

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. 0 299 07

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.

			INSPECTIO	ON DETAIL	SECTION		
EAST SHU Inspection Date	GART UNIT N Type Inspection		Inspector	Violation?	A-34-18S-31E *Significant Non-Compliance?	30-015-05683-00- Corrective Action Due By:	00 Inspection No.
04/10/2007	Routine/Perio	dic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043329
Comments	on Inspection:	No Company Re with OCD to rese	•	tness Bradenhe	ead test. Well must be	e shut in pending cont	act
EAST SHU Inspection Date	GART UNIT N Type Inspection		Inspector	Violation?	B-34-18S-31E *Significant Non-Compliance?	30-015-05684-00- Corrective Action Due By:	00 Inspection No.
04/10/2007	Routine/Period	dic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043205
Comments		No Company Rewith OCD to reso		ness Bradenhe	ead test. Well must be	shut in pending conta	act
EAST SHUGART UNIT No.015					F-34-18S-31E	30-015-05687-00-0	00
Inspection Date	Type Inspection		Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/10/2007	Routine/Period	dic	Gerry Guye	Yes	No	5/1/2007	iGEG0710043576
Comments of		No Company Repwith OCD to reso		ness Bradenhe	ad test. Well must be	shut in pending conta	act

EAST SHUGART UNIT No.016 L-34-18S-31E 30-015-05688-00-00 *Significant Corrective Inspection **Type Inspection** Violation? Inspection No. Inspector Date Non-Compliance? Action Due By: 04/10/2007 Compliance Verification Gerry Guye iGEG0704041326 Yes 4/30/2007 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 *Significant Inspection Corrective Inspection No. Type Inspection Inspector Violation? Date Non-Compliance? Action Due By: 04/10/2007 Routine/Periodic Gerry Guve 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 *Significant Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: iGEG0710043459 04/10/2007 Routine/Periodic Gerry Guye Yes No 5/1/2007 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 *Significant Corrective Type Inspection Violation? Inspection No. Inspector Date Non-Compliance? Action Due By: iGEG0710044572 04/10/2007 Routine/Periodic Gerry Guye Yes No 5/1/2007 **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 *Significant Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 04/10/2007 Routine/Periodic Yes iGEG0710044619 Gerry Guye No 5/1/2007 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 *Significant Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 04/10/2007 iGEG0710043685 Routine/Periodic Gerry Guye Yes 5/1/2007 Comments on Inspection: No Company Representative to witness Bradenhead test. Well must be shut in pending contact with OCD to reschedule. H-35-18S-31E **EAST SHUGART UNIT No.009** 30-015-05703-00-00 *Significant Inspection Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: Routine/Periodic 04/10/2007 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 *Significant Inspection Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 04/10/2007 Routine/Periodic Gerry Guye Yes iGEG0710044714 5/1/2007 No Company Representative to witness Bradenhead test. Well must be shut in pending contact **Comments on Inspection:** with OCD to reschedule. EAST SHUGART UNIT No.033 K-34-18S-31E 30-015-26484-00-00 Inspection *Significant Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 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.

