

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-122

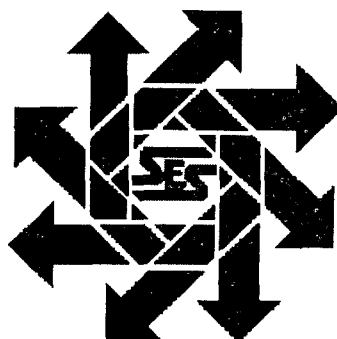


MAR 04 2008
OCD-ARTESIA

**Americo Energy Resources
East Shugart Unit #72
Work Plan
Unit L, Section 35, Township 18S, Range 31E
Eddy County, New Mexico**

February 25, 2008

2RP-122



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 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 #75 spill site. This is an injection well located in Unit L, Section 35, Township 18S, range 31E. On October 5, 2007 a trunk line failure caused the released of approximately 505 barrels of produce water. A vacuum truck was utilized to recover 240 barrels of fluid.

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 24, 2008 samples were retrieved unitizing a hand auger in three areas of the spill. Grab samples were taken at the surface and at depths 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:

Sample point	Chlorides
AH #1 Surface	656
AH #1 2'bgs	552
AH #2 Surface	772
AH #2 1 ½'bgs	1,372
AH #3 Surface	1,372
AH #3 1'bgs	152

On February 12, 2008 a test trench was installed in the area of Auger Hole #2 to further delineate the site. Grab samples were collected from the 4' and 6' depths. Field analysis was performed on each sample to determine the chloride concentrations. The analysis results were as follows:

Depth	TT#2
4'	476 ppm
6'	236 ppm

Confirmation samples were retrieved from TT #2 at 6'. This sample was transported under Chain of Custody to Argon Laboratory of Hobbs, New Mexico for analysis. The result of the analysis was as follows:

Date	Sample	Cl ⁻
------	--------	-----------------

	ID	mg/kg
2/12/08	TT #2 6'	180

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 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

