

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Americo Energy Resources
7575 San Felipe Suite 200
Houston, TX 77063

March 5, 2008

Reference:

East Shugart	Unit 015	30-015-05687	F-34-18s-31e	Eddy County	New Mexico
East Shugart	Unit 042	30-015-27670	A-34-18s-31e	Eddy County	New Mexico
East Shugart	Unit 056	30-015-27949	G-35-18s-31e	Eddy County	New Mexico
East Shugart	Unit 072	30-015-28203	L-35-18s-31e	Eddy County	New Mexico
East Shugart	Unit 075	30-015-28204	K-35-18s-31e	Eddy County	New Mexico

Operator,

The New Mexico Oil Conservation Division District 2 Office (OCD) is in receipt of remediation work plan proposals (plans) for remediation of releases of produced fluids that have occurred at the above referenced well sites. The plans were formulated and submitted to OCD by your agent, Safety & Environmental Solutions, Inc.

The plans are approved with the following stipulations:

- Notify OCD 24 hours prior to commencement of remediation activities.
- Notify OCD 24 hours prior to obtaining samples where analyses of samples obtained are to be submitted to OCD.
- Notify OCD 24 hours prior to installation of any liner or barrier.
- Representative samples are to be obtained from backfill material and analyses submitted to OCD.
- A Final Report C-141 and closure report for each site is to be submitted to OCD upon satisfactory completion of remedial activities. Work is to be completed and closure documents submitted to OCD not later than May 5, 2008.
- Like approval by BLM.

Please be advised that this approval does not relieve Americo Energy Resources of liability should their operations have failed to adequately investigate and remediate contamination that may pose a threat to ground water, surface water, human health or the environment. In addition, this approval does not relieve Americo Energy Resources of responsibility for compliance with any other federal, state, local laws and/or regulations.

If I can be of assistance, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Mike Bratcher".

Mike Bratcher
NMOCD District 2
1301 W. Grand Ave.
Artesia, NM 88210
(575) 748-1283 Ext.108
mike.bratcher@state.nm.us

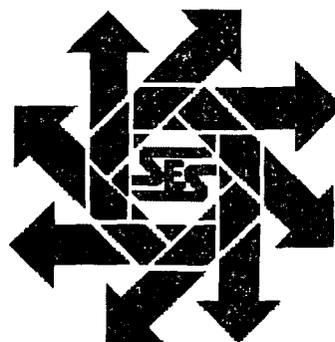
2RP-145



FEB 19 2008
OCD-ARTESIA

**Americo Energy Resources
East Shugart Unit #42
Work Plan
Eddy County, New Mexico**

February 8, 2008



Prepared for:

**Americo Energy Resources
7575 San Felipe, Ste 200
Houston, TX 77063**

By:

***Safety & Environmental Solutions, Inc.
703 E. Clinton Suite 102
Hobbs, New Mexico 88240
(575) 397-0510***

2 RP-145

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I. Company Contacts

NAME	Company	Telephone	E-mail
Oscar Nasrati	Americo Energy	713-984-9700	Oscar.nosrati@amicoenergy.com
Brian Cuellar	SESI	505-390-7066	bcuellar@sesi-nm.com

II. Background

Safety and Environmental Solutions, Inc. (SESI) was engaged by Americo Energy Resources to perform cleanup services at the East Shugart Unit #42 spill site. This an injection well site, in which a relief valve malfunctioned, releasing 95 barrels of produced water and 5 barrels of oil. A vacuum truck was used to remove the standing fluids.

III. Surface and Ground Water

The closest groundwater of record is in the same Section Range and Township. The depth of water in this well was 261' in March of 1994.

V. Work Performed

On January 23, 2008, samples were retrieved in four areas of the spill utilizing a hand auger. Samples were taken from the surface and at the depths of 1', 2', 3', and 4'. Field analysis was performed on each sample to determine chloride concentrations. The results of the analysis were as follows:

Depth	AH #1	AH #2	AH #3	AH #4
Surface	<124 ppm	976 ppm	<124 ppm	<124 ppm
1'	<124 ppm	<124 ppm	<124 ppm	<124 ppm
2'		<124 ppm	372 ppm	236 ppm
3'		<124 ppm	836 ppm	1492 ppm
4'		<124 ppm		1832 ppm

On January 31, 2008, test trenches were installed to further delineate the site. Grab samples were retrieved from each test trench and field analysis was performed on each sample to determine chloride concentrations. The results of the analysis were as follows:

Depth	TT #1	TT #4
3'	<124	
5'		836 ppm
8'		1492 ppm

On February 6, 2008 a borehole was installed via auger rig to complete delineation of the site. Grab samples were retrieved from the borehole at intervals of 5', and field analysis was performed on each sample to determine chloride concentrations. The results of the analysis were as follows:

Depth	BH#3
5'	
10'	3588 ppm
15'	124 ppm

20'	< 124 ppm
-----	-----------

Confirmation samples were retrieved from the surface at Sample Point #1 and #2 and from Borehole #3 at the 15' depth. The samples were transported under Chain of Custody to Aragon Laboratories for the analysis. The samples were analyzed for Chlorides (EPA Method 300). The result of the analysis was as follows:

