/> Pit: Subsection F or G of 19.15.17.11 NMAC Temporary <input checked="" type="checkbox"/> Drilling <input type="checkbox"/> Workover <input type="checkbox"/> Permanent <input type="checkbox"/> Emergency <input type="checkbox"/> Cavitation <input checked="" type="checkbox"/> Lined <input type="checkbox"/> Unlined Liner type: Thickness 20 mil <input checked="" type="checkbox"/> LLDPE <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other <input checked="" type="checkbox"/> String-Reinforced Seams: <input type="checkbox"/> Welded <input checked="" type="checkbox"/> Factory <input type="checkbox"/> Other Volume: 600 bbl Dimensions: L 76' x W 13' x D 8'	<input type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC <input type="checkbox"/> Drying Pad <input type="checkbox"/> Tanks <input type="checkbox"/> Haul-off Bins <input type="checkbox"/> Other <input type="checkbox"/> Lined <input type="checkbox"/> Unlined Liner type: Thickness mil <input type="checkbox"/> LLDPE <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other Seams: <input type="checkbox"/> Welded <input type="checkbox"/> Factory <input type="checkbox"/> Other Volume bbl yd ³ Dimensions: Length x Width
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<input type="checkbox"/> Below-grade tank: Subsection I of 19.15.17.11 NMAC Volume: bbl Type of fluid: Tank Construction material: <input type="checkbox"/> Secondary containment with leak detection <input type="checkbox"/> Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off <input type="checkbox"/> Visible sidewalls and liner <input type="checkbox"/> Visible sidewalls only <input type="checkbox"/> Other Liner type: Thickness mil <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other	<input type="checkbox"/> Fencing: Subsection D of 19.15.17.11 NMAC <input type="checkbox"/> Chain link, six feet in height, two strands of barbed wire at top <input type="checkbox"/> Four foot height, four strands of barbed wire evenly spaced between one and four feet <input type="checkbox"/> Netting: Subsection E of 19.15.17.11 NMAC <input type="checkbox"/> Screen <input type="checkbox"/> Netting <input type="checkbox"/> Other <input type="checkbox"/> Monthly inspections <input type="checkbox"/> Signs: Subsection C of 19.15.17.11 NMAC <input checked="" type="checkbox"/> 12'x24', 2' lettering, providing Operator's name, site location, and emergency telephone numbers <input type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC
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<input type="checkbox"/> Alternative Method: Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.	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: <input checked="" type="checkbox"/> Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval. <input type="checkbox"/> Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.
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Siting Criteria (regarding permitting): 19.15.17.10 NMAC <i>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.</i>	
Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark) - Topographic map; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to temporary, emergency, or cavitation pits and below-grade tanks) - Visual inspection (certification) of the proposed site; Aerial photo, Satellite image	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. (Applies to permanent pits) - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality, Written approval obtained from the municipality	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map, Topographic map; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society, Topographic map	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Within a 100-year floodplain. - FEMA map	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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 19.15.17.15 NMAC
- ☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.15 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 - 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: _____

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 (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.15 NMAC
- ☐ Siting Criteria Compliance Demonstrations (required 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 - 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: _____

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 19.15.17.15 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 H₂S, 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

Proposed Closure: 19.15.17.13 NMAC

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ Permanent Pit ☐ Below-grade Tank ☐ Closed-loop System ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal

☒ 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)

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 watercourse, 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

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

Waste Removal Closure For Closed-loop Systems That Utilize Haul-off Bins Only: (19.15.17.13.D NMAC) *Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings.*

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

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 and Design of Burial Trench (if applicable) 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

Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief

Name (Print): Kurt Fagrelus Title: Vice President, Exploration

Signature: _____ Date: _____

e-mail address: kfagrelus@duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (C)

OCD Approval: ☒ Permit Application (including closure plan) ☒ Closure Plan (only)

OCD Representative Signature: Brad Kelly Approval Date: 9-29-08

Title: Enviro Spec Compliance Officer
OCD Permit Number: _____

Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

☒ Closure Completion Date: 11-8-2011

Closure Method:

- ☐ Waste Excavation and Removal ☒ On-Site Closure Method ☐ Alternative Closure Method
- ☐ If different from approved plan, please explain

