NM2 - 25

GENERAL CORRESPONDENCE YEAR(S):

2006 - 2008

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
June 16, 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

Type of action: [X] 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

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

RCVD AUG 8 '08
OIL CONS. DIV.
DIST. 3

Operator: Dugan Production Corp. OGRID #: 006515
Address: 709 East Murray Drive, Farmington, New Mexico 87401
Facility or well name: Locke SWD #1 (Oil Tank)
API Number: 30-045-25630 OCD Permit Number:
U/L or Qtr/Qtr P Section 3 Township 29N Range 14W County: San Juan
Center of Proposed Design Latitude 36.75152 North Longitude 108.29082 West NAD: [X] 1927 [ ] 1983
Surface Owner: [X] Federal [ ] State [ ] Private [ ] Tribal Trust or Indian Allotment

[ ] **Pit:** Subsection F or G of 19.15.17.11 NMAC
Temporary: [ ] Drilling [ ] Workover
[ ] Permanent [ ] Emergency [ ] Cavitation
[ ] Lined [ ] Unlined
Liner type. Thickness _____mil [ ] LLDPE [ ] HDPE [ ] PVC
[ ] Other _____ [ ] String-Reinforced
Seams: [ ] Welded [ ] Factory [ ] Other _____
Volume: _____bbl Dimensions: L_____ x W_____ x D_____

[ ] **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
[ ] Drying Pad [ ] Tanks [ ] Haul-off Bins [ ] Other _____
[ ] Lined [ ] Unlined
Liner type Thickness _____mil [ ] LLDPE [ ] HDPE [ ] PVC
[ ] Other _____
Seams: [ ] Welded [ ] Factory [ ] Other _____
Volume: _____bbl _____yd^3
Dimensions: Length_____ x Width_____

[X] **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: 100 bbl
Type of fluid: Produced H2O
Tank Construction material: Steel
[ ] Secondary containment with leak detection
[ ] Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
[ ] Visible sidewalls and liner
[ ] Visible sidewalls only (See Closure Plan #2)
[X] Other Visible sidewalls, Leak detection
Liner type: Thickness _____mil [ ] HDPE [ ] PVC
[ ] Other _____

Fencing: Subsection D of 19.15.17.11 NMAC
[ ] Chain link, six feet in height, two strands of barbed wire at top
[ ] Four foot height, four strands of barbed wire evenly spaced between one and four feet Other Fencing 4'=3' Hog wire + Top Rail
Netting: Subsection E of 19.15.17 11 NMAC
[ ] Screen [ ] Netting [X] Other Expanded Metal
[X] Monthly inspections
Signs: Subsection C of 19.15.17.11 NMAC
[X] 12'x24', 2' lettering, providing Operator's name, site location, and emergency telephone numbers
[ ] Signed in compliance with 19.15.3.103 NMAC

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

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:
[X] 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 - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No ☐ NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to permanent pits)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No ☒ 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 - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☒ 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	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

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 19.15.17.15 NMAC
- ☐ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.15 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 - 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: _____

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 (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.15
- ☐ Siting Criteria Compliance Demonstrations (required 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 - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17 13 NMAC

NMAC

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

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 17.15 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 H_2S, 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

Proposed Closure: 19.15.17.13 NMAC

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

Proposed Closure Method: ☒ Waste Excavation and Removal
☐ 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)

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	☐ Yes ☐ No ☐ 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	☐ Yes ☐ No ☐ 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	☐ Yes ☐ No ☐ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ 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	☐ Yes ☐ 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	☐ Yes ☐ 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	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☐ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☐ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☐ No

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.***

- [X] Protocols and Procedures - based upon the appropriate requirements of 19 15.17.13 NMAC
- [X] Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- [X] Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- [X] Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- [X] Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- [X] Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17 13 NMAC

Waste Removal Closure For Closed-loop Systems That Utilize Haul-off Bins Only: (19.15.17.13.D NMAC) ***Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings.***

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

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 and Design of Burial Trench (if applicable) 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

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: 8-5-08

e-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821 (O), 505-320-8248 (C)

OCD Approval: [X] Permit Application (including closure plan) [ ] Closure Plan (only)

OCD Representative Signature: _____ **Approval Date:** 8-18-08

Title: Environ/Spec **OCD Permit Number:** _____

Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

[ ] **Closure Completion Date:** _____

Closure Method:

[ ] Waste Excavation and Removal [ ] On-Site Closure Method [ ] Alternative Closure Method

[ ] If different from approved plan, please explain.

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
- [ ] Proof of Deed Notice (if applicable)
- [ ] Plot Plan
- [ ] Confirmation Sampling Analytical Results
- [ ] Waste Material Sampling Analytical Results
- [ ] 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 _____ Longitude _____ NAD: [ ] 1927 [ ] 1983

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 Vice President, Exploration

Signature: _____ Date: _____

e-mail address: kfagrelius@duganproduction.com Telephone: 505-325-1821

Locke SWD #1 (Oil Tank) Hydrogeologic Report

The Locke SWD #1 (Oil Tank) is located on Federal land on flats below "Pinon Mesa" on the northwest margin of the San Juan Basin, in San Juan County, New Mexico. The area is characterized as a flat grassy area on the Kirtland Shale that is bordered by "Pinon Mesa" (4-miles north) and the Animas River Valley (1-1/2 miles) to the south.

A records search of the NM Office of the State Engineer –iWATERS database was conducted on a three square mile area centered on the Locke SWD #1 (Oil Tank) location (Exhibit 2). One water well was located 9,600 feet away to the west (total depth 70 feet, depth to water not reported). Field inspections show that at one time there was a water well 10,400 feet to the north. No information was available on this well and it is currently in-active. The results of the search are shown on Exhibit 1. The main source of stock water in the region is encountered in valley-fill deposits in existing arroyos at shallow depths of approximately 15 – 50 feet below the surface. Also, there are stock ponds located along some of the main arroyos. The proposed below grade tank is not located in an arroyo; the closest arroyo is over 1000 feet away and it breeches the surface down to a depth of 140 feet.

The Kirtland Shale extends from the surface down to a depth of approximately 600 feet. The interval is comprised of an upper shale member, middle sandstone member (Farmington Ss.) and a lower shale member. The middle sandstone member is poorly developed from 450 down to 520 feet and may contain ground water but the quality is expected to be poor and the amount small.

Based on electric open hole logs, the iWATERS database and literature reviewed, depth to ground water ranges from 15 – 20 feet below the surface in major arroyos in the area. Moving away from the washes, depth to ground water drops rapidly to greater than 200 feet below the surface. At the location of the subject below grade tank, lesser amounts of poor quality ground water might be found at a depth of approximately 450 - 520 feet from thin, discontinuous sand stringers in the middle sandstone member of the Kirtland Shale. Larger quantities of poor quality ground water could be expected from Fruitland sand at 920 – 930 feet and the Fruitland Coal and Pictured Cliffs Sandstone interval at around 1000 feet below the surface.

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

Stone, W.J., Lyford, F.P., Frenzel, P.F., Mizell, N.H., and Padgett, E.T., 1983, Hydrogeology and water resources of San Juan Basin, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrologic Report 6, 70 p.

Brown, D.R., and Stone, W.J., 1979, Hydrogeology of Aztec quadrangle, San Juan County, New Mexico: New Mexico Bureau of Mines and Mineral Resources Hydrogeologic Sheet 1.

Levings, G.W., Craigg, S.D., Dam, W.L. Kernodle, J.M., and Thorn, C.R., 1990, Hydrogeology of the San Jose, Nacimiento, and Animas Formations in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S. Geological Survey, Atlas HA-720-A, Sheet 1 and 2.

Thorn, C.R., Levings, G.W., Craigg, S.D., Dam, W.L., and Kernodle, J.M., 1990, Hydrogeology of the Ojo Alamo Sandstone in the San Juan Structural Basin, New Mexico, Colorado, Arizona and Utah: U.S.G.S, Atlas HA-720-B, Sheet 1 and 2.

EXHIBIT 1.

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 29N Range: 14W Sections: 2,3,4,9,10,11

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) ○Non-Domestic ○Domestic ◉All

POD / Surface Data Report | Avg Depth to Water Report | Water Column Report

Clear Form | iWATERS Menu | Help

WATER COLUMN REPORT 08/01/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water	Water Column (in feet)
SJ 03074	29N	14W	09	1	3	1				70		

Record Count: 1

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 30N Range: 14W Sections: 33,34,35

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) ○Non-Domestic ○Domestic ◉All

POD / Surface Data Report | Avg Depth to Water Report | Water Column Report

Clear Form | iWATERS Menu | Help

WATER COLUMN REPORT 08/01/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water	Water Column (in feet)

No Records found, try again

Siting Criteria for the Locke SWD #1

1. Ground water is not less than 50-feet below the bottom of the below grade tank. Ground water is greater than 100-feet below the bottom of the below grade tank.

2. The below grade tank is not within 300-feet of a continuously flowing water course, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from ordinary high water mark). See the attached Topographic map (Exhibit 2) and Visual Inspection Certification of the location and area around the subject below grade tank.

3. The below grade tank is not within 300-feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. See the attached Satellite Image (Exhibit 3) and Visual Inspection certification of the location and area around the subject below grade tank.

4. The below grade tank is not within 500-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. See the attached NM Office of the State Engineer iWATERS database search (Exhibit 4) and Visual Inspection certification of the location and area around the subject below grade tank.

5. The below grade tank is not located within the 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. See the attached Topographic map of the location and area around the subject below grade tank.

6. The below grade tank is not located within 500-feet of a wetland. See the attached Topographic map and Visual Inspection Certification of the location and area around the subject below grade tank.

7. The below grade tank is not located within the area overlying a subsurface mine. See the attached Mine, Mills and Quarry Map of New Mexico (New Mexico, EMND 2008) (Exhibit 5) showing the location and area around the subject pit.

8. The below grade tank is not located within an unstable area. See the attached Topographic map of the location and area around the subject below grade tank.

9. The below grade tank is not located within a 100-year floodplain area. See the attached FEMA map (Exhibit 6) of the 100 year floodplain showing the location and area around the subject pit.

Locke SWD #1 Visual Inspection Certification

I, Kurt Fagrelius, Vice President of Exploration for Dugan Production Corp. 709 East Murray Drive, Farmington, New Mexico hereby certify that I or persons under my direct supervision, prepared the attached exhibits and conducted a Visual Inspection of the location and area around the Locke SWD #1 below grade tank (Week of July 21, 2008). This application is in full compliance with all siting criteria and standards for below grade tanks established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.10 NMAC.

