

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,

Mike Bratcher

NMOCD District 2

1301 W. Grand Ave.

Artesia, NM 88210

(575) 748-1283 Ext.108

mike.bratcher@state.nm.us

2RP-144

Oil Conservation Division

1301 West Grand • Artesia, New Mexico 88210

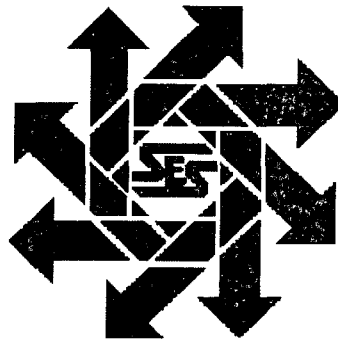
Phone (575) 748-1283 • Fax (575) 748-9720 • www.emnrd.state.nm.us/OCD



MAR 04 2008
OCD-ARTESIA

**Americo Energy Resources
East Shugart Unit #56
Work Plan
Unit G, Section 35, Township 18S, Range 31E
Eddy County, New Mexico**

February 25, 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***

2RP-144

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I. Company Contacts

NAME	Company	Telephone	E-mail
Oscar Nosrati	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 #56 spill site. On November 19, 2007 an injection valve failure caused a release of approximately 200 barrels of produced fluids. A vacuum truck was utilized to recover 145 barrels of produced water and 5 barrels of oil.

III. Surface and Ground Water

The closest groundwater of record is in Section 34 of the same Range and Township. The depth of water in this well was 261' in March of 1994.

IV. Work Performed

On January 25, 2008 samples were retrieved in two areas of the spill, utilizing a hand auger. The samples were taken at a depth of 1' and 2' below ground surface. Field analysis was performed on each of the samples to determine the chloride concentrations. The results of the analysis were as follows:

Depth	AH#1	AH#2
1'	2956 ppm	6012 ppm
2'	1832 ppm	1300 ppm

On February 7, 2008 a borehole was installed via auger rig to complete the delineation of the site. Grab samples were collected at Borehole #2 in intervals of 5'. Field analysis was performed on each sample to determine the chloride concentrations. The analysis results were as follows:

Depth	BH#2
5'	4300 ppm
10'	124 ppm
15'	152 ppm

A comparative sample of BH#2 – 10' was collected and transported under Chain of Custody to Argon Labs for chloride analysis. The borehole was then plugged with 6 bags of bentonite and hydrated.

