Form 3160-5 (June 1990)

Conditions of approval, if any:

UNITED STATES DEPARTMENT OF THE INTERIOR

FORM APPROVED

Budget Bureau No. 1004-0135

BUREAU OF LAND MANAGEMENT Expires: March 31,1993 5. Lease Designation and Serial No. SUNDRY NOTICES AND REPORTS ON WELLS NM-053798 Do not use this form for proposals to drill or to deepen or reentry to a different reservoir. 8. If Indian, Allotted or Tribe Name Use "APPLICATION FOR PERMIT" for such proposals SUBMIT IN TRIPLICATE PENERVER 1. Type of Well 7. If Unit or CA, Agreement Designation Well 2. Name of Operator 8. Well Name and No. Federal #2 Anderson Oil Ltd. 9. API Well No. 3. Address and Telephone No. c/o Dugan Production Corp., P. O. Box 420, Farmington, NM 87499-0420 30 045 23619 Location of Well (Footage, Sec., T., R., M., or Survey Description) 10. Field and Pool, or Exploratory Area 1570' FSL & 1000' FEL (NE/4 SE/4) Basin Dakota Unit I, Sec. 30, T31N, R13W, NMPM 11. County or Parish, State San Juan, NM CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION Notice of Intent Abandonment Change of Plans Recompletion **New Construction** Plugging Back Non-Routine Fracturing Subsequent Report Casing Repair Water Shut-Off **Final Abandonment Notice Altering Casing** Conversion to Injection Other Close earthen pits & install Dispose Water produced water tank Completion or Recompletion Report and Log form.) 13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work if well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) On 6/20/05, Blagg Engineering tested the 12' x 12' x 4' unlined earthen tank drain pit (center @ 99' S 36° E of wellhead). Used backhoe to dig trench 7' deep across pit and to collect soil samples from 7' at pit center plus north and south walls. Field headspace tests ranged from 27 to 41 ppm. Hit firm sandstone bedrock at 7'. Soil was light gray and had minor hydrocarbon staining to bedrock. No free hydrocarbons were found. Envirotech lab test of soil sample from 7' at pit center: TPH = none detected. Pit filled in using soil excavated and mixed with soil from location. Added commercial fertilizer to backfilled soil. Also on 6/20/05, Blagg Engineering tested the 15' x 15' x 3' unlined earthen separator production pit (center at 30' N 24° W of wellhead). Unused backhoe to dig trench 7' deep across pit and to collect soil samples from 7' at pit center plus the east and west walls. Field headspace tests ranged form 5 to 7 ppm. Hit firm sandstone bedrock at 7'. Soil was light gray and had minor hydrocarbon staining to bedrock. No free hydroarbons were found. Envirotech lab test of soil sample from 7' at pit center: TPH = none detected. Excavated soil was mixed with commercial fertilizer and soil from location and returned to trench. Used pit depression to install new 100 bbl subgrade steel tank with double bottom for produced water. Placed tank upon a 22 mill liner and gravel with sides left open for leak detection. Tank has expanded metal cover. 14. I hereby certify that the foregoing is true and correct - O. Roe 06/29/2005 (This space for Federal or State office use JUL 0 5 2005 Approved by Title Date

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

BY