Kurt Fagrelius

Kurt Fagrelius

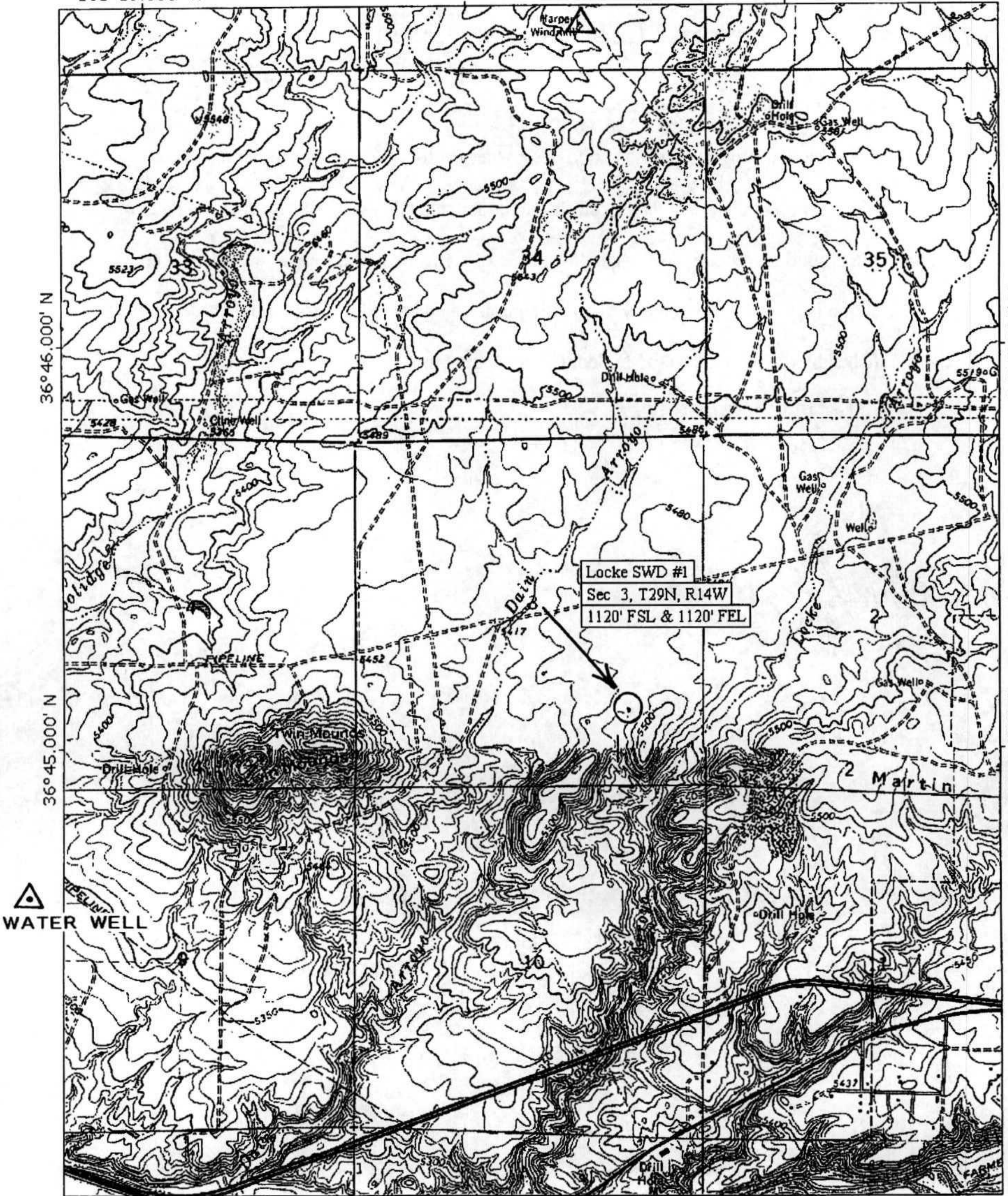
8-5-08

Date

EXHIBIT 2.

TOPO! map printed on 08/01/08 from "New Mexico.tpo" and "Untitled.tpg"

108°19.000' W 108°18.000' W WGS84 108°17.000' W



108°19.000' W 108°18.000' W WGS84 108°17.000' W

TN/MN 11°

0 .5 1 MILE

0 1000 FEET 0 500 1000 METERS

Printed from TOPO! ©2001 National Geographic Holdings (www topo com)

36.75152 N, 108.29082 W
Locke SWD #1
Kirtland
2 miles
© 2008 Tele Atlas
Image NMRGIS
Google
36°45'05.48" N 108°17'26.96" W
elev 5473 ft
Jul 2005
Eye alt 4.17 mi

EXHIBIT 3.

EXHIBIT 4.

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 29N Range: 14W Sections: 3

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) ○ Non-Domestic ○ Domestic ◉ All

POD / Surface Data Report | Avg Depth to Water Report | Water Column Report

Clear Form | iWATERS Menu | Help

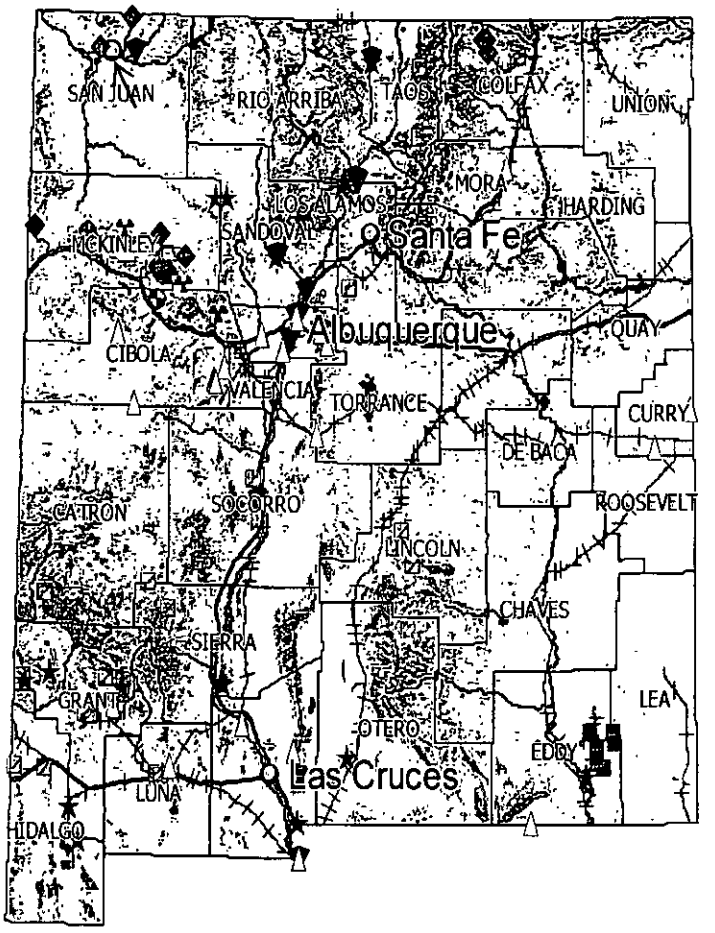
WATER COLUMN REPORT 08/01/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water	Water Column (in feet)

No Records found, try again

EXHIBIT 5.



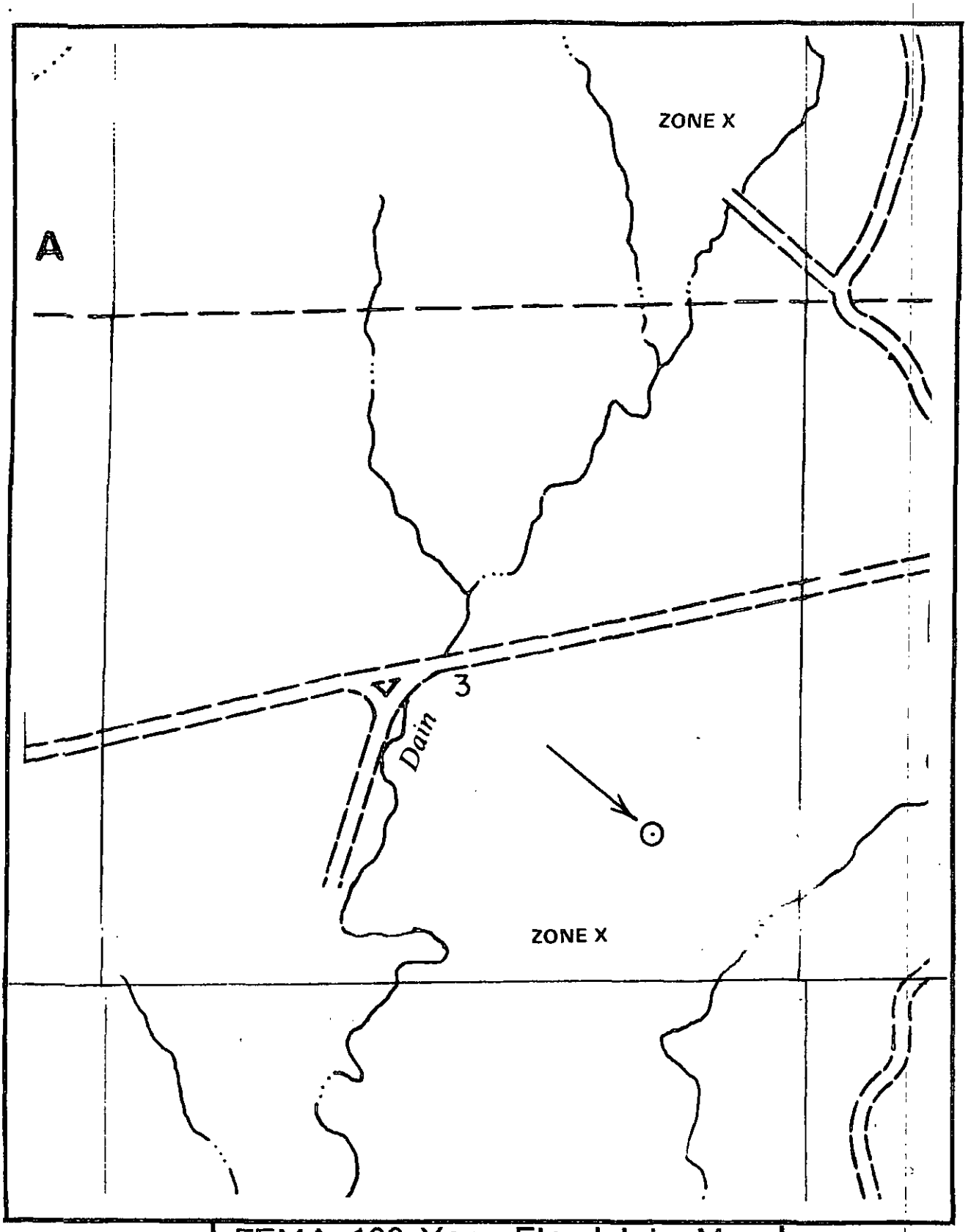
Mine, Mills and Quarry Map of New Mexico

Dugan Production Corp.

Locke SWD #1 (Oil Tank)

Taken from the New Mexico Energy, Minerals and Natural Resources Department.
Mining and Minerals Division.

