

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

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

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

Release Notification and Corrective Action

30-045-26587

OPERATOR

☐ Initial Report ☒ Final Report

Name of Company	Dugan Production Corp.	Contact	Kurt Fagrelus
Address	P.O. Box 420	Telephone No.	505-325-1821
Facility Name	Jim Thorpe #1 (Separator)	Facility Type	Permanent Pit
Surface Owner	Navajo Allotted	Mineral Owner	Navajo Allotted
		Lease No.	NOO-C-1420-7308

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
G	3	23N	10W	1900	North	2060	East	San Juan

Latitude 36.25796 N Longitude 107.88081 W

NATURE OF RELEASE

Type of Release	Spill Clean-Up and Pit Closure	Volume of Release	Unknown	Volume Recovered	Unknown
Source of Release	Below grade permanent pit release	Date and Hour of Occurrence	?	Date and Hour of Discovery	Unknown
Was Immediate Notice Given?	☐ Yes ☐ No ☒ Not Required	If YES, To Whom?	N/A		
By Whom?	Date and Hour				
Was a Watercourse Reached?	☐ Yes ☒ No	If YES, Volume Impacting the Watercourse			
If a Watercourse was Impacted, Describe Fully *	N/A				
Describe Cause of Problem and Remedial Action Taken *					
During permanent pit closure a chloride and TPH impact were discovered. A five-point composite sample tested 4480-mg/kg chloride and 544-mg/kg TPH which exceed the threshold limits of 19.15.17.13.C. See attached sample results.					
Describe Area Affected and Cleanup Action Taken * Contamination was addressed under the "Spill Rule" 19.15.30. 46-cubic yards of contaminated soil was hauled from site of release to Envirotech Landfarm. Soil was re-sampled, TPH tested <10-mg/kg which meets the threshold limits of 19.15.30 and Chlorides tested 1150-mg/kg. C-144 ranking=10. The Chloride release does not pose a threat to groundwater contamination. See attachment to "Final C-141" and invoice #22455 and #27144.					
I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations					
Signature <i>Kurt Fagrelus</i>		OIL CONSERVATION DIVISION			
Printed Name Kurt Fagrelus		Approved by District Supervisor <i>Jonath D. Kelly</i>			
Title VP Exploration		Approval Date 1/30/2011		Expiration Date	
E-mail Address kfagrelus@duganproduction.com		Conditions of Approval		Attached ☐	
Date 12/13/2010 Phone 505-325-1821					

* Attach Additional Sheets If Necessary

nJK 1133451363

**ARDINAL
LABORATORIES***Initial Sample
Results*PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

December 30, 2009

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

Re: Earth Pit Closure

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

Cardinal Laboratories is accredited through Texas NELAP for.

Method SW-846 8021	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method SW-846 8260	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method TX 1005	Total Petroleum Hydrocarbons

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

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

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

Accreditation applies to public drinking water matrices.

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

Sincerely,

Celcy D. Keene
Laboratory Director

This report conforms with NELAP requirements



FILE# (b) (3), 39-4528-101 L. MAFIA - RUC - HORRE NM 68240

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

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

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

418.1
TOTAL
TPH

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

METHODS. EPA 418 1

Not accredited for TPH 418.1 Reported on wet weight

Chemist

Date _____

H16941 418 1 DUGAN

[illegible]



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

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

Sampling Date 12/15/06
Sample Type SOIL
Sample Condition COOL & INTACT @ 6°C
Sample Received By CK
Analyzed By: ZI

LAB NO.	SAMPLE ID	ETHYL			TOTAL
		BENZENE (mg/kg)	TOLUENE (mg/kg)	BENZENE (mg/kg)	XYLENES (mg/kg)
ANALYSIS DATE		12/29/09	12/29/09	12/29/09	12/29/09
H18941-1	OLSON #1	<0.050	<0.050	<0.050	<0.300
H18941-2	WITTY #1	<0.050	<0.050	<0.050	<0.300
H18941-3	WITS END T.B. PROD. TANK ON #3	<0.050	<0.050	<0.050	<0.300
H18941-4	WITS END T.B. SEP. ON #3	<0.050	<0.050	<0.050	<0.300
H18941-5	OLYMPIC T.B. PROD. TANK ON #1	<0.050	<0.050	<0.050	<0.300
H18941-6	OLYMPIC T.B. SEP. ON #1	<0.050	<0.050	<0.050	<0.300
H18941-7	JIM THORPE #1 SEP.	<0.050	<0.050	<0.050	<0.300
H18941-8	SEOUL #88	<0.050	<0.050	<0.050	<0.300
H18941-9	LAKE PLACID #1	<0.050	<0.050	<0.050	<0.300
H18941-10	MARATHON #1 SEP.	0.101	<0.050	<0.050	<0.300
Quality Control		0.048	0.046	0.048	0.146
True Value QC		0.050	0.050	0.050	0.150
% Recovery		96.0	92.0	96.0	97.3
Relative Percent Difference		8.8	5.7	2.2	9.1