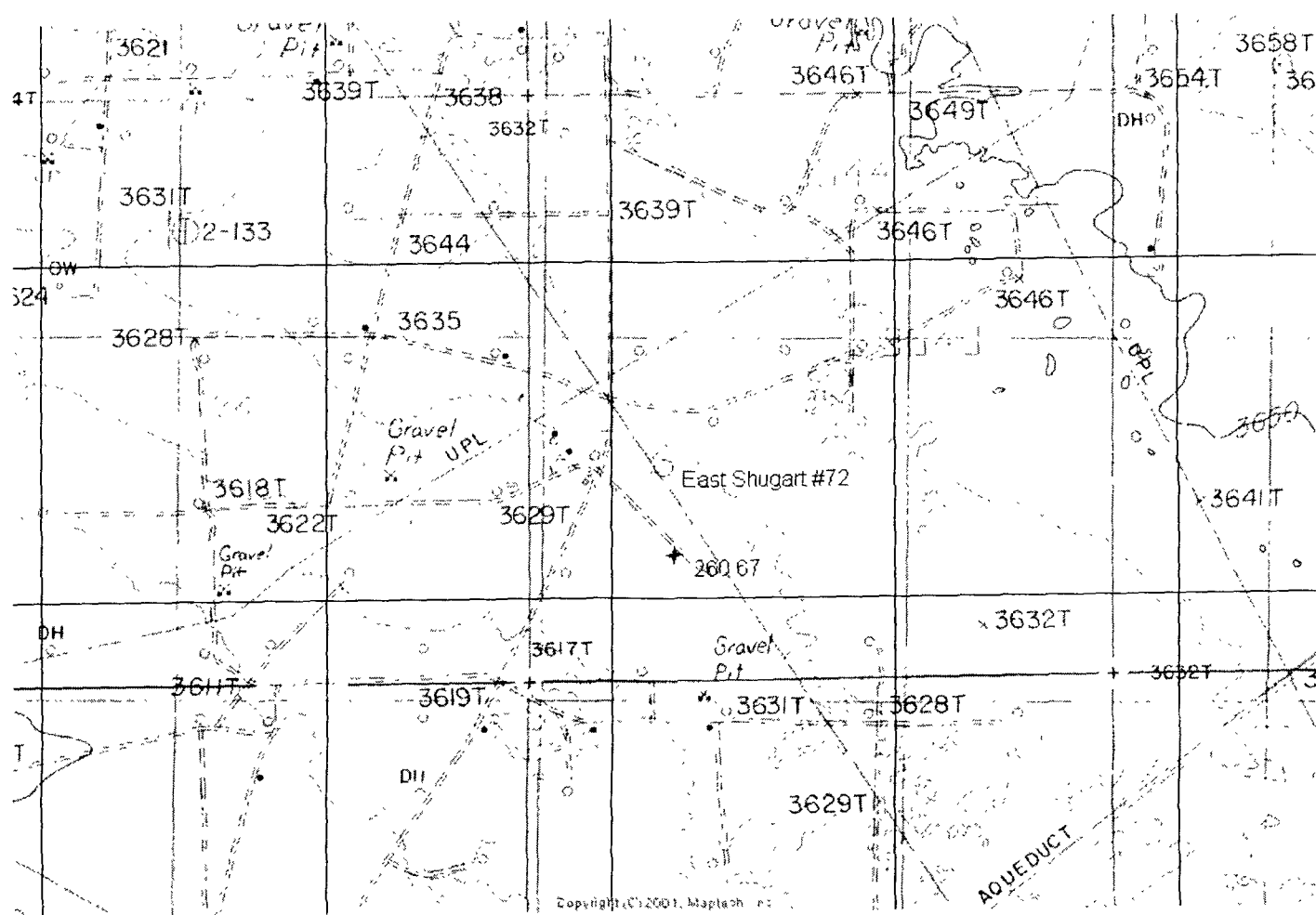
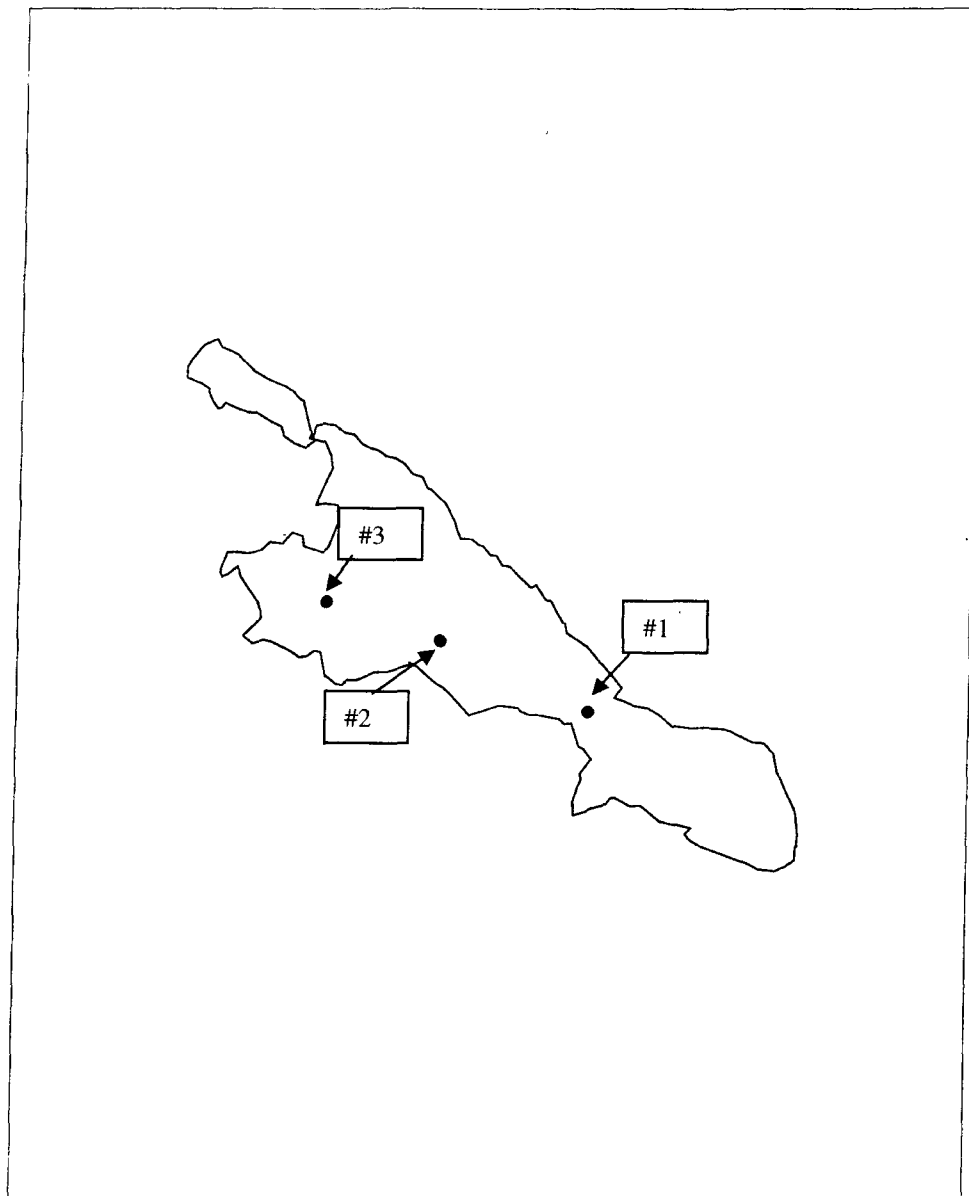


