STATE OF NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION DIVISION

APPLICATION OF ARMSTRONG ENERGY CORP. TO DESIGNATE BURNS XPRESS, LLC AS OPERATOR OF RECORD OF THE WEST PEARL STATE #1 WELL, LEA COUNTY, NEW MEXICO.

APPLICATION

In accordance with NMSA 1978 § 70-2-11(A) and 19.15.9.9 NMAC, Armstrong Energy Corp. (OGRID No. 1092) ("Armstrong") applies for an order removing Armstrong as operator of record of the West Pearl State #1 well and designating Burns Xpress, LLC (OGRID No. 371003) ("Burns") as operator of record. Applicant states the following in support of its application.

- 1. Armstrong is the operator of record of the West Pearl State #1 well ("Well") (API # 30-025-28583).
- 2. The Well is vertically drilled at 660 FNL and 550 FEL (Unit A) in Section 2, Township 20 South, Range 34 East, Lea County, New Mexico to a depth sufficient to produce the Lea-Delaware, Northeast pool (Pool Code 37584).
- 3. On May 21, 2019, the Oil Conservation Division ("Division") granted temporary abandonment status of the Well until May 3, 2024.
- 4. On May 6, 2019, Armstrong assigned the Well to Burns. The assignment was filed with the Lea County Clerk's Office on October 31, 2019. A copy of the assignment is attached as **Exhibit A.**
- 5. As a result of the assignment, Armstrong no longer owns the Well and lacks legal authority over it.

- 6. Armstrong and Burns agreed that that Burns would voluntarily execute a joint Change of Operator application (Form C-145) for the Well, but Burns has refused to do so.
- 7. In order to prevent waste, protect correlative rights, and ensure that the owner of the Well has legal authority over the Well for purposes of complying with the Division's regulations, Armstrong should be removed as operator of the Well by the Division and Burns should be designated as operator of record of the Well.

WHEREFORE, Applicant requests this application be set for hearing on January 6, 2022, and after notice and hearing, the Division enter an order removing Armstrong as operator of the West Pearl State #1 well and approving a change of operator to Burns and granting such further relief as the Division deems proper.

Respectfully submitted,

HINKLE SHANOR LLP

<u>/s/ Dana S. Hardy</u>

Dana S. Hardy Michael Rodriguez P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623 dhardy@hinklelawfirm.com mrodriguez@hinklelawfirm.com

Counsel for Armstrong Energy Corp.

ASSIGNMENT OF WELLBORE RIGHTS

THIS ASSIGNMENT OF WELLBORE RIGHTS ("Assignment") made effective the 6th day of May, 2019, between Armstrong Energy Corporation, Slash Exploration Limited Partnership, Guy's Oil & Gas Ltd., Co., David S. Plett, joined pro forma by his wife Beatrice Stubbs Plett, Brian D. Stokes, Leonard R. Stokes, James G. Stokes, Lauri S. Stokes, and Verde Vista Energy Company, with an address of P.O. Box 1973, Roswell, NM 88202 (collectively the "Assignor"), and Burns Xpress, LLC, a New Mexico limited liability company, P.O. Box 1244, Lovington, NM 88260 ("Assignee").

RECITALS

Assignor has agreed to sell and assign all right, title, and interest in and to the West Pearl State #1 wellbore together with all associated tankage as described on Exhibit A attached hereto (the "Assigned Interest"), for the purpose of permitting the wellbore for a Commercial Salt Water Disposal Well, and Assignee has agreed to accept this Assignment from Assignor of the Assigned Interest.

ASSIGNMENT

- 1. For \$10.00 and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Assignor assigns and transfers to Assignee, all of Assignor's right, title and interest in and to the Assigned Interest, free and clear of all liens, claims, or encumbrances of any kind.
- 2. Assignee, by execution hereof, hereby accepts the assignment of the Assigned Interest from Assignor on the terms set forth herein.
- 3. This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective heirs, representatives, successors and assigns.
 - 4. This Assignment shall be governed by the laws of the State of New Mexico.
- 5. The parties hereto agree to take any further action and to execute and deliver any further documents reasonably necessary to effectuate the terms of this Assignment.
- 6. The Assignor along with any representatives, employees, partners, working interest owners or any other affiliates agree to not in any way protest or hinder Assignee's efforts to permit the Assigned Interest as a Commercial Salt Water Disposal well injecting into the Devonian formation with any State Authority.

