

Sanchez, Daniel J., EMNRD

From: Don Gray [don.gray@americoenergy.com]
Sent: Tuesday, September 26, 2006 4:07 PM
To: Sanchez, Daniel J., EMNRD
Subject: ACOI-70-A

Dear Mr. Sanchez,

Please accept this letter as a status report as to Americo Energy Resources, LLC's attempts to comply with the referenced Compliance Order, an explanation as to why Americo is not in full compliance with it and a request for waiver of penalties and an amendment to the Order to grant an extension to October 13, 2006 for Americo to comply.

The Order required that Americo bring three of a listed seven wells back into compliance by January 25, 2006. Unfortunately, Americo has been unable to meet this requirement.

As you know, there is a shortage of available rigs that are capable of working on wells at the depths (9,500'+) of the wells subject to the Order. In mid September, Americo was finally able to secure a rig. It was moved onto the State T #5 well (API 30-025-05230) on September 13, 2006. The work was completed and a successful mechanical integrity test was conducted on September 15, 2006.

From there, the rig was moved immediately to the BC Dickinson A1 #1 well (API 30-025-05222). Work on this well has taken longer than expected due to the rig anchors not holding when the rig was first rigged up and then through attempts to recover a fish thought to be down-hole. Operations were continued diligently and a successful mechanical integrity test was conducted today.

Forms 103 requesting that these wells be granted Temporary Abandonment status have not been filed. However, the charts have been mailed to me and I will file the forms and charts immediately upon receipt. A copy of the form and chart will also be faxed directly to you for your convenience.

The rig is currently being mobilized to the BC Dickinson D #5 well (API 30-025-05179) in order to prepare the well for its mechanical integrity test. It is anticipated that it should not take more than a couple of weeks to complete the test. After a successful test, Form 103 requesting Temporary Abandonment status and the chart will immediately be filed with the appropriate office and a copy faxed to you. At that time, Americo will request that the Order to be further amended to allow Americo to bring the remaining wells into compliance no later than March 25, 2007, as provided for in the Order.

Americo currently believes that it will ultimately be able to return these wells to production.

Please let me know at your earliest convenience as to whether the OCD sees fit to grant the extension and waiver.

Respectfully submitted,

Robert M. (Don) Gray
Land Manager
Americo Energy Resources, LLC
7575 San Felipe, Suite 200
Houston, Texas 77063
Tel. 713.984.9700
Fax 713.984.9933
Mob. 713.594-3292

Case 14189
Americo Energy Resources, LLC
OCD Exhibit No. 12

10/12/2006