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

Name of Company

Dugan Production Corp.

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

Final Report

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

Initial Report

Kurt Fagrelius

Release Notification and Corrective Action

Contact

OPERATOR

Address P.O. Box 420					Telephone No. 505-325-1821				
Facility Name Seoul #88					Facility Type Permanent Pit				
Surface Ow	Surface Owner Navajo Allotted Mineral Owner Navajo Allotted Lease No. NOO-C-14-20-7312								
LOCATION OF RELEASE									
Unit Letter	Section	Township	Range	Feet from the		South Line	Feet from the	East/West Line	County
A	9	23N	10W	330	No	rth	330	East	San Juan
			La	titude <u>36.24</u>	764	N Longitud	le 107.893	21_W	
	NATURE OF RELEASE								
Type of Rele		orting P					Release Unkn		tecovered Unknown
			perman	ent pit rel	lease		lour of Occurrenc	e ? Date and	Hour of Discovery Unknown
Was Immedia	ate Notice (Yes [No 🗵 Not Re	quired	If YES, To	Whom? N/	A	
By Whom?	······································					Date and F	lour		
Was a Water	course Read					If YES, Vo	lume Impacting t	he Watercourse.	
			Yes 🔀						RCVD OCT 14'10
If a Watercou	irse was Im	pacted, Descr	ibe Fully.*						OIL CONS. DIV.
N/A	Ą								DIST. 3
Describe Cau	ise of Proble	em and Remed	dial Action	Taken *					
1					impa	ct was o	discovered.	A five-po	int composite sample
								as per subs	
				tached samp				•	
Describe Are	a Affected :	and Cleanup A	Action Tak	en.*					
Contami	nation	will be	addres	sed under t	he "a	nill mi	19 15 اما	3.0	
Concami	11461611	WIII DC	addr ob	oca anaci c		pili iu.	10 , 13.13.	30.	
I hereby certi	fy that the i	nformation gi	ven above	is true and compl	ete to the	e best of my	knowledge and u	nderstand that purs	uant to NMOCD rules and
									eases which may endanger
should their o	or the envir	ronment. The ave failed to a	acceptanc dequately	e of a C-141 repo	rt by the mediate	NMOCD m	arked as "Final Re	eport" does not reli	eve the operator of liability , surface water, human health
or the environ	ment. In a	ddition, NMO	CD accep	tance of a C-141 r	eport do	es not reliev	e the operator of r	esponsibility for co	ompliance with any other
federal, state.	or local lav	vs and/or regu	lations.						
	1/	1	1-				OIL CONS	SERVATION	DIVISION
Signature	Kurt	France	li	~				$\langle \hat{A} \rangle$	
Printed Name	: Kurt	Fagrelius	3		A	approved by	District Superviso	or broth	D.Keller
Title:	VP Ex	ploration	1		Λ	approval Dat	e. 3/05/20	Expiration I	Date:
E-mail Address. kfagrelius@duganproduction.com					n C	onditions of	Approval.	·	Attached
Date. Sept	ember 7	, 2010	Phone:	505-325-18	21				_
Attach Addit							7		17
	Attach Additional Sheets If Necessary NJL1206529563								

Permanent pit: Seoul #88 API number: 30-045-26630

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



PHONE (575) 393-2326 - 101 E MARLAND - HQBBS, NM 88240

December 30, 2009

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

Re: Earth Pit Closure

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

Cardinal Laboratories is accredited through Texas NELAP for:

Method SW-846 8021

Benzene, Toluene, Ethyl Benzene, and Total Xylenes

Method SW-846 8260

Benzene, Toluene, Ethyl Benzene, and Total Xylenes

Method TX 1005

Total Petroleum Hydrocarbons

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

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

Method EPA 552.2

Haloacetic Acids (HAA-5)

Method EPA 524.2

Total Trihalomethanes (TTHM)

Method EPA 524.2

Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

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

Celey D. Keene

Laboratory Director

This report conforms with NELAP requirements.



