

RECEIVED

STATE OF NEW MEXICO 2008 AUG 21 PM 2 53
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST AMERICO ENERGY RESOURCES, LLC, FINDING OPERATOR IN NON-COMPLIANCE WITH RULE 19.15.4.201 AS TO TWELVE WELLS AND RULE 19.15.3.101 AS TO ONE WELL; REQUIRING OPERATOR TO COME INTO COMPLIANCE WITH SAID RULES BY A DATE CERTAIN; AND AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR DOES NOT COMPLY; EDDY AND LEA COUNTIES, NEW MEXICO.

CASE NO. 14189

APPLICATION FOR COMPLIANCE ORDER AGAINST AMERICO ENERGY
RESOURCES, LLC

1. Americo Energy Resources, LLC (Operator), is a limited liability company which operates wells in New Mexico under OGRID No. 228051.

2. Operator is operator of record of 86 wells in New Mexico, including the following subject wells:

• 30-025-05222	B C Dickinson A 1 No. 001	L-1-15S-37E
• 30-025-09868	B C Dickinson A 1 No. 002	L-1-15S-37E
• 30-025-05179	B C Dickinson D No. 005	C-35-14S-37E
• 30-015-05684	East Shugart Unit No. 002	B-34-18S-31E
• 30-015-05683	East Shugart Unit No. 003	A-34-18S-31E
• 30-015-05700	East Shugart Unit No. 007	B-35-18S-31E
• 30-015-05698	East Shugart Unit No. 022	J-35-18S-31E
• 30-025-05135	Lee Whitman A No. 001	G-26-14S-37E
• 30-025-05112	Lee Whitman B No. 007	O-23-14S-37E
• 30-025-05232	State T No. 007	N-2-15S-37E
• 30-025-25570	State T Devonian B No. 009	N-2-15S-37E
• 30-025-05204	W T Mann A No. 002	B-36-14S-37E

3. Operator has posted a Fifty Thousand Dollars (\$50,000.00) surety blanket bond (Bond No. 1007131) through Lexon Insurance Company, 2307 River Road, Suite 200, Louisville, Kentucky 40206, pursuant to NMSA 1978, Section 70-2-14, to secure its obligation to plug and abandon the wells in compliance with the rules of the Oil Conservation Division (hereinafter, "OCD").

4. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted through Texas Capital Bank, N.A., 2100 McKinney Ave., Suite 1225, Dallas, Texas 75201, the following individual letters of credits in the following amounts for the following wells:

- B C Dickinson A 1 No. 001 Letter of Credit No. LC767 \$14,510.00
- B C Dickinson A 1 No. 002 Letter of Credit No. LC769 \$17,570.00
- B C Dickinson D No. 005 Letter of Credit No. LC768 \$17,475.00
- Lee Whitman A No. 001 Letter of Credit No. LC770 \$17,575.00
- Lee Whitman B No. 007 Letter of Credit No. LC774 \$17,654.00
- State T No. 007 Letter of Credit No. LC766 \$14,231.00
- W T Mann A No. 002 Letter of Credit No. LC772 \$17,630.00

5. Operator is not required to post financial assurance for the following wells, as they are federal wells and do not fall under the OCD financial assurance requirements:

- East Shugart Unit No. 002 30-015-05684
- East Shugart Unit No. 003 30-015-05683
- East Shugart Unit No. 007 30-015-05700
- East Shugart Unit No. 022 30-015-05698

6. OCD Rule 19.15.4.201 NMAC (hereinafter, "Rule 201") requires the operator of a well which has been continuously inactive for a period of one year and ninety days to return the well to beneficial use, plug and abandon the well, or place the well on OCD-approved temporary abandonment status.

7. NMSA 1978, Section 70-2-12(B) and NMSA 1978, Section 70-2-38 authorizes the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

8. All 12 of the subject wells have had no reported production or injection for a continuous period exceeding one year plus ninety days, and are neither plugged and abandoned in accord with OCD Rule 19.15.4.202 NMAC nor on approved temporary abandonment status in accord with OCD Rule 19.15.4.203 NMAC.

9. OCD Rule 19.15.3.101.B NMAC (hereinafter, "Rule 101") requires each state or fee well that has been inactive for more than two years and is not plugged and released to be covered by a single-well financial assurance.

