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July 22, 2009

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

14342
AF

Re: Case 14342: Application of Armstrong Energy Corporation for approval of a Waterflood Project for its Round Tank-Queen Waterflood Unit Area and Qualification of said project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Chaves County, New Mexico.

Dear Mr. Fesmire:

Armstrong Energy Corporation ("Armstrong") hereby makes application to qualify the Round Tank-Queen Waterflood Unit for the recovered oil tax rate as authorized by the Enhanced Oil Recovery Act. Armstrong plans to commence waterflood operations in the project area during the 3rd quarter of 2009. Armstrong is making application pursuant to the rules promulgated by Oil Conservation Commission Order No. R-9708 entered on August 27, 1992.

In accordance with this Order, Armstrong Energy Corporation provides the following information:

A. Operator's name and address:

Armstrong Energy Corporation
Post Office Box 1973
Roswell, New Mexico 88202-1973

B. Description of the project area:

1. Exhibit "A" is a plat outlining the project area
2. The following acreage is located in the project area:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

Section 24: E/2, E/2 W/2,
Section 25: E/2

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Irregular Section 19: Lots 1 through 4, E/2 W/2 (W/2 Equivalent), E/2
Irregular Section 30: Lots 1 through 4, E/2W/2, (W/2 Equivalent), E/2.

The proposed project will impact 100% of the Unit Area

3. Total acres:

The Round Tank-Queen Waterflood Unit contains a total of 1922.72, acres more or less.

4. Subject pool and formation:

The Round Tank-Queen Waterflood Unit is within the Round Tank-Queen Pool.

The Unit includes the Queen formation.

Exhibit "B" is the Type-Log identified in the Unit Agreement.

C. Status of operations in the project area:

1. The name of the Unit is the Round Top-Queen Waterflood Unit.

D. Method of recovery to be used:

1. Identify fluids to be injected:
Produced Water.

E. Description of the project:

1. List of producing wells:

Attach as Exhibit "C" a list of all producing wells within the project area -- provide locations by footage location, Section Township and Range.

There are plans to drill approximately 15 additional development wells within the project area.

and Range.

2. Capital costs of additional facilities:

Description	Cost
Field installations and upgrades	\$ <u>100,000</u>
Development drilling cost	\$ <u>4,300,000</u>
Well remediation & misc. costs	\$ <u>150,000</u>
Injection work	\$ <u>400,000</u>
	\$ <u>4,950,000</u>

3. Total project costs:

\$ 4,950,000

4. Estimated total value of the additional production that will be recovered as a result of this project:

Using an average price for the oil of \$ 65.00 and an equivalent barrel based price for the gas, the value of the additional hydrocarbons to be produced from the proposed project (320,000 MM STBO and 0 BCF) is \$20,800,000 (Total Sales) and \$13,702,400 net income to the working interest owners.

5. The anticipated date for commencement of injection:

October 1, 2009

6. Identify the fluid to be injected and the anticipated volumes:

100 barrels of produced and makeup water as needed per well per day

7. Production Data:

Exhibit "D" is a graph with supporting data attached thereto which shows the production and injection history for the project and a forecast of the enhanced recovery of oil, gas, casinghead gas and water anticipated from this project.

Armstrong Energy Corporation requests that this application be set for hearing and, if no objections are received, that it be approved.

