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Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



FORM APPROVED
Budget Bureau No 1004-0135
Expires March 31, 1993
5 Lease Designation and Serial No
NM 10191
6 If Indian, Allottee or Tribe Name
7 If Unit or CA, Agreement Designation

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1 Type of Well
Oil Well Gas Well Other Injection Well

MAR 10 2008
OCD-ARTESIA

8 Well Name and No
East Shugart Unit # 016
9 API Well No
30-015-05688
10 Field and Pool, or Exploratory Area
Shugart Yates-7Rvs-Qn-Grb
11 County or Pansh, State
Eddy, NM

2 Name of Operator
Americo Energy Resources, LLC
3 Address and Telephone No
7575 San Felipe, Suite 200, Houston, Texas 77063 713-984-9700
4 Location of Well (Footage, Sec., T., R., M., or Survey Description)
Unit Letter "L" - 1650' FSL & 990' FWL
Sec 34, T 18S, R 31E

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

TYPE OF ACTION

- Abandonment
- Recompletion
- Plugging Back
- Casing Repair
- Altering Casing
- Other
- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection
- Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form)

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)
8 5/8 shoe @ 862', 5 1/2 shoe @ 2900'. TOC 2230'. Cement circulated F/ 891' to surface w/ 1124 sks Yates perfs 2634'-2777' Sqz'd w/ 1350 sks OH F/2900'-3892'

Notify BLM before rigging up on the well.

Accepted for record
NMOCD
RI

- 1. MIRU service rig.
- 2. Establish injection rate down injection tubing. Squeeze 75 sks displace under packer. WOC overnight.
* If sqz. is unsuccessful Kill well with 16 ppg drilling mud. Nipple down tree & NU BOP.
- 3. Attempt to release and pull loose Baker model FA packer @ 2852'. POH with same.
* If unable to release packer, cut 2 3/8" tubing @ 2840'. POH with tubing. Set CIBP @ 2830'.
- 4. Circulate well with plugging mud. Spot 30 sks of cement 2830'-2593'
- 5. PUH to 2000'. Spot 35 sks of cement 2000'-1700'. Tag plug.
- 6. PUH with tubing 930'. Spot 30 sks 930'-700'. Tag plug.
- 7. PUH with tubing 150'. Spot 20 sks 150'-surface.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

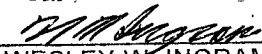
14 I hereby certify that the foregoing is true and correct

Signed 
(This space for Federal or State office use)

Title Agent

Approved by
Conditions of approval, if any

Title

ACCEPTED FOR RECORD
Date 01/15/08
MAR 5 2008

WESLEY W. INGRAM
PETROLEUM ENGINEER

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*See Instruction on Reverse Side

**East Shugart Unit #16
Americo Energy Resources, LLC
March 5, 2008
Plug and Abandon
Conditions of Approval**

The procedure is being accepted for record because a written approval was not obtained prior to plugging the well. A meeting was held with Jack Shelton – Key Energy Services, Inc and the following BLM personnel – Dave Evans, Don Peterson, Duncan Whitlock, Wesley Ingram and Jerry Blakley to discuss actual plugging procedure on March 5, 2008.

The following changes would have been required to the proposed procedure:

- 1. Steps 1-4 okay.**
- 2. Plug in step 5 would have been moved to 2225', casing would be perforated and 35 sacks pumped with the plug being tagged at 2125' or shallower.**
- 3. Plug in step 6 would have required perforation at 930' as was also required by NMOCD. This was to be the surface casing shoe and top of Salt plug and should have been tagged at 807' or shallower.**
- 4. Plug in step 7 would have required perforation at 150' to verify cement in annulus.**

WWI 030508

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Permanent Abandonment of Federal Wells
Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within ninety (90) days from the approval date of this Notice of Intent to Abandon.

If you are unable to plug the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged. Failure to do so will result in enforcement action.