Date	Sample ID	Cl ⁻ mg/kg
2/7/08	BH #2 10'	75

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

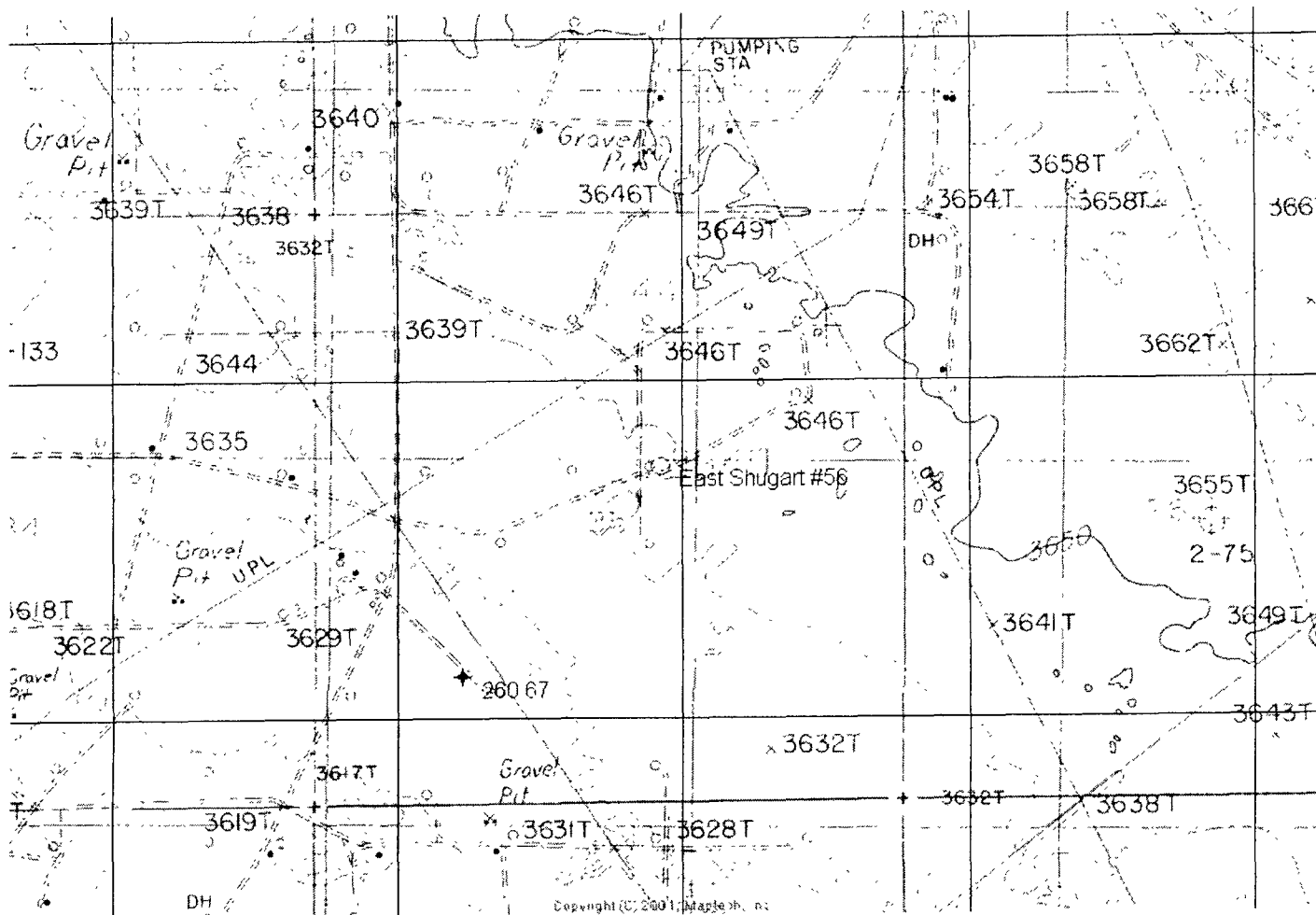
Appendix A – C-141

Appendix B – Analytical Results

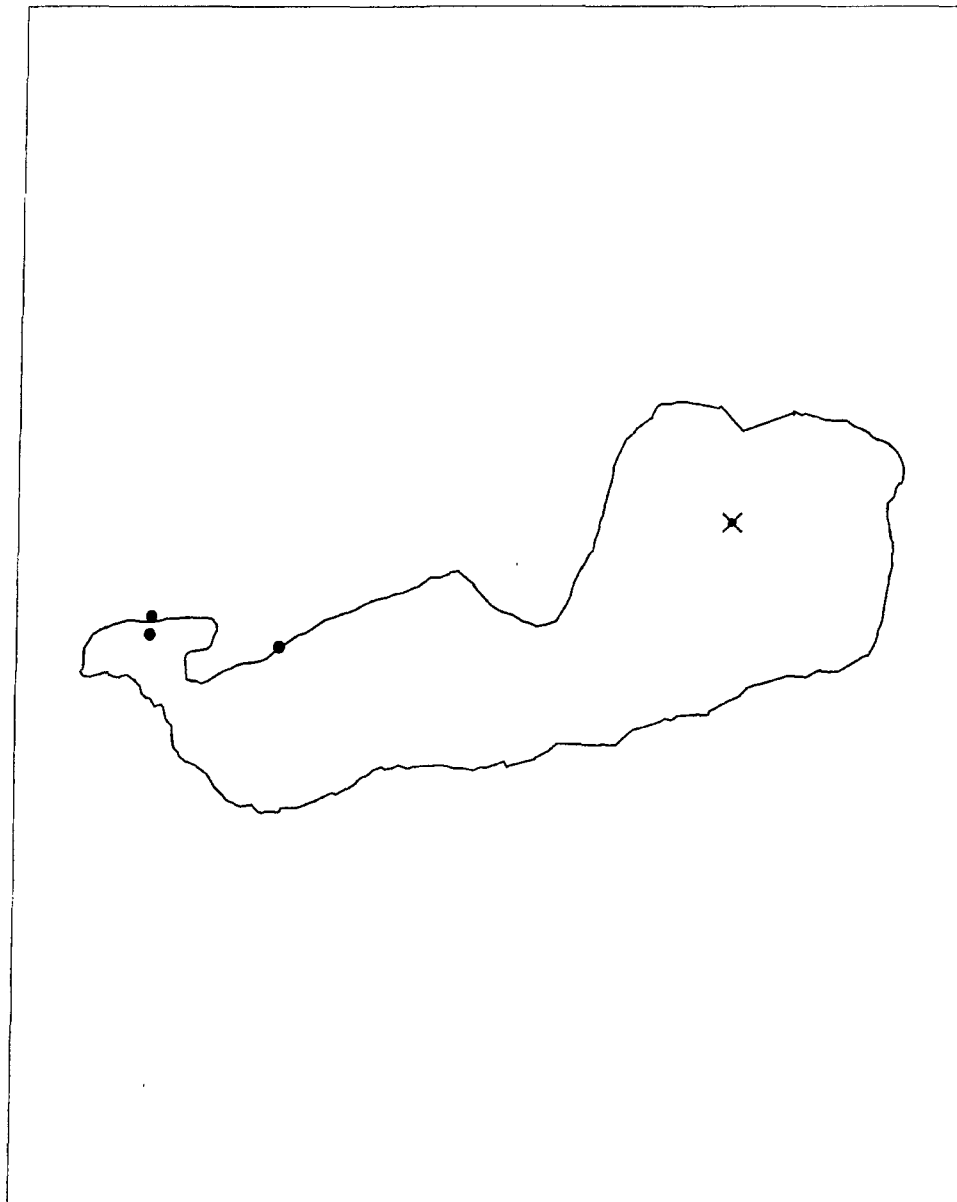
Appendix C – Site Photos

Figure 1

Vicinity Map



**Figure 2
Site Plan**



Amercio East Shugart #56

Lat/Long
WGS 1984

N

Scale 1:1,000
0 125.0
Feet

Site Plan.ssf
1/30/2008

GPS Pathfinder[®] Office
 **Trimble**[™]