EXHIBIT 6.



FEMA 100-Year Floodplain Map

Locke SWD #1

Locke SWD #1 Design and Construction Plan

The Locke SWD #1 below grade tank will be designed and constructed in accordance with the following requirements:

1. Below grade tank will be designed and constructed to contain liquids and solids, prevent contamination of fresh water and protect the public health and environment (Exhibit 7).

2. Stockpile topsoil prior to digging pit, keep separate from subsoil and use as final cover and fill when closing pit.

3. Sign-12" by 24" with operator name, lease name, well #, location (unit letter, qtr/qtr, Sect., Twp., and Rge.) and emergency phone #'s will be posted on location. Sign will be posted in a location where it can be easily read.

4. Fencing around the Locke SWD #1 below grade tank will be constructed and operated in a manner that prevents unauthorized access and shall be maintained in good condition to protect the public and wildlife. Fencing will include a 4-foot hog wire fencing with two strands of barbed wire or top rail of re-bar or pipe on top. See the attached request for Administrative Approval. The Locke SWD #1 below grade tank is not located within 1000 feet of a house, school, hospital or church.

5. The Locke SWD #1 below grade tank will be covered with expanded metal, chicken-wire or a metal lid on top of the tank.

6. Locke SWD #1 below grade tank will be designed and constructed to ensure the confinement of liquids and prevent unauthorized releases. Pit will be constructed with a firm foundation and interior slopes, smooth and free of rocks or sharp edges to prevent punctures, cracks or indentations of the liner or tank bottom.

7. Locke SWD #1 below grade tank will be constructed of materials resistant to the tank's particular contents and resistant to damage from sunlight.

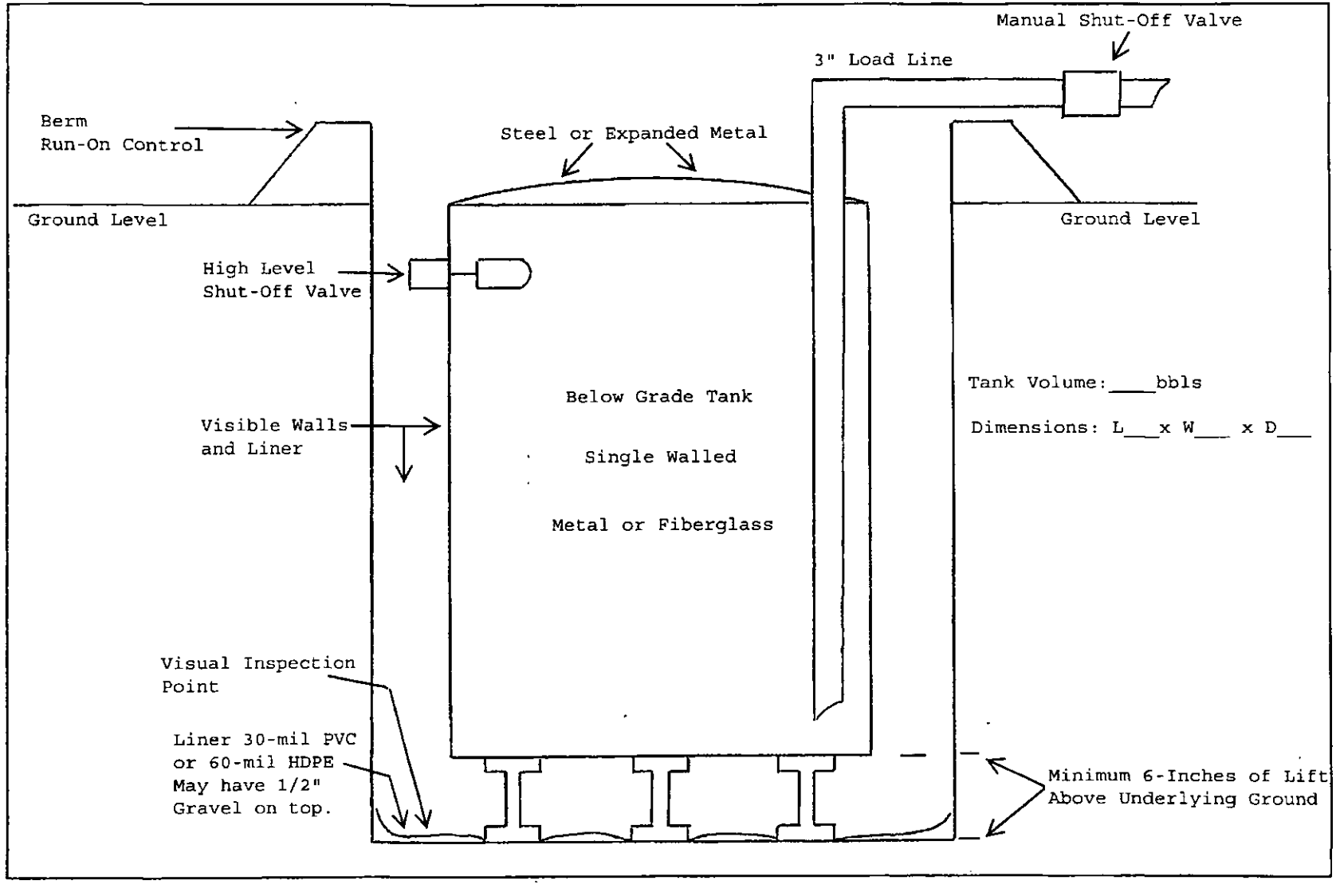
8. Liner will be 30-mil flexible PVC or 60-mil HDPE, string reinforced, impervious material, resistant to UV light, hydrocarbons, salt, acidic or basic liquids. The liner will have a hydraulic conductivity less than 1 x 10-9 cm/sec. Liner compatibility will comply with EPA SW-846.

9. The Locke SWD #1 below grade tank will be constructed with single walled sides and bottom which will be open for visual inspection for leaks. The below grade tank will be elevated a minimum of 6-inches above the underlying ground surface. The below grade tank will be underlain with a geo-membrane liner designed to divert any leaked fluid to a visual inspection point. Liner may be covered with gravel.

10. The Locke SWD #1 below grade tank will be equipped with a properly operating automatic high-level shut-off control device and manual controls to prevent overflows.

11. Diversionary berms, ditches or sloping will be constructed as necessary to prevent overflow and the collection of surface water entrapment.

Design Plan For Below Grade Tank



Dugan Production Corp.
Locke SWD #1

EXHIBIT 7.

Locke SWD #1 Operational Requirements

The Locke SWD #1 below grade tank will be maintained and operated in accordance with the following requirements:

1. The Locke SWD #1 below grade tank will be operated and maintained to contain liquids and solids and maintain the integrity of the tank / liner system or secondary containment system to prevent contamination of fresh water and protect public health and environment.

2. All fluids will be recycled, reused, reclaimed or disposed of in a manner approved by NMOCD rules.

3. Do not dispose of solid waste, trash, debris or hazardous material into the pit.

4. If the Locke SWD #1 below grade tank develops a leak or if a penetration occurs below the liquids surface, all liquid will be removed above the damage or leak line within 48-hours. The NMOCD office will be notified within 48-hours of the discovery. The below grade tank / liner system or secondary containment system will then be either replaced or repaired.

5. Below grade tank will be constructed and operated in a manner that prevents the tank from over flow and prevents surface water from entering the pit. Diversion berms will be constructed around the sides of pit and an automatic high level shut-off will be installed.

6. Any measurable oil will be continuously removed from the Locke SWD #1 below grade tank to prevent a significant accumulation of oil overtime.

7. The Locke SWD #1 below grade tank will be inspected at least monthly and records of each inspection will be maintained for five years.

8. Adequate freeboard will be maintained to prevent overtopping of the Locke SWD #1 below grade tank.

Locke SWD #1 Closure Plan--Methods, Procedures and Protocols

1. Comply with deadlines for closure of a pit or below grade tank established by the State of New Mexico, Energy Minerals and Natural Resources Department 19.15.17.13 NMAC, or an earlier date if required by the NMOCD in the case of imminent danger to fresh water, public health or the environment.

Existing On June 16, 2008	Permit Applc. Submittal or Modification Request	File Closure Plan By	Stop Use By	Close By
Temporary Pit - Unlined	Not Permtd under 19 15 17	7/16/2008	Upon drlg rig release	9/16/2008
Permanent Pit - Unlined or Lined	Not permitted with NMOCD	7/16/2008	6-16-2008	12/16/2008
Permanent Pit - Unlined	Permitted or with NMOCD	12-16-2008	6-16-2010	6-16-2011
BGT-Aprvd Design	Not Permtd under 19.15.17 Applc. by 9-16-2008	12/16/2008	failed integrity replc w/apprvd design	
BGT-Not Aprvd Design Nor Retrofit to Comply w/19.15.17	Not Permtd under 19.15.17 Mod. Rqust by 9-16-2008	12/16/2008	6/16/2013	6-16-2013
BGT-Not Aprvd Design Nor Retrofit to comply w/19 15.17	NA	12/16/2008	6/16/2013	6/16/2013
Permanent Pit-Design and Constr Does not comply w/19.15 17 permitted and lined	Mod. Rqust by 12-16-2008 Comply w/in 18-mos of aprvl	12/16/2008 submit w/mod request	failed integrity replc w/apprvd design	60-days after cessation
Permanent Pit-Design and Constr Does not comply w/19.15.17 Registered and Lined	Permit Applc by 12-16-2008 Comply w/in 18-mos of aprvl	12/16/2008 submit w/permit Applc		60-days after cessation
Permanent Pit	Permitted under 19 15 17	60-Days prior to close		
Temporary Pit	Permitted under 19 15.17	Prior to closure	Upon drlg rig release	6-mos after rig release
BGT	Permitted under 19.15.17	12/16/2013 or prior to closure	failed integrity replc w/apprvd design	60-days after cessation

2. The Locke SWD #1 below grade tank was registered under rule 50; however, it is not an approved design under rule 19.15.17. Upon approval of this application, the existing below grade tank will be closed and a new below grade tank that meets the design requirements of rule 19.15.17 will be constructed.

3. Below grade tank will be closed within 60-days after cessation of use.

4. 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.

5. Remove all liquid from below grade tank prior to closure and dispose of at the Dugan Production operated Sanchez O'Brien #1 SWD (permit SWD-694) 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.

6. All solids from the below grade tank and all solids removed from the containment pit will be excavated, hauled to and disposed of at either the Envirotech facility (permit #NM-01-0011) facility located in Section 6, Township 26 North, Range 10 West or the IEI facility (permit NM-01-0010B) located in Section 2, Township 29 North, Range 12 West.

7. Remove below grade tank and dispose of in a NMOCD approved facility, or recycle, reuse, or reclaim it in a manner that the NMOCD approves.