10. Operator has posted no single-well financial assurance for the State T Devonian No. 009 well, which is a state well that has had no reported production for more than two years (since May 2006) and is not plugged and released.

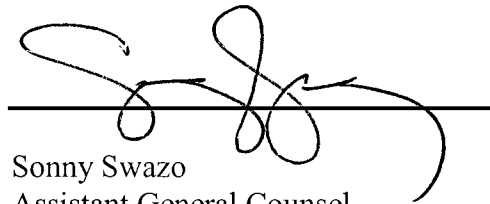
WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an Order:

- A. Finding Operator in non-compliance with OCD Rule 19.15.3.101 as to the State T Devonian No. 009, and OCD Rule 19.15.4.201 as to all 12 subject well;
- B. Requiring Operator to post the additional financial assurance for the State T Devonian No. 009 or return it to production by a date certain;
- C. Requiring Operator to bring the inactive wells into compliance with OCD Rule 19.15.4.201 NMAC by a date certain;

- D. If any of the subject wells remain out of compliance after the deadline set in the Order, authorizing the Division to forfeit the applicable financial assurance and plug and abandon the wells;
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED

this 21 day of August 2008 by

A handwritten signature in black ink, appearing to be 'Sonny Swazo', is written over a horizontal line.

Sonny Swazo
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3463
Fax (505) 476-3462
Email: sonny.swazo@state.nm.us

Attorney for the New Mexico Oil
Conservation Division

Case No. ____: Application of the New Mexico Oil Conservation Division for a Compliance Order against Americo Energy Resources, LLC. Applicant seeks an Order requiring Operator to comply with Rule 19.15.3.101 and Rule 19.15.4.201 by a date certain, and in event of Operator's non-compliance, authorizing the Division to plug the wells and forfeit the financial assurance. The affected wells are:

• B C Dickinson A 1 No. 001	30-025-05222	L-1-15S-37E
• B C Dickinson A 1 No. 002	30-025-09868	L-1-15S-37E
• B C Dickinson D No. 005	30-025-05179	C-35-14S-37E
• East Shugart Unit No. 002	30-015-05684	B-34-18S-31E
• East Shugart Unit No. 003	30-015-05683	A-34-18S-31E
• East Shugart Unit No. 007	30-015-05700	B-35-18S-31E
• East Shugart Unit No. 022	30-015-05698	J-35-18S-31E
• Lee Whitman A No. 001	30-025-05135	G-26-14S-37E
• Lee Whitman B No. 007	30-025-05112	O-23-14S-37E
• State T No. 007	30-025-05232	N-2-15S-37E
• State T Devonian B No. 009	30-025-25570	N-2-15S-37E
• W T Mann A No. 002	30-025-05204	B-36-14S-37E

These wells are located approximately 7 miles Southeast of Maljamar, in Eddy County, New Mexico.

• East Shugart Unit No. 002	30-015-05684	B-34-18S-31E
• East Shugart Unit No. 003	30-015-05683	A-34-18S-31E
• East Shugart Unit No. 007	30-015-05700	B-35-18S-31E

The East Shugart Unit No. 022 well (30-015-05698) (J-35-18S-31E) is located approximately 8 miles Southeast of Maljamar, in Eddy County, New Mexico.

These wells are located approximately 7 miles Northeast of Lovington, in Lea County, New Mexico.

• State T No. 007	30-025-05232	N-2-15S-37E
• State T Devonian B No. 009	30-025-25570	N-2-15S-37E

These wells are located approximately 8 miles Northeast of Lovington, in Lea County, New Mexico.

• B C Dickinson A 1 No. 001	30-025-05222	L-1-15S-37E
• B C Dickinson A 1 No. 002	30-025-09868	L-1-15S-37E

The Lee Whitman B No. 007 (30-025-05112) (O-23-14S-37E) is located approximately 13 miles Northeast of Lovington, in Lea County, New Mexico.

These wells are located approximately 14 miles Northeast of Lovington, in Lea County, New Mexico.

● B C Dickinson D No. 005	30-025-05179	C-35-14S-37E
● Lee Whitman A No. 001	30-025-05135	G-26-14S-37E
● W T Mann A No. 002	30-025-05204	B-36-14S-37E