

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14189
ORDER NO. R-13058**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR A COMPLIANCE ORDER AGAINST AMERICO ENERGY RESOURCES, LLC, FINDING OPERATOR IN NON-COMPLIANCE WITH RULE 19.15.3.201 AS TO TWELVE WELLS AND RULE 19.15.101 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.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 30, 2008, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 20th day of November, 2008, the Oil Conservation Division ("Division") Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The Division seeks an order requiring Americo Energy Resources, LLC ("Americo" or "Operator") to bring the FOLLOWING TWELVE (12) SUBJECT WELLS in Eddy and Lea Counties, New Mexico, into compliance with Division Rule 201 by date certain.

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 Devonian B 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) Should Americo fail to comply with Division Rule 201 by a date set in the order, the Division should be authorized to:

- (a) plug and abandon the subject wells and reclaim the well locations;
- (b) forfeit any applicable financial assurance for plugging and reclamation costs and;
- (c) take necessary and appropriate measures to recover from the operator any costs of plugging the subject wells and cleanup of the well sites in excess of the amount of any applicable financial assurance.

(4) The Division also seeks single-well financial assurance on the State T Devonian B Well No. 009 (API 30-025-25570) in the amount of \$17,800.

(5) In accordance with Division rules, notice of this hearing was mailed to the operator and to the applicable sureties, Texas Capital Bank, N. A. and Lexon Insurance Company.

(6) The operator and Celero Energy appeared at the hearing through Legal Counsels.

(7) The Division appeared through Legal Counsel and presented the following testimony:

- (a) Since May 2005 the Division has tried to work with Americo (OGRID 228051) unsuccessfully.
- (b) During that time the Division and Americo drafted two Agreed Compliance Orders (ACO).
- (c) Both times, operator failed to meet the ACO conditions they agreed to.

(d) A hearing on the request for a waiver of penalties in Case No. 13819 was held, and Americo failed to attend. Hearing Order R-12685 was issued and ordered Americo to pay the Division the \$3,000 in penalties due under the agreed compliance order 70-A. Should Americo fail to pay the penalties within 30 days the Division will be authorized to collect up to \$1,000 per day per well in additional penalties.

(e) The above mentioned 12 wells have not produced in years and have not been returned to active status, placed in approved temporary abandonment status, or plugged and abandoned as required by the Division in Rule 201 for wells inactive longer than 1 year plus 90 days.

(f) State T Devonian B Well No. 009 has had no reported production in over two years and, accordingly, Division Rule 101 requires that a single well bond be posted for that well.

(8) Americo presented evidence indicating that:

(a) Americo is aware that there are 12 wells that are subject of this application as mentioned by the Division.

(b) Mr. Nosrati testified he would have no problems bringing the 12 wells back into compliance by May 1, 2009.

(c) Three different times during the hearing Mr. Nosrati said Americo would take care of the additional bond of \$17,800 immediately. At one time Mr. Nosrati said it would be taken care of as soon as he gets back to Houston.

(9) The evidence and testimony presented concerning these 12 wells shows this operator has knowingly been in violation of Division Rules 101 and 201.

(10) Americo should be formally required to bring these 12 wells into compliance with Rule 201 [19.15.4.201 NMAC] on or before May 1, 2009, by placing the wells back into production, placing them in approved temporary abandonment status, or plugging and abandoning the wells.

(11) Should Americo Energy Resources, LLC not meet these compliance deadlines, the Division should then be authorized to (i) plug and abandon the subject wells in accordance with a Division-approved plugging program, (ii) forfeit any applicable bond or letter of credit for plugging and abandonment costs, (iii) take necessary and appropriate measures to recover from the operator any costs of plugging the subject wells and restoring the locations, in excess of the amount of any applicable financial assurance.

IT IS THEREFORE ORDERED THAT:

(1) Americo Energy Resources, LLC ("operator") [OGRID 228051] is hereby directed to bring the following 12 wells into compliance with 19.15.4.201 NMAC on or before May 1, 2009:

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
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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

(2) Prior to beginning work on these wells, the operator shall obtain approval for any such work from the supervisor of the Division's district office and shall notify the District Office of the date and time this work is to commence so the Division may witness the work.

(3) In the event the operator fails to bring these 12 wells into compliance as directed above or obtain, prior to May 1, 2009, from the Division Director, approval of a schedule to bring these wells into compliance, then:

(a) the Division is authorized to plug and abandon the subject wells and reclaim the well locations;

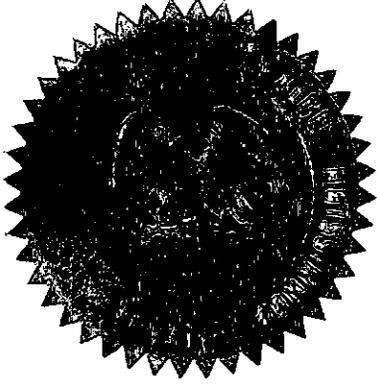
(b) the Division is authorized to forfeit any applicable financial assurance for plugging and abandonment and reclamation costs; and

(c) the Division is authorized to take necessary and appropriate measures to recover from the operator any costs of plugging the subject wells and cleanup of the well sites in excess of the amount of any applicable financial assurance.

(4) Operator shall pay single-well financial assurance on the State T Devonian B Well No. 009 (API 30-025-25570) in the amount of \$17,800 by December 15, 2008.

(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director