8. On site equipment associated with the below grade tank will be removed unless it is needed for some other purpose.

9. Collect a five point, composite sample of the soils beneath the below grade tank (any area that is wet, discolored or shows evidence of a release) to demonstrate that Benzene, BTEX, TPH and chlorides do not exceed the standards as specified in 19.15.17.13.E or the background concentration, whichever is greater.

Components	Test Method	Limit (mg/kg)
Benzene	EPA SW-846 8021B or 8260B	0.2
BTEX	EPA SW-846 8021B or 8260B	50
TPH	EPA SW-846 418.1	100
GRO/DRO	EPA SW-846 8015M	NS
Chlorides	EPA 300.1	250 or Background

10. The NMOCD will be notified of the testing results on form C-141.

11. If it is determined that a release has occurred, rule 19.15.3.116 NMAC and 19.15.1.19 NMAC will be complied with as required.

12. If the sampling results demonstrate that a release has not occurred, or that any release does not exceed the concentrations specified above or background concentrations, the pit will be backfilled with compacted, non-waste containing, earthen material.

13. 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.

14. 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.

15. 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.

16. The NMOCD will be notified within 60-days of closure of the below grade tank. The closure report will be filed on form C-144 and will document all closure activities, sampling results, a plot plan, and details on backfilling and capping where applicable.

17. The NMOCD will be notified once successful re-vegetation has been achieved.

Locke SWD #1 Request for Administrative Approval

Administrative approval is hereby requested for an alternative to the fencing design for the Locke SWD #1 below grade tank.

The request for administrative approval cited above is needed to help minimize environmental impact and increase safety and protect wildlife and public health. The alternative proposed will protect fresh water, public health, safety and the environment more effectively than the design and construction specifications established by the State of New Mexico, Energy Minerals and Natural Resources Department do in rule 19.15.17.11 NMAC.

1. The proposed alternative fencing design will include T-posts spaced 10-feet apart. Hog wire / field fence 4-feet in height will be strung tightly and anchored to the top and bottom of each T-post. Small holes (3" high X 6" wide) in the hog-wire will be located at ground level with increasing larger holes (up to 7" high X 6" wide) located at the top of the fence. Anchor braces will be put at all four corners to strengthen and tighten the fence. Two strands of barbed wire or a pipe / re-bar top rail will be constructed above the hog wire. This fence design (developed over the last 30-years) has proven to be very effective controlling unauthorized access to below grade tanks.

   The existing rule (19.15.17.11.D.3) would require the operator to fence the below grade tank with a four foot fence that has at least four strands of barbed wire evenly spaced in the interval between on foot and four feet above the ground level. The proposed fencing alternative would provide better security against unauthorized access to below grade tanks. The smaller holes in hog-wire (3" X 6" up to 7" X 6") is more effective at controlling unauthorized access by the public and wildlife than 4-strands of barbed wire spaced 12" apart.

   The proposed fence around the below grade tank will be constructed and operated in a manner that prevents unauthorized access and shall maintain the fence in good condition to protect the public and wildlife.

   The request for administrative approval cited above is needed to help minimize environmental impact, increase safety and protect wildlife and public health. The alternatives proposed will protect fresh water, public health, safety and the environment more effectively than the design and construction specifications established by the State of New Mexico, Energy Minerals and Natural Resources Department do in rule 19.15.17.11 NMAC.

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

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-137
Revised June 10, 2003

Submit Original Plus 1
Copy to Santa Fe
1 Copy Appropriate
District Office

APPLICATION FOR WASTE MANAGEMENT FACILITY

(Refer to the OCD Guidelines for assistance in completing the application)

☐ Commercial ☒ Centralized

1. Type: ☐ Evaporation ☐ Injection ☐ Other
   ☐ Solids/Landfarm ☒ Treating Plant

2006 MAR 10 PM 1 58

2. Operator: Dugan Production Corp.

   Address: P. O. Box 420, Farmington, NM 87499-0420

   Contact Person: Tom Blair or John Roe Phone: 505-325-1821

3. Location: SE /4 SE /4 Section 3 Township 29N Range 14W
   Submit large scale topographic map showing exact location - ***Attachment No. 1***

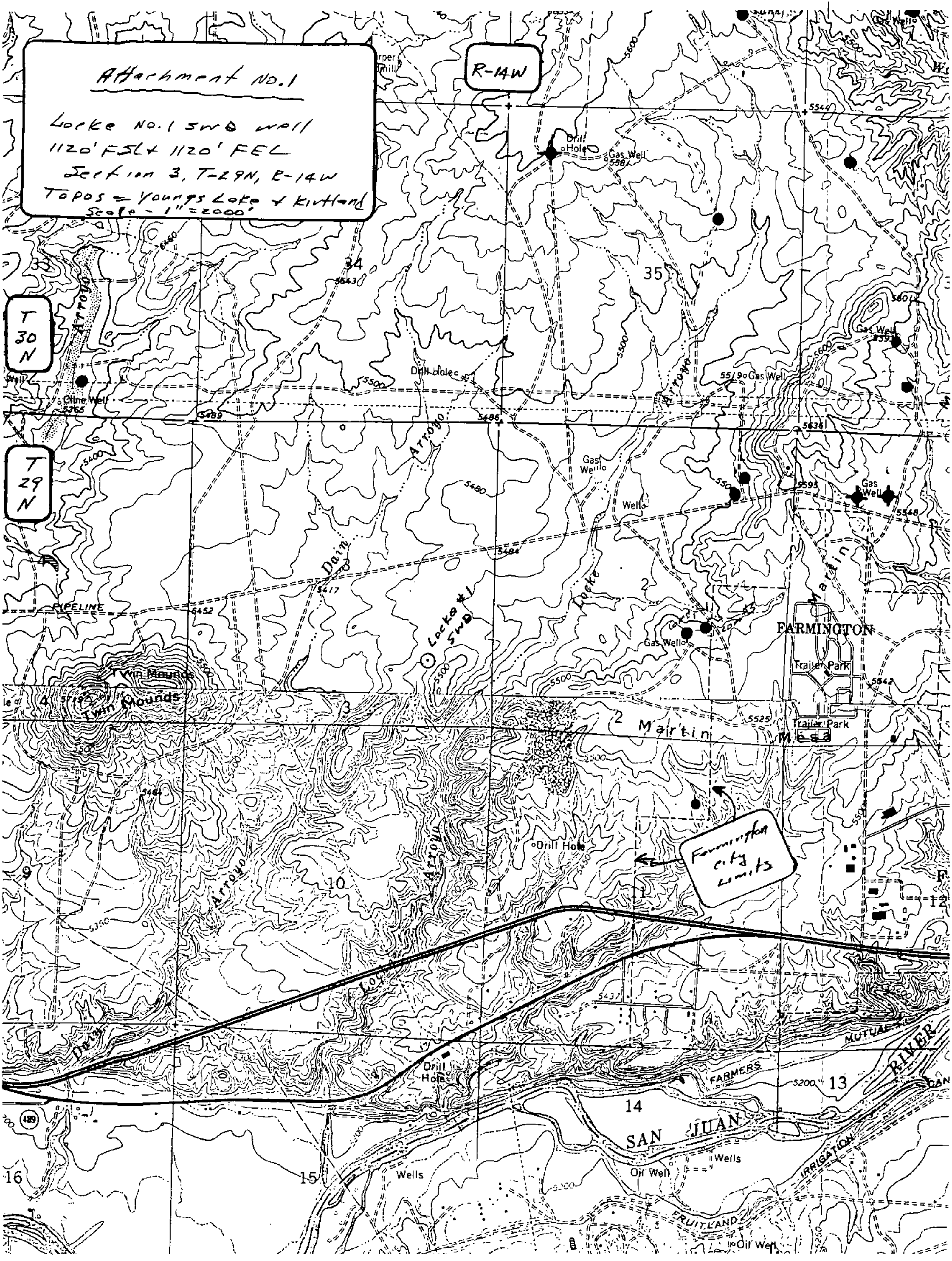
4. Is this a modification of an existing facility? ☐ Yes ☒ No

5. Attach the name and address of the landowner of the facility site and landowners of record within one mile of the site. ***Attachment No. 2***
6. Attach description of the facility with a diagram indicating location of fences, pits, dikes, and tanks on the facility. ***Attachment No. 3 & 4***
7. Attach designs prepared in accordance with Division guidelines for the construction/installation of the following: pits or ponds, leak-detection systems, aerations systems, enhanced evaporation (spray) systems, waste treating systems, security systems, and landfarm facilities. – ***Attachment No. 4***
8. Attach a contingency plan for reporting and clean-up for spills or releases. – ***Attachment No. 4 & 5***
9. Attach a routine inspection and maintenance plan to ensure permit compliance. – ***Attachment No. 4***
10. Attach a closure plan. – ***Attachment No. 4***
11. Attach geological/hydrological evidence demonstrating that disposal of oil field wastes will not adversely impact groundwater. Depth to and quality of ground water must be included. – ***Attachment No. 4***
12. Attach proof that the notice requirements of OCD Rule 711 have been met. – ***Attachment No. 6***
13. Attach a contingency plan in the event of a release of H_2S. – ***Attachment No. 4***
14. Attach such other information as necessary to demonstrate compliance with any other OCD rules, regulations and orders.
15. CERTIFICATION
    I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: John D. Roe Title: Engineering Manager

