

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

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

Form C-144
July 21, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office

**Pit, Closed-Loop System, Below-Grade Tank, or
Proposed Alternative Method Permit or Closure Plan Application**

834
9666

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
☐ Modification to an existing permit
☐ Closure plan only submitted for an existing permitted or non-permitted pit, closed-loop system, below-grade tank, or proposed alternative method

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

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

1
Operator Dugan Production Corp. OGRID # 006515
Address 709 East Murray Drive, Farmington, New Mexico 87401
Facility or well name St. Moritz SWD #2
API Number 30-045-35281 OCD Permit Number _____
U/L or Qtr/Qtr D Section 26 Township 24N Range 10W County San Juan County
Center of Proposed Design Latitude 36.28369 N Longitude 107.86301 W NAD ☐ 1927 ☒ 1983
Surface Owner ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

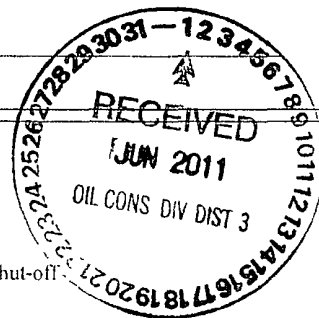
2
☒ **Pit:** Subsection F or G of 19 15 17 11 NMAC
Temporary ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A
☒ Lined ☐ Unlined Liner type Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
☒ String-Reinforced
Liner Seams ☐ Welded ☒ Factory ☐ Other _____ Volume 7000 bbl Dimensions L 100' W 200' D 10'

RCVD FEB 28 '12
OIL CONS. DIV.
DIST. 3

3
☐ **Closed-loop System:** Subsection H of 19 15 17 11 NMAC
Type of Operation ☐ P&A ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent)
☐ Drying Pad ☐ Above Ground Steel Tanks ☐ Haul-off Bins ☐ Other _____
☐ Lined ☐ Unlined Liner type Thickness _____ mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
Liner Seams ☐ Welded ☐ Factory ☐ Other _____

4
☐ **Below-grade tank:** Subsection I of 19 15 17 11 NMAC
Volume _____ bbl Type of fluid _____
Tank Construction material _____
☐ Secondary containment with leak detection ☐ Visible sidewalls, liner 6-inch lift and automatic overflow shut-off
☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other _____
Liner type Thickness _____ mil ☐ HDPE ☐ PVC ☐ Other _____

5
☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.



Fencing Subsection D of 19 15 17 11 NMAC (*Applies to permanent pits, temporary pits, and below-grade tanks*)

- ☐ Chain link, six feet in height, two strands of barbed wire at top (*Required if located within 1000 feet of a permanent residence, school, hospital, institution or church*)
- ☐ Four foot height four strands of barbed wire evenly spaced between one and four feet
- ☒ Alternate Please specify 4' Hogwire

Netting: Subsection E of 19 15 17 11 NMAC (*Applies to permanent pits and permanent open top tanks*)

- ☐ Screen ☐ Netting ☐ Other _____
- ☐ Monthly inspections (If netting or screening is not physically feasible)

Signs: Subsection C of 19 15 17 11 NMAC

- ☒ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
- ☐ Signed in compliance with 19 15 3 103 NMAC

Administrative Approvals and Exceptions:

Justifications and/or demonstrations of equivalency are required Please refer to 19 15 17 NMAC for guidance

Please check a box if one or more of the following is requested, if not leave blank:

- ☒ Administrative approval(s) Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval
- ☐ Exception(s) Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval

Siting Criteria (regarding permitting) 19 15 17 10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15 17.10 NMAC for guidance Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.

Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank - NM Office of the State Engineer - rWATERS 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 significant watercourse or 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 (<i>Applies to temporary emergency, or cavitation pits and below-grade tanks</i>) - 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 (<i>Applies to permanent pits</i>) - Visual inspection (certification) of the proposed site, Aerial photo, Satellite image	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" 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 - rWATERS 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

11 Temporary Pits, Emergency Pits, and Below-grade Tanks Permit Application Attachment Checklist: Subsection B of 19 15 17 9 NMAC

Instructions Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19 15 17 9 NMAC
- ☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19 15 17 9 NMAC
- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☒ Design Plan - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17 12 NMAC
- ☒ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19 15 17 9 NMAC and 19 15 17 13 NMAC

☐ Previously Approved Design (attach copy of design) API Number 30-045- or Permit Number _____

12 Closed-loop Systems Permit Application Attachment Checklist Subsection B of 19 15 17 9 NMAC

Instructions Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Geologic and Hydrogeologic Data (only for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19 15 17 9
- ☐ Siting Criteria Compliance Demonstrations (only for on-site closure) - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17 12 NMAC
- ☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19 15 17 9 NMAC and 19 15 17 13 NMAC

☐ Previously Approved Design (attach copy of design) API Number _____

☐ Previously Approved Operating and Maintenance Plan API Number _____ (Applies only to closed-loop system that use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

