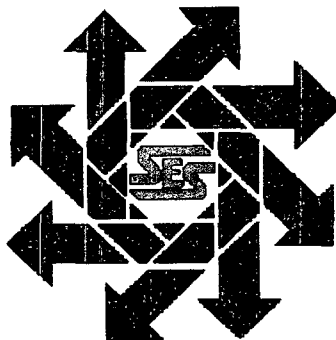


**Americo Energy
Denton #1 SWD Mainline
Delineation Report
Unit J, Section 11, Township 15S, Range 37E
Lea County, New Mexico**

September 28, 2004



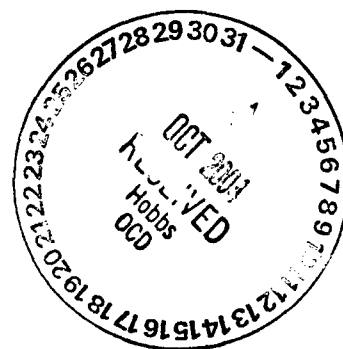
10.1.04 - 10 AM
MEET @ SESI OFFICE
DISCUSS w/ BOB & Dave.
SUGGEST DRILL TO WATER TO
CHECK FOR IMPACTION- NEED
FURTHER DELINEATION
SJ

Prepared for:

**Americo Energy
10940 Old Katy Road
Houston, Texas 77043**

By:

**Safety & Environmental Solutions, Inc.
703 E. Clinton Suite 102
Hobbs, New Mexico 88240
PHONE (505) 397-0510; FAX (505) 393-4388
Email: ballen@sesi-nm.com**



Americo - 228051
facility - fPAC0603946629
incident - nPAC0603946782
application - pPAC0603947023

TABLE OF CONTENTS

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I. Company Contacts

Rusty Arnold	Americo	713-984-9700	rusty.arnold@americoenergy.com
Bob Allen	SESI	505-397-0510	ballen@sesi-nm.com

II. Background

Safety and Environmental Solutions, Inc. (SESI) was engaged to perform delineation and cleanup services on the Denton #1 SWD Mainline. The site is located in Unit J, Section 11, Township, 15S, Range 37E. The land is owned by Mr. Darr Angell.

On July 25, 2004 the Denton # 1 SWD Mainline, which is a 10" red thread fiberglass pipe, split halfway through. Approximately 10,000 barrels of salt water were released. The release covered an area approximately 500' X 1,000'. The line was shut down and excavated with a backhoe. The damaged section of the line was removed and replace with new.

According to Permian Production Chemical analysis of the produced water, which flows through this line, indicate the chloride levels to be 53,053 ppm.

III. Surface and Ground Water

According to the New Mexico State Engineer online database the nearest water well is in the same quarter, section, range, and township is 96 feet. This measurement was taken in March of 1977.

IV. Soils

The surface soils in the area are predominantly sand and sandy loam.

V. Work Performed

On September 23, 2004, SESI retrieved seven (7) surface samples at the subject site. ECO Drilling of Midland, Texas was contracted to install six (6) boreholes at the site.

Borehole #1 was drilled to a depth of 30'; grab samples were retrieved at the 5', 8'-10', 20', 25', and 27' depths. Borehole #2 was drilled to a depth of 30'; grab samples were retrieved at the 5', 15', 20', 25', and 30' depths. Borehole #3 was drilled to a depth of 25'; grab samples were retrieved at the 5', 10', 15', 20', and 25'. Borehole #4 was drilled to a depth of 20'; grab samples were retrieved at the 5' and 10' depths. Borehole #5 was drilled to a depth of 10' when auger refusal was encountered, grab samples were retrieved at the 5' and 10' depths. Borehole #6 was drilled to a depth of 15'; grab samples were retrieved at the 5', 10', and 15' depths.

All samples were properly packaged and preserved and sent under chain of custody to Cardinal Laboratories of Hobbs, New Mexico for analysis. The samples were analyzed for Chlorides (EPA Method 4500-ClB).