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
- ☐ Proof of Deed Notice (if applicable)
- ☒ Plot Plan
- ☒ Confirmation Sampling Analytical Results
- ☒ Waste Material Sampling Analytical Results
- ☒ 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 36.15641° N Longitude 107.67433° W NAD: ☐ 1927 ☒ 1983

Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print) Kurt Fagrelus Title: Vice President, Exploration

Signature: Kurt Fagrelus Date: 12-1-2011

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

**Dugan Production Corp.
Closure Report**

Lease Name: Mancini #6
API No.: 30-045-34759

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 7-23-2008 and approved on 9-29-2008.**

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 9-29-2008.

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 11-1-2011.

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.

Federal 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 8-10-2011 and settled drilling mud was transferred to the Mancini #5 for re-use (8-11-2011). Remaining free water was transferred to the Sanchez O'Brien SWD #1 salt water disposal well.

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 (11-8-2011).

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	<100
GRO/DRO	EPA SW-846 8015M	500	<10
Chlorides	EPA 300.1	1000 / 500	208

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 not 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 11-8-2011 and disposed of at the Crouch Mesa Waste Management facility on 11-8-2011.

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:	MAIL CIRC				
Location:	# 6				
Drilling Operator:	WSD				
Rig # :	1				

Spud Date:	8-4-11				
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Date :						

Rig Moved Off	8-11-11				
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Date to Remove Liquids by:	8-10-11	} TRUNK mud to MINORITIES 3 loads
(30-days from rig release)	8-11-11	

Date to Close Pit by:						
(180-days from rig release)						

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
8-3-11	<i>John Doe</i>	4'	No	No	No	Moved CN Trans Fwd 3 Load m2 Added 2 Loads water
8-4-11	<i>John Doe</i>	4'	No	No	No	Set 85/8 Added 1 Load
8-5-11	<i>John Doe</i>	4	✓	✓	✓	Test Dily Conn T
8-8-11	<i>John Doe</i>	4	✓	✓	✓	Dily
8-9-11	<i>John Doe</i>	4	✓	✓	✓	Dily Stop For Conn 1
8-10-11	<i>John Doe</i>	4	✓	✓	✓	Mixed 55x5 Struck
8-10-11	<i>John Doe</i>	3	✓	✓	✓	Lost 406613 Add 1 Load - T
8-10-11	<i>John Doe</i>	2' 2 1/2'	After Run Casing & Cementing Sucked out 1 Load Trans Fwd to #5			
8-11-11	<i>John Doe</i>	4	✓	✓	✓	Moved Trans. Run mud to MCALINI #5



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

October 11, 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 10/05/11 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
 KURT FAGRELIUS
 P. O. BOX 420
 FARMINGTON NM, 87499
 Fax To: (505) 327-4043

 Received: 10/05/2011
 Reported: 10/11/2011
 Project Name: PIT CLOSURES
 Project Number: NONE GIVEN
 Project Location: NOT GIVEN

 Sampling Date: 10/03/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: MANCINI COM #6 (H102135-03)

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	10/05/2011	ND	2.29	115	2.00	1.60	
Toluene*	<0.050	0.050	10/05/2011	ND	2.20	110	2.00	2.95	
Ethylbenzene*	<0.050	0.050	10/05/2011	ND	2.23	111	2.00	4.16	
Total Xylenes*	<0.150	0.150	10/05/2011	ND	6.72	112	6.00	5.02	

Surrogate: 4-Bromofluorobenzene (PIL) 110 % 64 4-134

Chloride, SM4500Cl-B		mg/kg		Analyzed By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	208	16.0	10/06/2011	ND	448	112	400	3.64	

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	10/07/2011	ND	1060	97.1	1090	0.283	

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	10/09/2011	ND	205	103	200	0.172	
DRO >C10-C28	<10.0	10.0	10/09/2011	ND	192	95.8	200	1.70	
Total TPH C6-C28	<10.0	10.0	10/09/2011	ND	397	99.2	400	0.737	

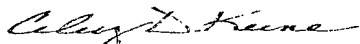
Surrogate: 1-Chlorooctane 84.8 % 55 5-154