Sample ID	Cl ⁻ ppm
#1 Surface	46
#2 Surface	42
BH#3 15'	84

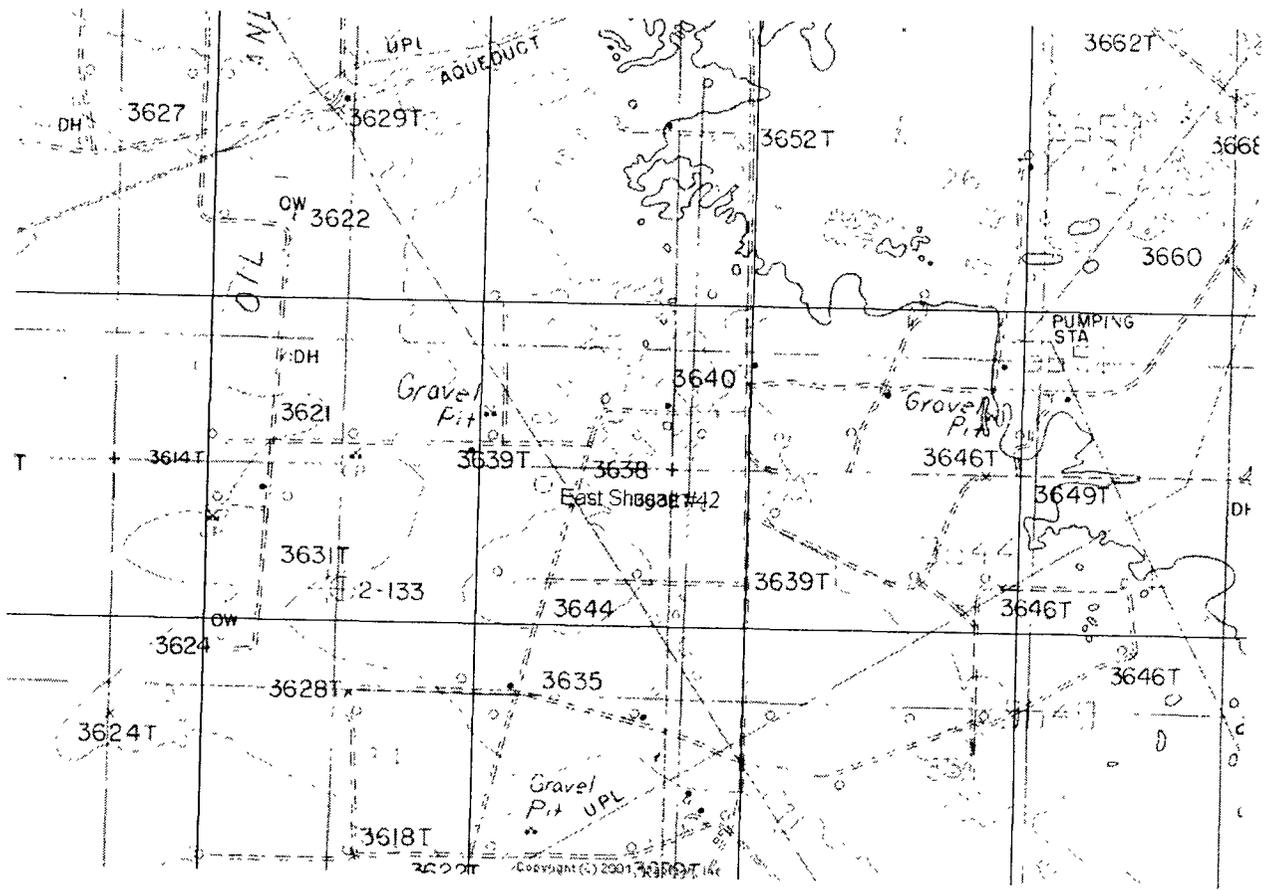
V. Closure Plan

It is requested that the top 4' be excavated from the spill area. The most highly contaminated soils will be transported to an NMOC approved facility for disposal. A like amount of clean soils from offsite will be blended with the remaining soils in order to bring the chloride concentrations to an acceptable level that will allow re-vegetation. The excavated area will then be lined with a 20-mil impervious liner and backfilled with the blended soils. The area will be contoured to natural grade and seeded.

