

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

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

Form C-141
Revised October 10, 2003
Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

30-045-26891

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	Champ #1 Production Tank	Facility Type	Permanent Pit

Surface Owner	Federal	Mineral Owner	Federal	Lease No.	NM-42059
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
C	5	23N	10W	660	North	1980	West	San Juan

Latitude 36.26105 N Longitude 107.92069 W

NATURE OF RELEASE

Type of Release	Spill Cleanup and Pit Closure	Volume of Release	N/A	Volume Recovered	N/A
Source of Release		Date and Hour of Occurrence ?		Date and Hour of Discovery	N/A
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	N/A		
By Whom?		Date and Hour			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse			

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

During permanent pit closure a chloride and TPH impact were discovered. A five-point composite sample tested 752-mg/kg Chloride and 8,800-mg/kg TPH (418.1 Analytic Method).

Describe Area Affected and Cleanup Action Taken*

184-yards of contaminated soil were dug from permanent pit and hauled to Envirotech land farm. Once all contaminated soil had been removed a five-point composite sample was taken and tested 32-mg/kg Chloride and 650-mg/kg TPH (Analytical Method 418.1). The C-144 spill ranking was determined to be 0. The Chloride and TPH release are not a threat to groundwater contamination.

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>Patrick D. Kelly</i>	
Title: VP Exploration	Approval Date: 11/30/2011	Expiration Date:
E-mail Address: kfagrelus@duganproduction.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 11/11/2010	Phone: 505-325-1821	

* Attach Additional Sheets If Necessary

NJK 1133446678

Chemp
Prod Tank



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
Reported: 10/29/2010
Project Name: PIT CLOSURES
Project Number: CHAMP #1 TANK PIT
Project Location: NOT GIVEN

Sampling Date: 10/20/2010
Sampling Type: Soil
Sampling Condition: Cool & Intact
Sample Received By: Jodi Henson

Sample ID: CHAMP #1 (H021126-01)

BTEX 8260B		mg/kg	Analyzed By: CMS						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.100	0.100	10/28/2010	ND	1.00	100	1.00		
Toluene*	<0.100	0.100	10/28/2010	ND	0.970	97.0	1.00		
Ethylbenzene*	<0.100	0.100	10/28/2010	ND	1.04	104	1.00		
Total Xylenes*	<0.300	0.300	10/28/2010	ND	3.09	103	3.00		

Surrogate Dibromofluoromethane 85.6 % 80-120

Surrogate Toluene-d8 93.6 % 80-120

Surrogate 4-Bromofluorobenzene 99.0 % 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	32.0	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	650	100	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	182	91.1	200	1.70	
DRO >C10-C28	668	10.0	10/23/2010	ND	189	94.3	200	0.425	
Total TPH C6-C28	668	10.0	10/23/2010	ND	371	92.7	400	0.627	

Surrogate 1-Chlorooctane 101 % 70-130

Surrogate 1-Chlorooctadecane 105 % 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



Phone Number: 330-0929

FAX Number: 327-4045

NOTES:

- PO# *Chumco #1*

Project Name: Pink Dot

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

GALJOB #

Samplers Signature: _____

Address: 75 Suttle Street, Durango, CO 81303

Comments

Relinquished by

Relinquished by

Date:

Date _____

Time:

Time:

Received by:

Received _____

Date	
------	--

Date: _____

Tigay

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466
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⁴ Sample Reject | | Return | | Dispose | | Store (30 Days)

50c #26

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



To
Dugan Production Corp
PO Box 420
Farmington, NM 87401

Invoice

Invoice Number: 22607
Job 06094-0047
DATE: January 15, 2009

Champ #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>
01/09/2009					
Landfarm					
		BOL# 32332	2.00 ea	10.00	20.00
Paint Filter Test		BOL# 32332	2.00 ea	15.00	30.00
Chloride Analysis-Water		BOL# 32332	20.00 cy	18.00	360.00
Contaminated Soil Reveal					
Landfarm Total:			24.00		410.00
01/09/2009 Total:			24.00		410.00
01/13/2009					
Landfarm					
		BOL# 32351	4.00 ea	10.00	40.00
Paint Filter Test		BOL# 32351	5.00 ea	15.00	75.00
Chloride Analysis-Water		BOL# 32351	44.00 cy	18.00	792.00
Contaminated Soil Reveal					
Landfarm Total:			53.00		907.00
01/13/2009 Total:			53.00		907.00
Invoice Sub-total					1,317.00