13 Permanent Pits Permit Application Checklist: Subsection B of 19 15 17 9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19 15 17 9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17 12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Nuisance or Hazardous Odors, including 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

14 Proposed Closure: 19 15 17 13 NMAC

Instructions. Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

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

Proposed Closure Method ☐ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☒ On-site Closure Method (Only for temporary pits and closed-loop systems)
☒ In-place Burial ☐ On-site Trench Burial
☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

15 Waste Excavation and Removal Closure Plan Checklist: (19 15 17 13 NMAC) **Instructions** Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19 15 17 13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC
- ☐ Disposal Facility Name and Permit Number (for liquids drilling fluids and drill cuttings)
- ☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19 15 17 13 NMAC
- ☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19 15 17 13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17 13 NMAC

16 Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19 15 17 13 D NMAC)

Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required

Disposal Facility Name _____ Disposal Facility Permit Number _____

Disposal Facility Name _____ Disposal Facility Permit Number _____

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please provide the information below) ☐ No

Required for impacted areas which will not be used for future service and operations

☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19 15 17 13 NMAC

☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19 15 17 13 NMAC

☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17 13 NMAC

17 Siting Criteria (regarding on-site closure methods only): 19 15 17 10 NMAC

Instructions. Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19 15.17.10 NMAC for guidance.

Ground water is less than 50 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search, USGS, Data obtained from nearby wells	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> 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	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark) - Topographic map, Visual inspection (certification) of the proposed site	<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 - Visual inspection (certification) of the proposed site, Aerial photo, Satellite image	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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	<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

18 On-Site Closure Plan Checklist: (19 15 17 13 NMAC) *Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.*

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC
- ☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of 19 15 17 11 NMAC
- ☒ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19 15 17 13 NMAC
- ☒ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19 15 17 13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19 15 17 13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17 13 NMAC

19
Operator Application Certification
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief

Name (Print) Kurt Fagrelius Title Vice President, Exploration

Signature Kurt Fagrelius Date May 20, 2011

e-mail address kfagrelius@duganproduction.com Telephone 505-325-1821 (o), 505-320-8248 (H)

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

OCD Representative Signature Jonathon D. Kelly Approval Date 2/28/2012

Title Compliance Officer OCD Permit Number: _____

21
Closure Report (required within 60 days of closure completion) Subsection K of 19 15 17 13 NMAC
Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☒ Closure Completion Date 2-17-2012

22
Closure Method:
☐ Waste Excavation and Removal ☒ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)
☐ If different from approved plan, please explain

23
Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only
Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name _____ Disposal Facility Permit Number _____

Disposal Facility Name _____ Disposal Facility Permit Number _____

Were the closed-loop system operations and associated activities performed on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations
☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

24
Closure Report Attachment Checklist. *Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.*

☒ Proof of Closure Notice (surface owner and division)
☐ Proof of Deed Notice (required for on-site closure)
☒ Plot Plan (for on-site closures and temporary pits)
☒ Confirmation Sampling Analytical Results (if applicable)
☒ Waste Material Sampling Analytical Results (required for on-site closure)
☒ Disposal Facility Name and Permit Number
☒ Soil Backfilling and Cover Installation
☒ Re-vegetation Application Rates and Seeding Technique
☒ Site Reclamation (Photo Documentation)

On-site Closure Location Latitude 36-28.390° N Longitude 107-06.319° W NAD ☐ 1927 ☒ 1983

25
Operator Closure Certification
I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print) Kurt Fagrelius Title VP-Exploration

Signature Kurt Fagrelius Date 2-27-2012

e-mail address Kfagrelius@duganproduction.com Telephone _____

**Dugan Production Corp.
Closure Report**

Lease Name. St. Moritz SWD #2
API No . 30-045-35281

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 5-20-2011 and approved on 6-15-2011.

- 1 Comply with siting criteria for temporary pits established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17 10 NMAC.

See approved permit dated 5-20-2011.

- 2 Provide the NMOCD district office at least 72-hours notice but no greater than 1-week prior to any closure operations. Notice will include operator name, well name and number, API number, and location (unit letter, section, township and range)

See email notification dated 2-11-2012.

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 (10-14-2011) and drilling mud was allowed to settle. Remaining free water was transferred to Basin Disposal Inc. (see attached invoices #14918, 14948, 15213, 14056, 14897, 15405, 15332, 14353 and 14091). The remaining water and wet mud was transferred by Riley Industrial and Badger Day Lighting Corp to the Envirotech land farm from 11/17/2011 thru 1/26/2012 (see attached invoices #30434, 29968 and 29738).

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 (2-17-2012).

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

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

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	0.413
TPH	EPA SW-846 418.1	2500	251
GRO/DRO	EPA SW-846 8015M	500	<23.8
Chlorides	EPA 300.1	1000 / 500	160

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 2-17-2012 and disposed of at the Crouch Mesa Waste Management facility on 2-18-2012 (see attached invoice #1422898).

