

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☒ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☐ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE

X Single Well
____ Establish Pre-Approved Pools
EXISTING WELLBORE
X Yes ____ No

APPLICATION FOR DOWNHOLE COMMINGLING

Armstrong Energy Corporation
Operator

1973
P.O. Box 1973, Roswell, new Mexico 88202-1973
Address

Government "G"
Lease

2
Well No.

O Sec. 24-T19S-R34E
Unit Letter-Section-Township-Range

Lea
County

OGRID No. 001092 Property Code 001576 API No. 30-025-28571 Lease Type: X Federal ____ State ____ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Pearl Queen		Lea San Andres
Pool Code	49780		37585
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4868-5076'		5859-6003'
Method of Production (Flowing or Artificial Lift)	Artificial Lift - Rod Pump		Artificial Lift - Rod Pump
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	35.1 Deg. API		33.8 Deg. API
Producing, Shut-In or New Zone	Producing		Shut-in, RBP @ 5170'
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: November 2005 Rates: 6.43/0/3.8	Date: Rates:	Date: July 2005 Rates: 2.60/0/3.98
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 71 % 0 %	Oil Gas % %	Oil Gas 29 % 0 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes X No ____
Yes ____ No ____

Are all produced fluids from all commingled zones compatible with each other?

Yes X No ____

Will commingling decrease the value of production?

Yes ____ No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands
or the United States Bureau of Land Management been notified in writing of this application?

Yes X No ____

NMOCD Reference Case No. applicable to this well: PC-1156 Surface Commingling

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE _____ TITLE Engineer DATE February 22, 2006

TYPE OR PRINT NAME Bruce A. Stubbs TELEPHONE NO. (505) 624-2800

E-MAIL ADDRESS pecos@lookingglass.net

Armstrong
ENERGY CORPORATION

500 NORTH MAIN STREET, SUITE 1000
P. O. BOX 1973
ROSWELL, NEW MEXICO 88202-1973
505/625-2222
FAX 505.622-2512

February 16, 2006

Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Attention: Mark E. Fesmire

Re: Government G #2
T19S, R34E, Section 24
Lea County, NM

2006 FEB 21 PM 3 12

Dear Mr. Fesmire:

Enclosed is a original of a Form C-103, Sundry Notices and Report on Wells for the well listed above. Armstrong Energy Corporation respectfully request authority to commingle production from the San Andres and Queen Formation in the Government G #2.

If you have any questions, please feel free to contact me.

Sincerely,

ARMSTRONG ENERGY CORPORATION

By: Bruce A. Stubbs/cc
Bruce A. Stubbs, Engineer

BAS/cl

Enclosure

cc: Chris Williams, OCD - Hobbs

Office
District I
1625 N. French Dr., Hobbs, NM 88240
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District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-025-28571
5. Indicate Type of Lease Federal
6. State Oil & Gas Lease No. Federal No.: NM-0381550-C
7. Lease Name or Unit Agreement Name Government G
8. Well Number 2
9. OGRID Number 001092
10. Pool name or Wildcat 49780 Pearl Queen

<p>SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)</p>	
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	
2. Name of Operator. Armstrong Energy Corporation (505-625-2222)	
3. Address of Operator P.O. Box 1783 Roswell, NM 88202	
4. Well Location Unit Letter <u>O</u> : <u>760</u> feet from the <u>South</u> line and <u>2080</u> feet from the <u>East</u> line Section <u>24</u> Township <u>19S</u> Range <u>34E</u> NMPM County <u>Lea</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3805.3' GR	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____	
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Downhole Commingling of Production

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Armstrong Energy Corporation respectfully request authority to commingle production from the Pearl Queen zone and the Lea San Andres zone in the Government G #2. The #2 was completed in the Pearl Queen Pool (49780) in early August 2005 and currently produces 6.4 BOPD and 23 BWP. Gas volumes on each zone are too small to measure. . The #2 previously produced from the Lea San Andres Pool (37585) at rates of 2.6 BOPD and 4 BWP. The San Andres zone is currently under a retrievable bridge plug set at 5170'.

Production from each zone will be allocated based on previous production tests. Monthly production tests are attached for the #2 well from the San Andres prior to July 2005 and from the Queen post July 2005. Monthly production is attached for the #1 well. Production will be allocated as per the allocated percentages unless well testing indicates otherwise.

These two wells are on a common lease and are the only wells producing into the battery. Ownership of the Queen and San Andres zones are identical. (See attached certification.)

A copy of this application has been mailed to the Bureau of Land Management at the Roswell, New Mexico office. A copy of the registered-return receipt is attached.