Invoice # 22607 Job # 06094-0047

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Sales Tax			81.49

Amount due this Invoice	<u><u>\$1,398.49</u></u>
-------------------------	--------------------------

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

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

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



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

Invoice

Invoice Number: 26960
 Job: 06094-0077
 DATE: October 6, 2010

Champ #1 - accept exempt contaminated
 soil from pit closure

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>
09/28/2010					
Landfarm					
		BOL# 36631	1.00 EA	10.00	10.00
Paint Filter Test (LF)		BOL# 36631	1.00 EA	15.00	15.00
Chloride (LF)		BOL# 36631	12.00 CY	18.00	216.00
Contaminated Soil Reveal		BOL# 36634	1.00 EA	10.00	10.00
Paint Filter Test (LF)		BOL# 36634	1.00 EA	15.00	15.00
Chloride (LF)		BOL# 36634	12.00 CY	18.00	216.00
Contaminated Soil Reveal					
Landfarm Total:			28.00		482.00
09/28/2010 Total:			28.00		482.00
09/29/2010					
Landfarm					
		BOL# 36653	1.00 EA	10.00	10.00
Paint Filter Test (LF)		BOL# 36653	1.00 EA	15.00	15.00
Chloride (LF)		BOL# 36653	12.00 CY	18.00	216.00
Contaminated Soil Reveal					
Landfarm Total:			14.00		241.00
Lab					
		BOL# 36640	1.00 EA	10.00	10.00
Paint Filter Test (LF)		BOL# 36640	1.00 EA	15.00	15.00

Invoice # 26960 Job # 06094-0077

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
Chloride (LF)		BOL# 36640	36.00 CY	18.00	648.00
Contaminated Soil Reveal					
		Lab Total:	38.00		673.00
		9/29/2010 Total:	52.00		914.00

09/30/2010

Landfarm

	BOL# 36658	1.00 EA	10.00	10.00
Paint Filter Test (LF)				
	BOL# 36658	1.00 EA	15.00	15.00
Chloride (LF)				
	BOL# 36658	36.00 CY	18.00	648.00
Contaminated Soil Reveal				
	BOL# 36673	1.00 EA	10.00	10.00
Paint Filter Test (LF)				
	BOL# 36673	1.00 EA	15.00	15.00
Chloride (LF)				
	BOL# 36673	12.00 CY	18.00	216.00
Contaminated Soil Reveal				
	Landfarm Total:	52.00		914.00
	09/30/2010 Total:	52.00		914.00

Invoice Sub-total 2,310.00

Sales Tax 145.82

Amount due this Invoice \$2,455.82

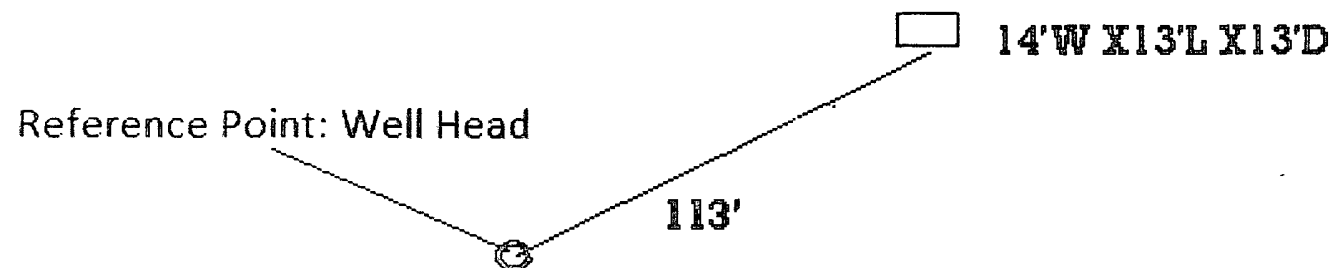
All invoices are due upon receipt. A late charge of 1 5% will be added to any unpaid balance after 30 days

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

Dugan Production

Champ #1

Tank Pit



From Reference Point Go N.25 Degrees NE. For
a Distance of 113' to Center of Pit.