METHODS. BTEX - SW-846 8021B

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

Ch. Keane
Chemist

Date 12/30/09

1 156.3 54 54 1,117,343

[illegible]



PHONE (575) 330-2321 • FAX (575) 330-2322 • P.O. BOX 1000, FARMINGTON, NM 87401

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

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

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

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/kg)
H18941-1	OLSON #1	1,960
H18941-2	WITTY #1	320
H18941-3	WITS END T.B. PROD. TANK ON #3	384
H18941-4	WITS END T.B. SEP. ON #3	1,040
H18941-5	OLYMPIC T.B. PROD. TANK ON #1	2,360
H18941-6	OLYMPIC T.B. SEP. ON #1	928
H18941-7	JIM THORPE #1 SEP.	4,480
H18941-8	SEOUL #88	308
H18941-9	LAKE PLACID #1	192
H18941-10	MARATHON #1 SEP.	848
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		< 0.1

METHOD: Standard Methods

4500-ClB

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

Chris Kline
Chemist

Date

12/30/09

H18941 Dugan

PLEASE NOTE: Methods and procedures used in this laboratory are subject to change without notice. The results of this analysis are based on the methods used at the time of analysis. The results of this analysis are not valid for any other purpose. The results of this analysis are not valid for any other purpose. The results of this analysis are not valid for any other purpose.



CHAIN OF CUSTODY RECORD

Page 1

Client: LEGION PRODUCTION
Contact: FRED CORNISH
Address: _____
Phone Number: 330-0924
Fax Number: 330-325-4873

NOTES

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

PG#

Project Name: EARTH PIT CLOSURE

Table 1 -- Matrix Type

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

Sample Signature: Fred Cornish

Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227										Analyses Required								
Address: 75 Suttle Street, Durango CO 81303																		
Sample ID	Collection		Collected by: (Init.)	Miscellaneous			Preservative(s)				Benzene BTEX	TPH	418.1	Chlorides				
	Date	Time		Matrix Type From Table 1	No. of Containers	Sample Filtered Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4								
H-18941-																		
1. CH-01 #1	12-18-09	12:12 PM		3														
2. T-1	12-18-09	12:08 PM																
3. 10001 #38	12-18-09	1:00 PM																
4. 10001 #38	12-18-09	1:15 PM																
5. 10001 #38	12-18-09	1:30 PM																
6. 10001 #38	12-18-09	1:45 PM																
7. 10001 #38	12-18-09	2:00 PM																
8. 10001 #38	12-18-09	2:15 PM																
9. 10001 #38	12-18-09	2:30 PM																
10. 10001 #38	12-18-09	2:50 PM																
Retained by: <u>Fred Cornish</u>			Date: <u>12-18-09</u>	Time: <u>3:50 PM</u>	Received by: <u>Alvin Clark</u>			Date: <u>12/18/09</u>	Time: <u>1:55</u>									
Retained by: <u>Fred Ex</u>			Date: _____	Time: _____	Received by: <u>Alvin Clark</u>			Date: <u>12/23/09</u>	Time: <u>11:15</u>									

Client: LEGION PRODUCTION
Contact: FRED CORNISH
Address: _____
Phone Number: 330-0924
Fax Number: 330-325-4873

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

100% * see comment
100% 100% 100%

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



To
Dugan Production Corp
PO Box 420
Farmington, NM 87401

Invoice

Invoice Number 22455
Job 06094-0042
DATE December 19, 2008

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

Ordered by Fred Cornish

Project Manager April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
12/15/2008					
Landfarm					
		BOL# 32213	1 00 ea	10 00	10 00
Paint Filter Test		BOL# 32213	1 00 ea	15 00	15 00
Chloride Analysis-Water		BOL# 32213	10 00 cy	18 00	180 00
Contaminated Soil Receival					
Landfarm Total:			12.00		205.00
12/15/2008 Total:			12.00		205.00
Invoice Sub-total					205 00
Sales Tax					12.68
Amount due this Invoice					\$217 68

All invoices are due upon receipt. A late charge of 1.5% will be added to any unpaid balance after 30 days.