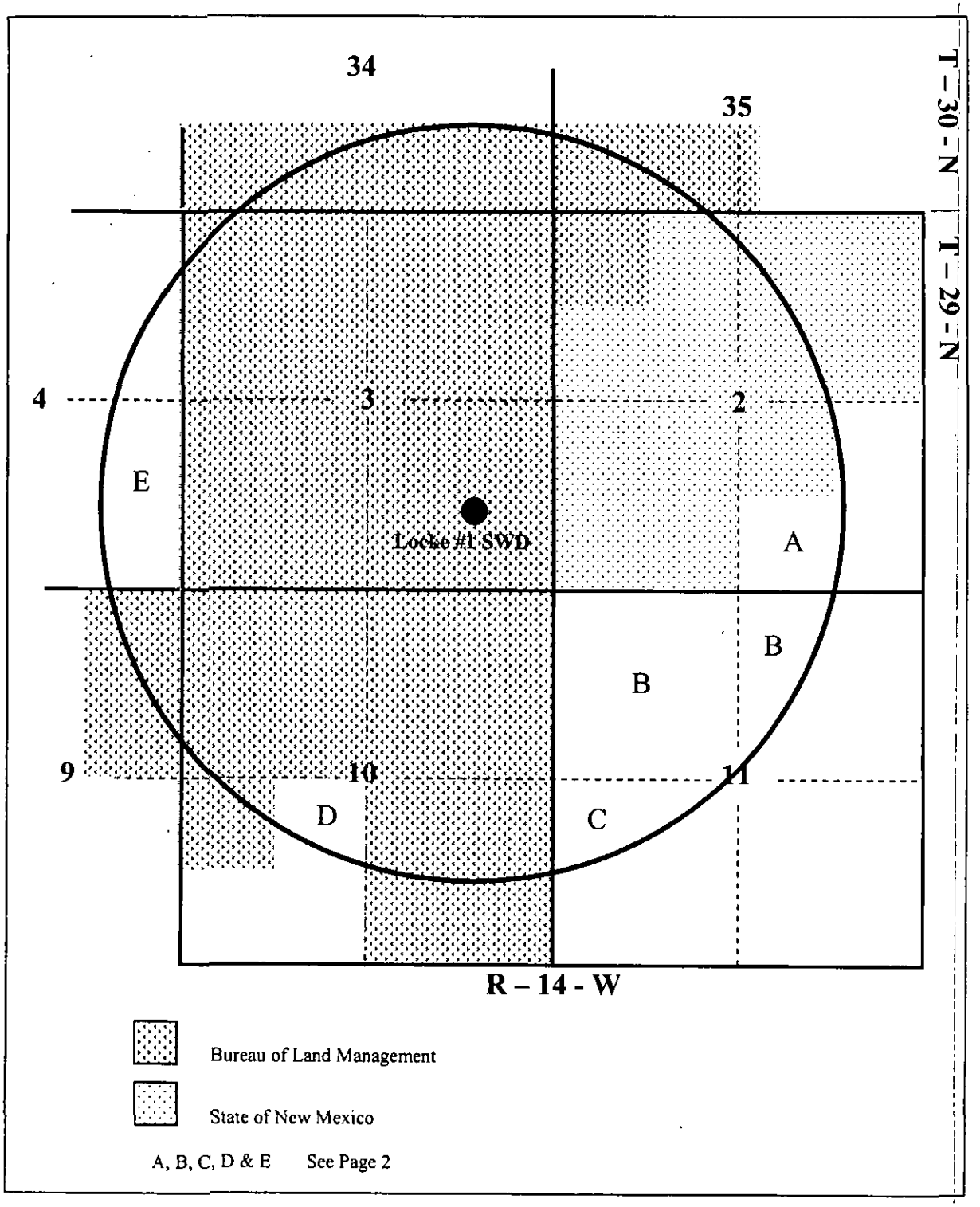
Signature: John D. Roe Date: 03-07-06

E-mail Address: johnroe@duganproduction.com


Attachment No. 1
Locke No. 1 SWD well
1120' FSL & 1120' FEL
Section 3, T-29N, R-14W
Topos = Youngs Lake & Kirtland
Scale - 1" = 2000'
R-14W
T 30 N
T 29 N
Drill Hole
Gas Well
Arroyo
Cline Well
Dain
Locke
Martin
PIPELINE
Twin Mounds
Locke #1 SWD
FARMINGTON
Trailer Park
Martin Mesa
Farmington city limits
MUTUAL
FARMERS
SAN JUAN
RIVER
IRRIGATION
FRUITLAND
Wells
Oil Well
33
34
35
2
3
4
9
10
1
12
13
14
15
16

ATTACHMENT No. 2

SURFACE OWNERSHIP EXHIBIT



ATTACHMENT NO. 2

SURFACE OWNERSHIP EXHIBIT

A

Jean B Flack Trust
400 Palomas Dr., NE
Albuquerque, NM 87108

JH Dwinell, et al Trust
3902 Skyline Dr.
Farmington, NM 87401

Stillwater Properties, LLC
PO Box 10566
Birmingham, AL 35296

B

Joe Rains Kozimor, et al Trust
PO Box 629
Farmington, NM 87499

Stanley Kozimor Trust B
PO Box 629
Farmington, NM 87499

Rick L. Marcy
PO Box 2098
Farmington, NM 87499

C

Daryl Burson
PO Box 1687
Farmington, NM 87499

Hector Rangel
5901 W. Main
Farmington, NM 87401

Mike P. Wulfert
5899 W. Main
Farmington, NM 87401

Harold L. Cloer Trust
c/o A W G Inc
300 Mesa Heights Dr
Durango, CO 81301

Harris L. Hartz
c/o Stanley Kozimor Trust B
PO Box 629
Farmington, NM 87499

Gladys A. Lanham, Trustee
312 N. Behrend
Farmington, NM 87401

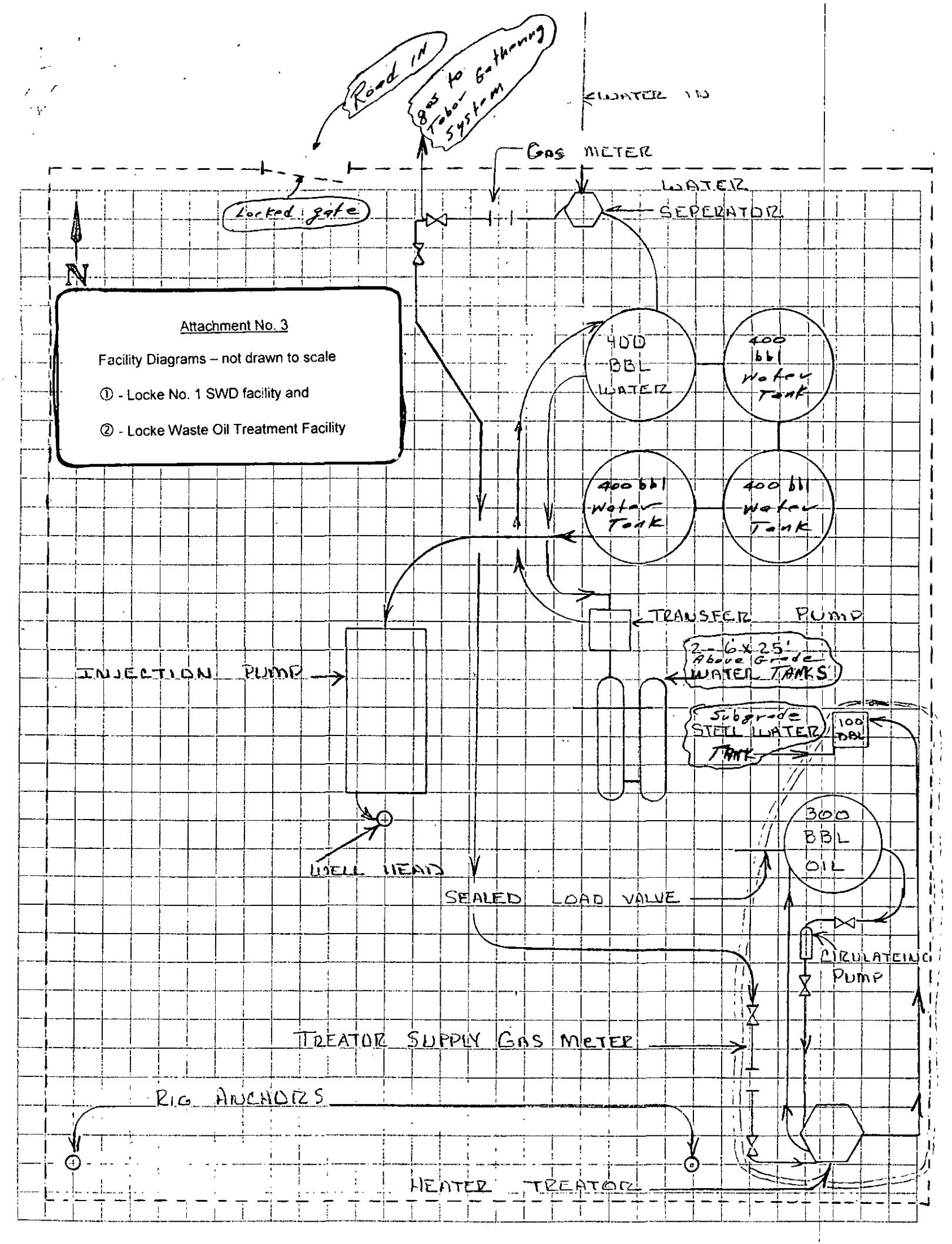
Paul E. Gordy
c/o Carl Waybourn
PO Box 767
Flora Vista, NM 87415

D

Farmex Corp
Attn: Lee M Blaymore
3550 Woodward St.
Oceanside, NY 11572

E

RJ Rowand Chaffee Trust
1552 S. Citrus Ave
Escondido, CA 92027


Road in
Gas to Tabor Gathering System
WATER IN
Gas METER
WATER SEPERATOR
Locked gate
N
Attachment No. 3
Facility Diagrams – not drawn to scale
① - Locke No. 1 SWD facility and
② - Locke Waste Oil Treatment Facility
400 BBL WATER
400 bbl Water Tank
400 bbl Water Tank
400 bbl Water Tank
TRANSFER PUMP
2 - 6 x 25' Above Grade WATER TANKS
INJECTION PUMP
Subgrade STEEL WATER TANK
100 BBL
300 BBL OIL
WELL HEAD
SEALED LOAD VALVE
CIRCULATEING PUMP
TREATOR SUPPLY GAS METER
RIG ANCHORS
HEATER TREATOR

Attachment No. 4
Locke Waste Oil Treatment Facility
C-137 Supplemental Information

6. Facility Description – Attachment No. 3 presents the current site facility diagram for Dugan Production Corp.'s Locke No. 1 SWD well plus the proposed waste oil treatment facility which will be placed within the fenced area at the Locke No. 1 SWD facility. The equipment associated with the waste oil treatment facility is highlighted in blue and will be completely independent of the water disposal facility. The waste oil treatment facility will receive highly emulsified oil containing a BS&W content greater than 8% that gradually accumulates at water disposal wells operated by Dugan Production Corp. This waste oil treatment facility will allow Dugan Production to treat and salvage the oil associated with high BS&W oil that the crude oil purchaser (currently Giant Refining) refuses to take and which cannot be treated on site to an acceptable BS&W content. Previously, Giant Refining would accept oil with BS&W contents greater than 8% and the oil accumulating at Dugan's water disposal facilities could be sold from the facility, however Giant Refining currently will not accept oil with a BS&W content higher than 8%. Dugan Production will make every effort to treat the high BS&W oil onsite, however if the BS&W content cannot be reduced to less than 8%, that oil will then start to accumulate and occupy the limited tank storage space at the water disposal facility. Upon accumulating a sufficient volume of oil with a BS&W content higher than 8%, Dugan Production will move that high BS&W oil from the water disposal facility to the 300 bbl tank at our Locke waste oil treatment facility. Once a sufficient volume has been moved to the waste oil treatment facility, the high BS&W oil will be treated with de-emulsifying chemicals and a conventional heater treater installed to treat the high BS&W content oil. Once the BS&W content has been lowered to acceptable levels, it will be sold to the crude oil purchaser being used at the time of sale (currently Giant Refining Co.). As waste oil, it is our understanding that the oil sale will not be subject to royalty and hopefully revenues from the oil sale will cover the costs of treating and handling the high BS&W oil. Natural gas used to supply fuel for the waste oil heater treater will come from Dugan Production's Tabor Gathering System, which is adjacent to the Locke No. 1 SWD facility. All gas used will be metered and sold to the waste oil treatment facility at the same price as the gas sold at the Tabor CDP sales meter. Dugan Production intends, under separate application, to amend the regulatory approvals for the Tabor Gathering System to include gas sales to the Locke waste oil treatment facility.