Appendix A

C-141

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
DEC 14 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

30-015-27949

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 #56	Facility Type Injection Well Valve

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

Unit Letter G	Section 35	Township 18S	Range 31E	Feet from the 2250	North/South Line FNL	Feet from the 1910	East/West Line FEL	County Eddy
------------------	---------------	-----------------	--------------	-----------------------	-------------------------	-----------------------	-----------------------	----------------

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced oil and salt water	Volume of Release 200 bbls.	Volume Recovered 150
Source of Release Failed injector valve	Date and Hour of Occurrence 11/19/2007 night	Date and Hour of Discovery 11/19/2007 8:00 a.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 via voicemail	
By Whom? Don Gray	Date and Hour 2:55 p.m. 11/19/2007	
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.*

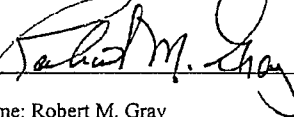
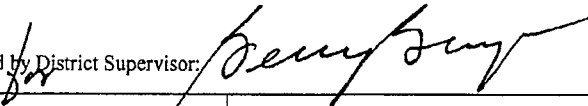
Describe Cause of Problem and Remedial Action Taken.*

Injector valve failed . Release consisted of approximately 194 bbls of saltwater and 6 bbls of oil. Valve repaired.

Describe Area Affected and Cleanup Action Taken.*

Approximately 80' x 100' area on pad, 10' x 100' on road and 50' x 60' off road or pad affected by release. Called vacuum truck which recovered 145 bbls of water and 5 bbls of oil. Soil 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: DEC 18 2007 Expiration Date:	
E-mail Address: don.gray@americoenergy.com		Conditions of Approval:	
Date: 12/7/2007 Phone: 713-984-9700		Attached <input checked="" type="checkbox"/>	