The results of the analysis are as follows:

Date	Sample ID	Cl ⁻ (mg/Kg)
9/23/04	SS-1 <i>SURFACE SAMPLE</i>	23993
9/23/04	SS-2	33989
9/23/04	SS-3	31190
9/23/04	SS-4	27591
9/23/04	SS-5	14396
9/23/04	SS-6	21593
9/23/04	SS-7	26792
9/23/04	BH #1, 5'	2495
9/23/04	BH #1, 8-10'	2559
9/23/04	BH #1, 20'	1136
9/23/04	BH #1, 25'	2719
9/23/04	BH #1, 27'	1152
9/23/04	BH #2, 5'	6158
9/23/04	BH #2, 15'	3439
9/23/04	BH #2, 20'	2575

*Auger
REF ID: A111*

Date	Sample ID	Cl ⁻ (mg/Kg)
9/23/04	BH #2, 25'	160
9/23/04	BH #2, 30'	320
9/23/04	BH #3, 5'	1600
9/23/04	BH #3, 10'	80
9/23/04	BH #3, 15'	48
9/23/04	BH #3, 20'	32
9/23/04	BH #3, 25'	48
9/24/04	BH #4, 5'	112
9/24/04	BH #4, 10'	48
9/24/04	BH #5, 5'	192
9/24/04	BH #5, 10'	96
9/24/04	BH #6, 5'	288
9/24/04	BH #6, 10'	80
9/24/04	BH #6, 15'	64

After samples were retrieved all boreholes were plugged back to surface with bentonite.