   All water recovered at the waste oil treatment facility will be dumped to the 100 bbl subgrade steel tank and will then be moved by truck to the truck receiving tanks at one of Dugan Production's water disposal facilities (i.e. the 6' x 25' steel receiving tanks at the Locke No. 1) or similar tanks at other Dugan operated water disposal facilities.

   Any solid materials (i.e. basic sediments) recovered will be delivered to an authorized solid waste disposal facility, currently Industrial Ecosystems Inc.

   The proposed waste oil treatment facility will only be operated when a sufficient volume of waste oil has accumulated in the 300 bbl waste oil storage tank. We anticipate the annual volume treated to be less than 750 bbls and it will only be necessary to operate the heater treater nine or ten times during the year with a higher frequency being necessary during the winter months.

7. Facility Design – The proposed waste oil treatment facility will consist of five pieces of equipment; a 300 bbl above grade steel oil storage tank, a 100 bbl sub-grade steel water storage tank, a conventional upright 3-phase gas fired heater treater, an electric pump to circulate the oil to be treated to the heater treater and a conventional dry flow gas meter to continuously measure all gas used to fuel the heater treater. The two steel tanks will be placed upon gravel bases underlain with a plastic liner of at least 12 mils. All sides and tank bottoms will be maintained to be visible for detecting any tank leakage. By locating the waste oil facility within the fenced area of the Locke No. 1 SWD facility, the area will be as secure as possible. The gate typically will be closed and locked during times that Dugan Production employees are not on site. We will typically have employees on site fairly frequently for monitoring and maintaining the water disposal facility.

8. Reporting and Clean-up for Spills or Releases – Dugan Production Corp. will comply with the reporting requirements of NMOCD Rule 19.15.3.116 (Release Notification and Corrective Action) plus BLM's NTL-3A (Reporting of Undesirable Events). These reporting requirements are summarized on Attachment No. 5. The clean up of all spills or releases will be done using NMOCD & BLM guidelines.

9. Inspection and Maintenance Plan – Since the proposed waste oil treatment facility will be located at the Locke No. 1 SWD facility, we will have an employee onsite several times each day which will allow for frequent checks of the waste oil treatment facility. As presented in the facility description, we anticipate that the waste oil treatment facility will only be active nine to ten times a year and during these times, we will provide any additional surveillance that is needed. We anticipate very little maintenance to be needed but will do all maintenance as the need develops.

10. Closure Plan – We anticipate the site utilized for the proposed waste oil treatment facility will require a minimal closure effort which will likely be done in conjunction with the closure of the water disposal facility. The two storage tanks will both be installed so that the sides are not covered and will be placed upon bases designed to allow any leakage to be detected soon after the leak develops. All closure work will be done following NMOCD and BLM guidelines and specific closure plans will be submitted for NMOCD and BLM approvals prior to commencing any closure efforts.

11. Waste Disposal – There should be no onsite waste disposal at this facility. All oil recovered upon treating will be sold. All water recovered will be delivered to one of Dugan Production Corp.'s authorized water disposal facilities (most likely the Locke No. 1 SWD) for subsurface disposal. All sediment and solids recovered will be delivered to an OCD authorized waste disposal facility, most likely Industrial Ecosystems, Inc.

    The estimated depth to groundwater at this site is between 161' and 326'. The nearest fresh water well is approximately 2.2 miles to the northeast and the San Juan River is approximately 1.6 miles to the south.

12. Notice Requirements – Presented in Attachment No. 6

13. H_2S Contingency Plan – We do not anticipate that conditions at the proposed waste oil treatment facility will produce H_2S. However, should there ever be a release of H_2S, Dugan Production's employees have all received training in dealing with H_2S. Each employee carries a personal H_2S monitor at all times they are on any of Dugan Production's field sites. Should the monitor detect H_2S concentrations greater than 10 ppm, they are instructed to leave the site in a crosswind direction and once offsite to report the H_2S detection to their supervisor. Until the H_2S source is determined, employees returning to the site will wear appropriate self-contained breathing equipment.

Attachment No. 5

REPORTING OF SPILLS AND "UNDESIRABLE EVENTS"

NMOCD Rule 116

Major Release – Verbal notice to Aztec OCD (Denny Foust at 334-6178 ext. 15) and Santa Fe Environmental Bureau Chief (Roger Anderson at (505) 476-3490) within 24 hours of discovery of leak, plus written notice to Aztec OCD and Santa Fe Environmental Bureau within 15 days after discovery, using C-141.

a. any fluid >25bbl.
b. any volume which:
    (i) results in fire
    (ii) will reach a water course
    (iii) may endanger public health
    (iv) results in substantial property or environment damage
c. any gas >500 mcf
d. *any volume detrimental to water or exceeding established standards*

Minor Release – Written notice only using Form C-141 within 15 days to District OCD office and to Environmental Bureau Chief in Santa Fe.

a. any fluid >5 bbl., but ≤25 bbl.
b. any gas >50 mcf, but <500 mcf

BLM NTL-3A (BLM will accept NMOCD Reports and Procedures)

Major Undesirable Event – Verbal report to Mark Kelly (599-6380) within 24 hours and written report with 15 days (OCD C-141 is accepted.)

a. fluids >100 bbl. (if contained within firewall – only written notice is required)
b. gas >500 mcf
c. fire consuming >100 bbl. or >500 mcf
d. any volume in sensitive areas (parks, forests, wildlife, lakes, streams, urban)
e. accident involving fatality
f. all blowouts

Other-Than-Major Undesirable Events

a. fluids >10 bbl. and <100 bbl. in non-sensitive areas and all fluids >100 bbl., but contained on location
b. gas >50 mcf and <500 mcf
c. any fire consuming 10 to 100 bbl. or 50 to 500 mcf
d. any accident involving life-threatening injury

Attachment No. 6
Notice Requirements

Attachment No. 6 presents copies of Dugan Production's efforts to meet the notice requirements of OCD Rule No. 711. Included are:

a.) Copy of letter dated 2-24-06 sent to the 15 fee surface owners. The Bureau of Land Management and the New Mexico State Land Office also hold surface ownership within a one mile radius and will receive copies of this application. This represents what we believe to be all surface owners within one mile of the proposed facility. In addition, copies of the letters (all dated 2-24-06) sent to the San Juan County Commission, the City of Farmington (since the proposed facility is approximately 0.93 miles from the Farmington City limits) and Mrs. Rilla King (who owns a grazing permit for some of the subject lands) are attached. All 18 letters were sent by certified mail with a return receipt requested. As of 3-7-06 (11 days), return receipts have been received for 15 of the 18 letters mailed. Copies of the receipts are attached. Of the three return receipts not yet received, the US Postal tracking system indicates one has been picked up and two have been given notice but have not been picked up by the addressees.

b.) A notice of this application was placed in the legal ads of the Farmington Daily Times on Wednesday 3-1-06. A copy of the ad is included on Page No. 15 of Attachment No. 6. We have requested an Affidavit of Publication and once received, we will forward to the NMOCD.

Attachment No. 2 Pg 2 of 15

dugan production corp.

February 24, 2006

To: Offsetting Surface Owners (list attached)
Dugan Production Corp.'s Locke No. 1 SWD well
SESE 3, T-29N, R-14W
San Juan County, NM

Dear Surface Owner,

Dugan Production Corp. is making application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to install a central facility to treat oil and/or condensate that has an emulsified basic sediment and water (BS&W) level higher than 8% and which cannot be sold to Dugan's normal oil purchaser due to the high BS&W content.

According to our records, you have ownership of lands within a one mile radius of the captioned well and NMOCD rules require us to notify you of our plans. For your reference, Attachment No. 1 presents a map of the area of interest and Attachment No. 2 presents the surface ownership information for lands within a one mile radius of the Locke No. 1 well.

The treating facility will be located within the fenced area for Dugan Production Corp.'s existing Locke No. 1 water disposal well which is located upon Federal Lease No. SF-078110 and is 1120' FSL & 1120' FEL of Section 3, T-29N, R-14W of San Juan County. The equipment to be installed includes one conventional 3 phase heater treater, one 300 bbl steel oil storage tank and one 100 bbl water storage tank, plus a conventional gas meter and circulation pump. This facility will be located at an existing water disposal site and will not cause any new surface disturbance. The equipment being installed will generate little to no noise and will produce very minor exhaust emissions. There will be no surface disposal at the site. All oil recovered will be sold, all water recovered will be transferred to one of Dugan Production's water disposal facilities and all solid materials recovered will be delivered to an authorized solid waste disposal facility. It is estimated that this facility will treat approximately 65 bbl per month which periodically accumulates at Dugan Production's water disposal facilities.

This notice is primarily to provide you with an awareness of our plans and requires no action from you unless you have an objection. Please contact John Roe at Dugan Production's office, 505-325-1821, should additional information be needed or to discuss any concern or objection that may exist. Unresolved concerns or objections should be submitted to the NMOCD at 1220 South St. Francis Drive, Santa Fe, NM 87505, within 30 days from the date of this letter.