Figure 2 Site Plan



Americo East Shugart #72

Lat/Long
WGS 1984

N

Scale 1:500
0 60.00
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

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	Contact: Don Gray
Address: 7575 San Filipe Ste 200, Houston Tx 77063	Telephone No.: 713-984-9700
Facility Name: ESU # 72 -	Facility Type: Injection water line

Surface Owner: BLM	Mineral Owner: BLM	Lease No.: LC-03473
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LOCATION OF RELEASE

Unit Letter L	Section 35	Township 18-S	Range 31-E	Feet from the 1650'	North/South Line South	Feet from the 1150'	East/West Line West	County Eddy
------------------	---------------	------------------	---------------	------------------------	---------------------------	------------------------	------------------------	----------------

Latitude 32.701350 Longitude 103.844550

NATURE OF RELEASE

Type of Release: Produced water and skim oil	Volume of Release: ~505 bbl	Volume Recovered: 240 bbl
Source of Release: 2' Trunk Line	Date and Hour of Occurrence: 10/5/07	Date and Hour of Discovery: 10/5/07
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not Required	If YES, To Whom?	
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.*

N/A

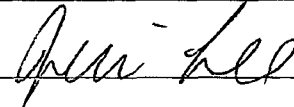
Describe Cause of Problem and Remedial Action Taken.*

Failure of the trunk line. The line was closed in.

Describe Area Affected and Cleanup Action Taken.*

The spill affected approximately 4,732 sq.ft. SESI has been contacted to delineate and compose workplan

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: Jerri Lee	Approved by District Supervisor:	
Title: Consultant/SESI	Approval Date:	Expiration Date:
E-mail Address: office@sesi-nm.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 1-31-08 Phone: 575-397-0510		