VI. Figures & Appendices

Figure 1 – Vicinity Map

Figure 2 – Site Plan

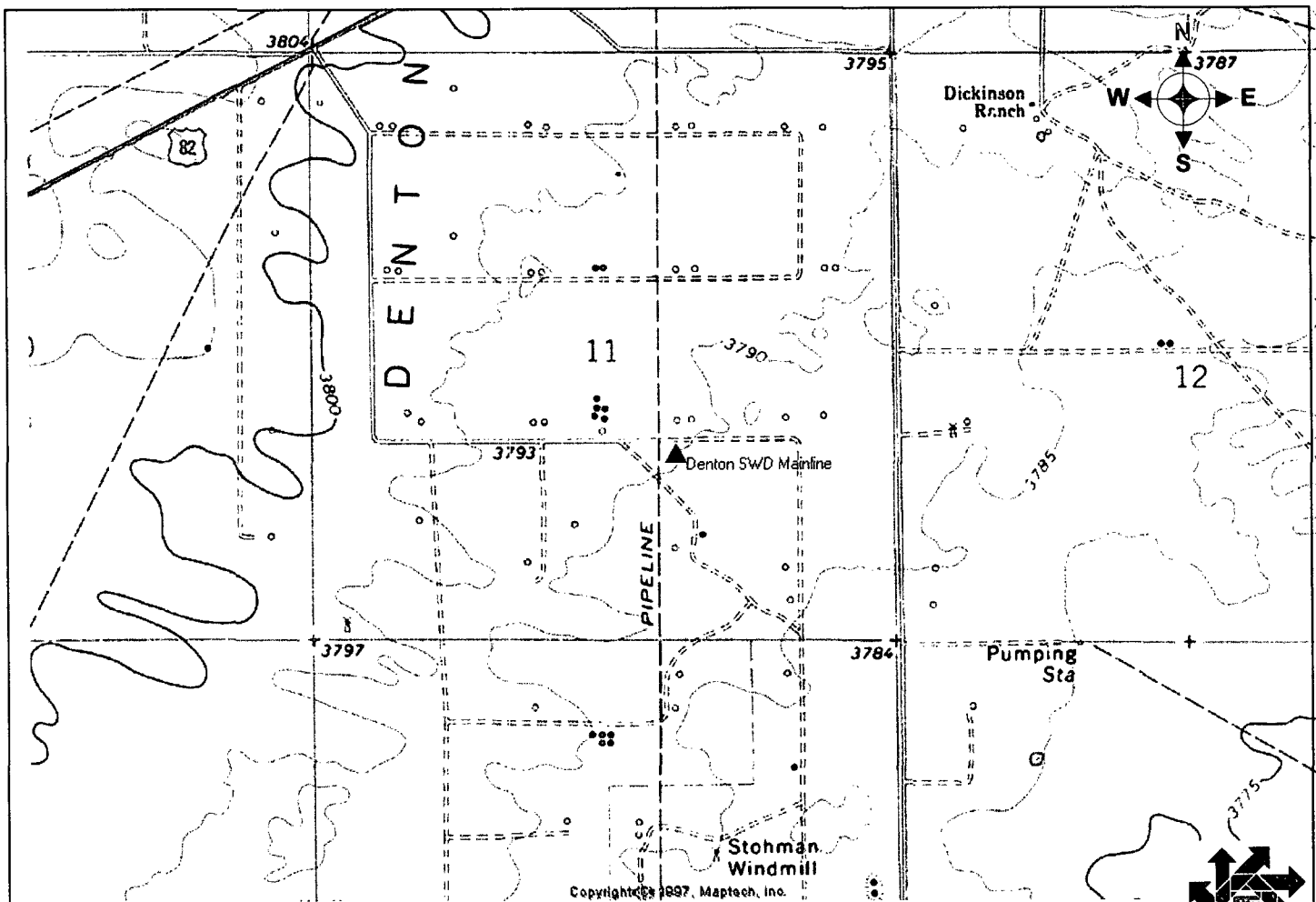
Appendix A – C-141

Appendix B – Analytical Results

Appendix C – Site Photos

SS- SURFACE SAMPLE

Figure 1
Vicinity Map

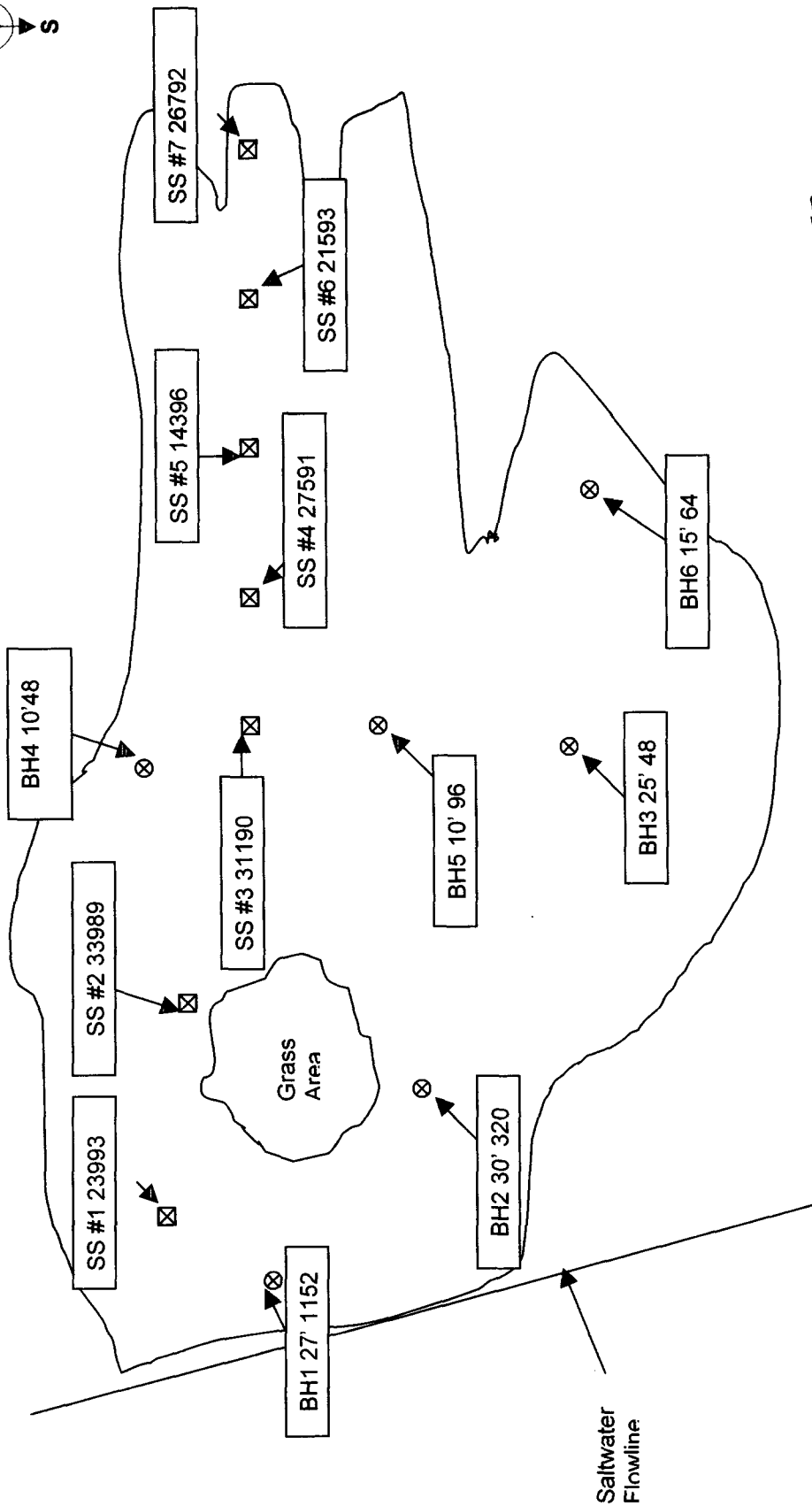
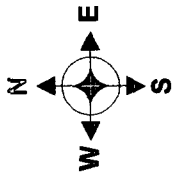


