

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

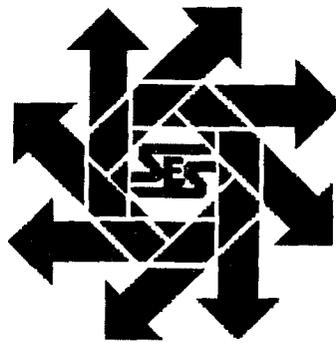
2RP-146



FEB 19 2008
OCD-ARTESIA

**Americo Energy Resources
East Shugart Unit #15
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***

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I. Company Contacts

NAME	Company	Telephone	E-mail
Oscar Nasrati	Americo Energy	713-984-9700	Oscar.nosrati@americoenergy.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 #15 spill site. This an injection well site in which the supply line ruptured, releasing 150 barrels of primarily produced water. 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.

IV. Work Performed

On January 23, 2008 samples were retrieved in three areas of the spill, utilizing a hand auger. Samples were taken from the surface, as well as, at the 1' and 2' depths. There was a hard layer encountered at the 2' depth, which resulted in auger refusal. Field analysis were performed on each sample to determine chloride concentrations. The results of the analysis were as follows:

Depth	AH #1	AH #2	AH #3
Surface	<124 ppm	3532 ppm	<124 ppm
1'	<124 ppm	300 ppm	504 ppm
2'	836 ppm	904 ppm	

On January 30, 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 #2	TT #3
3'	2104 ppm	4236 ppm	
4'		4236 ppm	<124 ppm
5'	1048 ppm	1832 ppm	
6'		2104 ppm	
7'	656 ppm	1960 ppm	
8'	656 ppm	1492 ppm	
9'		1392 ppm	
10'	904 ppm	1392 ppm	
11'		1392 ppm	

On February 5, 2008 a borehole was installed via auger rig to complete the delineation of the site. Grab samples were retrieved from Borehole #4 at intervals of 5'. Field analysis were performed on each sample to determine chloride concentrations. The auger rig

cored to a depth of 50' at which a layer of sandstone was encountered that could not be penetrated. The field chlorides samples indicated a pattern of decrease from the 35' to 50' depth of Borehole #4. The results of the analysis were as follows:

Depth	BH#4
5'	
10'	
15'	904 ppm
20'	1596 ppm
25'	1708 ppm
30'	5932 ppm
35'	6428 ppm
40'	6428 ppm
45'	2904 ppm
50'	1128 ppm

Confirmation samples were retrieved at the depth of 8' from Test Trench #3, as well as from BH #4 at the depth of 50'. These samples were transported under Chain of Custody to Aragon Laboratories for the analysis. The samples were analyzed for Chlorides (EPA Method 300). The results of the analysis were as follows:

