

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
JUL 13 2007
OCD-ARTESIA

30-015-05688
05687
Release Notification and Corrective Action

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

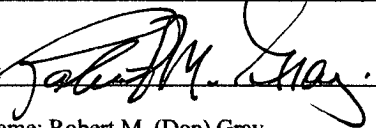
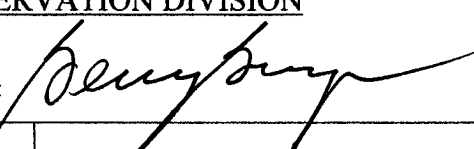
| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| F | 34 | 18 S | 31 E | 2,310 | North | 2,310 | West | Eddy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

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.

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

* Attach Additional Sheets If Necessary



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

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."

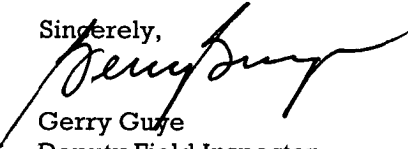
Information and tools for proper corrective action may be found in the Environmental Handbook on our web site www.emnrd.state.nm.us/ocd under the heading publications.

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