

RECEIVED OCD
2009 SEP 10 P 3:43

September 10, 2009

VIA HAND DELIVERY

Richard Ezeanyim, Chief Engineer
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 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, Chavez County, New Mexico.

Dear Mr. Ezeanyim:

I have reviewed with Mr. Bruce Stubbs, Operations Vice President of Armstrong Energy Corporation, the difference between the "Unitized Formation" in the Round Tank Unit Agreement (1,510 feet to 1,526 feet in the Christine Federal Well No. 3) and the perforated injection interval in the proposed Round Tank Federal Well No. 1 (1,575 feet to 1,590 feet). I can advise that these zone correlate in the formation and that the perforated interval in the injection well is within the Unitized Formation. The reason for this is that the Queen formation dips to the east in the Unit Area so it is 15 feet lower at the Christine Federal well than in the injection well. Furthermore, the injection well is on top of a hill which is 50 feet higher in elevation. This results in the Queen formation being 65 feet deeper in the injection well than in the Christine Federal Well No.3. Accordingly, these are correlative intervals and the proposed injection will be into the Unitized Formation.

The description of the Unit Area in the *Nunc Pro Tunc* Order in Case No. 13150 and in Finding 3 of Armstrong's Proposed Order in Case No. 14342 should be:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

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

Section 25: E/2

9/11/09

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

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

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

If you have additional questions, please advise.

Very truly yours,



William F. Carr

cc: Mr. Bruce Stubbs
Armstrong Energy Corporation