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

Kurt Fagrelus

From: Kurt Fagrelus
Sent: Saturday, February 11, 2012 12:16 PM
To: 'Powell, Brandon, EMNRD', 'Kelly, Jonathan, EMNRD', 'mkelly@blm.gov', 'lucas_vargo@blm.gov'
Attachments: 72-Hr Notice to Close Temp Drig Pit St. Moritz SWD #2 2-17-2012.xls
February 11, 2012,

Dear Mr. Brandon Powell, Jonathan Kelly, Mr. Mark Kelly and Mr. Lucas Vargo

Dugan Production Corp. is hereby giving notice that Dugan will be closing the following drilling reserve pit (Temporary Pit)

1) St. Moritz SWD #2 – Federal Surface

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

Depending on prevailing weather conditions, the pit will be closed on Friday February 17, 2012

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

Kurt Fagrelus

Kurt Fagrelus
Dugan Production Corp.
505 325 1821 office
505 320 8248 cell
505 327 4613 fax

2/11/2012

Dugan Production Corp. Permanent Pit to be Closed on February 17, 2012

Lease Name	St. Moritz SWD #2
API Number	30-045-35281
Surface Owner - Notice Sent	Federal
Location - UL, Sec., Twp, Rge	D, Sec 26, T24N, R10W
Latitude	36.28369 N
Longitude	107.86301 W
Benzene (<0.2 mg/kg)	<0.050-mg/kg
Betex (<50 mg/kg)	0.413-mg/kg
TPH - Analytic Mthd-418 1 (<2500 mg/kg)	251-mg/kg
GRO + DRO - Analytic Mthd-8015 (<200 mg/kg)	23.8-mg/kg
Chlorides (<1000 mg/kg)	160-mg/kg
Thresholds as per "Pit Rule" 19.15.17 NMAC are highlighted in red	

Kurt Fagrelius

From: postmaster@duganproduction.com
Sent: Saturday, February 11, 2012 12:16 PM
To: Kurt Fagrelius
Subject: Delivery Status Notification (Relay)

Attachments: ATT13576.txt, Untitled Attachment



ATT13576.txt (541 Untitled Attachment
B)

This is an automatically generated Delivery Status Notification.

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

Brandon.Powell@state.nm.us
Jonathan.Kelly@state.nm.us

Kurt Fagrelius

From: Vargo, Lucas D [lvargo@blm.gov]
To: Kurt Fagrelius
Sent: Monday, February 13, 2012 8:35 AM
Subject: Read

Your message

To: lvargo@blm.gov
Subject:

was read on 2/13/2012 8:35 AM.

Kurt Fagrelius

From: Kelly, Jonathan, EMNRD [Jonathan.Kelly@state.nm.us]
To: Kurt Fagrelius
Sent: Monday, February 13, 2012 7:27 AM
Subject: Read

Your message

To: Jonathan.Kelly@state.nm.us
Subject:

was read on 2/13/2012 7:27 AM

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

Well Name: St. Moritz SWD #2
Location: Sec. 26, T24N, R10W

Drilling Operator:

Rig #: 184

Pit Applic. Apprvd. 6-15-2011.
As per Amy 9-28-2011.

Spud Date:

Date:

Rig Moved Off

Date to Remove Liquids by:
(30-days from rig release)

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
9-30-11	[Signature]	yes	no	no	no	
10-1-11	[Signature]	yes	no	no	no	
10-2-11	[Signature]	yes	no	no	no	
10-3-11	[Signature]	yes	no	no	no	
10-4-11	[Signature]	yes	no	no	no	
10-5-11	[Signature]	yes	no	no	no	
10-6-11	[Signature]	yes	no	no	no	
10-7-11	[Signature]	MORE THAN	NO	NO	NO	
10-8-11	[Signature]	MORE THAN	NO	NO	NO	
10-9-11	[Signature]	MORE THAN	NO	NO	NO	
10-10-11	[Signature]	MORE THAN	NO	NO	NO	
10-11-11	[Signature]	MORE THAN	NO	NO	NO	

ST. MONTZ SWD #2



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

January 18, 2012

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 01/10/12 9.15.

Cardinal Laboratories is accredited through Texas NELAP under certificate number T104704398-11-3. Accreditation applies to drinking water, non-potable water and solid and chemical materials. All accredited analytes are denoted by an asterisk (*). For a complete list of accredited analytes and matrices visit the TCEQ website at www.tceq.texas.gov/field/qa/lab_accred_certif.html.