Very truly yours,
ARMSTRONG ENERGY CORPORATION

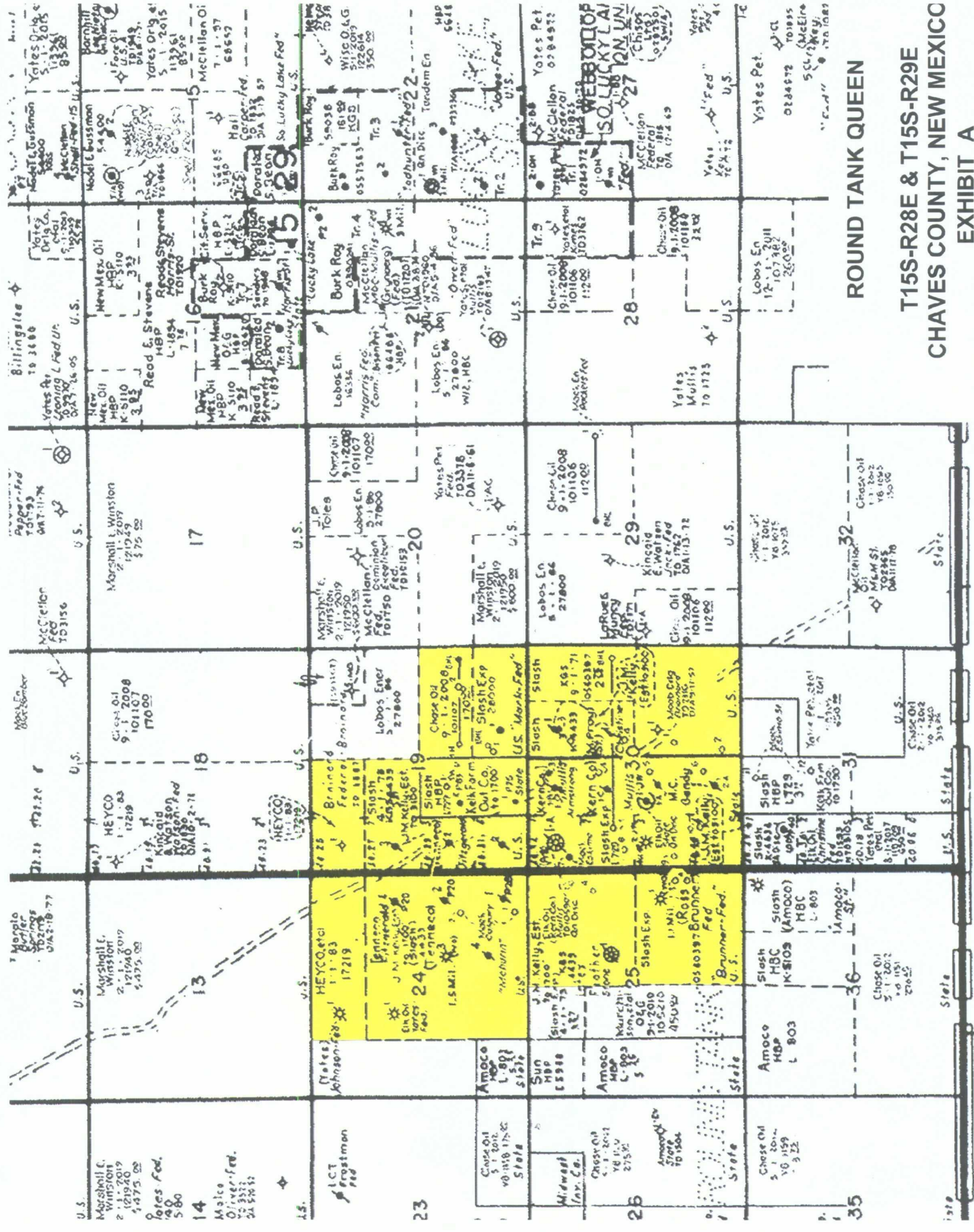
By: B. J. Stettin

Exhibit A: Plat of Project Area

Exhibit B: Type Log