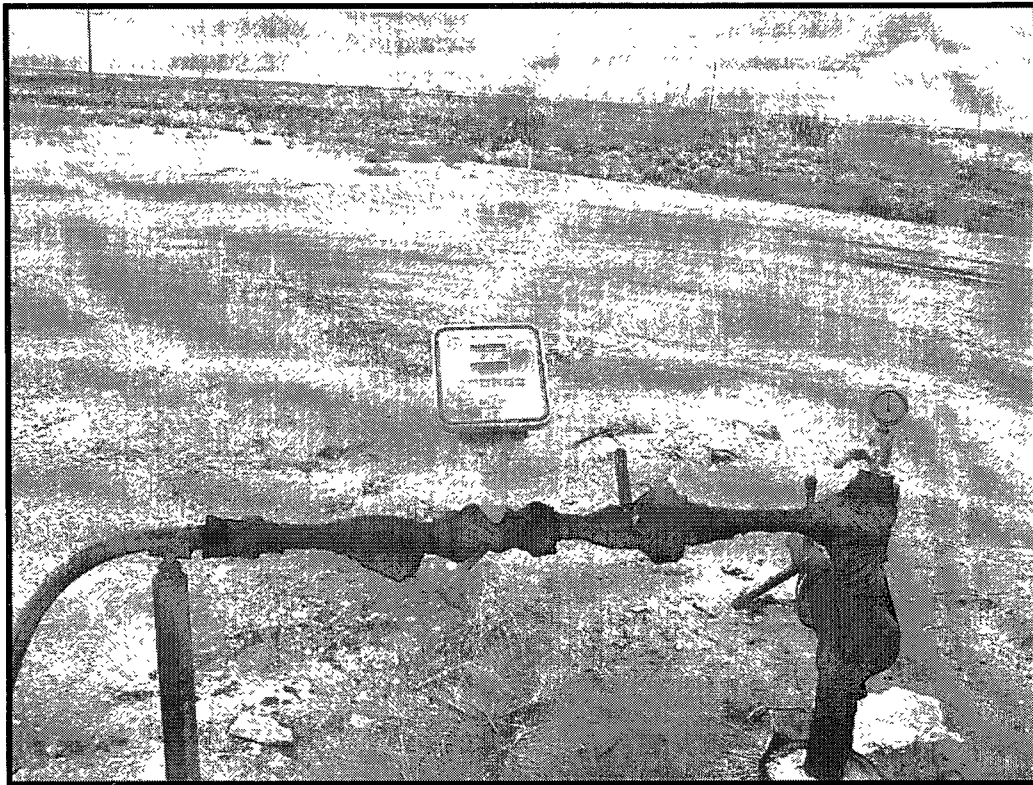
* Attach Additional Sheets If Necessary

Appendix B

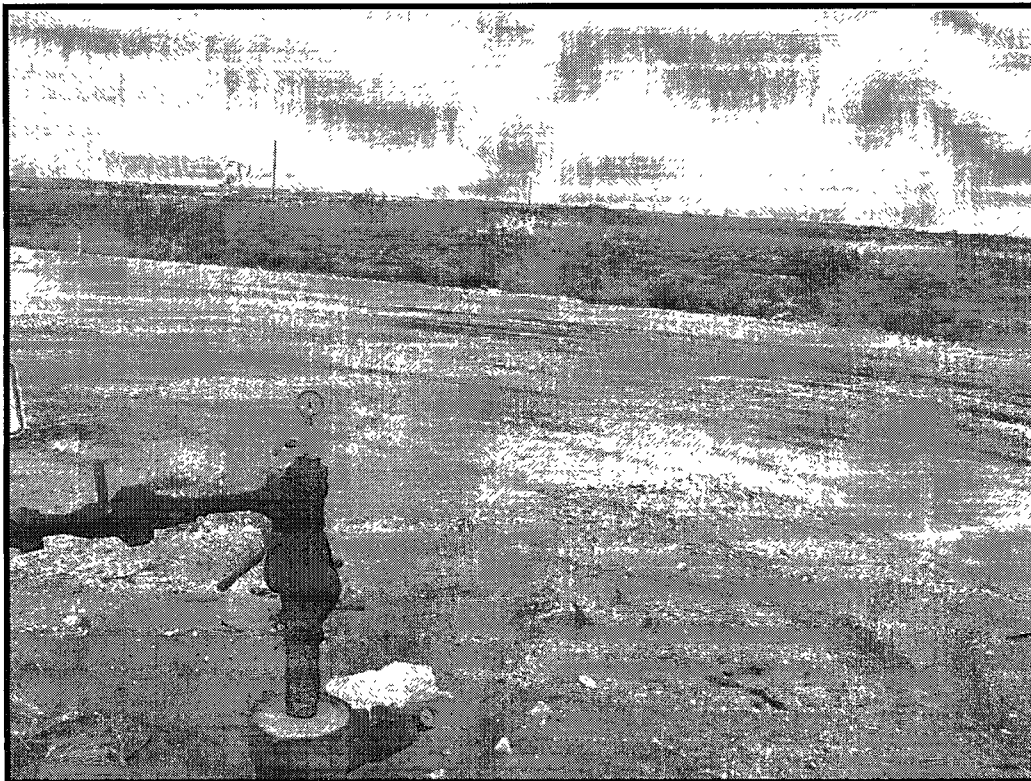
Analytical Results

Appendix C

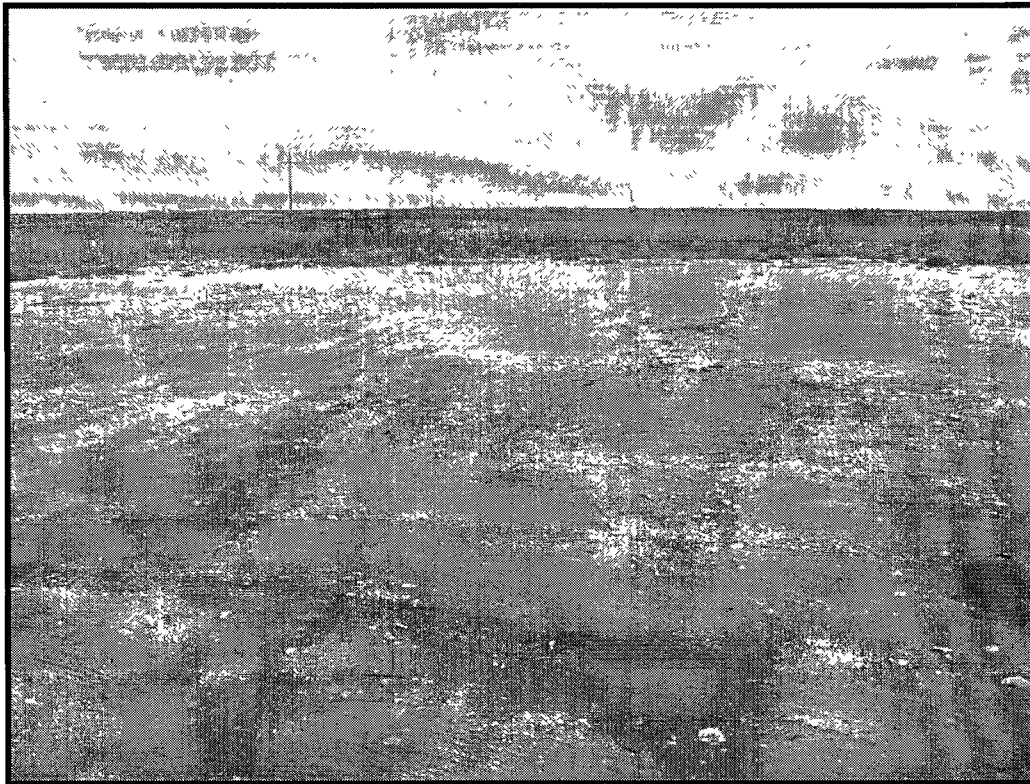