Inspection Date	GART UNIT Type Inspectio		Inspector	Violation?	A-34-18S-31E *Significant Non-Compliance?	30-015-27670-00- Corrective Action Due By:	00 Inspection No.
04/10/2007	Routine/Perio	odic	Gerry Guye	Yes	No	5/1/2007	iGEG071004480
Comments	on Inspection:	No Company I with OCD to re		itness Bradenho	ead test. Well must be	e shut in pending cont	act
EAST SHU	GART UNIT	No.052			B-35-18S-31E	30-015-27946-00-	00
Inspection	ection		Inspector	Violation?	*Significant	Corrective	Inspection No.
Date 04/10/2007	Routine/Perio		•	Yes	Non-Compliance? No	Action Due By:	-
		-	Gerry Guye			5/1/2007	iGEG071004484
Comments	on Inspection:	with OCD to re		tness Bradenhe	ead test. Well must be	e shut in pending cont	act
EAST SHUGART UNIT No.056					G-35-18S-31E	30-015-27949-00-	00
Inspection	Type Inspectio	.	Inspector	Violation?	*Significant	Corrective	Inspection No.
Date 04/10/2007	Routine/Perio		•	Yes	Non-Compliance?	Action Due By:	•
		•	Gerry Guye		No	5/1/2007	iGEG071004488
Comments	on Inspection:	No Company F with OCD to re		tness Bradenhe	ead test. Well must be	e shut in pending cont	act
	GART UNIT	with OCD to re		tness Bradenhe	ead test. Well must be K-35-18S-31E	30-015-27951-00-	
EAST SHUC	GART UNIT	with OCD to re	eschedule.		K-35-18S-31E *Significant	30-015-27951-00- Corrective	00
EAST SHUC Inspection Date	GART UNIT	with OCD to re	eschedule. Inspector	Violation?	K-35-18S-31E *Significant Non-Compliance?	30-015-27951-00- Corrective Action Due By:	00 Inspection No.
EAST SHUC Inspection Date 04/10/2007	GART UNIT	with OCD to re No.058 n odic	Inspector Gerry Guye	Violation? Yes	K-35-18S-31E *Significant Non-Compliance?	30-015-27951-00- Corrective Action Due By: 5/1/2007	Inspection No.
EAST SHUC Inspection Date 04/10/2007	GART UNIT	with OCD to re No.058 n odic	Inspector Gerry Guye Lepresentative to wi	Violation? Yes	K-35-18S-31E *Significant Non-Compliance?	30-015-27951-00- Corrective Action Due By:	Inspection No. iGEG071004495
EAST SHUC Inspection Date 04/10/2007 Comments o	GART UNIT	with OCD to re No.058 n Odic No Company F with OCD to re	Inspector Gerry Guye Lepresentative to wi	Violation? Yes	K-35-18S-31E *Significant Non-Compliance?	30-015-27951-00- Corrective Action Due By: 5/1/2007	Inspection No. iGEG071004495
EAST SHUC Inspection Date 04/10/2007 Comments o	GART UNIT I Type Inspectio Routine/Perion Inspection:	with OCD to re No.058 n odic No Company F with OCD to re No.076	Inspector Gerry Guye Lepresentative to wi	Violation? Yes	K-35-18S-31E *Significant Non-Compliance? No ead test. Well must be	30-015-27951-00-Corrective Action Due By: 5/1/2007 e shut in pending conta	Inspection No. iGEG071004495
EAST SHUC Inspection Date 04/10/2007 Comments of EAST SHUC Inspection Date	GART UNIT I	with OCD to re No.058 n odic No Company F with OCD to re No.076	Inspector Gerry Guye Representative to wischedule.	Violation? Yes tness Bradenhe	K-35-18S-31E *Significant Non-Compliance? No rad test. Well must be F-35-18S-31E *Significant	30-015-27951-00-Corrective Action Due By: 5/1/2007 e shut in pending contact 30-015-28201-00-Corrective Action Due By:	Inspection No. iGEG071004495 act Inspection No.
EAST SHUC Inspection Date 04/10/2007 Comments of EAST SHUC Inspection Date 04/10/2007	GART UNIT I Type Inspectio Routine/Perio on Inspection: GART UNIT I	with OCD to re No.058 n odic No Company F with OCD to re No.076	Inspector Gerry Guye Representative to wieschedule. Inspector Gerry Guye	Violation? Yes tness Bradenhe Violation? Yes	K-35-18S-31E *Significant Non-Compliance? No ead test. Well must be F-35-18S-31E *Significant Non-Compliance? No	30-015-27951-00-Corrective Action Due By: 5/1/2007 e shut in pending contact 30-015-28201-00-Corrective Action Due By:	Inspection No. iGEG071004495 act Inspection No. iGEG071004514
EAST SHUC Inspection Date 04/10/2007 Comments of EAST SHUC Inspection Date 04/10/2007 Comments of	GART UNIT I Type Inspectio Routine/Perio In Inspection: GART UNIT I Type Inspection Routine/Perio	with OCD to re No.058 n odic No Company F with OCD to re No.076 n odic No Company F with OCD to re	Inspector Gerry Guye Representative to wieschedule. Inspector Gerry Guye	Violation? Yes tness Bradenhe Violation? Yes	K-35-18S-31E *Significant Non-Compliance? No ead test. Well must be F-35-18S-31E *Significant Non-Compliance? No ead test. Well must be K-35-18S-31E	30-015-27951-00- Corrective Action Due By: 5/1/2007 e shut in pending conta 30-015-28201-00- Corrective Action Due By: 5/1/2007	Inspection No. iGEG071004495 act Inspection No. iGEG071004514
EAST SHUC Inspection Date 04/10/2007 Comments of EAST SHUC Inspection Date 04/10/2007 Comments of	Type Inspection Routine/Perion Inspection: GART UNIT I Type Inspection Routine/Perion Inspection:	with OCD to re No.058 n odic No Company F with OCD to re No.076 n odic No Company F with OCD to re No.075	Inspector Gerry Guye Representative to wieschedule. Inspector Gerry Guye	Violation? Yes tness Bradenhe Violation? Yes	K-35-18S-31E *Significant Non-Compliance? No ead test. Well must be F-35-18S-31E *Significant Non-Compliance? No ead test. Well must be	30-015-27951-00- Corrective Action Due By: 5/1/2007 e shut in pending conta 30-015-28201-00- Corrective Action Due By: 5/1/2007 e shut in pending conta	Inspection No. iGEG071004495 act Inspection No. iGEG0710045148

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 Divison 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.

No Company Representative to witness Bradenhead test. Well must be shut in pending contact

Artesia OCD/District Office

Comments on Inspection:

with OCD to reschedule.

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.