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 (V1, 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	01/10/2012	Sampling Date	01/06/2012
Reported	01/18/2012	Sampling Type	Soil
Project Name:	PIT CLOSURES	Sampling Condition	Cool & Intact
Project Number:	NONE GIVEN	Sample Received By:	Jodi Henson
Project Location:	NOT GIVEN		

Sample ID: ST. MORITZ SWD #2 (H200048-01)

BTEX 8021B		mg/kg	Analyzed By: AP						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	01/11/2012	ND	2.06	103	2.00	0.859	
Toluene*	0.172	0.050	01/11/2012	ND	2.15	108	2.00	1.46	
Ethylbenzene*	0.104	0.050	01/11/2012	ND	2.15	107	2.00	1.44	
Total Xylenes*	0.413	0.150	01/11/2012	ND	6.66	111	6.00	1.39	

Surrogate 4-Bromofluorobenzene (PIL) 123 % 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	160	16.0	01/10/2012	ND	432	108	400	7.14	

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	251	100	01/18/2012	ND	2510	101	2500	3.02	

TPH 8015M		mg/kg	Analyzed By: MS						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	01/12/2012	ND	214	107	200	6.19	
DRO >C10-C28	23.8	10.0	01/12/2012	ND	200	100	200	5.58	
Total TPH C6-C28	23.8	10.0	01/12/2012	ND	414	104	400	5.89	

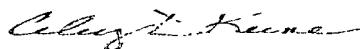
Surrogate 1-Chlorooctane 116 % 55.5-154

Surrogate 1-Chlorooctadecane 135 % 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

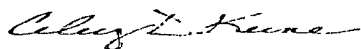
Notes and Definitions

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.



Celestine D. Keene, Lab Director/Quality Manager



CHAIN OF CUSTODY RECORD

Page ____ of ____

Client: Kurt Dugan Prod. Corp
Contact: Kurt Fegrelius
Address: 709 E. Murray Dr.
Emgt. NM
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# _____

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 # _____

Project Name: _____

Samplers Signature _____

Kfegrelius@duganproduction.com

Lab Name: Green Analytical Laboratories		(970) 247-4220 FAX (970) 247-4227		Analyses Required										Comments
Address: 75 Suttle Street, Durango, CO 81303		www.greenanalytical.com												
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)		
H200048	1-6-12													
1	St. Moritz SWD #2	11:30 AM												
2														
2	Morrison SWD #2	12:30 PM												
3														
4														
5														
6														
7														
8														
9														
10														
Relinquished by: <u>Kurt Fegrelius</u>			Date: <u>1-6-12</u>	Time: <u>11:30 AM</u>	Received by: <u>Justin Clark</u>			Date: <u>1/6/12</u>	Time: <u>4:00</u>					
Relinquished by: _____			Date: _____	Time: _____	Received by: <u>John Morrison</u>			Date: <u>1/10/12</u>	Time: <u>9:15</u>					

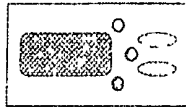
* Sample Reject [] Return [] Dispose [] Store (30 Days)

20

#26

To Dugan Production
PO BOX 420
FARMINGTON NM 87498

BASIN DISPOSAL, INC. Basin Disposal Inc.
P.O. Box 100
Aztec
New Mexico
87410



INVOICE BASI014056

DATE 10/31/2011

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
MANCIN 3				
10/29/2011 TICKET # 545149				
Disposal Charges	Barrels	80.00	0.8500	68.00
Hauler 550 WATER SERVICE				
10/29/2011 TICKET # 545150				
Disposal Charges	Barrels	80.00	0.8500	68.00
Hauler 550 WATER SERVICE				
Sub-total:				136.00
Sub-total:				136.00
ST MURTIS 2 SWD				
10/29/2011 TICKET # 545172				
Disposal Charges	Barrels	80.00	0.8500	68.00
Hauler 550 WATER SERVICE				
10/29/2011 TICKET # 545173				
Disposal Charges	Barrels	80.00	0.8500	68.00
Hauler 550 WATER SERVICE				
10/31/2011 TICKET # 545305				
Disposal Charges	Barrels	240.00	0.8500	204.00
Hauler 550 WATER SERVICE				
10/31/2011 TICKET # 545306				
Disposal Charges	Barrels	160.00	0.8500	136.00
Hauler 550 WATER SERVICE				
10/31/2011 TICKET # 545324				
Disposal Charges	Barrels	160.00	0.8500	136.00
Hauler 550 WATER SERVICE				
Sub-total:				612.00
Sub-total:				612.00
Sub-total:				748.00
Approved for Payment By			Bidder Paid Tax @ 7.6875%	57.50
			Total:	805.50