Permanent pit: Champ #1
API number: 30-045-26891

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: Champ #1 (Production)						
API No.: 30-045-26891						
Site Specific Information						
Depth to	150-ft	Distance to Surface	1600-ft	Wellhead Protection Area	> 1000-ft	
Groundwater		Water Body		Distance from Water Source		
Total Ranking Score						
Depth to	Ranking	Distance to Surface	Ranking	Wellhead Protection Area	Ranking Score	Total Ranking
Groundwater	Score	Water Body	Score	Distance from Water Source	Yes =20, No=0	Score
<50-feet	20	<200-feet	20	<1000-feet from water source	0	
50 - 99	10	200 - 1000	10	<200-feet domestic water	0	
>100-feet	0	>1000-feet	0			0
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	650	
Chorides (mg/kg)		N.A.	N.A.	N.A.	32	
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 418.1 and Chlorides 4500-C1-B.						
C-144 ranking =0. Chloride and TPH release does not pose a threat to groundwater contamination.						

Champ #1 Hydrogeologic Report

The Champ #1 is located on Federal land on the Chaco Slope area in San Juan County, New Mexico. The region is characterized as a high arid mesa broken by numerous, deep cutting arroyos. Mesa tops are dominated by tall stands of sage with sparse grass in the arroyos and low-lying areas.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Champ #1 location (Exhibit 2). One water well was located 7,900 feet to the northeast (total depth 373 feet, no other available information). The results of the search are shown on Exhibit 1.

The main source of stock water in the region is encountered in valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface and stock tanks constructed on surface shale layers at the confluence and upper reaches of arroyos. The below grade tank is not located in an arroyo; the closest arroyo is 1,600 feet to the southwest (Exhibit 2).

The Nacimiento extends from the surface down to a depth of approximately 150 feet and is comprised of mudstone / shale with a trace of siltstone. The Nacimiento is not a good source of water in the area; the section does not have rocks capable of storing groundwater and has been breached to a depth of 100 feet by arroyos 3/4-miles to the southeast.

The Ojo Alamo Sandstone extends from 150 - 230 feet and is comprised of a coarse grained sandstone inter-bedded with lenses of mudstone and occasional conglomeratic sandstone. If the Ojo Alamo contains groundwater, it would be in the lower sands below a depth of about 160 feet.

The Kirtland Shale interval is from 230-680 feet in depth and is comprised entirely of mudstone / shale with a few thin siltstone layers inter-bedded with shale from 320-390 feet. These thin stringers of siltstone might contain very minimal amounts of ground water.

The Fruitland Formation and Pictured Cliffs Sandstone from 970-1100 feet contain larger amounts of very poor quality ground water. Analysis of this water is available upon request from Dugan Production Corp.

Excessive drilling depth, unpredictable variations in reservoir quality and water quality have discouraged the drilling of water wells in the in the subject area.

Based on electric open hole logs, the iWATERS database and literature reviewed, very minor amounts of poor quality ground water might be found at a depth below 160 feet from the lowermost Ojo Alamo Sandstone. A deeper and larger source of poor quality groundwater occurs in the Fruitland Coals and Pictured Cliffs Sandstone from 970-1100 feet.

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

DUGAN PRODUCTION CORP.