Surrogate: 1-Chlorooctadecane 108 % 57 6-158

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

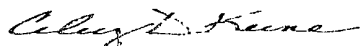
Notes and Definitions

S-HI	High surrogate recovery was confirmed as a matrix effect by a second analysis.
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: Dugen Production Corp
 Contact: Kurt Fegre LLS
 Address: 709 E Murray Dr
Engt. NM 87401
 Phone Number 505-320-8248
 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: _____

Kfegre@dugenproduction.com

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)					
H102135													Pit closure				
1 Hess Com 95	10-3-11	11:30											BTEX				
2 Mercini Com #8	10-3-11	1:30											TPH 418.1				
*3 Mercini Com #5	10-3-11	1:45											TPH 8015				
4 Lombardo Com #1		2:30											CL-				
5 Miller Com #1		2:45															
Relinquished by: <u>Kurt Fegre LLS</u>	Date: <u>10-3-11</u>	Time: <u>4:12</u>	Received by: <u>Christine Law</u>					Date: <u>10/3/11</u>	Time: <u>10/12</u>								
Relinquished by: _____	Date: _____	Time: _____	Received by: <u>Wendi Johnson</u>					Date: <u>10/3/11</u>	Time: <u>9:45</u>								

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

* Sample ID changed as per Kurt.
 10/11/11 ch

40c

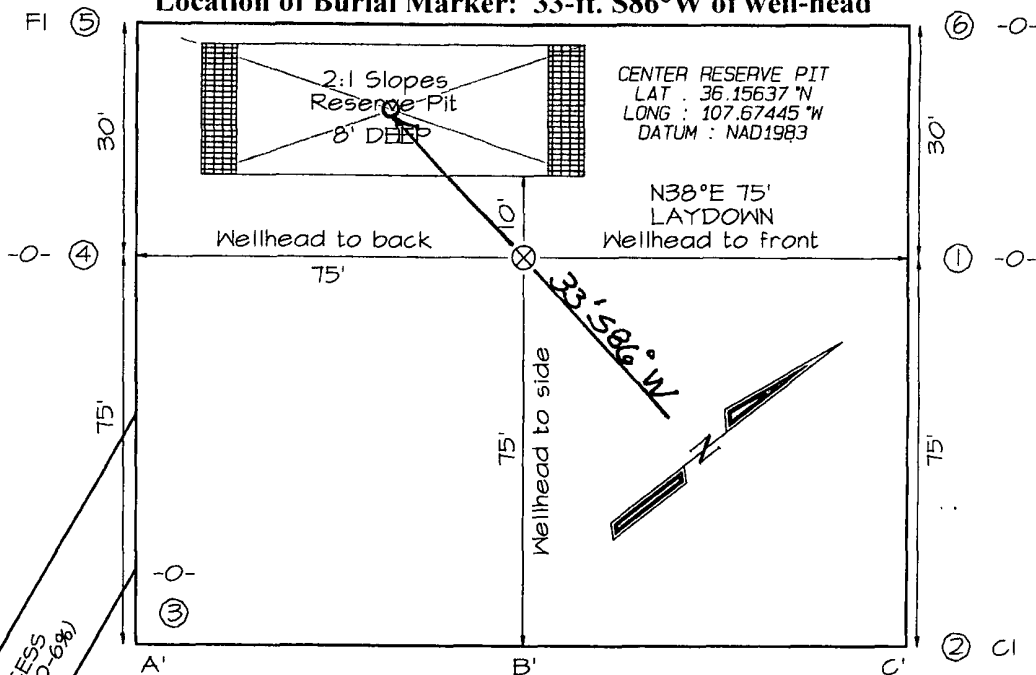
DUGAN PRODUCTION CORPORATION MANCINI COM #6
1850' FNL & 1100' FWL, SECTION 10, T22N, R8W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6794'

LATITUDE: 36.15641° N
LONGITUDE: 107.67433° W
 DATUM: NAD1983

PLAT NOTE:

SURFACE OWNER
 Bureau of Land
 Management

Location of Burial Marker: 33-ft. S86°W of well-head



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

A-A'						
6804'						
6794'						
6784'						

B-B'						
6804'						
6794'						
6784'						

C-C'						
6804'						
6794'						
6784'						