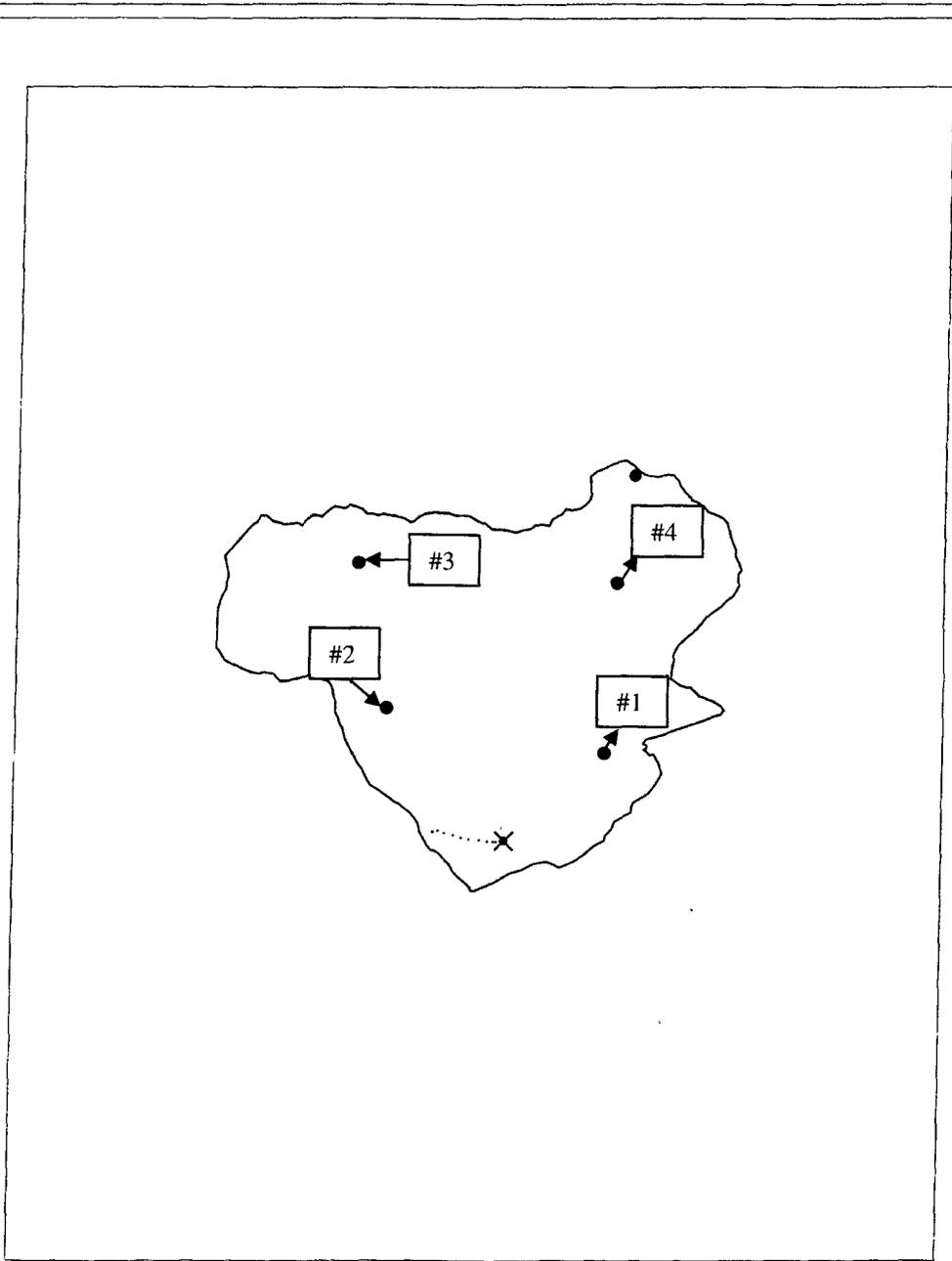
VI. Figures & Appendices

- Figure 1 – Vicinity Map
- Figure 2 – Site Plan
- Appendix A – Analytical Results
- Appendix B – Site Photos