APPROVED FOR PAYMENT BY

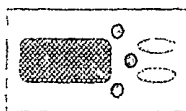
Bidder Paid Tax @ 7.6875%

DUGAN PRODUCTION CORP

NOV 03 2011

To Dugan Production
PO BOX 420
FARMINGTON, NM, 87499

BASIN DISPOSAL, INC. Basin Disposal, Inc



PHONE (505) 334 3110 P O Box 100
PO BOX 100 Aztec
New Mexico
87410

INVOICE BASI014918

DATE 1/6/2012

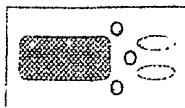
TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
LENNON 2 Your ref: KURT F				
1/3/2012 TICKET # 551783 Disposal Charges Hauler 505 WATER SERVICE	Barrels	50 00	0 8500	42 50
Sub-total				42 50
Sub-total				42 50
LENNON COM 1 Your ref: KURT F				
1/3/2012 TICKET # 551783 Disposal Charges Hauler 505 WATER SERVICE	Barrels	30 00	0 8500	25 50
Sub-total				25 50
Sub-total				25 50
MANCINI 3 Your ref: KURT F				
1/2/2012 TICKET # 551696 Disposal Charges Hauler 505 WATER SERVICE	Barrels	20 00	0 8500	17 00
Sub-total				17 00
Sub-total				17 00
MARY ROSE COM 2 Your ref: KURT F				
1/2/2012 TICKET # 551702 Disposal Charges Hauler 505 WATER SERVICE	Barrels	80 00	0 8500	68 00
Sub-total				68 00
Sub-total				68 00
SJ MORTZ SWD 2 Your ref: KURT F				
1/5/2012 TICKET # 552059 Disposal Charges Hauler 505 WATER SERVICE	Barrels	80 00	0 8500	68 00

To Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

BASIN DISPOSAL, INC. Basin Disposal, Inc



PHONE (505) 334-3013 P O Box 100
P O BOX 100 Aztec
ALBUQUERQUE, NEW MEXICO
87410 New Mexico
87410

INVOICE BASI014918

DATE 1/6/2012

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

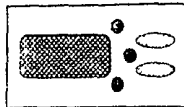
Description	Unit	Qty.	Rate	Amount
SJ MORTZ SWD 2				
Your ref: KURT F				
Sub-total				68.00
Sub-total				68.00
Sub-total				221.00
Bloomfield Tax @ 7.6875%				16.99
Total				237.99

To: Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

Kurt J.

BASIN DISPOSAL, INC. Basin Disposal, Inc.



PHONE (505) 334-3013 P.O. Box 100
PO BOX 100 Aztec
AZTEC NEW MEXICO New Mexico
87410 87410

INVOICE BASI014948

DATE 1/10/2012

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts.

Description	Unit	Qty.	Rate	Amount
MANCINI 4				
1/6/2012 TICKET # 552178 Disposal Charges Hauler 505 WATER SERVICE	Barrels	80 00	0 8500	68.00
Sub-total				68.00
Sub-total				68.00
ST MORITZ SWD 2				
1/9/2012 TICKET # 552389 Disposal Charges Hauler 505 WATER SERVICE	Barrels	80 00	0 8500	68 00
Sub-total				68 00
Sub-total				68 00
Sub-total				136.00
Bloomfield Tax @ 7.6875%				10.46
Total				146.46

JAN 12 2012

To Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

John Kuit J.

INVOICE BASI015213

BASIN DISPOSAL, INC. Basin Disposal, Inc
P O Box 100
Aztec
New Mexico
87410

DATE 1/31/2012

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
ST MORITZ SWD 2				
1/14/2012 TICKET # 552924				
Disposal Charges	Barrels	60 00	0 8500	51 00
Hauler 505 WATER SERVICE				
Sub-total				51 00
Sub-total				51 00
Sub-total				51.00
Bloomfield Tax @ 7.6875%				3.92
Total				54.92

OK
KF

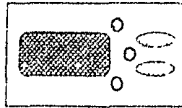
RECEIVED
FEB 06 2012

To: Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

Attn: Kurt J

BASIN DISPOSAL, INC. Basin Disposal, Inc



PHONE: 505-233-4113 P.O. Box 100
PO BOX 100 Aztec
New Mexico
87410

INVOICE BASI014897

DATE 12/31/2011

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
ST MORITZ SWD 2				
12/30/2011 TICKET # 551471				
Disposal Charges	Barrels	80 00	0 8500	68 00
Hauler 505 WATER SERVICE				
Sub-total				68 00
Sub-total				68 00
Sub-total				68.00
Bloomfield Tax @ 7.6875%				5.23
Total				73.23

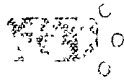
St. Moritz SWD #2

OK/KF

JAN 06 2012

To Dugan Production
PO BOX 420
FARMINGTON, NM, 87499

WATER SERVICE



Basin Disposal, Inc.
P O Box 100
Aztec
New Mexico
87410

INVOICE BASI015405

DATE 2/21/2012

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
ST MORITZ SWD 2				
2/16/2012 TICKET # 555863 Disposal Charges Hauler 505 WATER SERVICE	Barrels	70 00	0 8500	59 50
2/16/2012 TICKET # 555867 Disposal Charges Hauler 505 WATER SERVICE	Barrels	60 00	0 8500	51 00
2/17/2012 TICKET # 555972 Disposal Charges Hauler 505 WATER SERVICE	Barrels	60 00	0 8500	51 00
Sub-total				161 50
Sub-total				161 50
Sub-total				161.50
Bloomfield Tax @ 7.6875%				12.42
Total				173.92

St. Moritz SWD #2

OK
KF

To Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

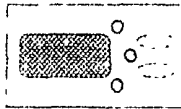
BASIN DISPOSAL, INC. Basin Disposal, Inc