Americo Energy

**Denton #1 SWD Mainline
Unit J, Sec 11, T15S, R37E
Lea County, New Mexico**

**Safety & Environmental
Solutions, Inc.**

Appendix B
Site Plan



Prod. WTR 53,000

Not to Scale



Denton #1 SWD Mainline
Unit J, Sec 11, T15S, R37E
Lea County, New Mexico

Americo Energy

Safety & Environmental
Solutions, Inc.

Appendix A
C-141

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1307 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brizos 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	AMERICO ENERGY RESOURCES	Contact	STEVE SMITH
Address	10445 OLD KATY RD. HOUSTON, TX 77043	Telephone No.	441-0926
Facility Name	RENTON SAND #1	Facility Type	SALT WATER DISPOSAL LINE

Surface Owner	DARR PATELL	Mineral Owner		Lease No.	
---------------	-------------	---------------	--	-----------	--

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
	11	155	39E	UNK	UNK	UNK	UNK	LEA

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	SALT WATER	Volume of Release	10,000	Volume Recovered	0
Source of Release	WATER LINE	Date and Hour of Occurrence	7/25	Date and Hour of Discovery	7/25 11 AM
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?	DARR PATELL / LARRY WINK		
By Whom?		Date and Hour			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.			


If a Watercourse was Impacted, Describe Fully.

Describe Cause of Problem and Remedial Action Taken. 10" RED THERMAN FIBERGLASS PIPE, SPILT RAILROAD TROUGH. SHOT DOWN LINE, ESTIMATED BY DARR PATELL, REMOVED BAD SECTION OF PIPE AND REPLACED BY NEW.

Describe Area Affected and Cleanup Action Taken. APPROXIMATELY 500' X 1000' MATURE GRASSES. CONTACTED LAND OWNER, HE ADVISED HE WANTED ENTIRE AREA ESCROWED AND NEW DIRT PUT IN TO GRASS.

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.

OIL CONSERVATION DIVISION

Signature: 	Approved by District Supervisor:	
Printed Name: STEPHEN B. SMITH	Approval Date:	Expiration Date:
Title: DISTRICT SUPERVISOR / AREA REP.	Conditions of Approval:	
E-mail Address: SMITHSERV@UTMAIL.COM	Attached <input type="checkbox"/>	
Date: 8/5/04 Phone: 441-0926		

Attach Additional Sheets If Necessary

136317 59 ft
59'



Appendix B

Analytical Results



PHONE (815) 679-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
SAFETY & ENVIRONMENTAL SOLUTIONS, INC.
ATTN: BOB ALLEN
703 E. CLINTON, #102
HOBBS, NM 88240
FAX TO: (505) 393-4388

Receiving Date: 09/27/04
Reporting Date: 09/28/04
Project Number: AME-04-001
Project Name: DENTON #1 SWD & MAINLINE
Project Location: NE LOVINGTON, NM