Exhibit C: Table of Wells in the Project Area

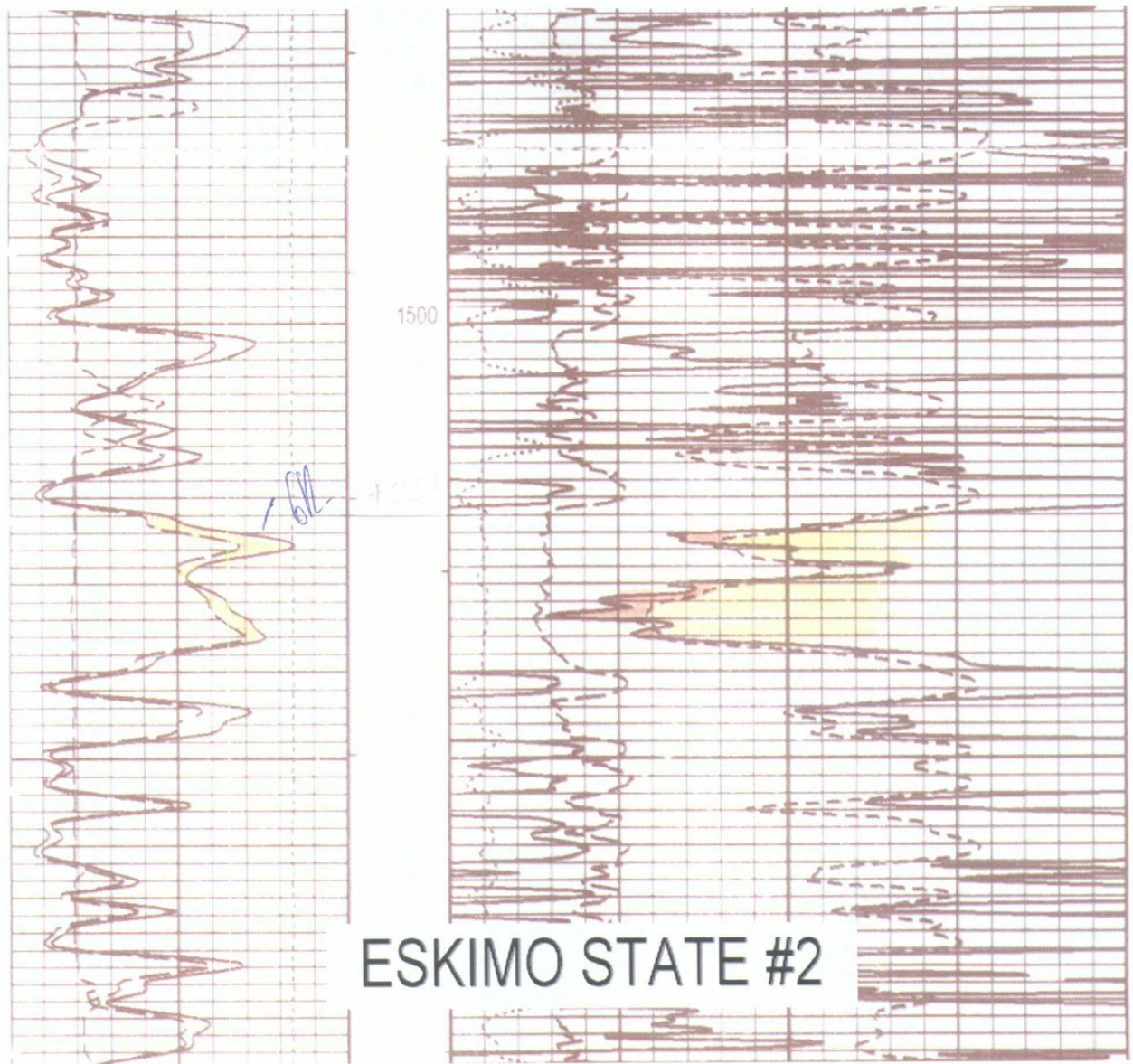
Exhibit D: Historical Production Curve and Production Forecast