* Attach Additional Sheets If Necessary

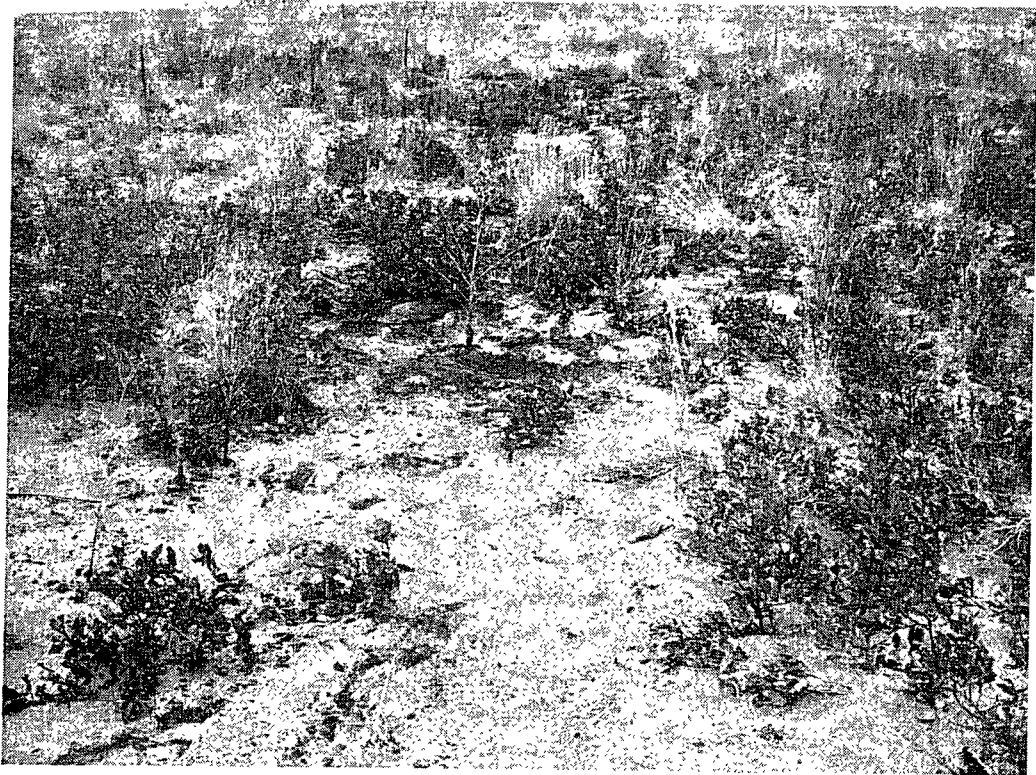
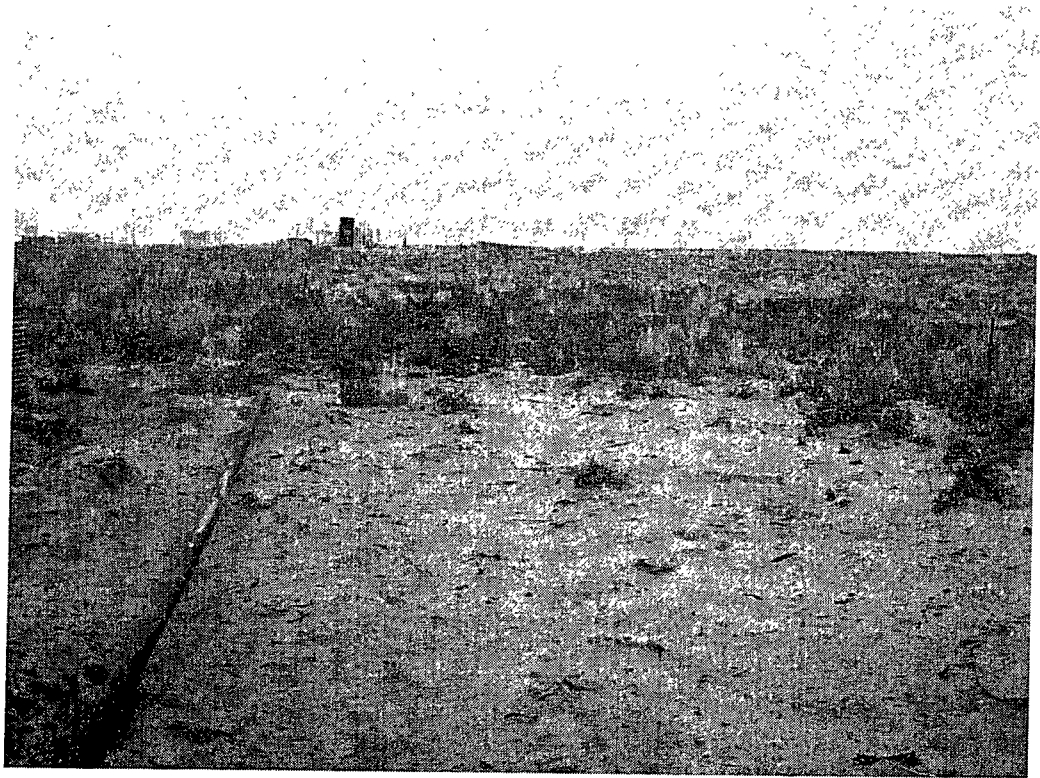
Appendix B