Analysis Date: 09/28/04
Sampling Date: 09/23/04
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: AH
Analyzed By: AH

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/Kg)
H9191-1	SS-1 (SURFACE SAMPLE)	23993
H9191-2	SS-2 (SURFACE SAMPLE)	33989
H9191-3	SS-3 (SURFACE SAMPLE)	31190
H9191-4	SS-4 (SURFACE SAMPLE)	27591
H9191-5	SS-5 (SURFACE SAMPLE)	14396
H9191-6	SS-6 (SURFACE SAMPLE)	21593
H9191-7	SS-7 (SURFACE SAMPLE)	26792
H9191-8	BH 1, 5'	2495
H9191-9	BH 1, 8-10'	2559
H9191-10	BH 1, 20'	1136
H9191-11	BH 1, 25'	2719
H9191-12	BH 1, 27'	1152
Quality Control		1020
True Value QC		1000
% Recovery		102
Relative Percent Difference		4.9

METHOD: Standard Methods

4500-ClB

Note: Analyses performed on 1:4 w/v aqueous extracts.


Chemist


Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

H9191a



PHONE (915) 678-7001 • 2111 BEECHWOOD • ABILENE, TX 79603
PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
SAFETY & ENVIRONMENTAL SOLUTIONS, INC.
ATTN: BOB ALLEN
703 E. CLINTON, #102
HOBBS, NM 88240
FAX TO: (505) 393-4388

Receiving Date: 09/27/04
Reporting Date: 09/28/04
Project Number: AME-04-001
Project Name: DENTON #1 SWD & MAINLINE
Project Location: NE LOVINGTON, NM

Analysis Date: 09/28/04
Sampling Date: 09/23/04
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: AH
Analyzed By: AH

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/Kg)
H9191-13	BH 2, 5'	6158
H9191-14	BH 2, 15'	3439
H9191-15	BH 2, 20'	2575
H9191-16	BH 2, 25'	180
H9191-17	BH 2, 30'	320
H9191-18	BH 3, 5'	1600
H9191-19	BH 3, 10'	80
H9191-20	BH 3, 15'	48
H9191-21	BH 3, 20'	32
H9191-22	BH 3, 25'	48
H9191-23	BH 4, 5'	112
H9191-24	BH 4, 10'	48
Quality Control		1020
True Value QC		1000
% Recovery		102
Relative Percent Difference		4.9

METHOD: Standard Methods

4500-CFB

Note: Analyses performed on 1:4 w:v aqueous extracts.


Chemist


Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

H9191B



PHONE (605) 398-2326 • 101 E. MARLAND • HOBBS, NM 88240

FAX TO: (505) 393-4388

Analyzed By: AH

LAB NUMBER	SAMPLE ID	CF (mg/Kg)
H9191-25	BH 5, 5'	192
H9191-26	BH 5, 10'	96
H9191-27	BH 6, 5'	288
H9191-28	BH 6, 10'	80
H9191-29	BH 6, 15'	64
Quality Control		1020
True Value QC		1000
% Recovery		102
Relative Percent Difference		4.9

4500-СГВ

Note: Analyses performed on 1:4 w/v aqueous extracts.

Note: Analyses performed by _____

 Chemist

Date 9/28/04

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

791910

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

ARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88249
(915) 673-7020 Fax (915) 673-7020 (505) 393-2328 Fax (505) 393-2478