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

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



To
 Dugan Production Corp
 PO Box 420
 Farmington, NM 87401

Invoice

Invoice Number 27144
 Job 06094-0082
 DATE October 29, 2010

Jim Thorpe #1 - accept exempt
 contaminated soil from cleaning out old
 earthen pit

Ordered by Mike Sandoval

Project Manager April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
10/19/2010					
Landfarm					
		BOL# 36816	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 36816	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 36816	12 00 CY	18 00	216 00
Contaminated Soil Receival					
Landfarm Total			14.00		241.00
10/19/2010 Total:			14.00		241.00
10/20/2010					
Landfarm					
		BOL# 36819	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 36819	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 36819	24 00 CY	18 00	432 00
Contaminated Soil Receival					
Landfarm Total:			26.00		457.00
10/20/2010 Total:			26.00		457.00
Invoice Sub-total					698 00

Invoice # 27144 Job # 06094-0082

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Sales Tax			44.06
Amount due this Invoice					<u><u>\$742.06</u></u>

All invoices are due upon receipt. A late charge of 1.5% will be added to any unpaid balance after 30 days.

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



John Thorpe
Confirmation
Sample Results

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

October 29, 2010

MIKE SANDOVAL

DUGAN PRODUCTION

P. O. BOX 420

FARMINGTON, NM 87499

RE: PIT CLOSURES

Enclosed are the results of analyses for samples received by the laboratory on 10/22/10 9.30.

Cardinal Laboratories is accredited through Texas NELAP for

Method SW-846 8021	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method SW-846 8260	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method TX 1005	Total Petroleum Hydrocarbons

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

Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for.

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

Accreditation applies to public drinking water matrices.

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

Sincerely,

Celey D. Keene
Lab Director/Quality Manager

Analytical Results For:

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

Received	10/22/2010	Sampling Date	10/20/2010
Reported	10/29/2010	Sampling Type	Soil
Project Name	PIT CLOSURES	Sampling Condition	Cool & Intact
Project Number	JIM THORPE #1 SEP PIT	Sample Received By	Jodi Henson
Project Location	NOT GIVEN		

Sample ID: JIM THORPE #1 (H021125-01)

BTX 8260B		mg/kg		Analyzed By: CMS						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Benzene*	<0.100	0.100	10/27/2010	ND	1.00	100	1.00			
Toluene*	<0.100	0.100	10/27/2010	ND	0.970	97.0	1.00			
Ethylbenzene*	<0.100	0.100	10/27/2010	ND	1.04	104	1.00			
Total Xylenes*	<0.300	0.300	10/27/2010	ND	3.09	103	3.00			

Surrogate Dibromofluoromethane 85.6% 80-120
Surrogate Toluene-d8 92.0% 80-120
Surrogate 4-Bromofluorobenzene 96.8% 80-120

Chloride, SM4500Cl-B		mg/kg		Analyzed By: HM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Chloride	1150	16.0	10/25/2010	ND	432	108	400	0.00		

TPH 418.1		mg/kg		Analyzed By: CK						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
TPH 418.1	<10.0	10.0	10/27/2010	ND	120	91.6	131	8.00	SUB-SS	

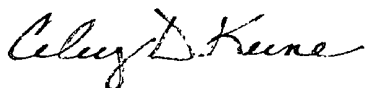
TPH 8015M		mg/kg		Analyzed By: AB						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
GRO C6-C10	<10.0	10.0	10/23/2010	ND	211	105	200	6.63		
DRO >C10-C28	<10.0	10.0	10/23/2010	ND	180	90.2	200	5.39		
Total TPH C6-C28	<10.0	10.0	10/23/2010	ND	391	97.8	400	0.903		

Surrogate 1-Chlorooctane 96.6% 70-130
Surrogate 1-Chlorooctadecane 95.9% 70-130

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



Celey D. Keene, Lab Director/Quality Manager

Notes and Definitions

SUB-SS	Analysis subcontracted to SunStar Laboratories, Inc
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