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

ANALYTICAL RESULTS FOR DUGAN PRODUCTION CORP. ATTN: FRED CORNISH 4100 PIEDRAS ST. FARMINGTON, NM 87401

FAX TO: (505) 325-4873

Receiving Date: 12/23/09 Reporting Date: 12/30/09

Project Number: NOT GIVEN

Project Name: EARTH PIT CLOSURE

Project Location: NOT GIVEN

Sampling Date: 12/18/09 Sample Type: SOIL

Sample Condition: COOL & INTACT @ 6°C

§ Sample Received By: CK

Analyzed By: AB

418,1 TOTAL TPH

LAB NUMBER	(mg/kg)	
ANALYSIS DA	12/29/09	
H18941-1	OLSON #1	<100
H18941-2	WITTY #1	<100
H18941-3	WITS END T.B. PROD. TANK ON #3	<100
H18941-4	WITS END T.B. SEP, ON #3	228
H18941-5	OLYMPIC T.B. PROD. TANK ON #1	<100
H18941-6	OLYMPIC T.B. SEP. ON #1	<100
H18941-7	JIM THORPE #1 SEP.	544
H18941-8	SEOUL #88	<100
H18941-9	LAKÉ PLACID #1	<100
H18941-10	MARATHON #1 SEP.	1,890
	ample date of the party of the	
	and the second section from the first term of the second sections of the second section section sections of the second section section section sections of the second section	
	and the state of t	
Quality Contro	315	
True Value QC	300	
% Recovery	105	
Relative Perce	ent Difference	0.6
		I

METHODS: EPA 418 1

Not accredited for TPH 418.1 Reported on wet weight.

H18941 418,1 DUGAN

Chemis

PLEASE NOTE: Liability and Damages. Cardinatio Inhibity and client's exclusive remedy for any claim origing, whether besed in contract or loci, while be timized to the amount peed by client for analyses. All claims, including those for negligeners and any other cause what-cover shall be deemed warred unless made in writing and received by Cardinat within thinty (30) days after completion of the applicable service in no event shall Cardinat be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurrent by client, its subsigilaries. affiliates of successors arking out of or related to the parlamence of services becoundor by Cardinal, repartless of whether such daim is borned upon any of the showe stated transcers or otherwise. Provide relate only to the samples identified above, This report shall not be reproduced except in full with written approved of Cerdinal Laboratories.



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

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

Receiving Date: 12/23/09
Reporting Date: 12/30/09
Project Number: NOT GIVEN

Project Number: NOT GIVEN

Project Name: EARTH PIT CLOSURE

Project Location: NOT GIVEN

Sampling Date: 12/18/09

Sample Type: SOIL

Sample Condition: COOL & INTACT @ 6°C

Sample Received By: CK

¡Analyzed By: ZL

LAB NO. SAMPLE ID BENZENE TOLUENE BENZENE XYLENES (mg/kg) (mg/kg) (mg/kg) (mg/kg)

	· · · · · · · · · · · · · · · · · · ·			
ANALYSIS DATE:	12/29/09	12/29/09	12/29/09	12/29/09
H18941-1 OLSON #1	<0.050	<0.050	<0.050	<0.300
H18941-2 WITTY #1	< 0.050	<0.050	<0.050	<0.300
H18941-3 WITS END T.B. PROD. TANK ON #3	<0.050	<0.050	<0.050	<0.300
H18941-4 WITS END T.B. SEP, ON #3	<0.050	<0.050	<0.050	< 0.300
H18941-5 OLYMPIC T.B. PROD. TANK ON #1	<0.050	<0.050	<0.050	<0.300
H18941-6 OLYMPIC T.B. SEP. ON #1	<0.050	<0.050	<0.050	< 0.300
H18941-7 JIM THORPE #1 SEP.	< 0.050	<0.050	<0.050	<0.300
H18941-8 SEOUL #88	< 0.050	<0.050	<0.050	<0.300
H18941-9 LAKE PLACID #1	<0.050	<0.050	<0.050	<0.300
H18941-10 MARATHON #1 SEP.	0.101	<0.050	<0,050	<0.300
Quality Control	0.048	0.046	0.048	0.146
True Value QC	0.050	0.050	0.050	0.150
% Recovery	96.0	92.0	96.0	97.3
Relative Percent Difference	8.8	5.7	2.2	9.1