Figure 1
Vicinity Map



**Figure 2
Site Plan**



Americo East Shugart #42

Lat/Long
WGS 1984



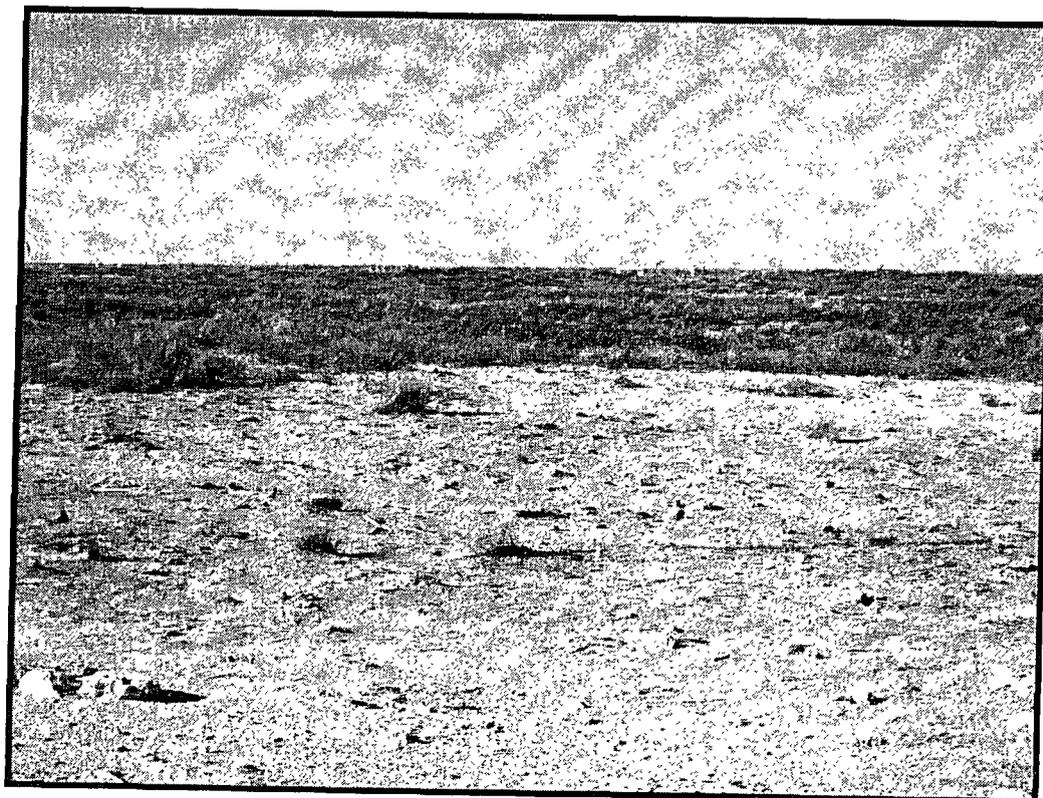
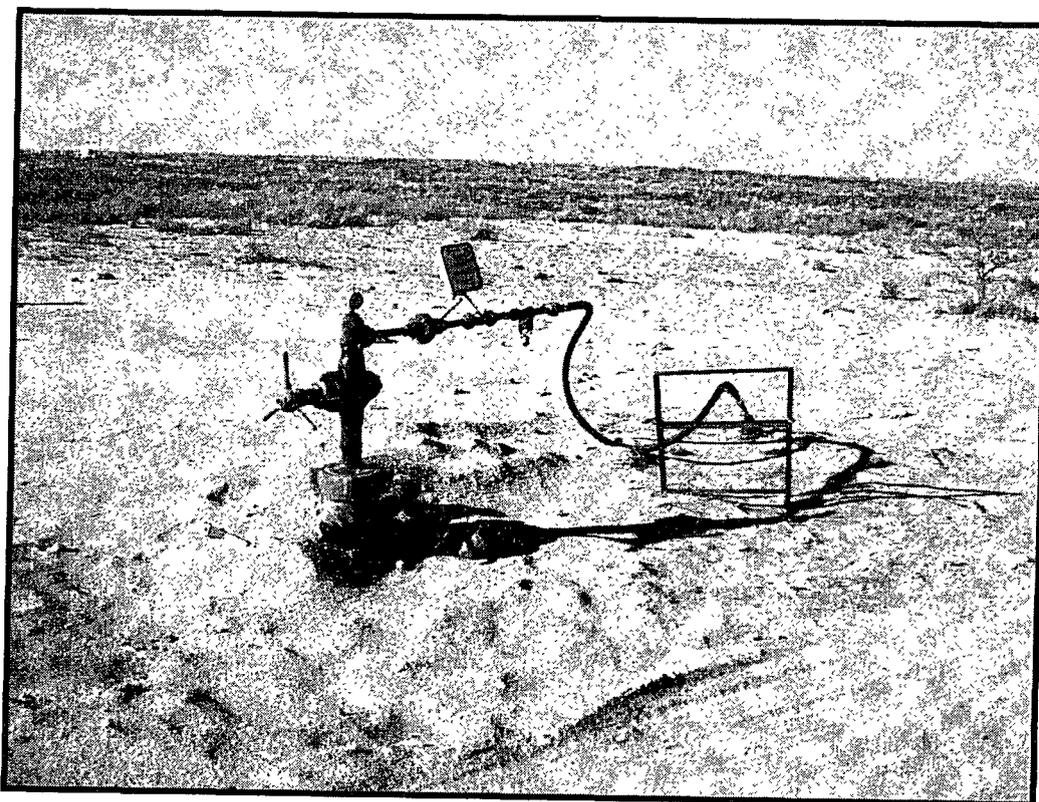
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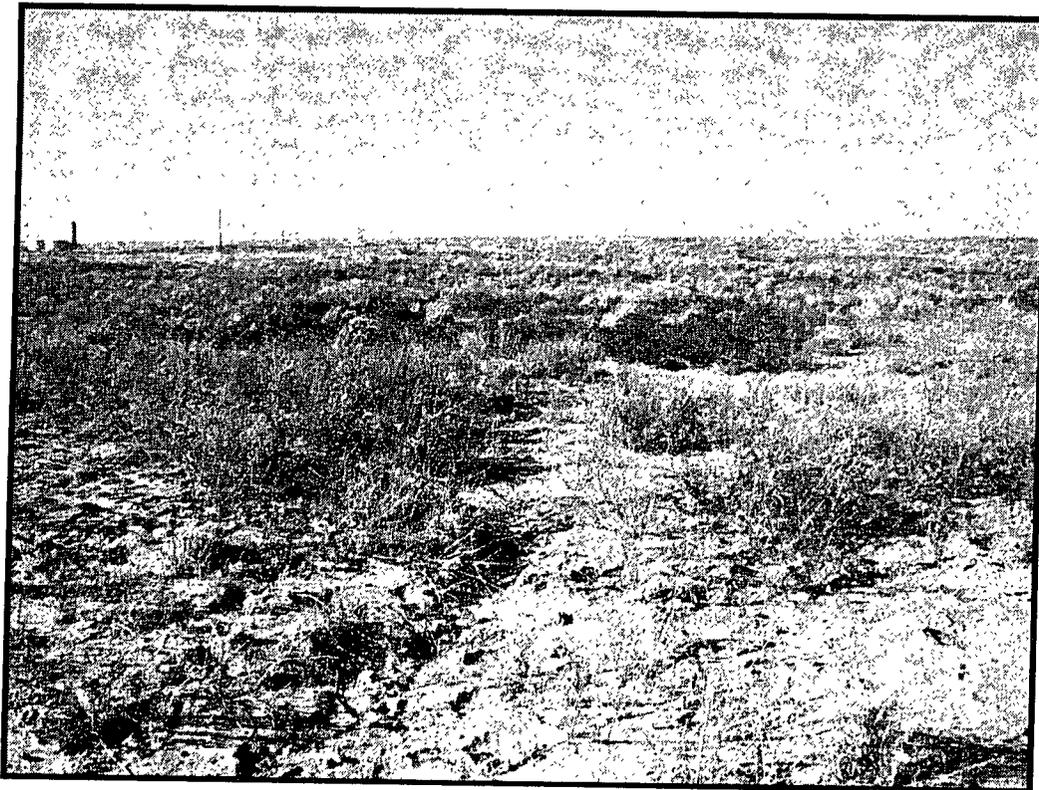
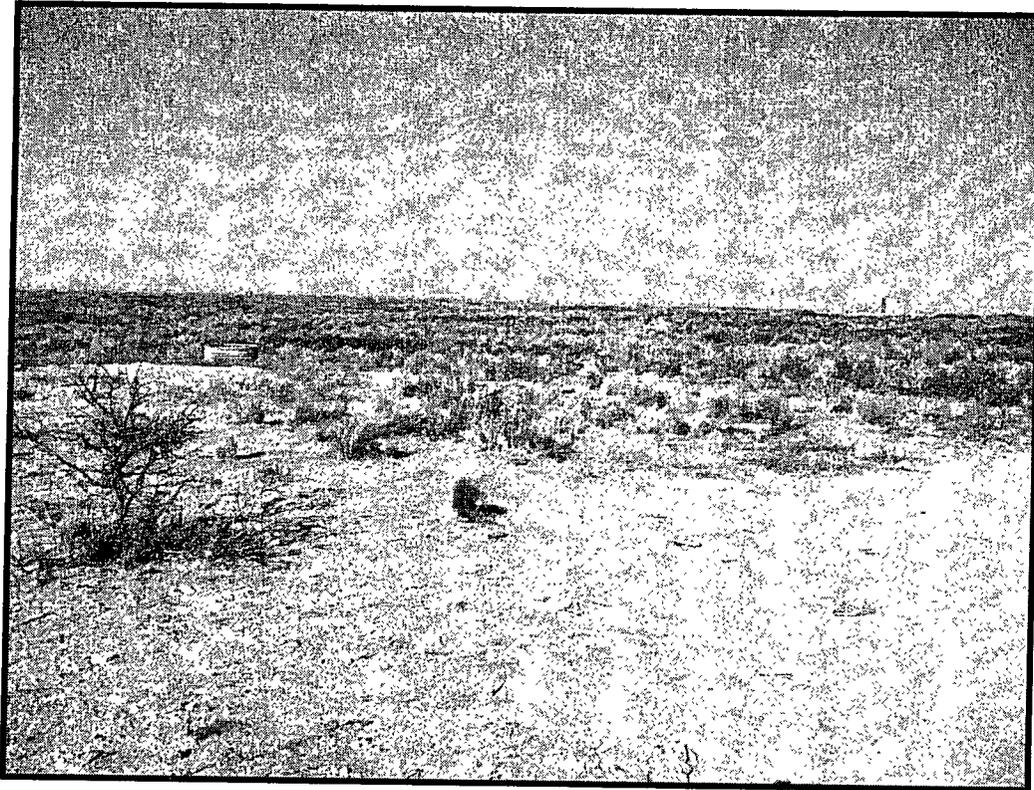
Site Plan.ssf
1/30/2008
GPS Pathfinder® Office
 Trimble