P O Box 100

Aztec

New Mexico

87410



INVOICE BASI015332

DATE 2/13/2012

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
ST MORITZ SWD 2				
2/6/2012 TICKET # 554927 Disposal Charges Hauler 505 WATER SERVICE	Barrels	60 00	0 8500	51 00
2/7/2012 TICKET # 555069 Disposal Charges Hauler 505 WATER SERVICE	Barrels	60 00	0 8500	51 00
2/10/2012 TICKET # 555384 Disposal Charges Hauler 505 WATER SERVICE	Barrels	80 00	0 8500	68 00
Sub-total				170 00
<i>St. Moritz SWD #2</i> Sub-total				170 00
Sub-total				170.00
Bloomfield Tax @ 7.6875%				13.07
Total				183.07

OK
KF

FEB 16 2012

To Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

BASIN DISPOSAL, INC. Basin Disposal, Inc
P O Box 100
Aztec
New Mexico
87410

INVOICE BASI014353

DATE 11/21/2011

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
ST MORITZ SWD 2				
11/17/2011 TICKET # 547137				
Disposal Charges	Barrels	80 00	0 8500	68 00
Hauler 505 WATER SERVICE				
Sub-total				68 00
Sub-total				68 00
Sub-total				68.00
Bloomfield Tax @ 7.6875%				5.23
Total				73.23

st. moritz swd #2

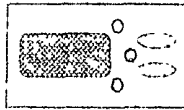
OK/RF

NOV 23 2011

To Dugan Production
PO BOX 420

FARMINGTON, NM, 87499

BASIN DISPOSAL, INC. Basin Disposal, Inc.



P.O. Box 100
Aztec
New Mexico
87410

INVOICE BASI014091

DATE 11/4/2011

TERMS: Net 30 days following date of purchase
18 per cent interest charged on all past due accounts

Description	Unit	Qty.	Rate	Amount
ST MURTIS 2 SWD				
11/1/2011 TICKET # 545431				
Disposal Charges	Barrels	80 00	0 8500	68.00
Hauler 505 WATER SERVICE				
<i>SE. Moritz SWD #2</i>				
Sub-total				68.00
Sub-total				68.00
Sub-total				68.00
Sub-total				68.00
Bloomfield Tax @ 7.6875%				5.23
Total				73.23

SE. Moritz SWD #2

*OK/
KF*

RECEIVED
NOV 09 2011

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: 30434
Job: 06094-0104
DATE: February 15, 2012

St Moritz SWD #2 - accept drilling mud from
drilling operations

Ordered by: Kurt Fagrelus

Special Rate: \$16/CY or BBL

PROGRESS BILL

Project Manager: Kendra Runung

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
01/26/2012					
Landfarm					
		BOL# 40689	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 40689	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 40689	80 00 BR	16 00	1,280 00
Contaminated, Barrel Receival					
Landfarm Total:			82.00		1,305.00
01/26/2012 Total:			82.00		1,305.00

01/31/2012					
Landfarm					
		BOL# 40722	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 40722	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 40722	80 00 BR	16 00	1,280 00
Contaminated Barrel Receival					
Landfarm Total:			82.00		1,305.00
01/31/2012 Total:			82.00		1,305.00

Invoice Sub-total 2,610.00

FEB 17 2012

OK/
KF

Invoice # 30434 Job # 06094-0104

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Sales Tax			164.76

Amount due this Invoice

\$2,774.76

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: 29968
Job 06094-0104
DATE December 2, 2011

St Moritz SWD #2 - accept drilling mud from
drilling operations

Ordered by: Kurt Fagrellius

Special Rate: \$16/CY or BBL

PROGRESS BILL

Project Manager: April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
11/23/2011					
Landfarm					
		BOL# 40318	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 40318	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 40318	80 00 BR	16 00	1,280 00
Contaminated Barrel Receival					
Landfarm Total:			82.00		1,305.00
11/23/2011 Total:			82.00		1,305.00

Invoice Sub-total 1,305.00
Sales Tax 82.38

Amount due this Invoice \$1,387.38

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

St. Moritz SWD #2

*OK
KF*

RECEIVED
DEC 06 2011

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: 29738
Job: 06094-0104
DATE: November 9, 2011

St Montz SWD #2 - accept drilling mud from
drilling operations

Ordered by Kurt Fagrelus

PROGRESS BILL

Project Manager April Pohl

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
11/01/2011					
Landfarm					
		BOL# 40151	2 00 EA	10 00	20 00
Paint Filter Test (LF)		BOL# 40151	2 00 EA	15 00	30 00
Chloride (LF)		BOL# 40151	160 00 BR	18 00	2,880 00
Contaminated Barrel Reveal					
Landfarm Total:			164.00		2,930.00
11/01/2011 Total:			164.00		2,930.00