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- 7. The Assignor will remove the production tubing, rods, pump and any other downhole accessories. Assignee will transfer the wellbore to a Temporary Abandoned status pursuant to any and all New Mexico State Regulations.
- 8. The Assignor agrees to provide in writing, Assignors' approval of Assignee's intent to permit said wellbore as a Commercial Salt Water Disposal well and address said letter to "whomever it may concern".
- 9. This Assignment may be executed in one or more counterparts, and all of the counterparts shall constitute the same agreement. An original or facsimile signature of the parties to each of documents referenced herein shall be binding as the original.
- 10. Assignee agrees, by accepting this Assignment, to assume responsibility for the Assigned Interest and the risk, cost, and expense of future operations, including plugging and abandoning the Well. Assignee agrees to indemnify and hold harmless Assignors, their agents, employees and assigns, from all liability, claims, demands, or causes of action arising out of Assignee's operations in, or use of, the assigned Well Bore, including without limitation the proper plugging and abandonment of the Well.
- 11. Assignor will indemnify and hold harmless Assignee from any claims, including environmental, arising from oil and gas operations occurring prior to the effective date of this agreement.
- 12. Assignee warrants that it has full right and authority to execute this assignment on behalf of any working interest partners, associates or affiliates.
- 13. GENERAL DISCLAIMER. ASSIGNOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE ACCURACY, COMPLETENESS, OR MATERIALITY OF THE INFORMATION, RECORDS, AND DATA NOW, PREVIOUSLY, OR LATER MADE AVAILABLE TO ASSIGNEE IN CONNECTION WITH THE WELL, INCLUDING, WITHOUT LIMITATION, ANY DESCRIPTION OF THE WELL, OR ANY OTHER MATTERS CONTAINED IN OR OMITTED FROM ANY OTHER MATERIAL FURNISHED TO ASSIGNEE BY ASSIGNOR. ANY AND ALL DATA, INFORMATION, AND MATERIAL FURNISHED BY ASSIGNOR IS PROVIDED AS A CONVENIENCE ONLY, AND ANY RELIANCE ON OR USE OF IT IS AT ASSIGNEE'S SOLE RISK.
- 14. <u>PERSONAL PROPERTY DISCLAIMER</u>. TO THE EXTENT REQUIRED TO BE OPERATIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES

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CONTAINED IN THIS SECTION ARE 'CONSPICUOUS' DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAW, RULE, OR ORDER. EXPRESSLY DISCLAIMS AND NEGATES AS TO PERSONAL PROPERTY AND **FIXTURES:** ANY **IMPLIED** OR **EXPRESS** WARRANTY (a) **OF** MERCHANTABILITY; (b) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND, (c) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS. ASSIGNEE EXPRESSLY AGREES THAT THE PERSONAL PROPERTY AND WELL WILL BE ASSIGNED AND ACCEPTED 'AS IS, WHERE IS AND WITH ALL FAULTS,' AND IN ITS PRESENT CONDITION AND STATE OF REPAIR. ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE WELL, INCLUDING WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE DOWNHOLE CONDITION OF THE WELL, OR THE ENVIRONMENTAL CONDITION OF THE WELL.

- 15. <u>ENVIRONMENTAL CONDITIONS</u>. ASSIGNEE HAS INSPECTED THE WELL AND LEASE(S) FOR ALL PURPOSES AND HAS SATISFIED ITSELF AS TO ITS PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND ACCEPTS SAME IN ITS PRESENT CONDITION.
- 16. This Assignment may be executed in counterparts, each of which shall constitute an original and all of which shall constitute one document. Assignor and Assignee acknowledge and agree that signature pages may be compiled to create one document deemed an original for all purposes.

The parties have executed this Assignment as of the Effective Date.

ASSIGNOR:

ARMSTRONG-ENERGY CORPORATION

a New Mexico Corporation)

By: Robert G. Armstrong, Presiden

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by Armstrong Energy Corporation, General Partner
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By: /WW/
Robert G. Armstrong, President
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GUY'S OIL & GAS LTD., CO.
By: Jorfy Guy, Managing Member
Jerry Guy, Managing Member
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VERDE VISTA ENERGY COMPANY
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By: Mark Kelly, President
Mark Kelly, President
David S. Plett, Individually
Beatrice Stubbs Plett, pro forma
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Leonard R. Stokes, Sole and Separate Property
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By:
Robert G. Armstrong, President
GUY'S OIL & GAS LTD., CO.
By: Jerry Guy, Managing Member
VERDE VISTA ENERGY COMPANY
By: Mark Kelly, President
David S. Plett, Individually
Beatrice Stubbs Plett, pro forma
Brian D. Stokes, Sole and Separate Property
Leonard R. Stokes, Sole and Separate Property
James G. Stokes, Sole and Separate Property