Sample ID	Cl ⁻ ppm
TT #3 8'	100
BH #4 50'	950

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

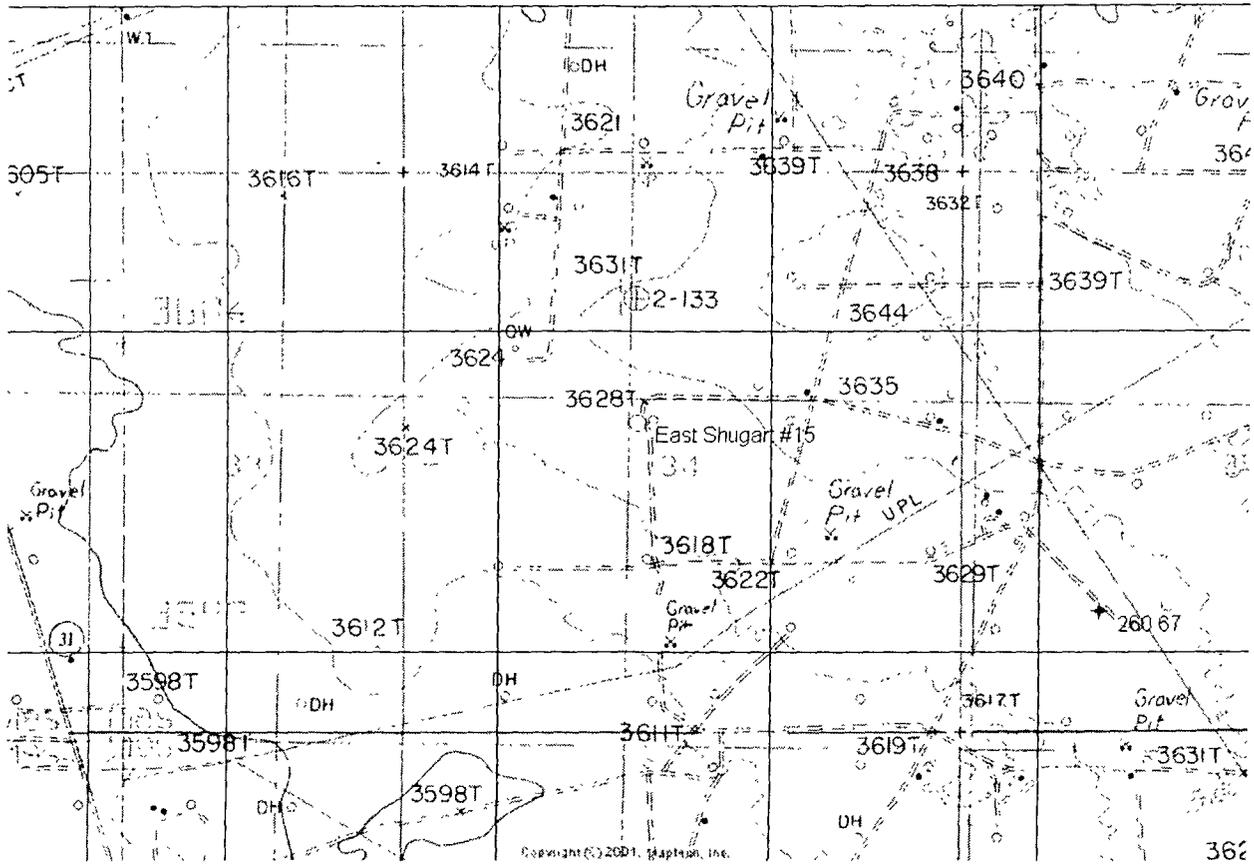
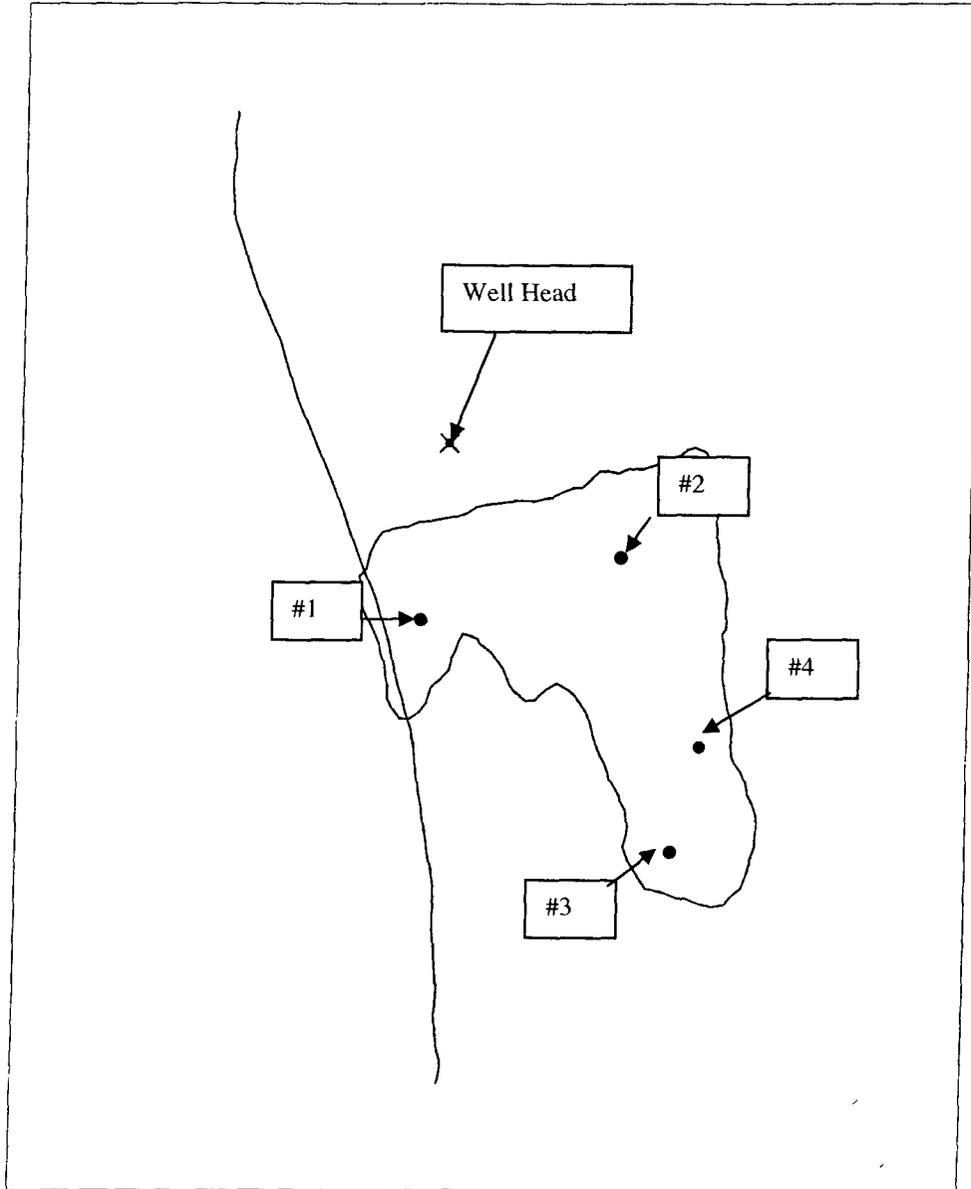