11/02/2011					
Landfarm					
		BOL# 40152	4 00 EA	10 00	40 00
Paint Filter Test (LF)		BOL# 40152	4 00 EA	15 00	60 00
Chloride (LF)		BOL# 40152	320 00 BR	18 00	5,760 00
Contaminated Barrel Reveal					
Landfarm Total:			328.00		5,860.00
11/02/2011 Total:			328.00		5,860.00

11/03/2011					
Landfarm					
		BOL# 40164	8 00 EA	10 00	80 00
Paint Filter Test (LF)					

NOV 14 2011

Invoice # 29738 Job # 06094-0104

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		BOL# 40164	8 00 EA	15 00	120 00
Chloride (LF)		BOL# 40164	120 00 BR	16 00	1,920 00
Contaminated Barrel Receival		BOL# 40164	520 00 BR	18 00	9,360 00
Contaminated Barrel Receival					
Landfarm Total:			656.00		11,480.00
11/3/2011 Total:			656.00		11,480.00

11/04/2011

Landfarm

		BOL# 40172	12 00 EA	10 00	120 00
Paint Filter Test (LF)		BOL# 40172	12 00 EA	15 00	180 00
Chloride (LF)		BOL# 40172	880 00 BR	16 00	14,080 00
Contaminated Barrel Receival		BOL# 40174	4 00 EA	10 00	40 00
Paint Filter Test (LF)		BOL# 40174	4 00 EA	15 00	60 00
Chloride (LF)		BOL# 40174	320 00 BR	16 00	5,120 00
Contaminated Barrel Receival		BOL# 40175	3 00 EA	10 00	30 00
Paint Filter Test (LF)		BOL# 40175	3 00 EA	15 00	45 00
Chloride (LF)		BOL# 40175	400 00 BR	16 00	6,400 00
Contaminated Barrel Receival		BOL# 40179	11 00 EA	10 00	110 00
Paint Filter Test (LF)		BOL# 40179	11 00 EA	15 00	165 00
Chloride (LF)		BOL# 40179	870 00 BR	16 00	13,920 00
Contaminated Barrel Receival					
Landfarm Total:			2,530.00		40,270.00
11/04/2011 Total:			2,530.00		40,270.00

11/07/2011

Landfarm

		BOL# 40188	1 00 EA	10 00	10 00
Paint Filter Test (LF)		BOL# 40188	1 00 EA	15 00	15 00
Chloride (LF)		BOL# 40188	80 00 BR	16 00	1,280 00
Contaminated Barrel Receival					
Landfarm Total:			82.00		1,305.00
11/07/2011 Total:			82.00		1,305.00

Invoice Sub-total

61,845.00

Invoice # 29738 Job # 06094-0104

<u>Employee</u>	<u>Staff Type</u>	<u>Description</u>	<u>Units</u>	<u>Rate</u>	<u>Total</u>
		Sales Tax			3,903.97

Amount due this Invoice					<u>\$65,748.97</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

San Juan Puerto Rico 3150
 718/200-1121
 718/200-1121
 DUGAN PRODUCTION DUGAN PRODUCT Carrier Ace Services Ace Services
 Vehicle# 15 Volume
 Container
 Driver
 Check#
 Billing # 0000019
 Gen EPA ID

Ticket # 1422898

State Waste Code
 Manifest 19679
 Destination

Profile 101364NM (Dugan Production - Various Locations)
 Generator 153-DUGANPRODUCTIONVARIOUS Dugan Production - Various Locations

	Time	Scale	Operator	Inbound	Gross	
In	02/16/2012 12:00:39	Inbound 301	Henry2		Tare	43220 lb
Out	02/16/2012 12:45:32	Outbound 302	nbaca		Net	33960 lb
					Tons	9260 lb
						4.63

Comments



Product	LDX	WASTE MANAGEMENT	Amount	Origin
Solid0th-Cu 100	15.00	Yards		FARM
Standard En 100				FARM
T-Fuel Burcha 100				FARM

Total Tax
 Total Ticket

Driver's Signature

[Signature]

8-12

15 yds

Ticket #: 1422898 Trk #15

19679

SPECIAL WASTE SHIPMENT RECORD

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

Shipment # _____

 Profile # 101364 NM
 (Required)