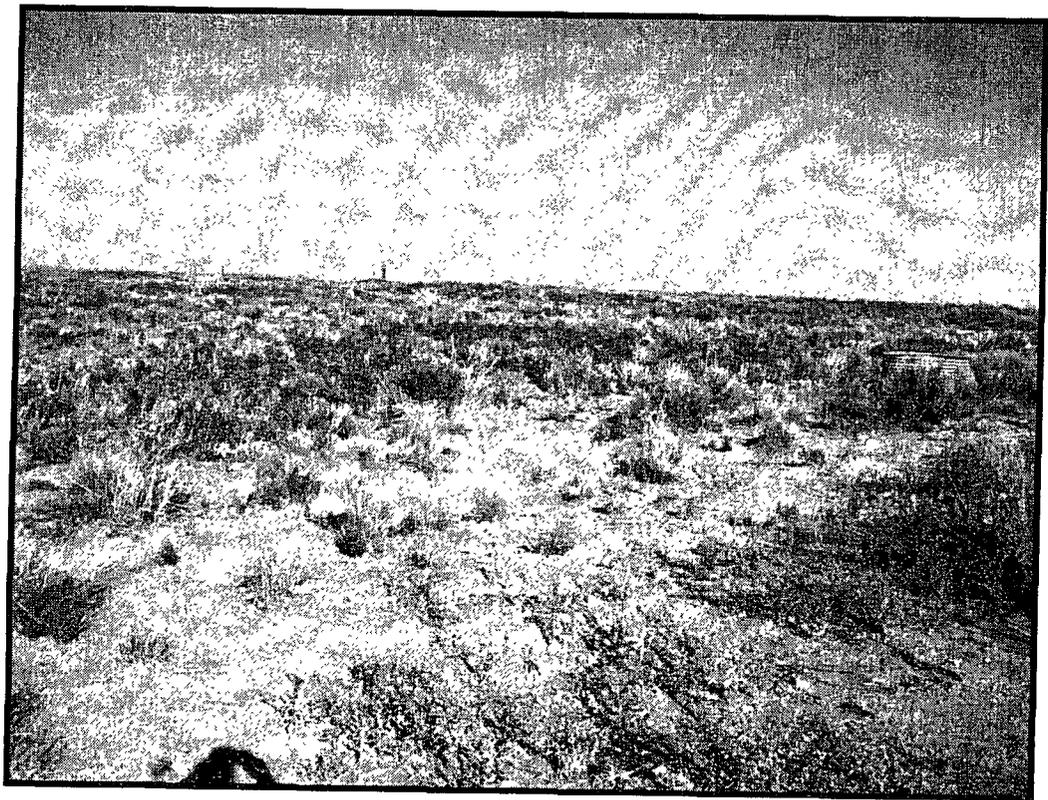
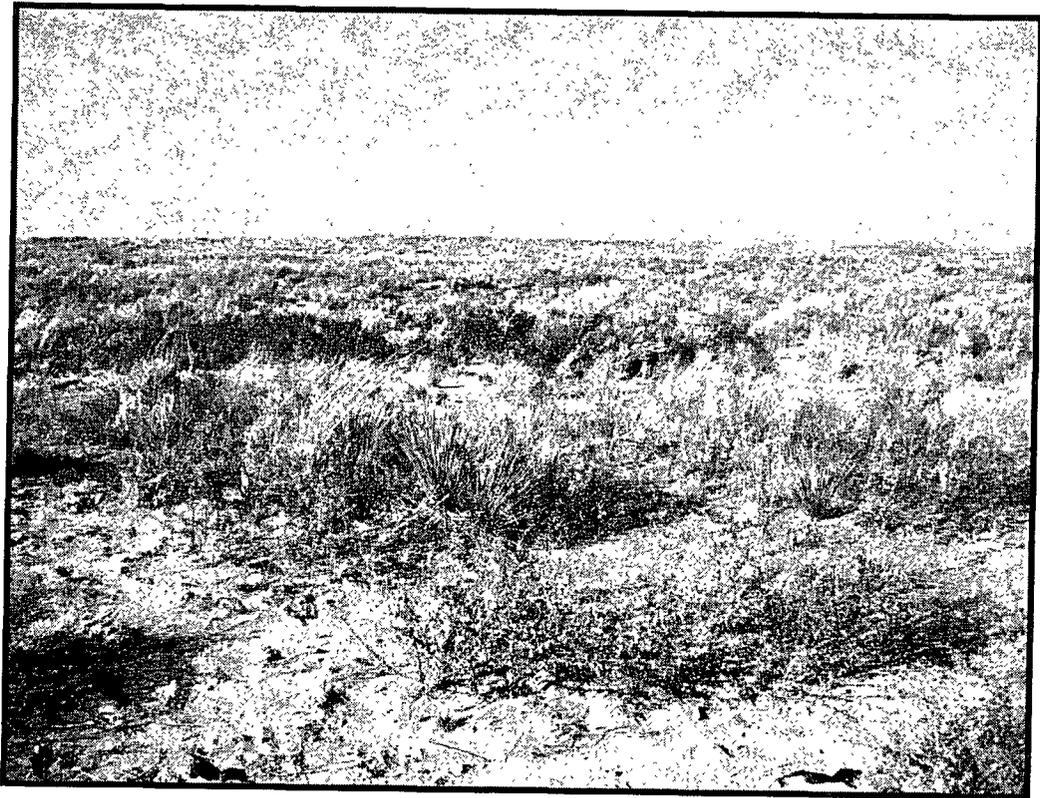
Appendix A