Figure 2
Site Plan



Americo East Shugart #15

Lat/Long
WGS 1984



Scale 1:750
0 80.00
Feet

Site Plan.ssf
1/30/2008

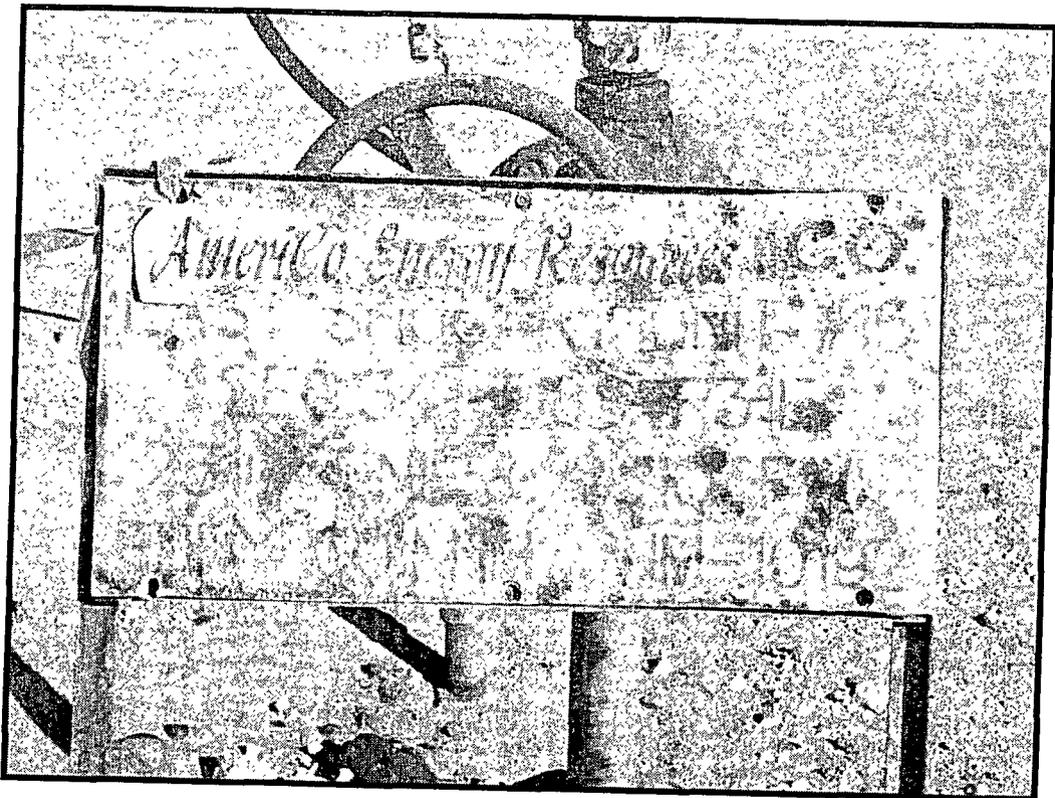
GPS Pathfinder® Office

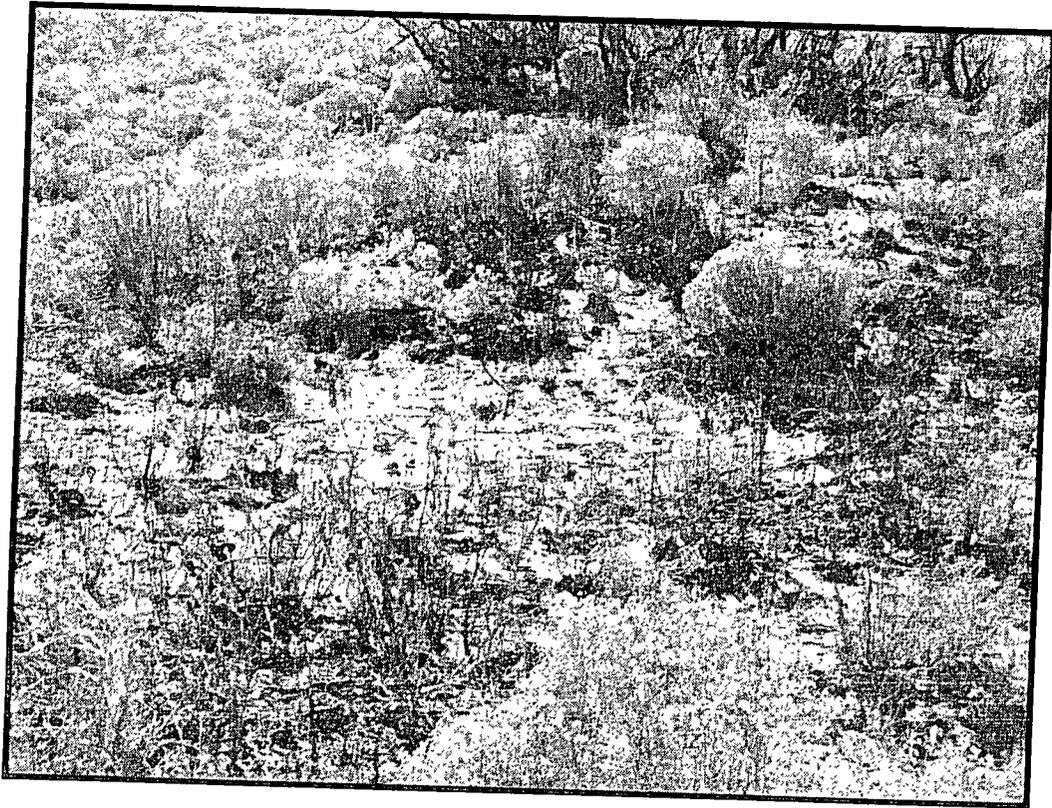
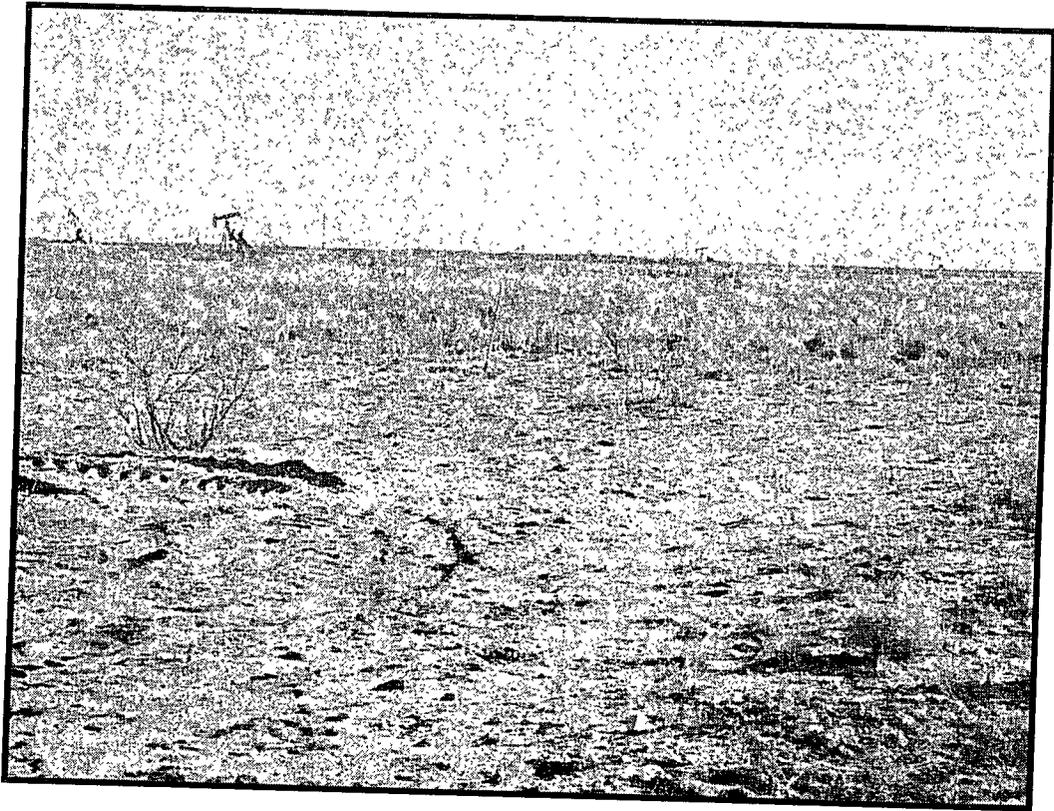