Sincerely,

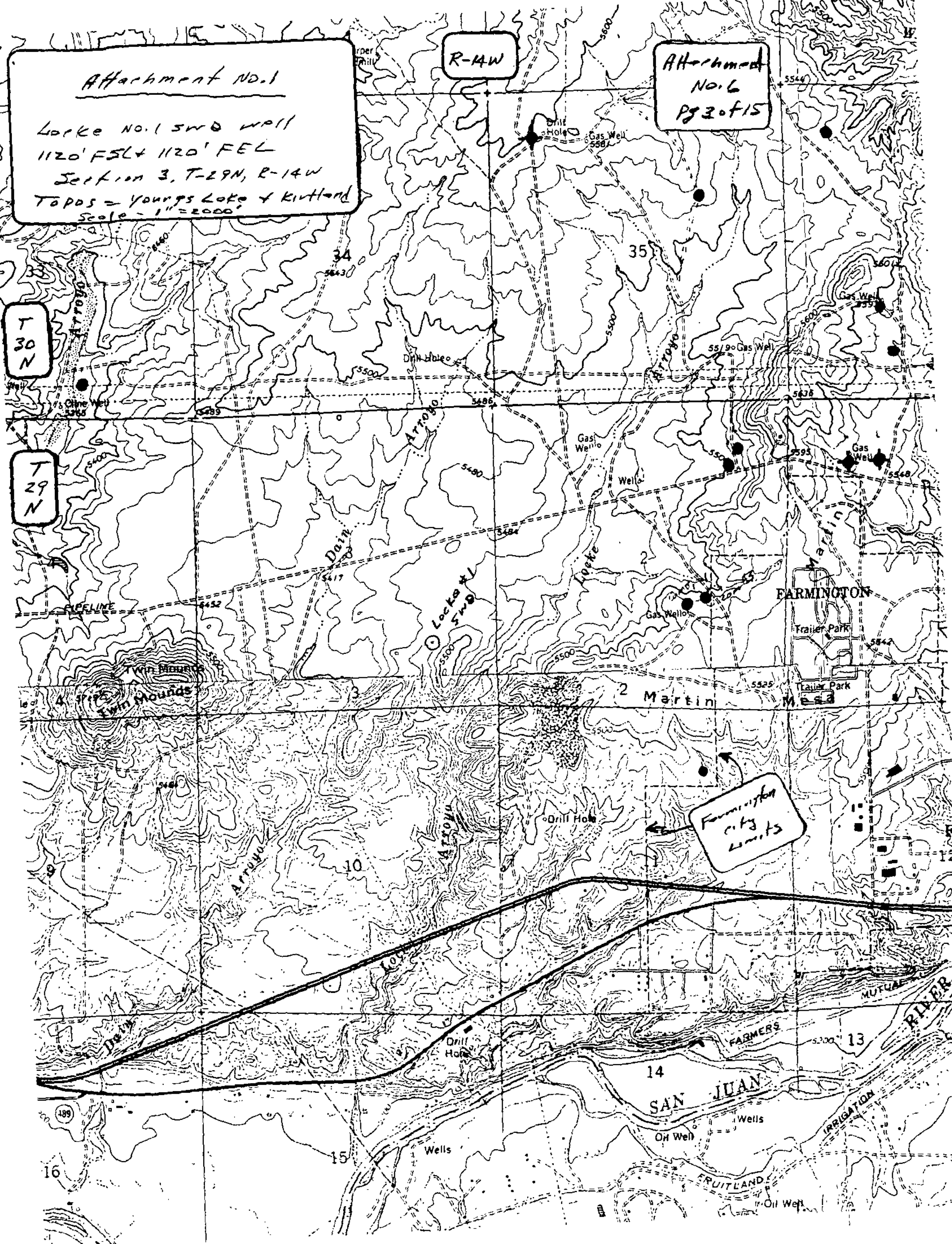
John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

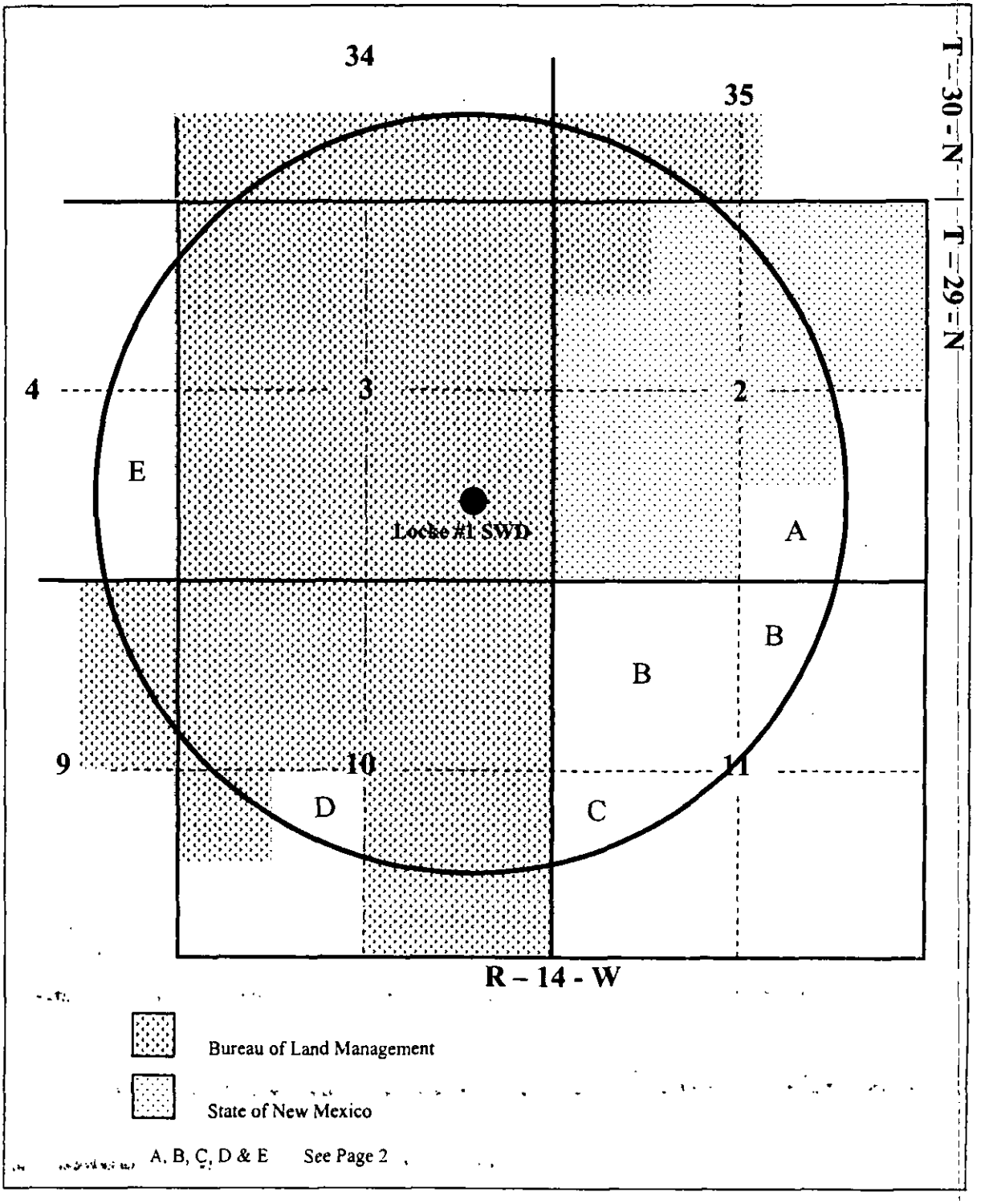


Attachment No.1
Locke No. 1 SWD well
1120' FSL + 1120' FEL
Section 3, T-29N, R-14W
Topos = Youngs Lake + Kirtland
Scale - 1" = 2000'
R-14W
Attachment No. 6 Pg 3 of 15
T 30 N
T 29 N
Drill Hole
Gas Well
Cline Well
Arroyo
Dain
Locke
Martin
Locke #1 SWD
PIPELINE
Twin Mounds
FARMINGTON
Trailer Park
Martin Mesa
Farmington city limits
Drill Hole
FARMERS
MUTUAL
RIVER
SAN JUAN
IRRIGATION
FRUITLAND
Oil Well
Wells
34
35
33
2
3
4
10
9
1
13
14
15
16
12

Attachment No. 6 Pg 4 of 15

ATTACHMENT No. 2

SURFACE OWNERSHIP EXHIBIT



ATTACHMENT NO. 2
SURFACE OWNERSHIP EXHIBIT

Attachment No. 6 Pg 5 of 15

A

Jean B Flack Trust
400 Palomas Dr., NE
Albuquerque, NM 87108

JH Dwinell, et al Trust
3902 Skyline Dr.
Farmington, NM 87401

Stillwater Properties, LLC
PO Box 10566
Birmingham, AL 35296

B

Joe Rains Kozimor, et al Trust
PO Box 629
Farmington, NM 87499

Stanley Kozimor Trust B
PO Box 629
Farmington, NM 87499

Rick L. Marcy
PO Box 2098
Farmington, NM 87499

C

Daryl Burson
PO Box 1687
Farmington, NM 87499

Hector Rangel
5901 W. Main
Farmington, NM 87401

Mike P. Wulfert
5899 W. Main
Farmington, NM 87401

Harold L. Cloer Trust
c/o A W G Inc
300 Mesa Heights Dr
Durango, CO 81301

Harris L. Hartz
c/o Stanley Kozimor Trust B
PO Box 629
Farmington, NM 87499

Gladys A. Lanham, Trustee
312 N. Behrend
Farmington, NM 87401

Paul E. Gordy
c/o Carl Waybourn
PO Box 767
Flora Vista, NM 87415

D

Farmex Corp
Attn: Lee M Blaymore
3550 Woodward St.
Oceanside, NY 11572

Total of 15 fee owners plus BLM + NM State Land Office

E

RJ Rowand Chaffee Trust
1552 S. Citrus Ave
Escondido, CA 92027

Attachment No. 6 Pg 6 of 15

dugan production corp.

February 24, 2006

San Juan County Commission
100 S. Oliver
Aztec, NM 87410

Dear Commissioners,

Dugan Production Corp. is making application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to install a central facility to treat oil and/or condensate that has an emulsified basic sediment and water (BS&W) level higher than 8% and which cannot be sold to Dugan's normal oil purchaser due to the high BS&W content.

NMOCD rules require us to notify you of our plans. For your reference, Attachment No. 1 presents a map of the area of interest and Attachment No. 2 presents the surface ownership information for lands within a one mile radius of the Locke No. 1 well. The listed surface owners, along with the City of Farmington are also being notified of our plans.

The treating facility will be located within the fenced area for Dugan Production Corp.'s existing Locke No. 1 water disposal well which is located upon Federal Lease No. SF-078110 and is 1120' FSL & 1120' FEL of Section 3, T-29N, R-14W of San Juan County. The equipment to be installed includes one conventional 3 phase heater treater, one 300 bbl steel oil storage tank and one 100 bbl water storage tank, plus a conventional gas meter and circulation pump. This facility will be located at an existing water disposal site and will not cause any new surface disturbance. The equipment being installed will generate little to no noise and will produce very minor exhaust emissions. There will be no surface disposal at the site. All oil recovered will be sold, all water recovered will be transferred to one of Dugan Production's water disposal facilities and all solid materials recovered will be delivered to an authorized solid waste disposal facility. It is estimated that this facility will treat approximately 65 bbl per month which periodically accumulates at Dugan Production's water disposal facilities.

This notice is primarily to provide you with an awareness of our plans and requires no action from you unless you have an objection. Please contact John Roe at Dugan Production's office, 505-325-1821, should additional information be needed or to discuss any concern or objection that may exist. Unresolved concerns or objections should be submitted to the NMOCD at 1220 South St. Francis Drive, Santa Fe, NM 87505, within 30 days from the date of this letter.

Sincerely,

John D. Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX # (505) 327-4613

Attachment No. 6 Pg 7 of 15

dugan production corp.

