

District I
625 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

30-045-06574

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	Tonkin #4	Facility Type	Permanent Pit
Surface Owner	Tribal Trust	Mineral Owner	Federal
		Lease No	SF-079115

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
A	13	27N	12W	900	North	900	East	San Juan

Latitude 36.57977 N Longitude 108.05655 W

NATURE OF RELEASE

Type of Release	Reporting Pit Sampling	Volume of Release	Unknown	Volume Recovered	Unknown
Source of Release	Below grade permanent pit release	Date and Hour of Occurrence	?	Date and Hour of Discovery	Unknown
Was Immediate Notice Given?	<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 TPH impact was discovered. A five-point composite sample tested 627-mg/kg of TPH (analytical method 418.1) which exceeds the threshold limits per subsection B of 19.15.17.13(B) (1) (b). See attached sample results.					
Describe Area Affected and Cleanup Action Taken *					
Contamination was addressed under the "spill rule". C-144 ranking=0, TPH threshold from ranking=5000-mg/kg. TPH is less than 20.0-mg/kg (8015 mthd) See attachment to "Final C-141".					
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	Kurt Fagrelus				
Printed Name	Kurt Fagrelus	Approved by District Supervisor			
Title	VP Exploration	Approval Date	3/05/2012	Expiration Date	
E-mail Address	kfagrelus@duganproduction.com	Conditions of Approval			
Date	September 7, 2010	Phone	505-325-1821	Attached <input type="checkbox"/>	

* Attach Additional Sheets If Necessary

nJK 1206531200

10/14/2010

Permanent pit: Tonkin #4
API number: 30-045-06574

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

Attachment To Final C-141

Lease Name Tonkin #4						
API No.: 30-045-06574						
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 mg/kg	
Benzene (mg/kg)		10	10	10	<0.05	
BTEX (mg/kg)		50	50	50	<0.150	
TPH (mg/kg)		100	1000	5000	<20.0	
Chlorides (mg/kg)		N.A.	N.A.	N.A.	16	
Note: Analytical methods used for Benzene SW-846, BTEX SW-846, TPH 8015 and Chlorides 4500-C1-B.						
Depth to groundwater is greater than 100-ft, the distance to surface water is greater than 1000-ft, it is greater than 1000-ft from water source and greater than 200-ft from private source of domestic water						
C-144 ranking =0 TPH threshold from C-144 ranking=5000 mg/kg. TPH is less than 20-mg/kg (8015 method)						

For emergency call (505)325-1823

DUGAN PRODUCTION CORP.