CHAMP #TB

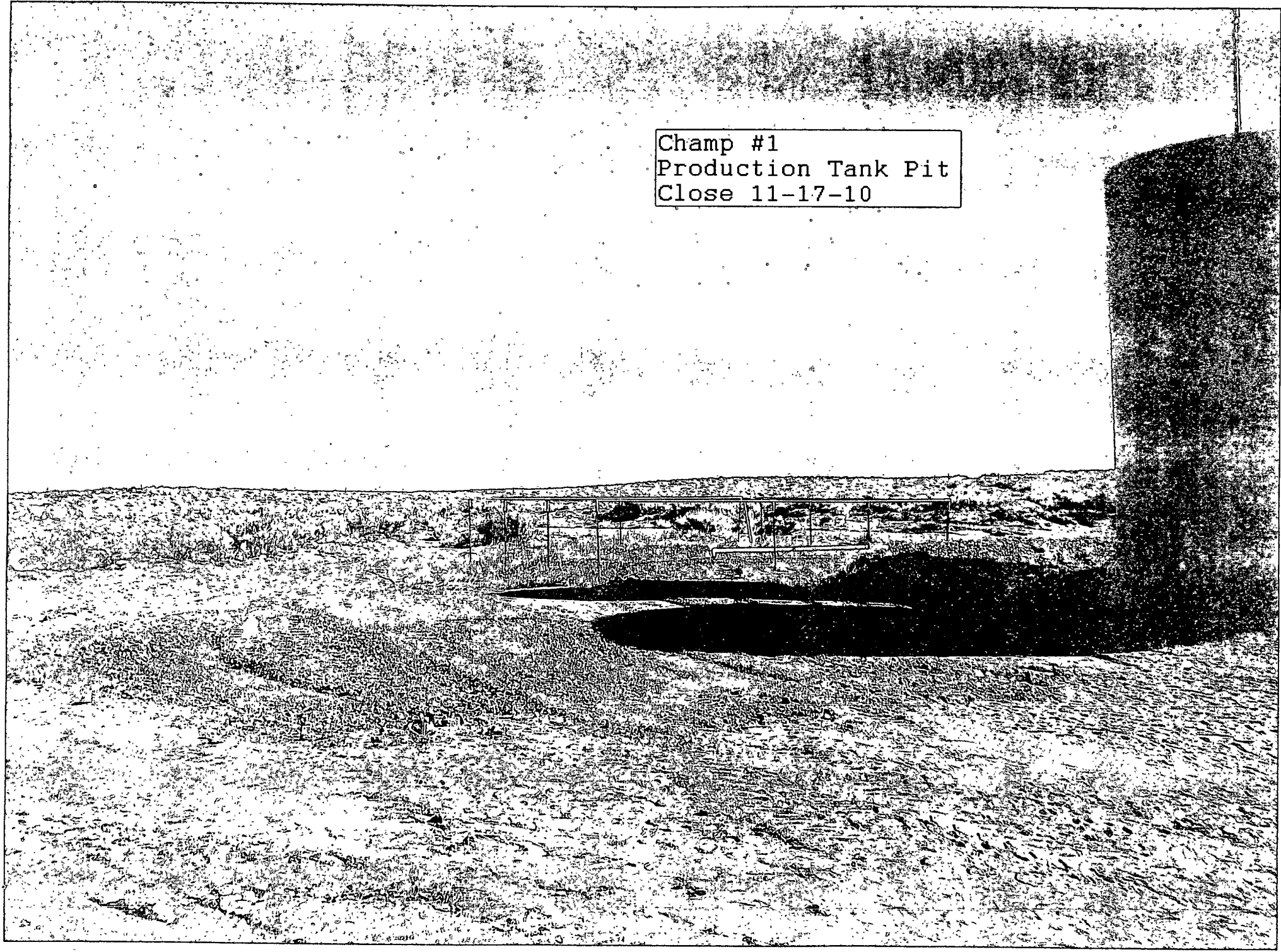
FED. L.S. #NM-42059

860' FNL & 1980' FWL

SEC. 5. T23N. R10W NMPM

SAN JUAN CO. NM

Champ #1
Production Tank Pit
Close 11-17-10



Kurt Fagrelius

From: Kurt Fagrelius
Sent: Wednesday, November 03, 2010 10:43 AM
To: 'Powell, Brandon, EMNRD', 'dave_mankiewicz@nm.blm.gov'; 'Mark_Kelly@nm.blm.gov'
Cc: Johnny Lane
Subject: 72-Hour Notice to Close Permanent Pits
Attachments: 72-Hour Notice to Close 11-8-2010.xls

Mr. Brandon Powell, Mr. Dave Mankiewicz and Mr. Mark Kelly

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

- 1) April Surprise #5 & 6 Tank Battery
- 2) August #1
- 3) Champ #1 Production Tank
- 4) Champ #1 Separator
- 5) July Jubilee #3
- 6) Par #1

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

All are located on Federal Surface, and the

Permanent pits will be closed starting Monday November 8, 2010 thru Wednesday November 10, 2010.