2. **Notification:** Contact the appropriate BLM office at least 24 hours prior to the commencing of any plugging operations! For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.

3. Blowout Preventers: A blowout preventer (BOP), as appropriate; shall be installed before commencing any plugging operation. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.

4. Mud Requirement: Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of water. Minimum nine (9) pounds per gallon.

5. Cement Requirement: Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. In lieu of a cement plug in a cased hole, a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient.

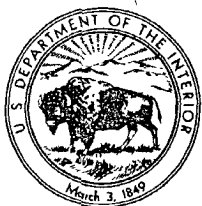
Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

6. Dry Hole Marker: All casing shall be cut-off at the base of the cellar or 3 feet below final restored ground level (whichever is deeper). The well bore shall then be capped with a 4-inch pipe, 10-feet in length, 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry-hole marker: well name and number, name of the operator, lease serial number, surveyed location (quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer such as metes and bounds).

7. Subsequent Plugging Reporting: Within 30 days after plugging work is completed, file one original and five copies of the Subsequent Report of Abandonment, Form 3160-5 to BLM. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

8. Trash: All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Following the submission and approval of the Subsequent Report of Abandonment, surface restoration conditions of approval will be developed and furnished to you.



UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene St.
Carlsbad, NM 88220

Interim Reclamation Procedures for Permanently Abandoned Federal Wells

1. After Subsequent Report of Abandonment, Form 3160-5, is filed and approved by the BLM the surface protection specialist (SPS) will conduct a surface inspection of the abandonment. The SPS will establish the reclamation requirements the operator will need to complete. **DO NOT START RECLAMATION UNTIL THE SPS HAS INSPECTED THE LOCATION.**
2. The reclamation requirements will be given to an environmental protection specialist (EPS). The EPS will issue the operator a Notice of Written Order outlining the reclamation requirements: **DO NOT START RECLAMATION UNTIL A NOTICE OF WRITTEN ORDER FOR RECLAMATION HAS BEEN RECEIVED.** The EPS will be responsible for all further abandonment work and inspections.
3. **Notification: CONTACT THE EPS 3 DAYS PRIOR TO RECLAMATION WORK.** This notification gives the EPS an opportunity to discuss by phone or on location the reclamation requirements, any special concerns and the timeframes. It also allows the EPS an opportunity to witness various aspects of the reclamation work to determine if an adequate seedbed has been prepared and all reclamation requirements have been completed. **CONTACT THE EPS AT LEAST 3 DAYS PRIOR TO SEEDING.** This allows the EPS to witness the seeding operation to make sure the location is seeded properly and with the appropriate seed mixture. **DO NOT START RECLAMATION UNTIL THE EPS HAS BEEN NOTIFIED.**
4. After reclamation work has been completed, submit the **I & E copy of the Notice of Written Order** to the BLM. It will need to be signed by a company representative and dated. Also submit one original and five copies of the **Final Abandonment Notice, Form 3160-5.** The report should state that all reclamation work has been completed, and the location is ready for a final abandonment inspection.
5. The BLM will continue to monitor the location to ensure the location vegetates successfully, and salts from the reserve pit do not leach to the surface. The location will be monitored until such time as vegetation (20%) is established evenly across the location (including the reserve pit and access road). Once EPS determines that vegetation (20%) is evenly spread across the location, final abandonment will be authorized.

If there are any questions please feel free to contact any of the following:

Jim Amos
Supervisory Environmental Protection Specialist
(575) 234-5909

Barry Hunt
Surface Protection Specialist
(575) 234-5965

Todd Suter
Surface Protection Specialist
(575) 234-5987

Trishia Bad Bear
Natural Resource Specialist – Lea County
(575) 393-3612

Cody Layton
Natural Resource Specialist
(575) 234-5959

Paul Evans
Environmental Protection Specialist
(575) 234-5977

Terry Gregston
Environmental Protection Specialist
(575) 234-5958