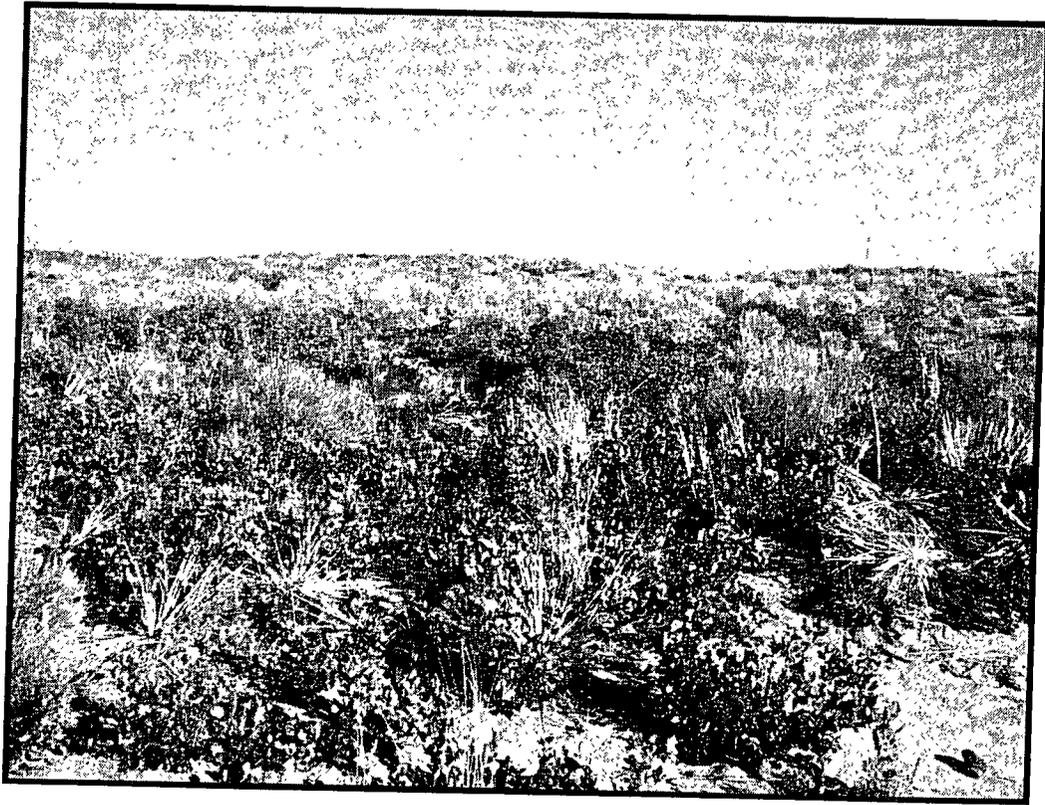
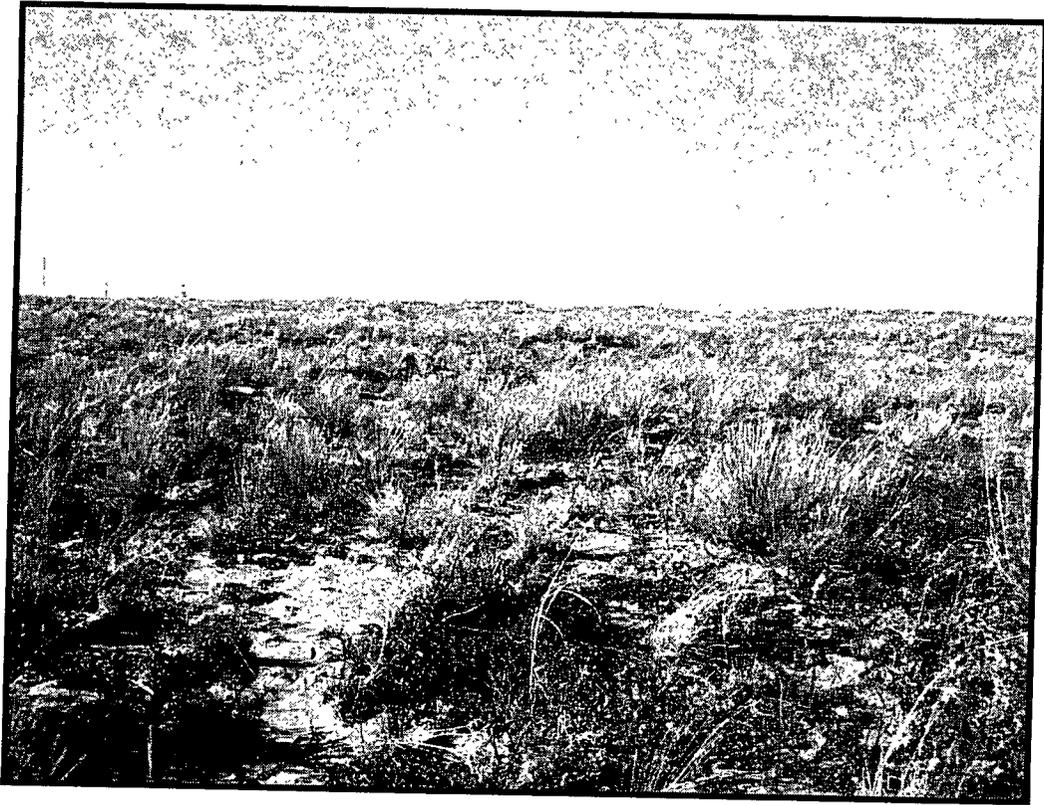
Analytical Results