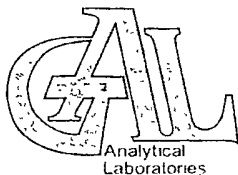
Cardinal Laboratories

* = 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 Dugan Prod.
 Contact Mike Sanchez
 Address _____
 Phone Number 330-0929
 FAX Number 337-4043

NOTES

- 1) Ensure proper container packaging
 - 2) Ship samples promptly following collection
 - 3) Designate Sample Reject Disposition
- PO# J.M. Thorpe #1
 Project Name scf pit

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 # _____

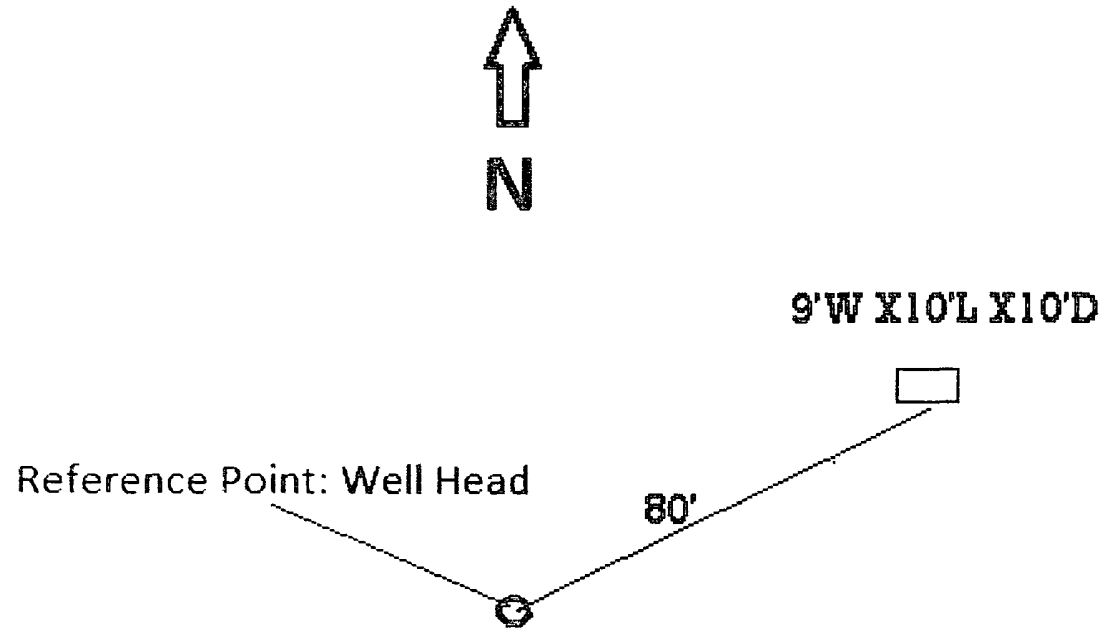
Sampler's Signature [Signature]

Lab Name		Green Analytical Laboratories		(970) 247-4220		FAX (970) 247-4227		Analyses Required										Comments								
Address		75 Suttle Street, Durango, CO 81303																								
Sample ID	Collection		Miscellaneous			Preservative(s)																				
	Date	Time	Collected by (Init)	Matrix Type From Table 1	No. of Containers	Sample Filtered Y/N	Unpreserved (Ice Only)	HNO3	HCL	H2SO4	NAOH	Other (Specify)														
H21125-																										
1 Jim Thorpe #1	10-20-10	11:00																								
2																										
3																										
4																										
5																										
6																										
7																										
8																										
9																										
10																										
Relinquished by <u>[Signature]</u>			Date <u>10-20-10</u>		Time <u>3:58</u>		Received by <u>Christy Clark</u>			Date <u>10/20/10</u>		Time <u>15:58</u>														
Relinquished by <u>[Signature]</u>			Date <u>10/22/10</u>		Time <u>9:30</u>		Received by <u>[Signature]</u>			Date <u>10/22/10</u>		Time <u>9:30</u>														

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

5° #26

Dugan Production
Jim Thorpe #1
Seperator & Tank Pit



From Reference Point Go N. 70 Degrees NE. For
a Distance of 80' to Center of Pit.