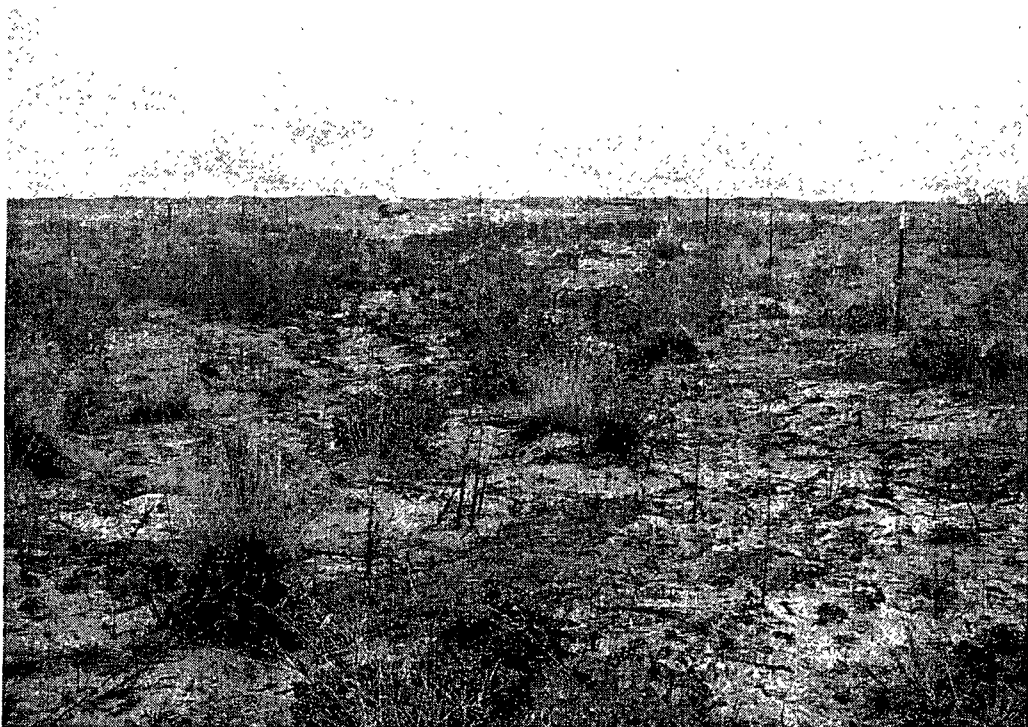
Analytical Results

Appendix C

Site Photos









argon laboratories

18 February 2008

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

RE: East Shugart Unit #72 Project Data

Enclosed are the results for sample(s) received on 02/12/08 15:50 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