Site Photos



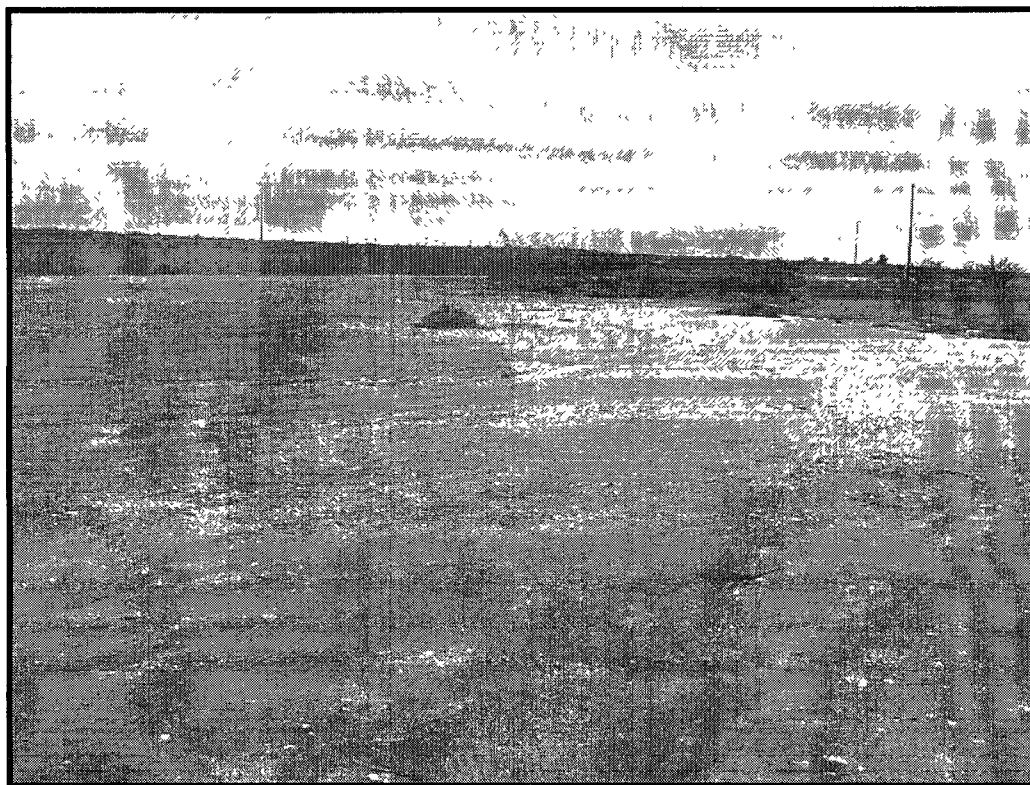
Injector well facing Northeast



Injector well facing North



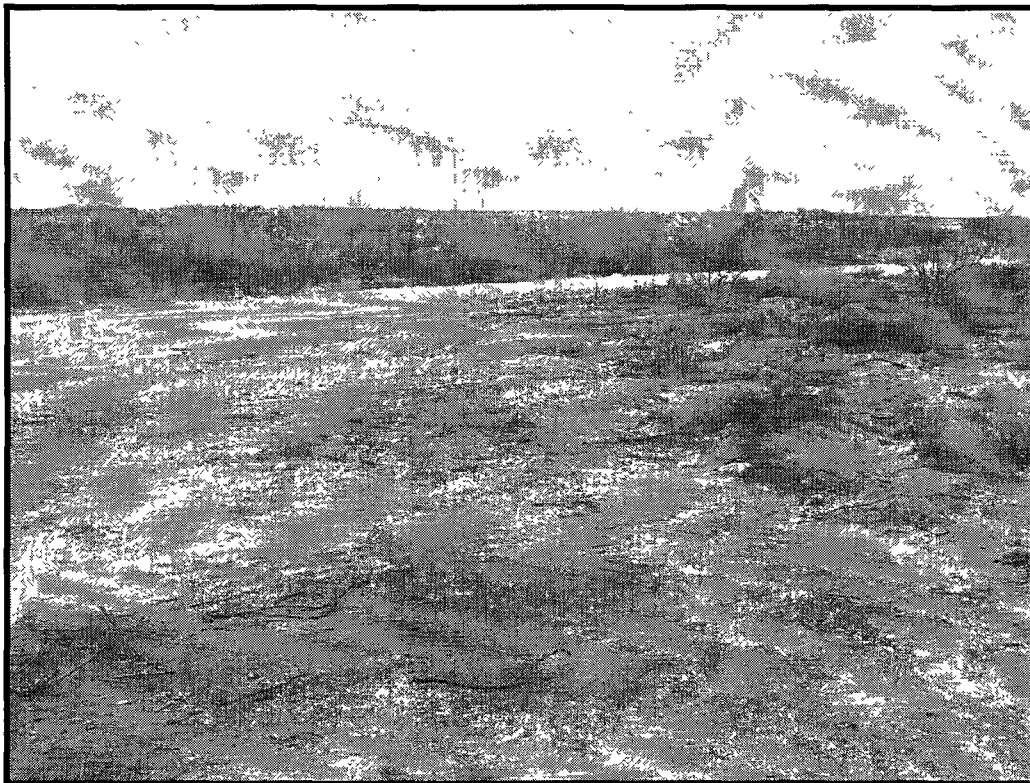
Well pad facing South