Permanent pit: Jim Thorpe #1 (Separator)

API number: 30-045-26587

Results of sample analysis on the five-point composite sample collected on the subject permanent pit exceeded limits permissible under the "pit rule" (19.15.17.13.C) (see attached C-141 with analytic results).

The Environmental Bureau of the Oil Conservation Division (OCD) in Santa Fe is hereby provided a C-144 (closure report) and an "initial" C-141 (release notification) with analytic results of soil testing. The closure date on the C-144 (box 21) shows the date that the soil analysis did not meet pit rule standards. Also, this letter hereby provides notice that the subject permanent pit will be closed according to the requirements of the "spill rule" (19.15.30).

The OCD district office in Aztec is hereby provided a copy of the "initial report" C-141 (release notification) with analytic results of soil testing and also notice that the subject permanent pit will be closed according to the requirements of the "spill rule" (19.15.30). Assessment, clean-up and remediation of the reported spill will be done in accordance with the spill rule under the authority of the Aztec District office of the OCD. The "final report" C-141 with photo documentation of site reclamation will be sent to the Aztec District office of the OCD.

Following clean-up of the reported release and determination that the release is not a threat to groundwater contamination, the permanent pit will be closed in accordance with the approved C-144 (closure plan) and will include the following:

1. Stockpiled sub-surface soil will be used to backfill pit and re-contour (to a final or intermediate cover that blends with the surrounding topography). A minimum of four-feet of compacted, non-waste containing, earthen material will be used as backfill.
2. Stockpiled surface soil will be used as a cover over the backfilled pit and disturbed area no longer needed for production operations. The soil cover will include either the background thickness of top soil or one-foot of suitable material to establish vegetation at the site whichever is greater. The soil cover will be constructed to the sites existing grade and prevent water collection or ponding and erosion of the cover material.
3. Disturbed areas will be seeded the first growing season after the pit is closed. Seeding will be accomplished by drilling on contour whenever possible or by other division approved methods. BLM stipulated seed mixes will be used on all Federal lands and OCD approved seed mixes (administratively approved if required) will be used on all State or private lands. Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two consecutive growing seasons. If alternate seed mix is required by the state, private owner or tribe, it will be implemented with administrative approval if needed. Seeding or planting will be continued until successful vegetative growth occurs.
4. The Aztec District office of the OCD will be notified after each re-seeding operation and after successful re-vegetation has been achieved.

Kurt Fagrelus

VP – Exploration, Dugan Production Corp.

Farmington, New Mexico 87401

505-325-1821 (O), 505-320-8248 (C)

kfagrelus@duganproduction.com

Lease Name: Jim Thorpe #1 (Separator)						
API No.: 30-045-26587						
Site Specific Infromation						
Depth to	255-ft.	Distance to Surface	200-ft	Wellhead Protection Area	4300-ft	
Groundwater		Water Body		Distance from Water Source		
Total Ranking Score						
Depth to	Ranking	Distance to Surface	Ranking	Wellhead Protection Area	Ranking Score	Total Ranking
Groundwater	Score	Water Body	Score	Distance from Water Source	Yes =20, No=0	Score
<50-feet	20	<200-feet	20	<1000-feet from water source	0	
50 - 99	10	200 - 1000	10	<200-feet domestic water	0	
>100-feet	0	>1000-feet	0			10
Total Ranking Score					Sample	
		>19	10 - 19	0 - 9	Analysis	
Benzene (mg/kg)		10	10	10	<0.100	
BTEX (mg/kg)		50	50	50	<0.300	
TPH (mg/kg)		100	1000	5000	<10	
Chorides (mg/kg)		N A	N.A.	N A.	1150	
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 418 1 and Chlorides 4500-C1-B						
C-144 ranking = 10 Chloride release does not pose a threat to groundwater contamination						

Jim Thorpe #1 Hydrogeologic Report

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

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Jim Thorpe #1 location (Exhibit 2). A water well 4,300 feet to the north and west of the below grade tank was located. This well was drilled to a depth of 373 feet, the top of water was not reported, however, the well was tested at 3.5 gallons per minute. No other information was available on this well. The results of the search are shown on Exhibit 1.

The main source of stock water in the region is encountered in valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface. The below grade tank is not located in an arroyo, the closest arroyo is over 200 feet to the southeast (Exhibit 2).