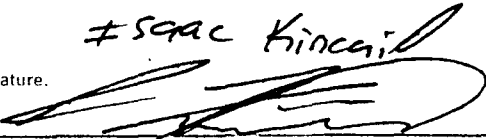

2126 W. Maryland Ave. • P.O. Box 1078 • Hobbs, NM 88240

(505) 397-0205 • (505) 397-0206 • Fax: (505) 397-0207

CHAIN OF CUSTODY

1067

0802008

Project No: AME-08-004 Project Title: AMERICO EAST Shugart #72 Location: Loco Hills, NM				Client: SLESE Address: 703 W Clinton Contact: Hobbs, NM 88240 Phone: (575) 357-0510 Fax: (575) 397-4366 Bill To:															
Sampler's Name: #SAC Kincaid (print) Sampler's Signature: 				Client Address: Same															
TURN AROUND TIME RUSH <input type="checkbox"/> 24 Hour <input type="checkbox"/> 48 Hour <input type="checkbox"/> other <input type="checkbox"/> Standard (5 days) <input checked="" type="checkbox"/>					ANALYSIS chlorides TPH 418.1														
Sample ID: Spot JT #16's										Date: 2/12/08 Time: 0940									
# Containers: 1 Matrix: Soil										COMMENTS: -01									
Relinquished By: 										Date: 2/12/08 Time: 1550									
Relinquished By:										Date: Time:									
Relinquished By:										Date: Time:									

ANMGO2-2444

Argon Laboratories Sample Receipt Checklist

Client Name: Safety & Environmental Solutions, Inc. Date & Time Received: 02/12/08 15:50

Project Name: Americo East Shugart Client Project Number: AME-08-004

Received By: JE Matrix: Water ☐ Soil ☒ Sludge ☐

Sample Carrier: Client ☒ Laboratory ☐ Fed Ex ☐ UPS ☐ Other ☐

Argon Labs Project Number: C802008

Shipper Container in good condition? N/A ☐ Yes ☒ No ☐ Samples received in proper containers? Yes ☒ No ☐

Samples received intact? Yes ☒ No ☐ Samples received under refrigeration? Yes ☒ No ☐

Sufficient sample volume for requested tests? Yes ☒ No ☐ Chain of custody present? Yes ☒ No ☐

Samples received within holding time? Yes ☒ No ☐ Chain of Custody signed by all parties? Yes ☒ No ☐

Do samples contain proper preservative? N/A ☒ Yes ☐ No ☐

Chain of Custody matches all sample labels? Yes ☒ No ☐ Do VOA vials contain zero headspace? (None submitted ☒) Yes ☐ No ☐

ANY "No" RESPONSE MUST BE DETAILED IN THE COMMENTS SECTION BELOW

Date Client Contacted: _____ Person Contacted: _____

Contacted By: _____ Subject: _____

Comments:

Action Taken:

ADDITIONAL TEST(S) REQUEST / OTHER

Contacted By: _____ Date: _____ Time: _____

Call Received By: _____

Comments:





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

Safety & Environmental Solutions, Inc

Project Number: AME-08-004

703 E Clinton Ave

Project Name East Shugart Unit #72

Hobbs, NM 88240

Project Manager: Bob Allen

Work Order No..

C802008

ANALYTICAL REPORT FOR SAMPLES

Sample ID	Laboratory ID	Matrix	Date Sampled	Date Received
TT #1 6' bgs	C802008-01	Soil	02/12/08 09.40	02/12/08 15.50

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-08-004

Project Name: East Shugart Unit #72

Project Manager: Bob Allen

Work Order No

C802008

ANALYSIS REPORT

Analyte	Result	Reporting Limit	Units	Dilution	Analyzed	Method	Notes
TT #1 6' bgs (C802008-01) Soil Sampled: 02/12/08 09:40 Received: 02/12/08 15:50							
Chloride	180	40	mg/kg	4	02/13/08	EPA 300.0	

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-08-004

Project Name: East Shugart Unit #72

Project Manager: Bob Allen

Work Order No.