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BY ANGIE BEAUCHAMP

By:
Robert G. Armstrong, President
GUY'S OIL & GAS LTD., CO.
By: Jerry Guy, Managing Member
VERDE VISTA ENERGY COMPANY
By:Mark Kelly, President
David S. Plett, Individually
Beatrice Stubbs Plett, pro forma
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Brian D. Stokes, Sole and Separate Property
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By: _____

	Robert G. Armstrong, President
	P.O. Box 1973
	Roswell, NM 88202
	GUY'S OIL & GAS LTD., CO.
	By: Jerry Guy, Managing Member 5229 N Ja-Rob Lane Hobbs, NM 88240
	VERDE VISTA ENERGY COMPANY
	By: Mark Kelly, President
	David S. Plett, Individually
OFFICIAL SEAL KELLY L. SISTOK NOTARY PUBLIC STATE OF NEW MEXICO	Beatrice Stubbs Plett, pro forma
Com Expires 1-3-22	Brian D. Stokes, Sole and Separate Property
	Leonard R. Stokes, Sole and Separate Property
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Robert G. Armstrong, President
GUY'S OIL & GAS LTD., CO.
By: Jerry Guy, Managing Member
VERDE VISTA ENERGY COMPANY
By:Mark Kelly, President
David S. Plett, Individually
Beatrice Stubbs Plett, pro forma
Brian D. Stokes, Sole and Separate Property
Leonard R. Stokes, Sole and Separate Property
James G. Stokes, Sole and Separate Property

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By:
By:Robert G. Armstrong, President
GUY'S OIL & GAS LTD., CO.
By: Jerry Guy, Managing Member
VERDE VISTA ENERGY COMPANY
By:Mark Kelly, President
David S. Plett, Individually
Beatrice Stubbs Plett, pro forma
Brian D. Stokes, Sole and Separate Property
Leonard R. Stokes, Sole and Separate Property

James G. Stokes, Sole and Separate Property

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Lauri & Stoles
Lauri S. Stokes, Sole and Separate Property
ASSIGNEE:
BURNS XPRESS, LLC a New Mexico limited liability company
By: Kenyon Burns-Managing Member
State of New Mexico) County of Chaves)
This instrument was acknowledged before me this day of, 2019 by Robert G. Armstrong as President of Armstrong Energy Corporation, on behalf of the Corporation and as General Partner for Slash Exploration Limited Partnership.
My Commission Expires:
Notary Public
State of) County of)
This instrument was acknowledged before me this day of, 2019 by Mark S. Kelly as President for Verde Vista Energy Company.
My Commission Expires:
Notary Public

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James G. Stokes, So	James G. Stokes, Sole and Separate Property	
Lauri S. Stokes, Sol	e and Separate Property	
ASSIGNEE:		
BURNS XPRESS, LLC		
a New Mexico limited		
By: Kenyon Byrns-	lanaging Member	
State of New Mexico) County of Chaves)		
This instrument was acknowledged before me this day of Robert G. Armstrong as President of Armstrong Energy Corporation and as General Partner for Slash Exploration Limited Partnership.		
My Commission Expires:		
Notary I	Public	
State of New Mexico)		
County of Chaves)		
This instrument was acknowledged before me this day of		
by Mark S. Kelly as President for Verde Vista Energy Company.		
My Commission Expires:	Notary Public	
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	Lauri S. Stokes	s, Sole and Separate Property
	ASSIGNEE:	
	BURNS XPRESS a New Mexico lim	, LLC nited liability company
	By:Kenyon Bu	ırns-Managing Member
State of New Mexico) County of Chaves)		
This instrument was acknowledged before Robert G. Armstrong as President of Corporation and as General Partner for Sla My Commission Expires:	Armstrong Energy ash Exploration Limit	Corporation, on behalf of the
State of New Mexido County of Chaves		
This instrument was acknowledged before by Mark S. Kelly as President for Verde V		3
My Cominission Expires: 10/22/20	220	Notary Public
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State of New Mexico)		
County of Lea)		
This instrument was acknowledged before me this by Jerry Guy as managing member of Guy's Oil &		2019
OFFICIAL SEAL AMPARO SALAZAR NOTARY PUBLIC-STATE OF NEW MEXICO	Notary Public	
My commission expires: 8-11-2020	•	
State of)		
County of)		
This instrument was acknowledged before me this by David S. Plett, and his wife, Beatrice Stubbs Ple	•	2019
My Commission Expires:		
-	Notary Public	
State of New Mexico) County of Chaves)		
This instrument was acknowledged before me this _by Brian D. Stokes.	day of,	2019
My Commission Expires:		
	Notary Public	