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

Sincerely,

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

11/30/2010

Dugan Production Corp. Permanent Pits to be Closed on November 8, 2010

Lease Name	April Surprise #5 & 6 TB	August #1	Champ #1 Prod	Champ #1 Sep	July Jubilee #3	Par #1
API Number	30-045-25947	30-045-26520	30-045-26981	30-045-26981	30-045-25904	30-045-28968
Surface Owner - Notice Sent	Federal	Federal	Federal	Federal	Federal	Federal
Location - UL, Sec., Twp, Rge	B-7-23N-9W	M-35-24N-10W	C-5-23N-9W	C-5-23N-9W	I-29-24N-9W	A-11-23N-10W
Latitude	36.24701 N	36.26505 N	36.26105 N	36.26105 N	36.28293 N	36.24661 N
Longitude	107.82675 W	107.87149 W	107.92069 W	107.92069 W	107.81756 W	107.85806 W
C-144 Ranking Score	10	0	0	0	10	10
Benzene (mg/kg)	<0.100	<0.100	<0.100	<0.025	<0.050	<0.050
Betex (mg/kg)	<0.300	<0.300	<0.300	<0.075	<0.300	<0.150
TPH (mg/kg) - Analy Mthd	422 - 8015	250 - 418.1	650 - 418.1	<10 - 8015	<31.8 - 8015	<10 - 8015
Chlorides (mg/kg)	96	256	32	480	240	64
Total Yards Contaminated	72-yds	32-yds	60-yds	60-yds	36-yds	12-yds
Soil Hauled to Landfarm						

Kurt Fagrelus

From: postmaster@duganproduction.com
Sent: Wednesday, November 03, 2010 10 44 AM
To: Kurt Fagrelus
Subject: Delivery Status Notification (Relay)

Attachments: ATT06139.txt, 72-Hour Notice to Close Permanent Pits



ATT06139.txt (407 B) 72-Hour Notice to
Close Perman...

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 Fagrelus

From: Powell, Brandon, EMNRD [Brandon.Powell@state.nm.us]
Sent: Wednesday, November 03, 2010 2:06 PM
Subject: Read 72-Hour Notice to Close Permanent Pits

Your message

To: Brandon.Powell@state.nm.us
Subject:

was read on 11/3/2010 2:06 PM

Kurt Fagrelius

From: Mark_Kelly@blm.gov
Sent: Wednesday, November 03, 2010 1 11 PM
To: Kurt Fagrelius
Subject: 72-Hour Notice to Close Permanent Pits

Return Receipt

Your 72-Hour Notice to Close Permanent Pits
document:

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

at: 11/03/2010 01:10:49 PM

Kurt Fagrelus

From: System Administrator
To: Johnny Lane
Sent: Wednesday, November 03, 2010 10:43 AM
Subject: Delivered: 72-Hour Notice to Close Permanent Pits

Your message

To: Powell, Brandon, EMNRD; dave_mankiewicz@nm.blm.gov; Mark_Kelly@nm.blm.gov
Cc: Johnny Lane
Subject: 72-Hour Notice to Close Permanent Pits
Sent: 11/3/2010 10:43 AM

was delivered to the following recipient(s):

Johnny Lane on 11/3/2010 10:43 AM

Kurt Fagrelus

From: Johnny Lane
Sent: Wednesday, November 03, 2010 11 00 AM
To: Kurt Fagrelus
Subject: Read 72-Hour Notice to Close Permanent Pits
Attachments: ATT06169 txt

Your message

To: Powell, Brandon, EMNRD; dave_mankiewicz@nm.blm.gov; Mark_Kelly@nm.blm.gov
Cc: Johnny Lane
Subject: 72-Hour Notice to Close Permanent Pits
Sent: 11/3/2010 10:43 AM

was read on 11/3/2010 10:59 AM.