

April 17, 2012

Mr. Thomas Max Nygaard  
7022 Hunter Glen Road  
Dallas, Texas 75205

VIA FEDEX

Re: Ruby Tuesday #1  
W/2 Section 31, T5S-R34E  
Roosevelt County, New Mexico

Dear Mr. Nygaard:

On December 7, 2011 Armstrong Energy Corporation ("AEC") sent an offer to acquire an Oil and Gas Lease covering your 1/32 (.03125) mineral interest in the SW/4 of Section 31, T5S-R34E, Roosevelt County, New Mexico.

Since that time, AEC has further defined the exploration drilling location for its Ruby Tuesday #1 well to be the NW/4 of Section 31, T5S-R34E, and the records of Roosevelt County reflect that Thomas Max Nygaard and Daisy Keith, as Trustees own a 1/32 (.03125) mineral interest in this tract. To date we have received no response from you. AEC is planning to drill an exploration well on this tract in the third quarter of this year and now makes the following offers:

- 1) Purchase an Oil and Gas Lease covering the Trust's 10 net mineral acres under the W/2 of Section 31, T5S-R34E for a bonus of \$200.00 per net acre (\$2,000.00 total bonus), a 1/4th lessor's royalty and a three (3) year primary term lease. Please advise if this offer is acceptable and we will forward our Oil and Gas Lease form for your review and execution. If you have a preferred lease form, please furnish a copy to this office.
- 2) The Trust has the option to participate with its 1/32 (.03125) mineral interest in the drilling and completion of our Ruby Tuesday #1, an 8200' Fusselman test well to be located in the SW/4NW/4 Section 31, T5S-R34E. Enclosed are two (2) copies of our proposed Authority for Expenditure (AFE). Your estimated total well cost is \$54,052.84 (\$1,729,691 x .03125). If you elect to participate, please sign and return a copy of the AFE to this office. An Operating Agreement will then be furnished to you for your signature and return.

It will also be necessary that you furnish a copy of the Trust Agreement for review by our title attorney. We will also need evidence of the status of the Trust and the person authorized to execute an Oil and Gas Lease for the Trust.

In the event the Trust elects not to accept either option 1) or 2) above, AEC will exercise its "force pooling" option under the State of New Mexico Compulsory Pooling Act. This act allows an operator to force pool an uncommitted interest in a well proration unit if that interest does not voluntarily commit its interest by lease or well participation. The Act provides that the operator will be allowed to recoup from production revenue any well cost attributable to the uncommitted interest plus a penalty to be determined by the hearing examiners.

We look forward to your response. If any questions, please contact this office at 575-623-2999 x315.

Respectfully,

ARMSTRONG ENERGY CORPORATION

  
\_\_\_\_\_  
Robert H. Watson, Land Manager

RHW/vp

Enclosures



**Shipment Receipt  
Address Information**

<b>Ship to:</b> Thomas Max Nygaard	<b>Ship from:</b> Robert H. Watson
7022 HUNTERS GLEN RD	PO Box 1973
DALLAS, TX 75205-1160 US 2145284478	500 N. Main, Suite 200 Roswell, NM 88202 US 5756252222

**Shipping Information**

Tracking number: 793462711127  
Ship date: 04/17/2012  
Estimated shipping charges: 24.54

**Package Information**

Service type: Priority Overnight  
Package type: FedEx Envelope  
Number of packages: 1  
Total weight: 0.50LBS  
Declared value: 0.00USD  
Special Services: Residential Delivery  
Pickup/Drop-off: Use an already scheduled pickup at my location

**Billing Information**

Bill transportation to: MyAccount-773  
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