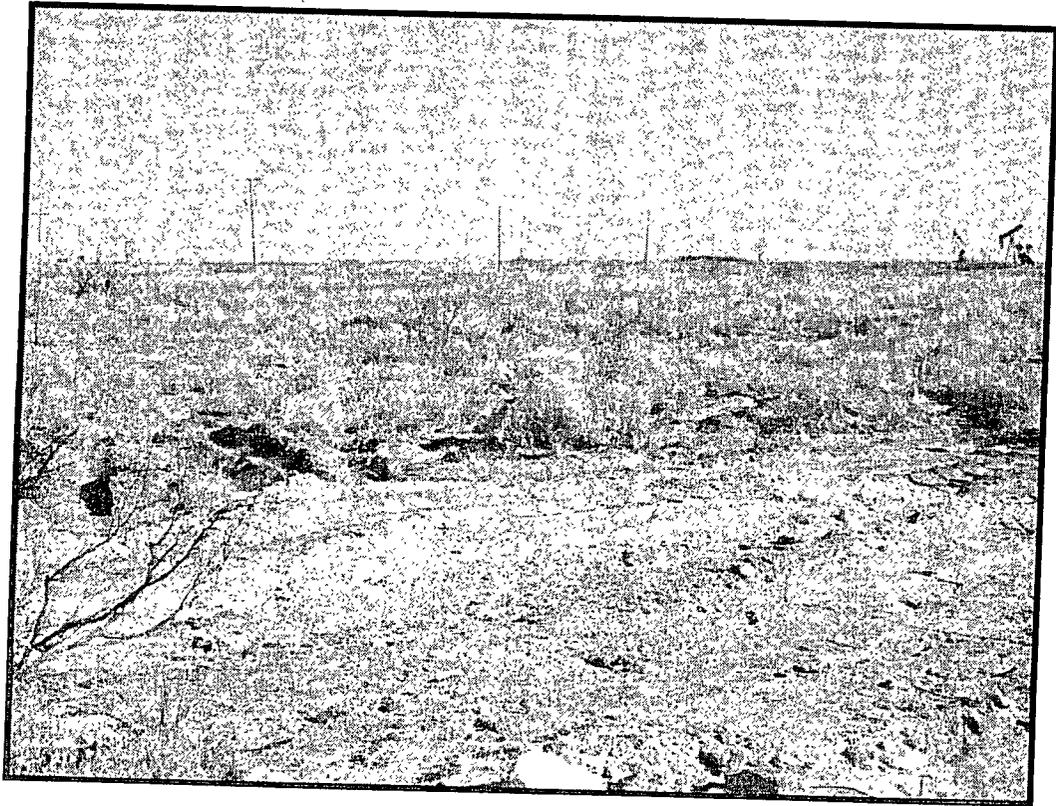
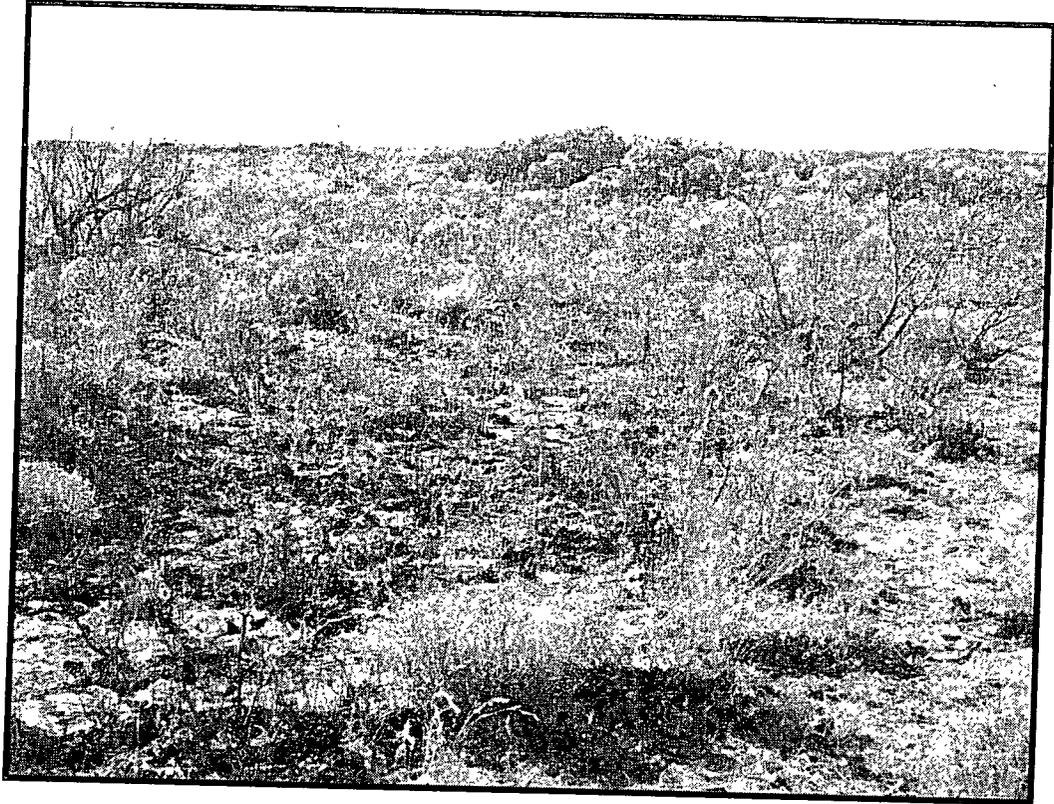
Appendix A