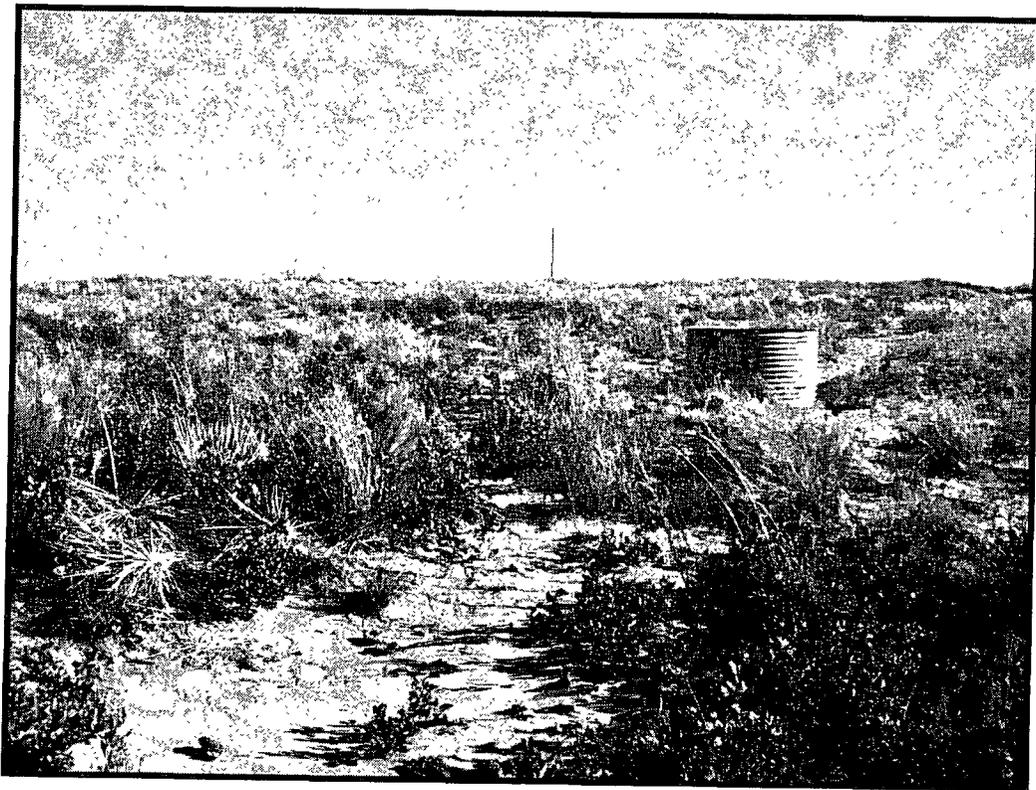
Appendix B
Site Photos











argon laboratories

14 February 2008

Bob Allen
Safety & Environmental Solutions, Inc.
703 E. Clinton Ave
Hobbs, NM 88240

RE: East Shugart Unit #42 Project Data

Enclosed are the results for sample(s) received on 02/08/08 18:30 by Argon Laboratories. The sample(s) were analyzed according to instructions in accompanying chain-of-custody. Results are summarized on the following pages.

Please see quality control report for a summary of QC data pertaining to this project.

The sample(s) will be stored for 30 days after completion of analysis, then disposed of in accordance with State and Federal regulations. Sample(s) may be archived by prior arrangement.

Thank you for the opportunity to service the needs of your company.

Sincerely,


Hiram Cueto
Lab Manager



Safety & Environmental Solutions, Inc
703 E. Clinton Ave
Hobbs, NM 88240

Project Number: AME-08-002
Project Name: East Shugart Unit #42
Project Manager: Bob Allen

Work Order No.:
C802007

ANALYTICAL REPORT FOR SAMPLES

Sample ID	Laboratory ID	Matrix	Date Sampled	Date Received
#1A. Surface	C802007-01	Soil	01/31/08 10:38	02/08/08 18:30
#2B. Surface	C802007-02	Soil	01/31/08 10:50	02/08/08 18:30
BH #3C. 15'	C802007-03	Soil	02/07/08 13:22	02/08/08 18:30

Approved By
Argon Laboratories, Inc

QC Officer



Safety & Environmental Solutions, Inc.
 703 E. Clinton Ave
 Hobbs, NM 88240

Project Number: AME-08-002
 Project Name: East Shugart Unit #42
 Project Manager: Bob Allen