METHODS: BTEX - SW-846 8021B,

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

Chemist

Date

H18941 BTEX DUGAN

5



5/553524/5

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

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

Receiving Date: 12/23/09
Reporting Date: 12/30/09

Project Number: NOT GIVEN

Project Name: EARTH PIT CLOSURE

Project Location: NOT GIVEN

Analysis Date: 12/29/09 Sampling Date: 12/18/09

Sample Type: SOIL

Sample Condition: COOL & INTACT @ 6°C

Sample Received By: CK

Analyzed By: HM

		C)_
LAB NUMBER	SAMPLE ID	(mg/kg)
H18941-1	OLSON #1	1,960
H18941-2	WITTY #1	320
H18941-3	WITS END T.B. PROD.TANK ON #3	384
H18941-4	WITS END TB SEP ON #3	1,040
H18941-5	OLYMPIC T.B. PROD TANK ON #1	2,360
H18941-6	OLYMPIC T.B. SEP. ON #1	928
H18941-7	JIM THORPE #1 SEP.	4,480
H18941-8	SEOUL #88	368
H18941-9	LAKE PLACID #1	192
H18941-10	MARATHON #1 SEP	848
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Diff	ference	· · · · · · · · · · · · · · · · · · ·

METHOD: Standard Methods

4500-CIB

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

Chemis

Date

H18941 Dugan

Analytical
Laboratories
Analytical Laboratories

CHAIN OF CUSTODY RECORD

	1		
Page	1	of	

Client: Dugan	PRODUCTION
Contact: FRED	CORNISH
Address.	
Phone Number. 33	0-0929

FAX Number: 505- 325-4873

NOTES:

1) Ensure proper container packaging.

2) Ship samples promptly following collection.

3) Designate Sample Reject Disposition

Table 1. - Matrix Type

1 = Surface Water, 2 = Ground Water

3 = Soil/Sediment, 4 = Rinsate, 5 = Oil

6 = Waste, 7 = Other (Specify)Project Name EARTH PIT Closure Samplers Signature:

FOR GALUSE ONLY GAL JOB #

Analyses Required Lab Name: Green Analytical Laboratories (970) 247-4220 FAX (970) 247-4227 ORL 75 Suttle Street, Durango, CO 81303 Address: Collection Miscellaneous Preservative(s) Ð Benezene Unpreserved (Ice Only) Sample Filtered 7 Y/N <u>.</u> Collected by: (Init.) No. of Containers Other (Specify) Sample ID Date Time Comments From Table 1 Matrix Type H2S04 NAOH HN03 12-18-09 12:24 PM 12-1809 12:08Pm 12-18-09 1 wolfin 12-18-09 1:15 Pm 12-18-09 1:30 PM 12-18-19 1:45 PM 12-18-09 2 P-M. 7. Jim Thorpe#15ep 2:15PM 12-14-09 12-18-09 230815 2:50Pm Relinquished by: Date. 12-18-09 TISTO PM Relinguished by: Date