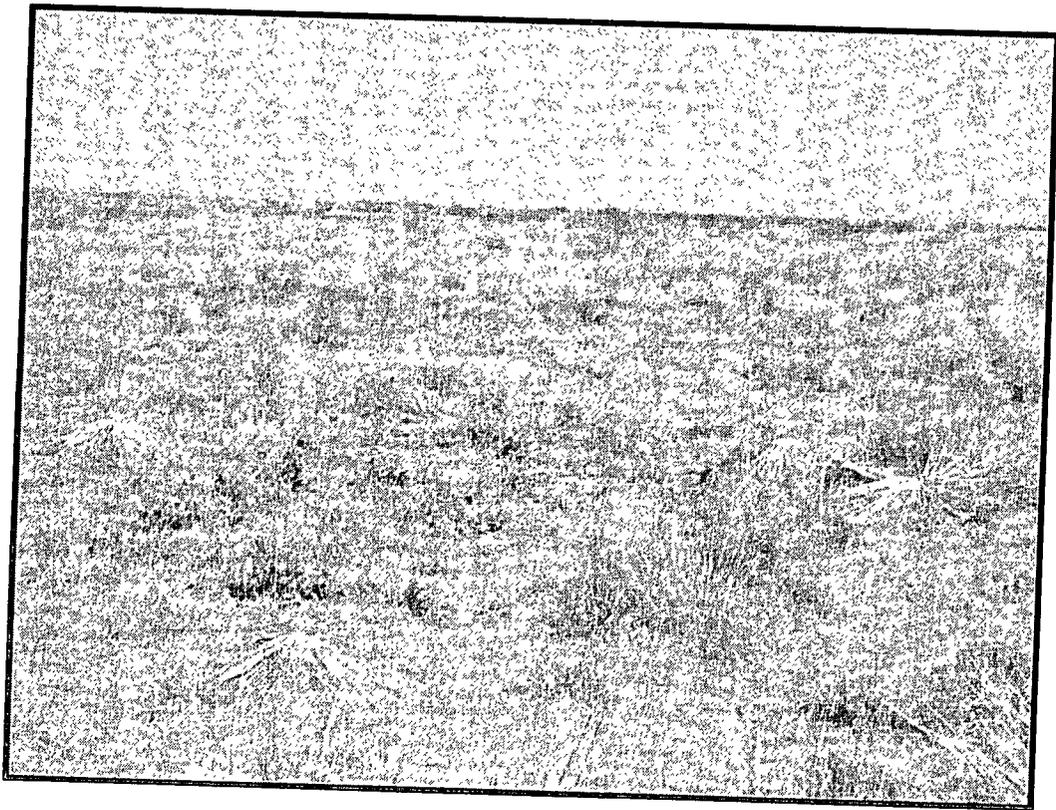
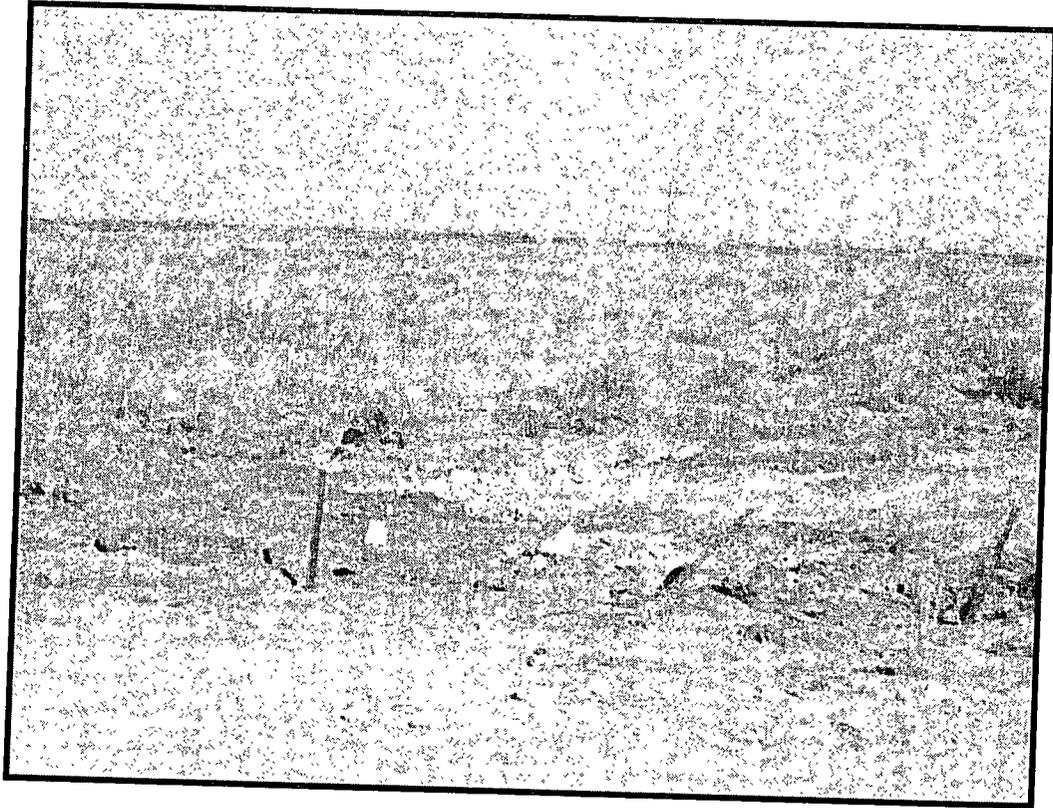
Analytical Results