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State of New Me	xico)		
County of)		
	was acknowledged before me this _ nanaging member of Guy's Oil & (, 2019
My Commission	Expires:	Notary Public	
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State of 7X County of 7) J r)		
This instrument v	vas acknowledged before me this _, and his wife, Beatrice Stubbs Plet		, 2019
wry Commission	Lapites	Notary Public	
State of New Me	xico)	CHAD HEIL My Notary ID # 124946416 Expires June 28, 2021	
County of Chaves	,	•	
This instrument v	vas acknowledged before me this _ es.	day of	, 2019
My Commission	Expires:	NT.4 10 11°.	·
		Notary Public	

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State of New Mexico)	
County of Chaves)	
This instrument was salmoviled and hefore me this	J £
This instrument was acknowledged before me this _ by Jerry Guy as managing member of Guy's Oil & O	
of Joing Gay as managing member of Car, a Car as	Jus Dia., Co.
My Commission Expires:	
	Notary Public
State of New Mexico)	
County of Chaves)	
•	
This instrument was acknowledged before me this	
by David S. Plett, and his wife, Beatrice Stubbs Plett	•
My Commission Expires:	
My Commission Explics.	Notary Public
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State of New Mexico)	
County of Chaves)	
·	, h 7.1,
This instrument was acknowledged before me this	10 day of 144, 2019
by Brian D. Stokes.	1) 00. 00-04
My Commission Expires: Nov 3 2022	Kellet Siester
	Notary Public
	OFFICIAL SEAL
	KELLY L. SISTOK
	STATE OF NEW MEXICO

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from Exhires.

28 day of August, Marin Mahan Notary Public	2019
day of,	2019
Notary Public	
day of,	2019
Notary Public	

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State of New Mexico County of Chaves))		
This instrument was ac by Leonard R. Stokes.	knowledged before me this	day of	
My Commission Expir	res:	Notary I	Public
TEXAS State of New Mexico County of Chaves O Collin))		
This instrument was ac by James G. Stokes.	knowledged before me this 23	_ day ofAugus	<i>T</i> , 2019
My Commission Expir	res: 2/13/2021	NOTARY I	Maroles Public CTOR MORALES PUBLIC STATE OF TEXAS OMM. EXP. 2/13/2021 TARY ID 13101047-6
State of New Mexico) County of Chaves))		
This instrument was ac by Lauri S. Stokes.	knowledged before me this	day of	, 2019
My Commission Expir	es:	Notary I	Public

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State of New Mexico) County of Chaves)	
This instrument was acknowledged before me this _ by Leonard R. Stokes.	day of
My Commission Expires:	Notary Public
State of New Mexico) County of Chaves)	
This instrument was acknowledged before me this by James G. Stokes.	day of
My Commission Expires:	Notary Public
State of New Mexico) County of Chaves)	
This instrument was acknowledged before me this by Lauri S. Stokes.	Hay of September 2019
My Commission Expires: 2-2-20	Notary Public OFFICIAL SEAL SALINA WILSON NOTARY PUBLIC STATE OF NEW MEXICO MY CONTRIBUSION EXPINES:

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BY ANGIE BEAUCHAMP

State of New Mexico) County of Lea)

This instrument was acknowledged before me this 20th day of hugust, 2019 by Kenyon Burns, as managing member of Burns Xpress, LLC.

My Commission Expires: 5/2/2023

OFFICIAL SEAL
DENICA HERNANDEZ
NOTARY PUBLIC, STATE OF NEW MEXICO

MY COMMISSION EXPIRES 512/2023

EXHIBIT A

West Pearl State # 1
UL A 660' FNL and 550' FEL
Section 2 T20S R34E
Lea County, New Mexico
API# 30-025-28583

Two 210 bbl storage tanks
One 250bbl open top fiberglass storage tank

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