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

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

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name MANCINI COM		*Well Number 6
*OGRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6794'

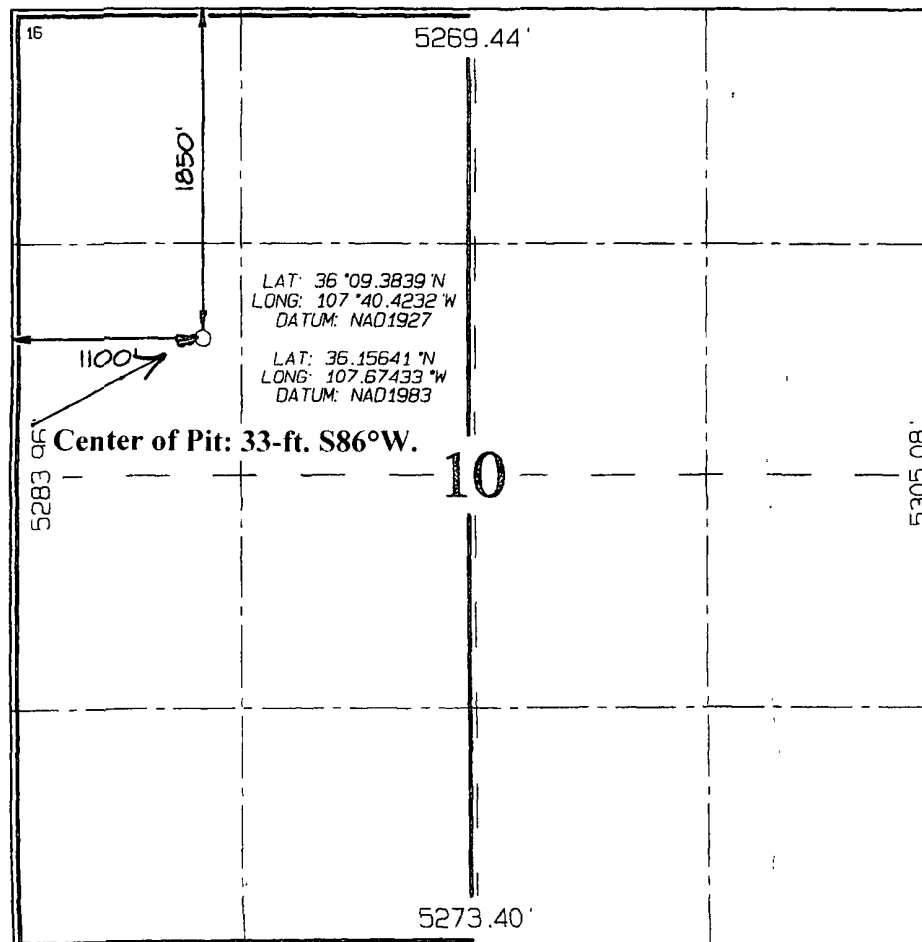
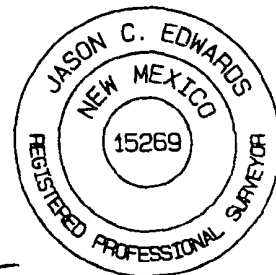
¹⁰ Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	10	22N	8W		1850	NORTH	1100	WEST	SAN JUAN

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 320.0 Acres - (W/2)					¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.

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

	<p>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</p> <p>7-15-08 Signature <u>Kurt Feguli</u> Date Printed Name</p>
	<p>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</p> <p>Date of Survey: JULY 1, 2008</p> <p>Signature and Seal of Professional Surveyor</p> <p> JASON C. EDWARDS Certificate Number 15269</p>

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.