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

<u>Pistrict I</u> 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

☐ Initial Report

X Final Report

Release Notification and Corrective Action

OPERATOR

Name of Company Dugan Production Corp.	Contact Kurt Fagrelius					
Address P.O. Box 420	Telephone No. 505-325-1821					
Facility Name Seoul #88	Facility Typ	e Perman	ent Pit			
Surface Owner Navajo Allotted Mineral Owner	Navajo	Allotted	Lease N	o. NOO-C-14-20-7312		
		***************************************	<u> </u>			
Unit Letter Section Township Range Feet from the Nort	h/South Line	Feet from the	East/West Line	County		
				•		
A 9 23N 10W 330 N	orth	330	East	San Juan		
Latitude 36.24764	Latitude 36.24764 N Longitude 107.89321 W					
	OF REL					
Type of Release Reporting Pit Sampling		Release Unkno	OWn Volume R	ecovered Unknown		
Source of Release Below grade permanent pit releas Was Immediate Notice Given?	If YES, To	lour of Occurrence	Date and F	Hour of Discovery Unknown		
Was immediate Notice Given: ☐ Yes ☐ No ☒ Not Required	1 1125, 10	N/A	A	`		
By Whom?	Date and I					
Was a Watercourse Reached? ☐ Yes 🗓 No	If YES, Ve	olume Impacting t	he Watercourse.			
If a Watercourse was Impacted, Describe Fully.*						
N/A						
Describe Cause of Problem and Remedial Action Taken.* During permanent pit closure a chloride implemented 368-mg/kg chlorides which exceeds the contract of t	ne thresh					
Describe Area Affected and Cleanup Action Taken.*Contamination 10.0-cubic yards of contaminated soil was heard to the chloride release does see attachment to "Final C-141" and invoice	on was add auled fro not pose	m site of r	elease to E	nvirotech Landfarm.		
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 Fzgrelin	Signature Kurt Franchin					
Printed Name: Kurt Fagrelius	Approved by District Supervisor:					
Title: VP Exploration	Approval Da	te:	Expiration I	Date.		
E-mail Address. kfagrelius@duganproduction.com Date: September 7, 2010 Phone: 505-325-1821	Conditions o	Approval:		Attached		
Date: September 7, 2010 Phone: 505-325-1821 Attach Additional Sheets If Necessary						

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.

22521

Job

06094-0043

DATE

January 2,2009

Seoul #88- accept exempt contaminated soil and oil from production stream.

Ordered by Fred Cornish

Project Manager

April Pohl

<u>Em</u>	<u>ployee</u>	Staff Type	Description	<u>Units</u>		<u>Rate</u>	Total
12/19/20	800						
Landfarı	n						
			BOL# 32235	1 00	ea	10 00	10.00
-	t Filter Test		BOL# 32235	1 00	ea	15.00	15.00
Chlo	ride Analysis-	Water	BOL# 32235	10.00	су	18.00	180.00
Con	taminated Soil	Receival					
			Landfarm Total:	12.00		_	205.00
			12/19/2008 Total:	12.00		=	205.00
			Invoice Sub-total				205.00
			Sales Tax				12 68
Amo	unt due th	is Invoice					\$217.68

All invoices are due upon receipt A late charge of 1.5% will be added to any unpaid balance after 30 days This may not be the final bill - if charges are received after this invoice has been mailed, you will receive a separate invoice for Permanent pit: Seoul #88 API number: 30-045-26630

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

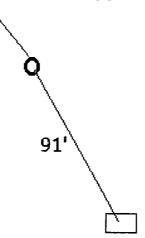
Attachment To Final C-141

Lease Name:	Seoul #88	3				
API No.: 30-04	15-26630					
Depth to	Ranking	Distance to Surface	Ranking	Wellhead Protection Area	Ranking Score	Total Ranking
Groundwater	Score	Water Body	Score	Distance from Water Source	Yes =20, No=0	Score
<50-feet	20	<200-feet	20	<1000-feet from water source	0	
50 - 99	10	200 - 1000	10	<200-feet domestic water	0	
>100-feet	0	>1000-feet	0			10
				•		
		Total	Ranking S	Score	Sample	
		>19	10 - 19	0 - 9 .	Analysis	
Benzene (mg/k	g)	10	10	10	<0.050	
BTEX (mg/kg)		50	50	, 50	<0.300	
TPH (mg/kg)		100	1000	5000	<100	
Chorides (mg/k	(g)	N.A.	N.A.	N.A.	368	
Note: Analytica	al method	s used for Benzene S	W-846, B	TEX SW-846, TPH 418.1 and 0	Chlorides 4500-C	1-B.
Depth to groun	dwater is	greater than 100-ft, th	e distanc	e to surface water is between 2	00 and 1000-ft, it	is greater
than 1000-ft fro	m water	source and greater tha	an 200-ft f	from private source of domestic	water.	
C-144 ranking	=10 Chlo	oride release does not	pose a th	reat to groundwater contamina	tion	

Dugan Production Pierre #1 Seperator & Tank Pit



Reference Point: Well head



From Reference Point Go S. 30' degrees SE. For a Distance of 91' to Center of Pit.