dp

TONKIN # 4

SF-079115 API #30-045-06574

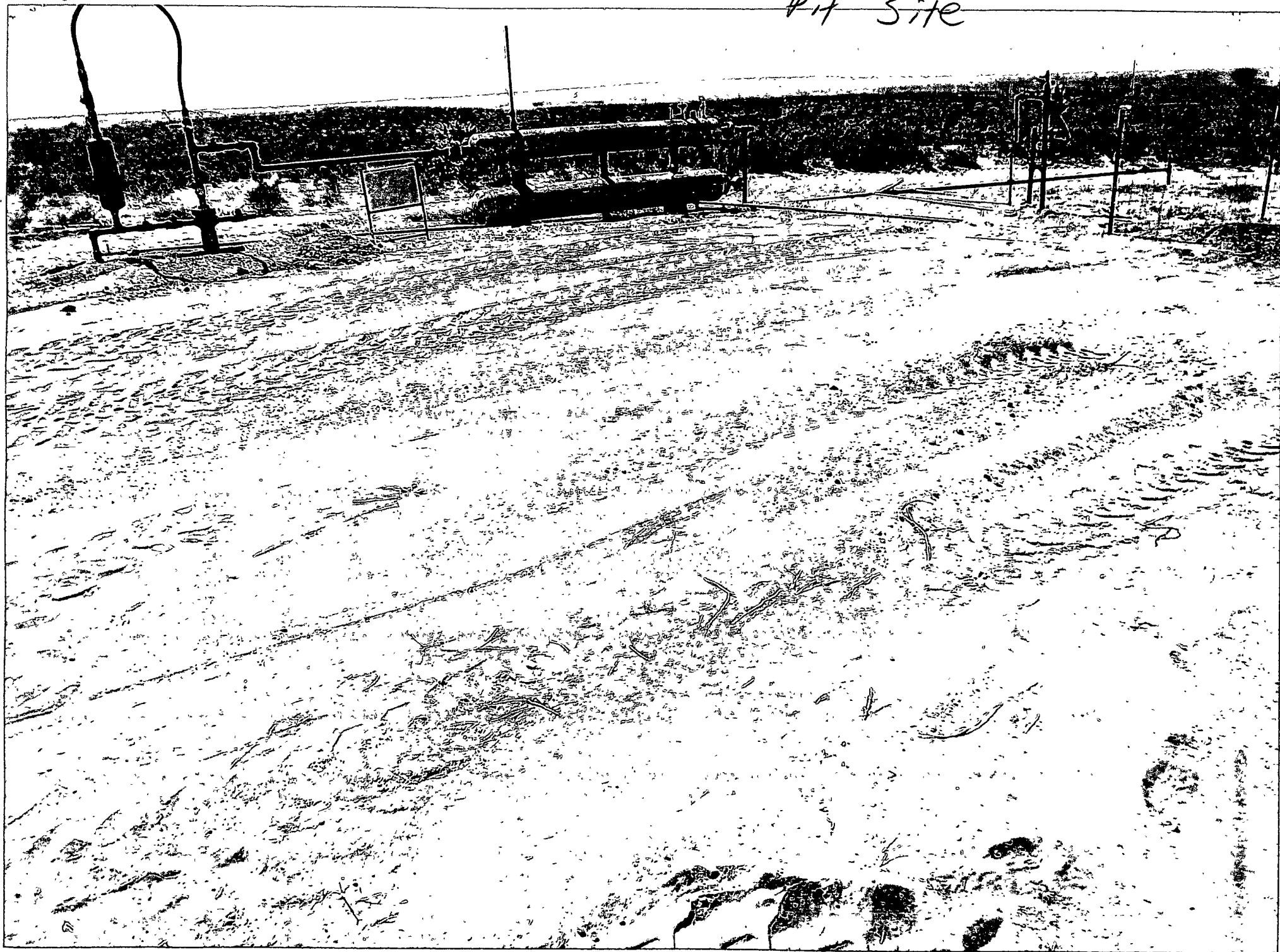
NE/4, NE/4, Unit A

Sec. 13, T27N, R12W

Lat. 36° 34' 47" Long. 108° 3' 23"

San Juan County, NM

#17 site



District I
1625 N French Dr, Hobbs NM 88240
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Address	P.O. Box 420	Telephone No	505-325-1821
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By Whom?	Date and Hour
Was a Watercourse Reached?	If YES, Volume Impacting the Watercourse
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

RCVD OCT 14 '10

If a Watercourse was Impacted, Describe Fully *	OIL CONS. DIV. DIST. 3
N/A	

Describe Cause of Problem and Remedial Action Taken *
During permanent pit closure a TPH impact was discovered. A five-point composite sample tested 627-mg/kg of TPH (analytical method 418 1) which exceeds the threshold limits as per subsection B of 19.15.17.13(B) (1) (b). See attached sample results.

Describe Area Affected and Cleanup Action Taken *
Contamination will be addressed under the "spill rule" 19.15 30.

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Signature <i>Kurt Fagrelus</i>	OIL CONSERVATION DIVISION		
Printed Name Kurt Fagrelus	Approved by District Supervisor		
Title VP Exploration	Approval Date	Expiration Date	
E-mail Address kfagrelus@duganproduction.com	Conditions of Approval		Attached <input type="checkbox"/>
Date September 7, 2010 Phone 505-325-182			

* Attach Additional Sheets If Necessary

Permanent pit: Tonkin #4
API number: 30-045-06574

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Kurt Fagrelus
VP – Exploration, Dugan Production Corp.
Farmington, New Mexico 87401
505-325-1821 (O), 505-320-8248 (C)
kfagrelus@duganproduction.com



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

August 10, 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 08/05/10 10:10.

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 08/05/2010
Reported 08/10/2010
Project Name PIT CLOSURES
Project Number TONKIN #4
Project Location NOT GIVEN

Sampling Date 08/03/2010
Sampling Type Soil
Sampling Condition Cool & Intact
Sample Received By Jodi Henson

Sample ID: TONKIN #4 (H020550-01)

BTX 8021B		mg/kg	Analyzed By: ZL						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	08/07/2010	ND	1.11	111	1.00	0.713	
Toluene*	<0.050	0.050	08/07/2010	ND	1.12	112	1.00	1.65	
Ethylbenzene*	<0.050	0.050	08/07/2010	ND	1.13	113	1.00	1.59	
Total Xylenes*	<0.150	0.150	08/07/2010	ND	3.35	112	3.00	1.34	

Surrogate 4-Bromofluorobenzene (PIL) 84.1% 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	16.0	16.0	08/09/2010	ND	432	108	400	0.00	

TPH 418.1		mg/kg	Analyzed By: AB						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
TPH 418.1	627	100	08/06/2010	ND	971	95.2	1020	2.16	

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	08/08/2010	ND	157	78.7	200	0.202	
DRO >C10-C28	<10.0	10.0	08/08/2010	ND	152	76.2	200	0.648	

Surrogate 1-Chlorooctane 73.5% 70-130

Surrogate 1-Chlorooctadecane 93.3% 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 to 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 licensees arising out of or related to the performance or the service rendered by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or other cause. Results relate only to the samples identified above. The client shall not be entitled to expect a full and complete written approval of Cardinal Laboratories.

Coley D. Keene

Coley D. Keene, Lab Director/Quality Manager

Notes and Definitions

QM-07	The spike recovery was outside acceptance limits for the MS and/or MSD. The batch was accepted based on acceptable LCS recovery.
QM-05	The spike recovery was outside acceptance limits for the MS and/or MSD due to matrix interference. The LCS and/or LCSTL were within acceptance limits showing that the laboratory is in control and the data is acceptable.
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 owner's exclusive remedy for any claim arising, whether caused in whole or in part, shall be limited to the amount paid by owner to analysts. A claim involving those to negligence or any other cause whatsoever shall be deemed waived unless filed in writing and received by Cardinal within 90 (90) days after completion of the applicable service. In no event shall Cardinal be liable for consequential damage including without limitation business interruptions, loss of use, or loss of profit incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder. Cardinal's responsibility of negligence shall be limited to the above stated reasons and shall be limited to the damages hereunder. This error shall not be reproducible, in writing and shall be of Cardinal Laboratories.

Celeste D. Keene

Celeste D. Keene, Lab Director/Quality Manager