February 24, 2006

CERTIFIED RETURN RECEIPT REQUESTED

Mr. Walter Reeves
Development Services Administrator
City of Farmington
800 Municipal Drive
Farmington, NM 87401

Dear Mr. Reeves,

Dugan Production Corp. is making application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to install a central facility to treat oil and/or condensate that has an emulsified basic sediment and water (BS&W) level higher than 8% and which cannot be sold to Dugan's normal oil purchaser due to the high BS&W content.

NMOCD rules require us to notify you of our plans since the western city limit boundary for Farmington is within one mile (approximately 0.93 miles) of the proposed site. For your reference, Attachment No. 1 presents a map of the area of interest and Attachment No. 2 presents the surface ownership information for lands within a one mile radius of the Locke No. 1 well. The listed surface owners along with the San Juan County Commission are also being notified of our plans.

The treating facility will be located within the fenced area for Dugan Production Corp.'s existing Locke No. 1 water disposal well which is located upon Federal Lease No. SF-078110 and is 1120' FSL & 1120' FEL of Section 3, T-29N, R-14W of San Juan County. The equipment to be installed includes one conventional 3 phase heater treater, one 300 bbl steel oil storage tank and one 100 bbl water storage tank, plus a conventional gas meter and circulation pump. This facility will be located at an existing water disposal site and will not cause any new surface disturbance. The equipment being installed will generate little to no noise and will produce very minor exhaust emissions. There will be no surface disposal at the site. All oil recovered will be sold, all water recovered will be transferred to one of Dugan Production's water disposal facilities and all solid materials recovered will be delivered to an authorized solid waste disposal facility. It is estimated that this facility will treat approximately 65 bbl per month which periodically accumulates at Dugan Production's water disposal facilities.

This notice is primarily to provide you with an awareness of our plans and requires no action from you unless you have an objection. Please contact John Roe at Dugan Production's office, 505-325-1821, should additional information be needed or to discuss any concern or objection that may exist. Unresolved concerns or objections should be submitted to the NMOCD at 1220 South St. Francis Drive, Santa Fe, NM 87505, within 30 days from the date of this letter.

Sincerely,

John D Roe

John D. Roe
Engineering Manager

JDR/tmf

attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX# (505) 327-4613

Attachment No. C
Pg 8 of 15

dugan production corp.

February 24, 2006

CERTIFIED RETURN RECEIPT REQUESTED

Mrs. Rilla King
P. O. Box 186
Dolores, CO 81323

Dear Mrs. King,

Dugan Production Corp. is making application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to install a central facility to treat oil and/or condensate that has an emulsified basic sediment and water (BS&W) level higher than 8% and which cannot be sold to Dugan's normal oil purchaser due to the high BS&W content.

According to our records, you hold grazing rights within a one mile radius of Dugan Production's Locke No. 1 well and NMOCD rules require us to notify you of our plans. For your reference, Attachment No. 1 presents a map of the area of interest and Attachment No. 2 presents the surface ownership information for lands within a one mile radius of the Locke No. 1 well. The listed surface owners, along with the City of Farmington and the San Juan County Commission are also being notified of our plans.

The treating facility will be located within the fenced area for Dugan Production Corp.'s existing Locke No. 1 water disposal well which is located upon Federal Lease No. SF-078110 and is 1120' FSL & 1120' FEL of Section 3, T-29N, R-14W of San Juan County. The equipment to be installed includes one conventional 3 phase heater treater, one 300 bbl steel oil storage tank and one 100 bbl water storage tank, plus a conventional gas meter and circulation pump. This facility will be located at an existing water disposal site and will not cause any new surface disturbance. The equipment being installed will generate little to no noise and will produce very minor exhaust emissions. There will be no surface disposal at the site. All oil recovered will be sold, all water recovered will be transferred to one of Dugan Production's water disposal facilities and all solid materials recovered will be delivered to an authorized solid waste disposal facility. It is estimated that this facility will treat approximately 65 bbl per month which periodically accumulates at Dugan Production's water disposal facilities.

This notice is primarily to provide you with an awareness of our plans and requires no action from you unless you have an objection. Please contact John Roe at Dugan Production's office, 505-325-1821, should additional information be needed or to discuss any concern or objection that may exist. Unresolved concerns or objections should be submitted to the NMOCD at 1220 South St. Francis Drive, Santa Fe, NM 87505, within 30 days from the date of this letter.

Sincerely,

John D. Roe
Engineering Manager

JDR/tmf

attachments

709 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821 • FAX # (505) 327-4613

Attachment No. 6
Pg 9 of 15

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Mary Burson
P.O. Box 1687
Farmington, NM 87499

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) J Burson C. Date of Delivery 2/27/04

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8700

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Lech Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Harold Clover Trust
c/o AWG Inc.
300 Mesa Heights Dr.
Durango, CO 81301

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☒ Agent ☐ Addressee

B. Received by (Printed Name) J. Schutz C. Date of Delivery 2-28-04

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8731

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Lech Waste Treatment

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
J. H. Purcell Et Al Trust
3902 Skyline Dr.
Farmington, NM 87401

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) Catherine Purcell C. Date of Delivery 2-25-04

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8670

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Attachment
No. 6
pg. 10 of 15

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Walter Reeves
Development Services Admin.
City of Farmington
800 Municipal
Farmington, NM 87401

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Julie Kvech ☐ Agent ☐ Address

B. Received by (Printed Name) JULIE KVECH C. Date of Delive 2/27

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandis
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8823

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

Locke Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jamex Corp.
Attn: Lee Blaymore
3550 Woodward St.
Oceanside, NY 11572

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Address

B. Received by (Printed Name) C. Date of Delive 3/1

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandis
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8748

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Locke Waste Treatment

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jean B Black Trust
400 Palomas Dr. NE
Albuquerque, NM 87108

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jean B Black ☐ Agent ☐ Address

B. Received by (Printed Name) C. Date of Delive 2/27/06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandis
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8663

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Attachment No. 6 Pg 11 of 15

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Paul E. Gordy
c/o Carl Weybourn
P.O. Box 767
Flora Vista, NM 87415

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Melanie Weybourn ☐ Agent ☐ Address

B. Received by (Printed Name) Melanie Weybourn | C. Date of Delive 2-27-06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandis
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8809

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Jackie Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Harris Harty
c/o Stanley Kozimor Unit B
P.O. Box 629
Farmington, NM 87499

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jacque Kozimor ☒ Agent ☐ Addresse

B. Received by (Printed Name) Jacque Kozimor | C. Date of Delive

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandis
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8786

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Jackie Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mrs. Killa King
P.O. Box 186
Dolores, CO 81323

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Killa C King ☐ Agent ☒ Addresse

B. Received by (Printed Name) Killa King | C. Date of Deliver 3/11/6

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandis
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8830

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Attachment No. 6 Pg 12 of 15

Lacy Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Joe L Kazimor Et Al Trust
P.O. Box 629
Farmington, NM 87499

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jacque Kazimor ☑ Agent ☐ Addressee

B. Received by (Printed Name) Jacque Kazimor C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8687

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Lacy Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Stanley Kazimor Trust B
P.O. Box 629
Farmington, NM 87499

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jacque Kazimor ☑ Agent ☐ Addressee

B. Received by (Printed Name) Jacque Kazimor C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8694

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Lacy Waste

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Gladys A. Larkin Trustee
312 N Behrend
Farmington, NM 87401

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Gladys A. Larkin ☐ Agent ☑ Addressee

B. Received by (Printed Name) Behrend C. Date of Delivery 2/05/06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☑ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8793

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

Attachment
No 6
Pg 13 of 15

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Hector Rangel
5901 W. Main
Farmington NM 8740

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery
Hector Rangel | 2/28/06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

FARMINGTON NM 87401 FEB 28 2006 USPS

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☑ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8717

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

Leslie Wastes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

San Juan County Commission
100 S. Oliver
Aztec, NM 87410

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Theresa Roya ☐ Agent ☐ Addressee

B. Received by (Printed Name) Theresa Roya | C. Date of Delivery 2/27/06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☑ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8816

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

Leslie Wastes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mike Wulfert
5899 W Main
Farmington, NM 87401

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Pat Wulfert ☐ Agent ☐ Addressee

B. Received by (Printed Name) PAT WULFERT | C. Date of Delivery 2-28-06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

FARMINGTON NM 87401 FEB 28 2006 USPS

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☑ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0001 6168 8724

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

Attachment
No. 6
Pg 14 of 15

Both Addressees have been given notice that they have Certified - Return Receipt mail but As of 3-7-06 Have not picked up the mail

US Postal tracking indicates the certified mail has been picked up - As of 3/7/06 the Return Receipt has not been received by Dugan production - Once Received, will send to NMOCD.

John D Roe
3-7-06

7005 1820 0001 6168 8755

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
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OFFICIAL USE

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To: R. J. Howard Chaffee Trust
Street, Apt. No.; or PO Box No.: 1552 S. Citrus Ave.
City, State, ZIP+4: Escondido CA 92027

PS Form 3800, June 2002 — See Reverse for Instructions

7005 1820 0001 6168 8779

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Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To: Rick Maxey
Street, Apt. No.; or PO Box No.: P.O. Box 2098
City, State, ZIP+4: Farmington NM 87499

PS Form 3800, June 2002 — See Reverse for Instructions

7005 1820 0001 6168 8762

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Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

Postmark Here

Sent To: Stillwater Properties LLC
Street, Apt. No.; or PO Box No.: P.O. Box 10566
City, State, ZIP+4: Birmingham AL 35296

Attachment No. 6 Pg 15 of 15

Please place in the legal ads of the Wednesday 3/1/06 edition of the Farmington Daily Times and upon publication, please send an Affidavit of Publication to Dugan Production Corp., Attn: John Roe, P. O. Box 420, Farmington, NM 87499-0420.

Dugan Production Corp. is making application to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to install a central facility to treat oil and/or condensate that has an emulsified basic sediment and water (BS&W) level higher than 8% and which cannot be sold to Dugan's normal oil purchaser due to the high BS&W content. The treating facility will be located within the fenced area for Dugan Production Corp.'s existing Locke No. 1 water disposal well which is located upon Federal Lease No. SF-078110 and is 1120' FSL & 1120' FEL of Section 3, T-29N, R-14W of San Juan County. The equipment to be installed includes one conventional 3 phase heater treater, one 300 bbl steel oil storage tank and one 100 bbl water storage tank, plus a conventional gas meter and circulation pump. This facility will be located at an existing water disposal site and will not cause any new surface disturbance. There will be no surface disposal at the site. All oil recovered will be sold, all water recovered will be transferred to one of Dugan Production's water disposal facilities and all solid materials recovered will be delivered to an authorized solid waste disposal facility. It is estimated that this facility will treat approximately 65 bbl per month which periodically accumulates at Dugan Production's water disposal facilities. Please contact John Roe at Dugan Production's office, 505-325-1821, should additional information be needed or to discuss any concern or objection that may exist. Unresolved concerns or objections should be submitted to the NMOCD at 1220 South St. Francis Drive, Santa Fe, NM 87505, within 30 days from the date of this publication.