30-045-34759

2. Type of Lease

☐ STATE ☐ FEE ☒ FED/INDIAN

3. State Oil & Gas Lease No.
Federal Lease NMNM109396

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)

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:	E	10	22N	8W		1850	North	1100	West	San Juan
BH:										

13. Date Spudded	14. Date T.D. Reached	15. Date Rig Released 8/11/11	16. Date Completed (Ready to Produce)	17. Elevations (DF and RKB, RT, GR, etc.)
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					25. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	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 36.156410 Longitude 107.674330 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 Fagrelus* Printed Name Kurt Fagrelus Title Vice-President, Exploration Date 10/27/2011

E-mail Address kfagrelus@duganproduction.com

Kurt Fagrelius

From: Kurt Fagrelius
Sent: Tuesday, November 01, 2011 6:05 PM
To: 'Powell, Brandon, EMNRD', 'Mark_Kelly@nm.blm.gov'; 'lucas_vargo@blm.gov'; Kurt Fagrelius
Subject: 72-Hr Notice to close Mancini Temp Drilling Pits
Attachments: 72-Hr Notice Mancini 5 6 8 11-2011.xls
November 2, 2011

Dear Mr. Brandon Powell, 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) Mancini #5 – Federal Surface
- 2) Mancini #6 – Federal Surface
- 3) Mancini #8 – 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 Tuesday November 8, 2011

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

Kurt Fagrelius

Kurt Fagrelius
Dugan Production Corp.
505.325.1821 office
505.320.8248 cell
505.327.4613 fax

11/1/2011

Dugan Production Corp. Temporary Pits to be Closed on November 8, 2011

Lease Name	Mancini #8	Mancini #6	Mancini #5
API Number	30-045-34764	30-045-34759	30-045-34761
Surface Owner - Notice Sent	Federal	Federal	Federal
Location - UL, Sec., Twp, Rge	B-10-22N-8W	E-10-22N-8W	M-10-22N-8W
Latitude	36.15795 N	36.15641 N	36.15019 N
Longitude	107.66576 W	107.67433 W	107.67391
Benzene (<0.2 mg/kg)	<0.050 mg/kg	<0.050 mg/kg	<0.050 mg/kg
Betex (<50 mg/kg)	<0.150- mg/kg	<0.150- mg/kg	<0.150- mg/kg
TPH - Analytic Mthd-418.1 (<2500 mg/kg)	198- mg/kg	<100- mg/kg	116- mg/kg
GRO + DRO - Analytic Mthd-8015 (<200 mg/kg)	<10.0-mg/kg	<10.0- mg/kg	20.3- mg/kg
Chlorides (<1000 mg/kg)	352- mg/kg	208-mg/kg	896-mg/kg
Thresholds as per "Pit Rule" 19.15.17 NMAC are highlighted in red.			

Kurt Fagrelius

From: System Administrator
To: Kurt Fagrelius
Sent: Tuesday, November 01, 2011 6:05 PM
Subject: Delivered: 72-Hr. Notice to close Mancini Temp. Drilling Pits

Your message

To: 'Powell, Brandon, EMNRD'; 'Mark_Kelly@nm.blm.gov'; 'lucas_vargo@blm.gov'; Kurt Fagrelius
Subject: 72-Hr. Notice to close Mancini Temp. Drilling Pits
Sent: 11/1/2011 6:05 PM

was delivered to the following recipient(s):

Kurt Fagrelius on 11/1/2011 6:05 PM

Kurt Fagrelus

From: postmaster@duganproduction.com
Sent: Tuesday, November 01, 2011 6:05 PM
To: Kurt Fagrelus
Subject: Delivery Status Notification (Relay)

Attachments: ATT21323.txt; 72-Hr. Notice to close Mancini Temp Drilling Pits



ATT21323.txt (413 B) 72-Hr. Notice to close Mancini...

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: Kelly, Mark C [mkelly@blm.gov]
To: Kurt Fagrelius
Sent: Thursday, November 03, 2011 6:33 AM
Subject: Read: 72-Hr. Notice to close Mancini Temp. Drilling Pits

Your message

To: mkelly@blm.gov
Subject:

was read on 11/3/2011 6:33 AM.

Kurt Fagrelius

From: Kurt Fagrelius
To: Kurt Fagrelius
Sent: Tuesday, November 01, 2011 6:08 PM
Subject: Read: 72-Hr. Notice to close Mancini Temp Drilling Pits

Your message

To: 'Powell, Brandon, EMNRD'; 'Mark_Kelly@nm.blm.gov'; 'lucas_vargo@blm.gov'; Kurt Fagrelius
Subject: 72-Hr. Notice to close Mancini Temp. Drilling Pits
Sent: 11/1/2011 6:05 PM

was read on 11/1/2011 6:08 PM.