**Appendix B
Site Photos**









District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 87010
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

Form C-141
Revised October 10, 2003

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

JUL 13 2007
OCD-ARTESIA
Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

30-015-05688
05687

Release Notification and Corrective Action

228051

OPERATOR

Initial Report Final Report

Name of Company Americo Energy Resources, LLC	Contact Oscar Nosrati
Address 7575 San Felipe, #200, Houston, TX 77063	Telephone No. 713-984-9700
Facility Name East Shugart Unit #16 Injection Well	Facility Type Injection Well
Surface Owner BLM #15	Mineral Owner BLM
Lease No. NM-10192	

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
F	34	18 S	31 E	2,310	North	2,310	West	Eddy

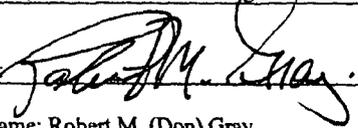
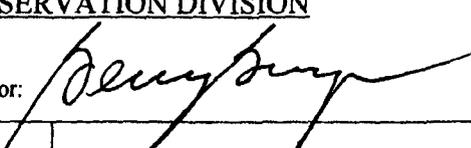
Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced water and oil	Volume of Release 150 bbls.	Volume Recovered 130 bbls.
Source of Release	Date and Hour of Occurrence 6/24/07 a.m.	Date and Hour of Discovery 6/24/07 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? Don Gray	Date and Hour 6/25/07 1:20 p.m.	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. N/A	
If a Watercourse was Impacted, Describe Fully.* N/A		
Describe Cause of Problem and Remedial Action Taken.* Injection well supply line ruptured. Replaced line.		
Describe Area Affected and Cleanup Action Taken.* 150 total bbls of fluid (+/- 95% salt water) released predominantly on road and pad with approximately a 30' x 100' additional area affected. Contracted Quannah Services' vacuum trucks to recover fluid. Successfully recovered approximately 90% of released fluid.		

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: Robert M. (Don) Gray	Approval Date: JUL 13 2007	Expiration Date:
Title: Land Manager	Conditions of Approval:	
E-mail Address: don.gray@americoenergy.com	Attached <input checked="" type="checkbox"/>	
Date: 7/6/07	Phone: 713-984-9700	

* Attach Additional Sheets If Necessary

PSEB0807332803

2RP-146



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 13, 2007

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

ATTN: Mr. Don Gray

RE: East Shugart Unit #16, API 30-015-05688

05687

Dear Sir:

This office is in receipt of your C-141 on the produced water release, on 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 August 13, 2007, completion of remedial 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.

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

Sincerely,


Gerry Guye
Deputy Field Inspector
NMOCD District II, Artesia
(505) 748-1283 ext 105
Cell (505) 626-0843
e-mail: gerry.guye@state.nm.us

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