



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 26, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Armstrong Energy Corporation
c/o **Pecos Petroleum Engineering, Inc.**
P. O. Box 2885
Roswell, New Mexico 88202

Attention: Bruce A. Stubbs, P. E.
pecos@lookingglass.net

Administrative Order NSL-5295

Dear Mr. Stubbs:

Reference is made to the following: (i) your application filed on behalf of the operator, Armstrong Energy Corporation of Roswell, New Mexico ("Armstrong"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on October 12, 2005 (*pMES0-529939192*); and (ii) the Division's records in Santa Fe and Artesia: all concerning Armstrong's request for an unorthodox deep Pennsylvanian gas well location within a proposed 320-acre standard stand-up gas spacing unit comprising the W/2 of Section 8, Township 24 South, Range 23 East, NMPM, Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This 320-acre unit is to be dedicated to the plugged and abandoned Inexco Oil Company ("Inexco") Foster State Well No. 1 (**API No. 30-015-21236**), to be redesignated by Armstrong as the Foster State Com. Well No. 1, located 2310 feet from the North line and 660 feet from the West line (Unit E) of Section 8.

It is the Division's understanding that Inexco originally drilled this well in August/September, 1974 to a total depth of 9,450 feet in order to test the Morrow formation for gas within a standard 320-acre stand-up gas spacing unit also comprising the W/2 of Section 8. At that time, this deep gas well location was considered to be standard for this 320-acre unit. According to the Division's records, this well tested dry and was subsequently plugged and abandoned in November, 1974.

It is further understood that Armstrong now intends to reenter this well and attempt a deep gas completion within the wildcat Pennsylvanian system.

Armstrong Energy Corporation

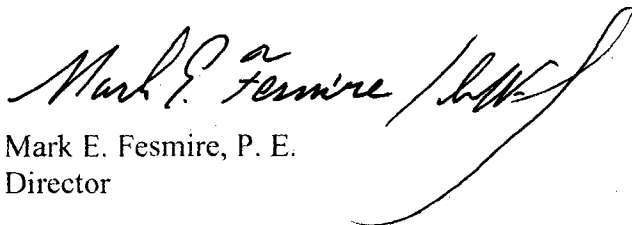
October 26, 2005

Page 2

Division Administrative Order NSL-5295

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox deep Pennsylvanian gas well location for Armstrong's Foster State Com. Well No. 1 within the W/2 of Section 8 is hereby approved.

Sincerely,

A handwritten signature in cursive script, reading "Mark E. Fesmire". The signature is written in dark ink and is positioned above the printed name and title.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe