



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

10-Apr-07

AMERICO ENERGY RESOURCES LLC

7575 SAN FELIPE SUITE 200

HOUSTON TX 77063

LOV NO. 029907

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

EAST SHUGART UNIT No.003				A-34-18S-31E	30-015-05683-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043329	
Comments on Inspection:		No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.					

EAST SHUGART UNIT No.002				B-34-18S-31E	30-015-05684-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043205	
Comments on Inspection:		No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.					

EAST SHUGART UNIT No.015				F-34-18S-31E	30-015-05687-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043576	
Comments on Inspection:		No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.					

EAST SHUGART UNIT No.016

L-34-18S-31E

30-015-05688-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Compliance Verification	Gerry Guye	Yes	No	4/30/2007	iGEG0704041326
Comments on Inspection: Well is currently injecting @1250 psi and 500 bpd in violation of shut-in order LOV #027606 issued on Nov 27, 2006. Well must be shut in immediately and the OCD contacted prior to return to injection.						

EAST SHUGART UNIT No.024

N-35-18S-31E

30-015-05691-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044668
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.006

C-35-18S-31E

30-015-05696-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043459
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.022

J-35-18S-31E

30-015-05698-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044572
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.023

O-35-18S-31E

30-015-05699-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044619
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.020

L-35-18S-31E

30-015-05702-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043685
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.009

H-35-18S-31E

30-015-05703-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043525
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.032

M-35-18S-31E

30-015-20254-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044714
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.033

K-34-18S-31E

30-015-26484-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044759
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.042

A-34-18S-31E 30-015-27670-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044801
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.052

B-35-18S-31E 30-015-27946-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044844
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.056

G-35-18S-31E 30-015-27949-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044884
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.058

K-35-18S-31E 30-015-27951-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710044951
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

EAST SHUGART UNIT No.076

F-35-18S-31E 30-015-28201-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710045148
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

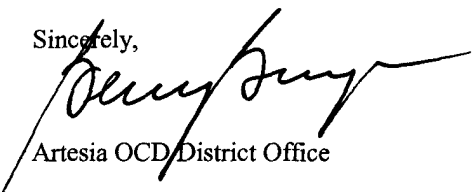
EAST SHUGART UNIT No.075

K-35-18S-31E 30-015-28204-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Periodic	Gerry Guye	Yes	No	5/1/2007	iGEG0710045098
Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule.						

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,


Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.