

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-141
Revised October 10, 2003

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

Release Notification and Corrective Action

OPERATOR Initial Report Final Report

Name of Company Dugan Production	Contact John Alexander
Address P.O. Box 420, Farmington, NM 87499	Telephone No. 505-325-1821
Facility Name KM Chaveroo SA Unit 18	Facility Type producing oil well

Surface Owner State (grazing owner Kysar)	Mineral Owner Dugan Production Corp.	Lease No. OG1062
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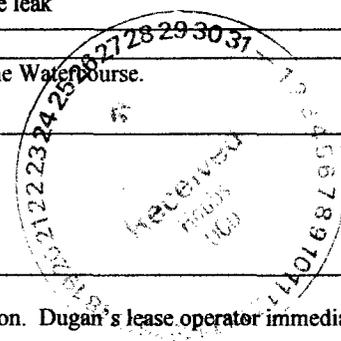
LOCATION OF RELEASE API # 30 005 105 10 0080

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
I	2	08S	33E	1980	South	660	East	Chavez

Latitude 33.64766 Longitude 103.54179

NATURE OF RELEASE

Type of Release oil/water	Volume of Release <20 bbls	Volume Recovered 0
Source of Release 1" bleeder valve on pumping tee	Date and Hour of Occurrence ?	Date and Hour of Discovery 0850 2/6/07
Was Immediate Notice Given? Required <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not	If YES, To Whom? Maxey Brown OCD inspector discovered the leak	
By Whom? Maxey Brown	Date and Hour 0850 2/6/07	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	



If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.*

Cows opened 1" bleeder valve on pumping tee. Mr. Brown closed the valve and notified Dugan Production. Dugan's lease operator immediately went to the location and arranged for clean up.

Describe Area Affected and Cleanup Action Taken.*

Spill was contained on the location and short distance of access road. Dugan's lease operator was notified. A backhoe was taken to location the following day (2/7/07). The location was cleaned up by back dragging the spill area and working location dirt into the affected area.

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: <i>John Alexander</i>	OIL CONSERVATION DIVISION	
Printed Name: John Alexander	Approved by District Supervisor <i>[Signature]</i>	
Title: Vice President	Approval Date: 3-19-07	Expiration Date: _____
E-mail Address: john.alexander@duganproduction.com	Conditions of Approval: _____	Attached <input type="checkbox"/>
Date: 2/19/2007	Phone: 505-325-1821	

* Attach Additional Sheets If Necessary

incident - nPACO707927545
application - pPACO707927638

RP # 1245