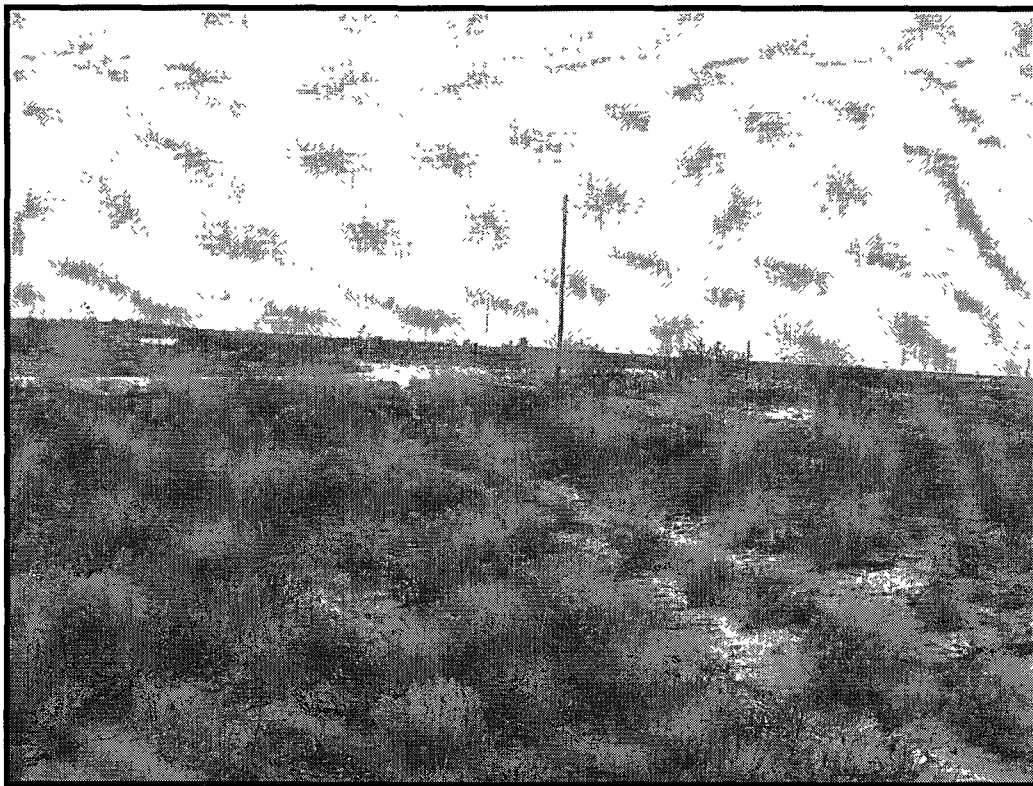
Well pad facing Southwest



Contamination area facing West



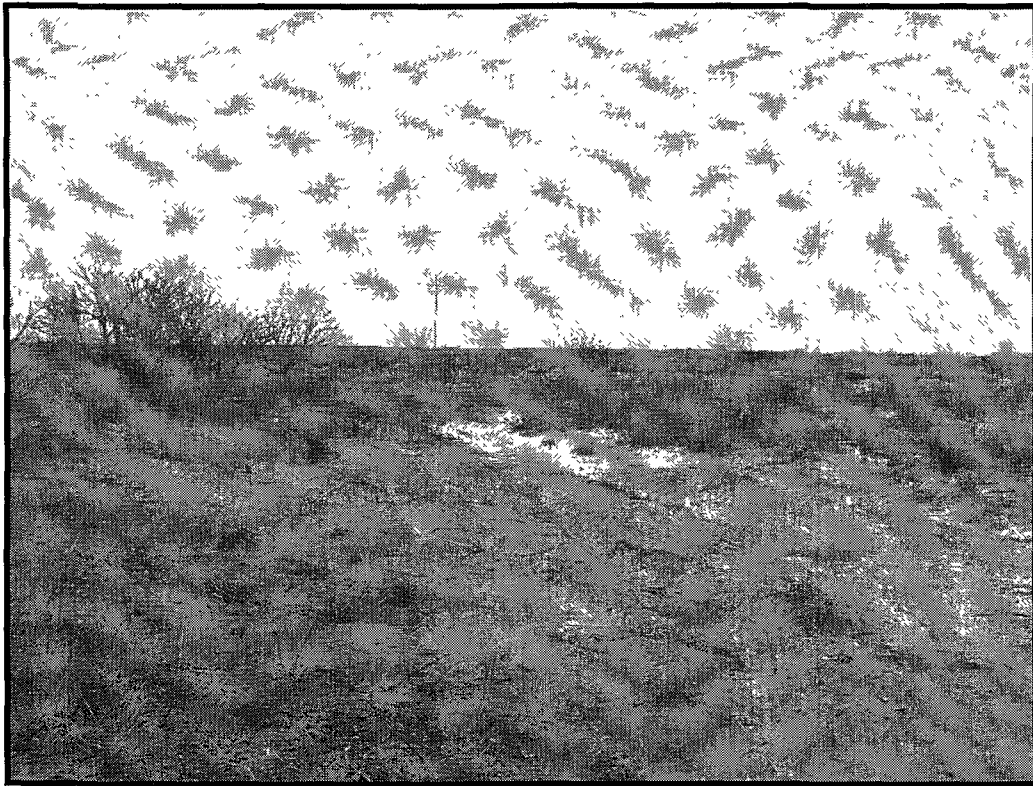
Contamination area facing South