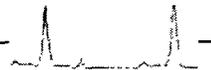
Work Order No.
 C802007

Anions by Ion Chromatography - EPA Method 300.0

Analyte	Result	Reporting			Dilution	Analyzed	Method	Notes
		Limit	Units					
#1A. Surface (C802007-01) Soil Sampled: 01/31/08 10:38 Received: 02/08/08 18:30								
Chloride	46	10	mg/kg		1	02/13/08	EPA 300.0	
#2B. Surface (C802007-02) Soil Sampled: 01/31/08 10:50 Received: 02/08/08 18:30								
Chloride	42	10	mg/kg		1	02/13/08	EPA 300.0	
BH #3C. 15' (C802007-03) Soil Sampled: 02/07/08 13:22 Received: 02/08/08 18:30								
Chloride	84	10	mg/kg		1	02/13/08	EPA 300.0	

Approved By
 Argon Laboratories, Inc

QC Officer



Safety & Environmental Solutions, Inc. 703 E. Clinton Ave Hobbs, NM 88240	Project Number: AME-08-002 Project Name: East Shugart Unit #42 Project Manager: Bob Allen	Work Order No.: C802007
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Anions by Ion Chromatography - EPA Method 300.0 - Quality Control

Argon Laboratories

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	RPD	Notes
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Batch CR00020 - General Prep

Blank (CR00020-BLK1)				Prepared & Analyzed: 02/13/08				
Chloride	ND	10	mg/kg					
LCS (CR00020-BS1)				Prepared & Analyzed: 02/13/08				
Chloride	5.95		mg/kg	5.00		119		
LCS Dup (CR00020-BSD1)				Prepared & Analyzed: 02/13/08				
Chloride	5.99		mg/kg	5.00		120	0.7	
Matrix Spike (CR00020-MS1)				Prepared & Analyzed: 02/13/08				
Chloride	5.25		mg/kg	5.00		105		
Matrix Spike Dup (CR00020-MSD1)				Prepared & Analyzed: 02/13/08				
Chloride	5.30		mg/kg	5.00		106	0.9	

Approved By
Argon Laboratories, Inc.

QC Officer



Safety & Environmental Solutions, Inc.
703 E Clinton Ave
Hobbs, NM 88240

Project Number: AME-08-002
Project Name: East Shugart Unit #42
Project Manager: Bob Allen

Work Order No.:
C802007

Notes and Definitions

- DET Analyte DETECTED
- ND Analyte NOT DETECTED at or above the reporting limit
- NR Not Reported
- dry Sample results reported on a dry weight basis
- RPD Relative Percent Difference

Approved By
Argon Laboratories, Inc.

QC Officer

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
AUG 17 2007
OCD-ARTESIA
Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

Release Notification and Corrective Action

30-015-27670

228051

OPERATOR

Initial Report Final Report

Name of Company Americo Energy Resources, LLC	Contact Oscar Nosrati
Address 7575 San Felipe, Ste. 200, Houston, Tx 77063	Telephone No. 713-984-9700
Facility Name East Shugart Unit Well #42	Facility Type Injection Well

Surface Owner BLM	Mineral Owner BLM	Lease No.
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
A	34	18S	31E	330	North	1140	East	Eddy

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced salt water with slight oil cut	Volume of Release 100 bbls.	Volume Recovered 70
Source of Release Blown relief valve	Date and Hour of Occurrence 8/10/2007 prior to 12:30 p.m.	Date and Hour of Discovery 8/10/2007 12:30 p.m.
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Gerry Guye	
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.*
Relief valve blew. Release consisted of approximately 95 bbls of saltwater and 5 bbls of oil. Well shut-in. Waiting on parts to repair valve.

Describe Area Affected and Cleanup Action Taken.*
Approximately 100' x 450' area affected by release, most of which is on pad site. Vacuum truck brought on to remove recoverable fluids. Soil to be cleaned and tilled.

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:	OIL CONSERVATION DIVISION	
Printed Name: Robert M. Gray	Approved by District Supervisor:	
Title: Land Manager	Approval Date: AUG 20 2007	Expiration Date: 9-20-07
E-mail Address: don.gray@americoenergy.com	Conditions of Approval:	Attached <input checked="" type="checkbox"/>
Date: 8/10/2007 Phone: 713-984-9700		

* Attach Additional Sheets If Necessary

PSEB0807330376

2RP-145



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 20, 2007

Americo Energy Resources, LLC
7575 San Felipe, Suite 200
Houston, TX 77063

ATTN: Oscar Nosrati

RE: East Shugart Unit #42 (30-015-27670)

Dear Sir:

This office is in receipt of your C-141 on the oil and produced water release, at this facility.

NMOCD Rule 19.15.3.116 states in part ... "The responsible person must complete division approved corrective action for releases which endanger public health or the environment. Releases will be addressed in accordance with a remediation plan submitted to and approved by the division or with an abatement plan submitted in accordance with Section 19 of 19.15.1 NMAC."

Information and tools for proper corrective action may be found in the Environmental Handbook on our web site www.emnrd.state.nm.us/ocd under the heading publications.

Remediation requirements may be subject to other federal, state and local laws or regulations.

Within 30 days, **on or before September 20, 2007**, completion of corrective activities should be finalized and a final report summarizing all actions taken to mitigate environmental damage related to the leak, spill or release will be provided to OCD for approval.

Please be advised that NMOCD acceptance and/or approval of documents or work plans 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 and/or approval of documents or work plans do not relieve the operator of responsibility for compliance with any other federal, state, local laws and/or regulations.

If I may be of further service or if you have any questions please feel free to contact me.

Sincerely,

Gerry Guye
Compliance Officer
NMOCD District II, Artesia
(505) 748-1283 ext 105
Cell (505) 626-0843
E-mail: gerry.guye@state.nm.us