ANALYSIS REQUEST									
Company Name: SAFETY & ENVIRONMENTAL SOLUTIONS									
Project Manager: Bob Allen									
Address: 703 E. CLINTON, #102									
City: HOBBS									
State: NM Zip: 88240									
Phone #: (505) 397-0510 Fax #: (505) 393-4388									
Project #: RME-04-001 Project Owner: America Energy									
Project Name: Denton #1 SW & Main Line									
Project Location: NE Lovington									
Sampler Name: Boyer									
FOR LAB USE ONLY									
Lab I.D.	Sample I.D.	MATRIX	PRESERV.	SAMPLING	DATE	TIME	ANALYSIS REQUEST		
11991-1	SS-1 (Surface Sample)	GROUNDWATER	OTHER: NO WASH	200X	9/23	1000	XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX		
-2	SS-2	GROUNDWATER	OTHER: NO WASH						
-3	SS-3	GROUNDWATER	OTHER: NO WASH						
-4	SS-4	GROUNDWATER	OTHER: NO WASH						
-5	SS-5	GROUNDWATER	OTHER: NO WASH						
-6	SS-6	GROUNDWATER	OTHER: NO WASH						
-7	SS-7	GROUNDWATER	OTHER: NO WASH						
-8	RH-1, 5'	GROUNDWATER	OTHER: NO WASH						
-9	RH-1, 8-10'	GROUNDWATER	OTHER: NO WASH						
-10	RH-1, 20'	GROUNDWATER	OTHER: NO WASH						
<p>NOTE: All data including but not limited to the following shall be provided to the owner prior to the start of the project. If data is not provided, the owner shall be responsible for the cost of the data. The owner shall be responsible for the cost of the data. The owner shall be responsible for the cost of the data.</p>									
<p>Sampler Initials: [Signature]</p>									
<p>Received By: [Signature] Date: 9/27/04 Time: 14:23</p>									
<p>Relinquished By: [Signature] Date: 9/27/04 Time: 14:23</p>									
<p>Delivered By: (Circle One) [Signature]</p>									
<p>Sampler - UPS - Box - Other: [Signature]</p>									

† Cardinal cannot accept verbal changes. Please fax written changes to (915) 673-7020.



CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

CARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88240
(815) 573-7020 Fax (815) 573-7020 (805) 393-2328 Fax (805) 393-2478

Page 1 of 1

Company Name: SAFETY & ENVIRONMENTAL SOLUTIONS		P.O. #:		Company: SAME		ANALYSIS REQUEST	
Project Manager: Bob Allen		City: HOBBS		Attn: Brandi			
Address: 703 E. CLINTON, #102		State: NM		Zip: 88240			
Phone #: (505) 397-0510		Fax #: (505) 393-4388		Address:			
Project #: AME-04-001		Project Owner: American Energy		City:			
Project Name: Section 1, SW of Main Line		State:		Zip:			
Project Location: NE Lawrence		Phone #:					
Sampler Name: S. Royle		Fax #:					
FOR LAB USE ONLY		PRESERVATION		SAMPLING			
Lab I.D.	Sample I.D.	MATRIX	OTHER: NONE	DATE	TIME		
-21	BH-3, 20'	GROUNDWATER	X	9/23	1730	X	
-22	BH-3, 25'	GROUNDWATER	X	9/23	1735		
-23	BH-4, 5'	GROUNDWATER	X	9/24	0730		
-24	BH-4, 10'	GROUNDWATER	X	9/24	0805		
-25	BH-5, 5'	GROUNDWATER	X	9/24	0950		
-26	BH-5, 10'	GROUNDWATER	X	9/24	1010		
-27	BH-6, 5'	GROUNDWATER	X	9/24	1035		
-28	BH-6, 10'	GROUNDWATER	X	9/24	1050		
-29	BH-6, 15'	GROUNDWATER	X	9/24	1115	X	

PLEASE NOTE: Laboratory (Cardinal Laboratories) and Client (American Energy) shall be notified by the sampler and by the client for the analysis. All data including but not limited to the above shall be submitted to the client within 30 days after completion of the analysis. In the event that the client is unable to receive the data within the specified time, the client shall be responsible for the cost of the analysis. The client shall be responsible for the cost of the analysis. The client shall be responsible for the cost of the analysis.

Sampler: S. Royle
Received By: [Signature]
Date: 9/27/04
Time: 1415

Relinquished By: [Signature]
Date: 9/27/04
Time: 1415

Delivered By: (Circle One)
Sampler - UPS - Box - Other:

Checked By: [Signature]
Sample Condition: [] Yes [] No

Phone Result: [] Yes [] No
Fax Result: [] Yes [] No

REMARKS:

† Cardinal cannot accept verbal changes. Please fax written changes to (815) 573-7020.

Appendix C
Site Photos