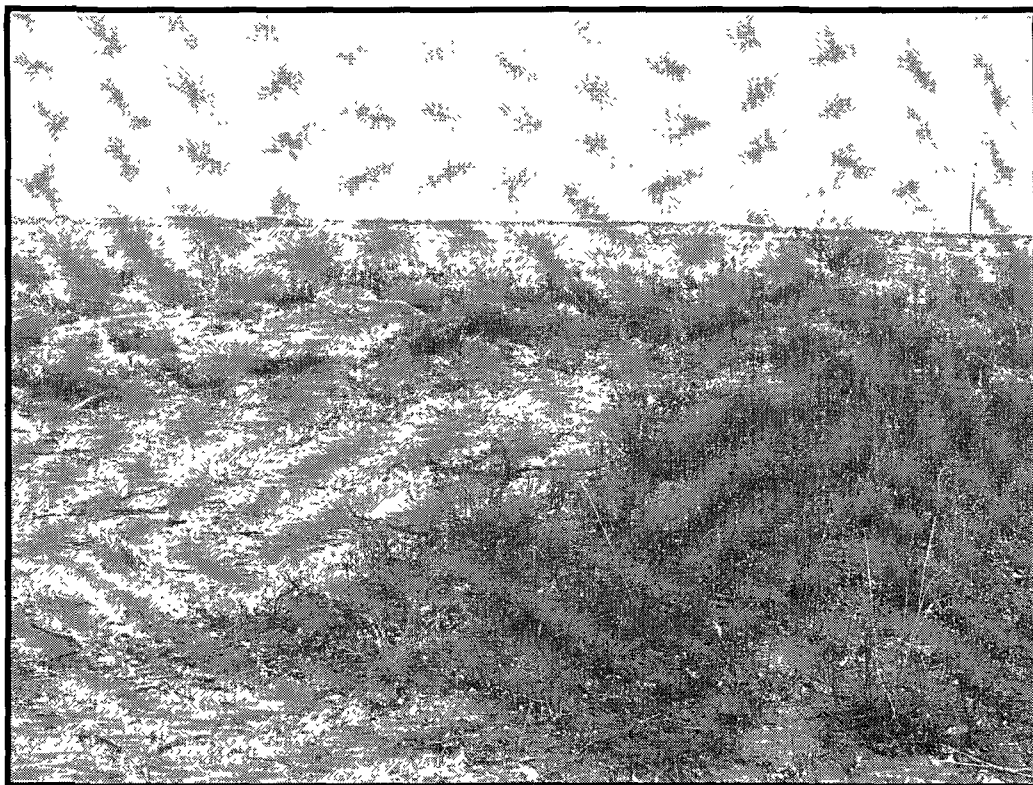
Contamination area (West of injection well) facing West



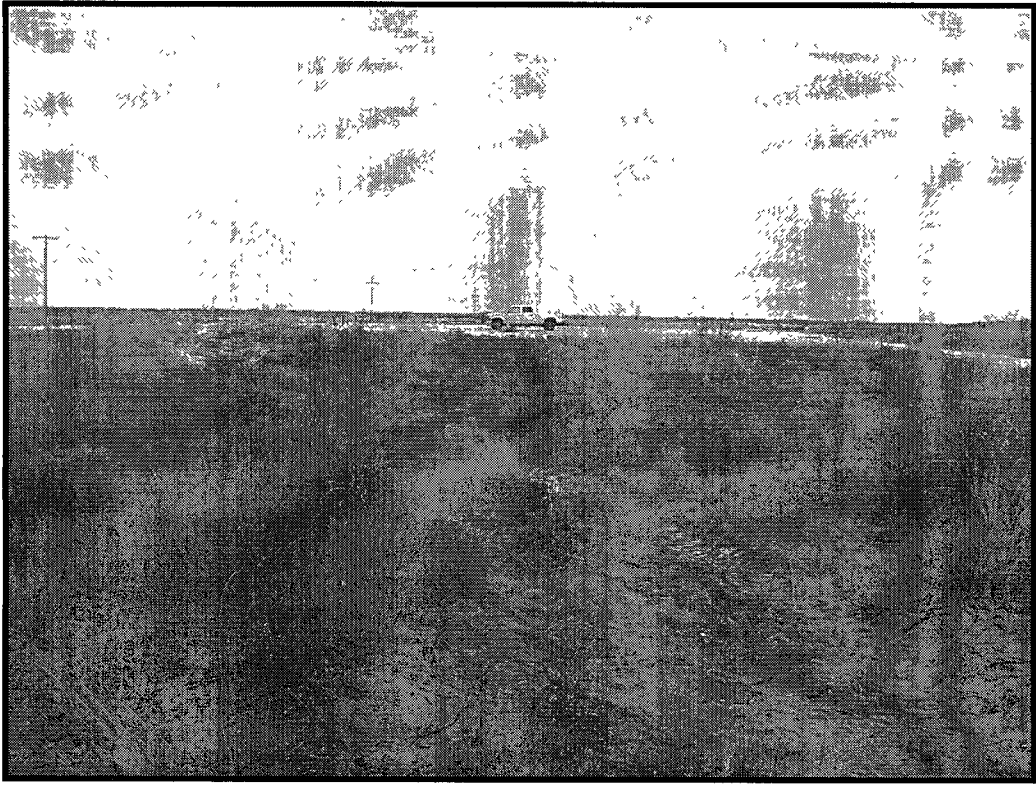
Contamination area (West of injection well) facing West