C802008

BTEX EPA Method 8021B

Analyte	Result	Reporting Limit	Units	Dilution	Analyzed	Method	Notes
TT #1 6' bgs (C802008-01) Soil Sampled: 02/12/08 09:40 Received: 02/12/08 15:50							
Benzene	ND	0.005	mg/kg	1	02/13/08	8021B	
Toluene	ND	0.005	"	"	"	"	
Ethylbenzene	ND	0.005	"	"	"	"	
Xylenes (total)	ND	0.010	"	"	"	"	
Surr Rec.:		108 %			"	"	

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-08-004

Project Name. East Shugart Unit #72

Project Manager. Bob Allen



Work Order No.:

C802008

Total Recoverable Petroleum Hydrocarbons with Silica Gel Clean-Up by IR Spectrometry

Analyte	Result	Reporting Limit	Units	Dilution	Analyzed	Method	Notes
TT #1 6' bgs (C802008-01) Soil Sampled: 02/12/08 09:40 Received: 02/12/08 15:50							
Total Petroleum Hydrocarbons	290	20	mg/kg	1	02/13/08	EPA 418.1	

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-08-004

Project Name East Shugart Unit #72

Project Manager Bob Allen

Work Order No.

C802008

ANALYSIS REPORT - 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-08-004

Project Name East Shugart Unit #72

Project Manager: Bob Allen

Work Order No :

C802008

BTEX EPA Method 8021B - Quality Control
Argon Laboratories

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	RPD	Notes
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Batch CR00024 - EPA 5030B
Blank (CR00024-BLK1)

Prepared & Analyzed: 02/13/08

Surrogate <i>a,a,a-Trifluorotoluene</i>	0.0485		mg/kg	0.0500		97		
Benzene	ND	0.005	"					
Toluene	ND	0.005	"					
Ethylbenzene	ND	0.005	"					
Xylenes (total)	ND	0.010	"					

LCS (CR00024-BS1)

Prepared & Analyzed: 02/13/08

Toluene	0.052		mg/kg	0.0500		104		
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LCS Dup (CR00024-BSD1)

Prepared & Analyzed: 02/13/08

Toluene	0.055		mg/kg	0.0500		110	6	
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Matrix Spike (CR00024-MS1)

Prepared & Analyzed: 02/13/08

Benzene	0.044		mg/kg	0.0500		88		
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Matrix Spike Dup (CR00024-MSD1)

Prepared & Analyzed: 02/13/08

Benzene	0.045		mg/kg	0.0500		90	2	
---------	-------	--	-------	--------	--	----	---	--

Approved By

Argon Laboratories, Inc

QC Officer

Safety & Environmental Solutions, Inc.

703 E Clinton Ave

Hobbs, NM 88240

Project Number: AME-08-004

Project Name: East Shugart Unit #72

Project Manager: Bob Allen

Work Order No

C802008

Total Recoverable Petroleum Hydrocarbons with Silica Gel Clean-Up by IR Spectrometry - Quality Control

Argon Laboratories

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	RPD	Notes
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Batch CR00023 - EPA 3550B

Blank (CR00023-BLK1)

Prepared & Analyzed 02/13/08

Total Petroleum Hydrocarbons ND 20 mg/kg

LCS (CR00023-BS1)

Prepared & Analyzed 02/13/08

Total Petroleum Hydrocarbons 52.5 mg/kg 50.0 105

LCS Dup (CR00023-BS1)

Prepared & Analyzed 02/13/08

Total Petroleum Hydrocarbons 57.0 mg/kg 50.0 114 8

Matrix Spike (CR00023-MS1)

Prepared & Analyzed 02/13/08

Total Petroleum Hydrocarbons 48.1 mg/kg 50.0 96

Matrix Spike Dup (CR00023-MSD1)

Prepared & Analyzed 02/13/08

Total Petroleum Hydrocarbons 47.0 mg/kg 50.0 94 2

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-08-004

Project Name: East Shugart Unit #72

Project Manager: Bob Allen

Work Order No.

C802008

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