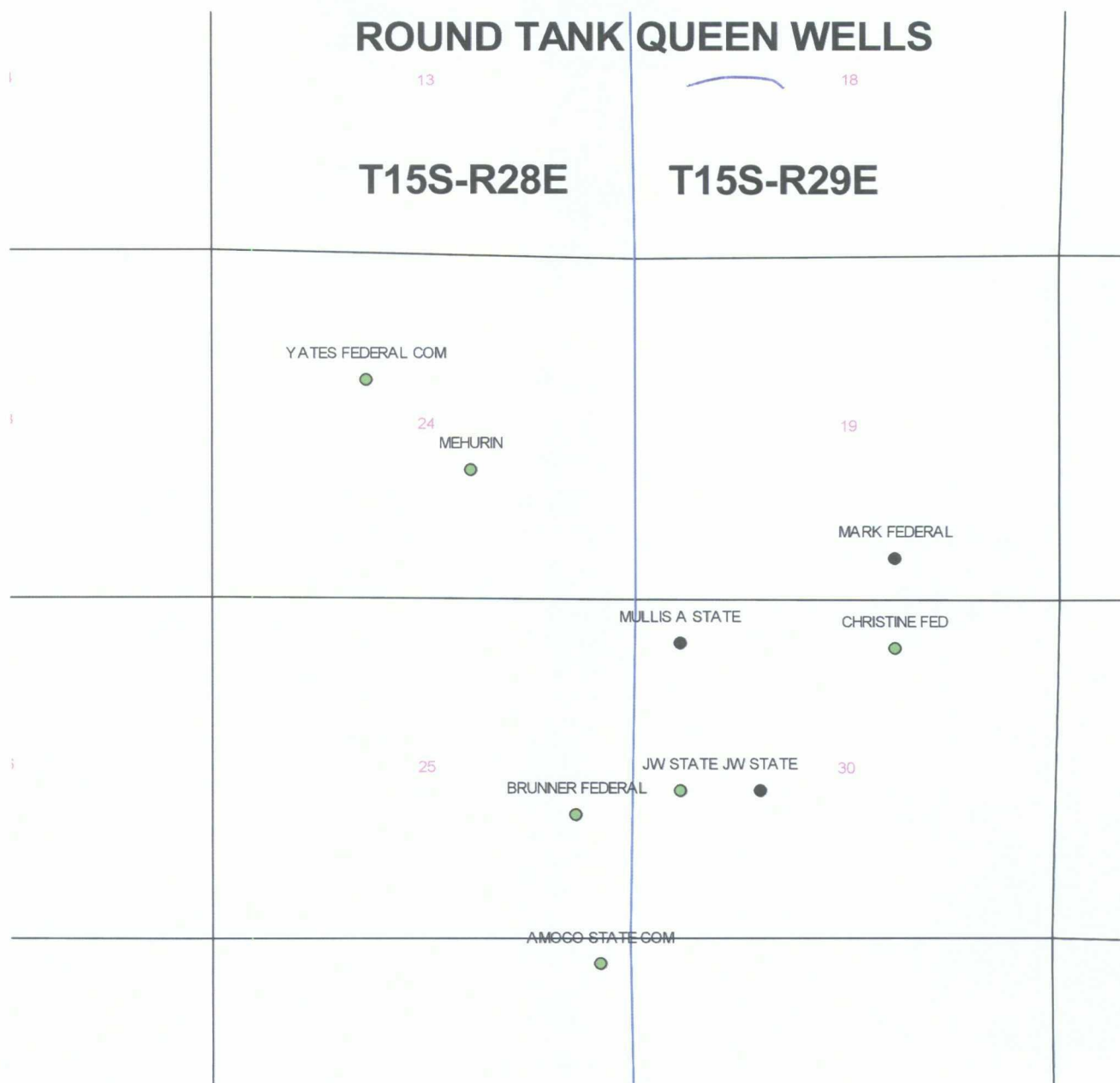
ROUND TANK QUEEN
T15S-R28E & T15S-R29E
CHAVES COUNTY, NEW MEXICO
EXHIBIT A

TYPE LOG

EXHIBIT B



65 / Bvl



API	LEASE NAME	#	LOCATION	STATUS	CODE	CUM. OIL	CUM. GAS	CUM. WTR	TD	U PERF	L PERF
3000560618	MARK FEDERAL	1	19O 15S 29E	INA		3,249	11	129	1552	1502	1508
3000561855	YATES FEDERAL COM	1	24F 15S 28E	ACT			349,462		1575	1470	1480
3000500392	MEHURIN	3	24J 15S 28E	ACT			616,204		3102	1463	1477
3000500396	BRUNNER FEDERAL	1	25I 15S 28E	ACT			240,589		3075	1454	1464
3000560482	CHRISTINE FED	3	30B 15S 29E	ACT		14,579			1559	1515	1525
3000560105	JW STATE	2	30 15S 29E	ACT			1,532,436		1660	1472	1482
3000560090	JW STATE	1	30K 15S 29E	INA		8,256	20	788	1705	1506	1510
3000500461	MULLIS A STATE	1	30 15S 29E	INA			693,886		10590	1452	1458
3000560232	AMOCO STATE COM	1	36A 15S 28E	ACT			760,999		1475	1416	1426
						26,084	4,193,607	917			

ROUND TANK QUEEN PRODUCTION AND INJECTION

EXHIBIT D