1. Generator's Work site name and address (physical site address of waste generation) <i>St. Moritz SWD #2 S. 24th T24N R10W San Juan Co, NM</i>		
2. Generator's name and address Dugan Production Corp. P O Box 420 Farmington, NM 87499		Generator's Telephone no. 505-325-1821
3. Authorized Agent name and address (if different from #2) <i>Same as above</i> <i>Kurt Fagrelius</i>		Agent's Telephone no. 505-320-8248
4. Description materials 20 mills pit liner (CLEAN)	5. Container's No. Type	6. Total Quantity (tons) (yd3)
<i>St. Moritz SWD #2 20 mill clean</i>	<i>1-B</i>	<i>15-yds³</i>
<i>2200' FSL / 1780' FEL</i> <i>S-26, T24N, R10W</i>		
7. Special handling instructions N/A		
8. GENERATOR or AUTHORIZED AGENT CERTIFICATION: I hereby declare that the contents of this consignment are fully and accurately described above and are classified, packed, marked and labeled, and are in all respects in proper condition for transport by highway in accordance with applicable international and government regulations. I hereby certify that the above named material does not contain free liquid as defined by 40CFR Part 258.28 and is not a hazardous waste as defined by 40CFR 261 or any applicable state law.		
Generator or Agent (Printed/typed name and title) <i>Kurt Fagrelius VP Exploration</i>	Generator or Agents Signature <i>Kurt Fagrelius</i>	Month/Day/Year <i>2 / 17 / 12</i>
9. Transporter 1 (Acknowledgement of receipt of materials)		
Printed/typed name & title, address, telephone no. <i>ACE Jonathan Louther Laborer</i> <i>S. Main 1144 334-7274</i>	Driver Signature <i>[Signature]</i>	Month/Day/Year <i>2 / 18 / 12</i>
10. Transporter 2 (Acknowledgement of receipt of materials)		
Printed/typed name & title, address, telephone no.	Driver Signature	Month/Day/Year <i>/ /</i>
11. Discrepancy Indication space <i>#9) Date Delivered is Different than Date Signed</i>		
12. Waste disposal site Location co-ordinates (X,Y,Z) <i>Elev 5822 N30°46-031 W108°02-849</i>		
Received by name and title (Printed/typed) <i>Nancy Baca / Controller</i>	SJC Landfill Rep. Signature <i>Nancy Baca</i>	Month / Day / Year <i>2 / 18 / 12</i>

KF

Submit To Appropriate District Office Two Copies 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 and Natural Resources Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505	Form C-105 July 17, 2008								
		1 WELL API NO 30-045-35281								
		2 Type of Lease <input type="checkbox"/> STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> FED/INDIAN								
		3 State Oil & Gas Lease No								
WELL COMPLETION OR RECOMPLETION REPORT AND LOG										
4 Reason for filing <input type="checkbox"/> COMPLETION REPORT (Fill in boxes #1 through #31 for State and Fee wells only) <input checked="" type="checkbox"/> C-144 CLOSURE ATTACHMENT (Fill in boxes #1 through #9, #15 Date Rig Released and #32 and/or #33, attach this and the plat to the C-144 closure report in accordance with 19 15 17 13 K NMAC)		5 Lease Name or Unit Agreement Name St. Moritz SWD								
		6 Well Number #2								
7 Type of Completion <input checked="" type="checkbox"/> NEW WELL <input type="checkbox"/> WORKOVER <input type="checkbox"/> DEEPENING <input type="checkbox"/> PLUGBACK <input type="checkbox"/> DIFFERENT RESERVOIR <input type="checkbox"/> OTHER										
8 Name of Operator Dugan Production Corp.		9 OGRID 006515								
10 Address of Operator P.O. Box 420, Farmington, NM 87499-0420		11 Pool name or Wildcat Entrada SWD								
12 Location	Unit Ltr	Section	Township	Range	Lot	Feet from the	N/S Line	Feet from the	E/W Line	County
Surface:	D	26	24N	10W		2200	South	1780	East	San Juan
BH:	A.A									
13 Date Spudded 10-1-2011	14 Date T D Reached 10-13-2011		15 Date Rig Released 10-14-2011		16 Date Completed (Ready to Produce) N.A.			17 Elevations (DF and RKB, RT, GR, etc)		
18 Total Measured Depth of Well 7200-ft.			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 36.28369 N Longitude 107.86301 W NAD 1927 (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 <i>Kurt Fagrelus</i>		Printed Name Kurt Fagrelus			Title		Date			
E-mail Address kfagrelus@duganproduction.com					VP-Exploration			2-27-2012		

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	*Pool Name ENTRADA SWD
*Property Code	*Property Name ST. MORITZ SWD		*Well Number 2
*GRID No 006515	*Operator Name DUGAN PRODUCTION CORPORATION		*Elevation 6748'

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
J	26	24N	10W		2200	SOUTH	1780	EAST	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					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

¹⁶ 	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 Signature _____ Date _____ Printed Name _____
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief Date of Survey APRIL 18, 2011 Signature and Seal of Professional Surveyor JASON C. EDWARDS Certificate Number 15269

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



SURFACE OWNER
Bureau of Land
Management

LATITUDE: 36.28369° N
LONGITUDE: 107.86301° W
DATUM NAD1983

A-A'									
6760'									
6750'									
6740'									

B-B'									
6760'									
6750'									
6740'									

C-C'									
6760'									
6750'									
6740'									

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

DUGAN PRODUCTION CORP.
ST. MORITZ SWD #2
NM-78060

API # 30-045-35281
2200' FSL, 1780' FEL
NWSE SEC. 26, T24N, R10W
LAT. 36.28369 LONG. 107.86301
SAN JUAN COUNTY, NM
FOR EMERGENCY CALL (505)325-1823