The Nacimiento Formation extends from the surface down to a depth of approximately 255 feet. Thin silty sands can occur near the base. However, the sands are discontinuous, have high silt content and would not be expected to contain any water.

The underlying Ojo Alamo Sandstone ranges from 255 feet down to 325 feet and is comprised of a coarse grained alluvial sandstone inter-bedded with lenses of mudstone and occasional conglomeratic sandstone. The Ojo Alamo may yield marginal quantities of water for livestock, however, the water quality is typically greater than 1,000 ppm total dissolved solids and high in sulfate (Stone, 1983).

The Nacimiento and Ojo Alamo are potential sources of water in the area, however, nearby arroyos have breached the surface down to a depth of approximately 70 feet, there are no springs in the area and the zones are not expected to contain significant amounts of water in the area.

Based on electric open hole logs, the iWATERS database and literature reviewed, a water well in the area encountered groundwater at 373 feet, lesser amounts of poor quality ground water might be found at a depth of approximately 255 feet from the Ojo Alamo Sandstone.

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

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

For Emergency Call (505) 325-1823

Jim Thorpe #1
Seperator Pit
Close 12-17-10



Jim Thorpe #1
LandFarm
Close 12-17-10



Kurt Fagrelus

From: Kurt Fagrelus
Sent: Friday, December 10, 2010 9:06 AM
To: Powell, Brandon, EMNRD, dave_mankiewicz@nm.blm.gov, Mark_Kelly@nm.blm.gov, lucas_vargo@blm.gov, Spencer, Bertha
Cc: Johnny Lane, Mike Sandoval, Kurt Fagrelus
Subject: 72-hr Notice to Close 12-14 to 12-17-2010
Attachments: 72-Hour Notice to Close 12-14 to 12-17-2010.xls

Mr. Brandon Powell, Mr. Dave Mankiewicz, Mr. Mark Kelly, Mr. Lucas Vargo and Ms. Bertha Spencer

Dugan Production Corp. is hereby giving notice that Dugan will be closing the permanent pits on the following well pads:

- 1) Olympic #1 TB (Separator)
- 2) Olympic #1 TB (Prod. Tank)
- 3) Calgary #88 (Prod. Tank)
- 4) Calgary #88 (Separator)
- 5) Flo Jo #1 (Separator)
- 6) Gold Medal #1
- 7) Gold Medal #5 (Separator)
- 8) Gold Medal #5 (Prod. Tank)
- 9) Jim Thorpe #1 (Separator)
- 10) Road Runner #1

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

Those highlighted in blue (#s 1 – 4, 6 – 8 and #10) are located on Federal Surface, and those highlighted in red (# 5 and #9) are located on Navajo Allotted Surface.

Permanent pits will be closed starting Tuesday December 14, 2010 thru Friday December 17, 2010.

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

Kurt Fagrelus
Dugan Production Corp.
709 East Murray Drive
Farmington, New Mexico 87401
505-325-1821 (O), 505-320-8248 (C)
kfagrelus@duganproduction.com

12/10/2010

Dugan Production Corp. Permanent Pits to be Closed on December 14 to December 17, 2010					
Lease Name	Olympic #1 TB Sep	Olympic #1 TB Prod	Calgary #88 Prod.	Calgary #88 Sep	Flo Jo #1 Sep
API Number	30-045-26007	30-045-26007	30-045-26784	30-045-26784	30-045-27463
Surface Owner - Notice Sent	Federal	Federal	Federal	Federal	Navajo Allotted
Location - UL, Sec , Twp, Rge	I-3-23N-10W	I-3-23N-10W	A-6-23N-10W	A-6-23N-10W	A-1-23N-11W
Latitude	36 2541 N	36 2541 N	36 77293 N	36 77293 N	36 26099 N
Longitude	107.87613 W	107 87613 W	107 92965 W	107 92965 W	107 9463 W
C-144 Ranking Score	0	0	0	0	0
Benzene (mg/kg)	<0 050	<0 050	<0 050	<0 050	<0 050
Betex (mg/kg)	<0 300	<0.300	<0.300	<0.300	<0 300
TPH (mg/kg) - Analy Mthd	<100 - 418 1	<100 - 418.1	142 - 418 1	<100 - 418 1	900 - 418 1
Chlorides (mg/kg)	928	2360	1760	352	1100
Total Yards Contaminated	20	20	62	N.A	60
Soil Hauled to Landfarm					