Contamination area facing Northwest



Contamination area facing East



Area facing East

argon laboratories

14 February 2008

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

RE East Shugart Unit #56 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

Argon Labs

PROJECT HISTORY

1064

0802006

AME-08-003
East Sugar #56
Eddy, Co
Brian Cheller

SESI
703 E. Clinton
SOS-397-0510

[Signature]

SAME

X

-10

BH#2.10' 2-7-08 0950

1 Soil

X

COMMENTS

-01

[Signature]

2/8/08 0630 Don Eddleton 2/8/08 0630

ANMCO2-2438



2126 W Marland Ave , Hobbs, NM 88240 (505)397-0295 Fax (505)397-0296

Safety & Environmental Solutions, Inc

Project Number AME-08-003

703 E Clinton Ave

Project Name East Shugart Unit #56

Work Order No

Hobbs, NM 88240

Project Manager Bob Allen

C802006

ANALYTICAL REPORT FOR SAMPLES

Sample ID	Laboratory ID	Matrix	Date Sampled	Date Received
BH #2 10'	C802006-01	Soil	02/07/08 09 50	02/08/08 18 30

Approved By

Argon Laboratories, Inc

QC Officer



2126 W Marland Ave , Hobbs, NM 88240 (505)397-0295 Fax (505)397-0296

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

Project Number AME-08-003
Project Name East Shugart Unit #56
Project Manager Bob Allen

Work Order No
C802006

Anions by Ion Chromatography - EPA Method 300.0

Analyte	Result	Reporting		Units	Dilution	Analyzed	Method	Notes
		Limit						
BH #2. 10' (C802006-01) Soil Sampled: 02/07/08 09:50 Received: 02/08/08 18:30								
Chloride	75	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-08-003
Project Name East Shugart Unit #56
Project Manager Bob Allen

Work Order No
C802006

Anions by Ion Chromatography - EPA Method 300.0 - Quality Control

Argon Laboratories

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	RPD	Notes
---------	--------	-----------------	-------	-------------	---------------	------	-----	-------

Batch CR00020 - General Prep

Blank (CR00020-BLK1)

Prepared & Analyzed 02/13/08

Chloride	ND	10	mg/kg
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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
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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
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Approved By
Argon Laboratories, Inc

QC Officer



2126 W Marland Ave , Hobbs, NM 88240 (505)397-0295 Fax (505)397-0296

Safety & Environmental Solutions, Inc

703 E Clinton Ave

Hobbs, NM 88240

Project Number AME-08-003

Project Name East Shugart Unit #56

Project Manager Bob Allen

Work Order No

C802006

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

DEC 14 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

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 #56	Facility Type Injection Well Valve	
Surface Owner BLM	Mineral Owner BLM	Lease No.

LOCATION OF RELEASE

Unit Letter G	Section 35	Township 18S	Range 31E	Feet from the 2250	North/South Line FNL	Feet from the 1910	East/West Line FEL	County Eddy
------------------	---------------	-----------------	--------------	-----------------------	-------------------------	-----------------------	-----------------------	----------------

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced oil and salt water	Volume of Release 200 bbls	Volume Recovered 150
Source of Release Failed injector valve	Date and Hour of Occurrence 11/19/2007 night	Date and Hour of Discovery 11/19/2007 8 00 a 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 via voicemail	
By Whom? Don Gray	Date and Hour 2 55 p.m 11/19/2007	
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.*

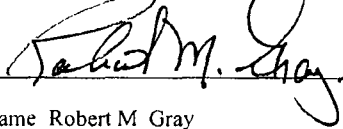
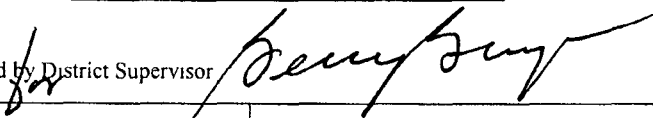
Describe Cause of Problem and Remedial Action Taken.*

Injector valve failed . Release consisted of approximately 194 bbls of saltwater and 6 bbls of oil. Valve repaired

Describe Area Affected and Cleanup Action Taken.*

Approximately 80' x 100' area on pad, 10' x 100' on road and 50' x 60' off road or pad affected by release. Called vacuum truck which recovered 145 bbls of water and 5 bbls of oil Soil 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 for District Supervisor 	
Title Land Manager	Approval Date DEC 18 2007	Expiration Date.
E-mail Address don.gray@americoenergy.com	Conditions of Approval	Attached <input checked="" type="checkbox"/>
Date 12/7/2007 Phone 713-984-9700		

* Attach Additional Sheets If Necessary

PSEB0807156167

2RP-144

Guye, Gerry, EMNRD

From: Guye, Gerry, EMNRD
Sent: Tuesday, December 18, 2007 11:12 AM
To: Nosrati, Oscar
Subject: C-141 on East Shugart Unit #56

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 January 18, 2008**, completion of a remediation work plan should be finalized and submitted to the Division, summarizing all actions taken or to be taken to mitigate environmental damage related to the leak, spill or release, 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.

Gerry Guye
Compliance Officer
NMOCD - Artesia
Office (505)748-1283x105
Mobile (505)626-0843
E-Mail: gerry.guye@state.nm.us

12/18/2007