Gold Medal #1	Gold Medal #5 Sep	Gold Medal #5 Prod	Jim Thorpe #1 Sep	Road Runner #1
30-045-26035	30-045-26823	30-045-26823	30-045-26587	30-045-27693
Federal	Federal	Federal	Navajo Allotted	Federal
H-34-24N-10W	O-31-24N-10W	O-31-24N-10W	G-3-23N-10W	O-36-24N-11W
36 27290 N	36 26465 N	36 26465 N	36 25796 N	36 26461 N
107 87657 W	107 9341 W	107 9341 W	107 88081 W	107 95187 W
0	0	0	10	0
<0 050	<0 050	<0 050	<0 100	<0 050
<0 300	<0.300	<0 300	<0.300	<0 300
<100 - 418 1	713 - 418 1	<100 - 418 1	<10 - 418 1	<100 - 418 1
1340	1550	2240	1150	1440
30-yds	60-yds	60-yds	30-yds	90-yds

Kurt Fagrelius

From: postmaster@duganproduction.com
Sent: Friday, December 10, 2010 9 06 AM
To: Kurt Fagrelius
Subject: Delivery Status Notification (Relay)

Attachments: ATT32033.txt, 72-hr Notice to Close 12-14 to 12-17-2010



ATT32033.txt (407 B) 72-hr Notice to
Close 12-14 to...

This is an automatically generated Delivery Status Notification.

Your message has been successfully relayed to the following recipients, but the requested delivery status notifications may not be generated by the destination.

Brandon.Powell@state.nm.us

Kurt Fagrelius

From: postmaster@duganproduction.com
Sent: Friday, December 10, 2010 9 06 AM
To: Kurt Fagrelius
Subject: Delivery Status Notification (Relay)

Attachments: ATT32045.txt, 72-hr Notice to Close 12-14 to 12-17-2010



ATT32045.txt (396 B) 72-hr Notice to
Close 12-14 to

This is an automatically generated Delivery Status Notification.

Your message has been successfully relayed to the following recipients, but the requested delivery status notifications may not be generated by the destination.

Bertha.Spencer@bia.gov

Kurt Fagrelius

From: Dave_Mankiewicz@blm.gov
Sent: Friday, December 10, 2010 11 08 AM
To: Kurt Fagrelius
Subject: 72-hr Notice to Close 12-14 to 12-17-2010

Return Receipt

Your 72-hr Notice to Close 12-14 to 12-17-2010
document:

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

at: 12/10/2010 11:07:32 AM

Kurt Fagrelius

From: Lucas_Vargo@blm.gov
Sent: Friday, December 10, 2010 11:20 AM
To: Kurt Fagrelius
Subject: 72-hr Notice to Close 12-14 to 12-17-2010

Return Receipt

Your 72-hr Notice to Close 12-14 to 12-17-2010
document:

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

at: 12/10/2010 11:19:49 AM

Kurt Fagrelus

From: System Administrator
To: Johnny Lane, Kurt Fagrelus, Mike Sandoval
Sent: Friday, December 10, 2010 9 06 AM
Subject: Delivered 72-hr Notice to Close 12-14 to 12-17-2010

Your message

To. Powell, Brandon, EMNRD; dave_mankiewicz@nm.blm.gov, Mark_Kelly@nm.blm.gov; lucas_vargo@blm.gov, Spencer, Bertha
Cc: Johnny Lane; Mike Sandoval, Kurt Fagrelus
Subject: 72-hr Notice to Close 12-14 to 12-17-2010
Sent. 12/10/2010 9:06 AM

was delivered to the following recipient(s):

Johnny Lane on 12/10/2010 9:06 AM
Kurt Fagrelus on 12/10/2010 9:06 AM
Mike Sandoval on 12/10/2010 9:06 AM

Kurt Fagrelius

From: Mark_Kelly@blm.gov
Sent: Tuesday, December 14, 2010 5:59 AM
To: Kurt Fagrelius
Subject: 72-hr Notice to Close 12-14 to 12-17-2010

Return Receipt

Your 72-hr Notice to Close 12-14 to 12-17-2010
document:

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

at: 12/14/2010 05:59:29 AM