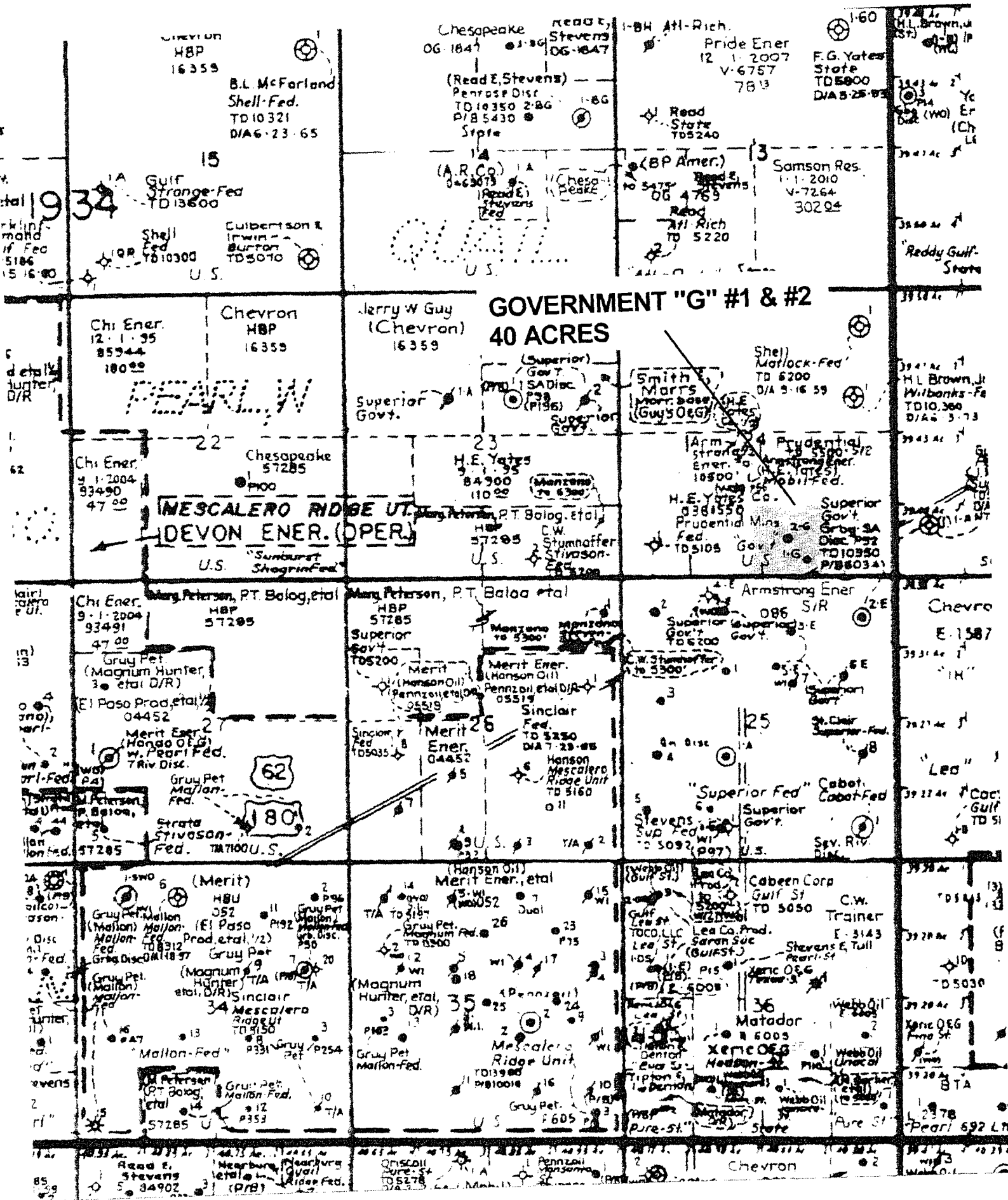
The oil produced from the Pearl Queen Pool and the Lea San Andres Pool are similar in gravity and quality and commingling will have no effect on the value of the combined product. Run statements attached.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Bruce A. Stubbs TITLE Engineer DATE 1-30-06

Type or print name Bruce A. Stubbs E-mail address: pecos@lookingglass.net Telephone No. 505-625-2222
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
Conditions of Approval (if any): _____



**GOVERNMENT "G" #1 & #2
40 ACRES**

**MESCALERO RIDGE UT.
DEVON ENER. (OPER.)**

PEARL W.

Chevron HBP 16355
B.L. McFarland
Shell-Fed.
TD 10321
DIA 6-23-65

Chesapeake 06-1847
(Read E. Stevens)
Penrose Disc.
TD 10350 2-86
P/B 5430
Stope

1-BH Atl-Rich.
Pride Ener
12-1-2007
V-6757
7813
Read State
TD 5240

1-60
F.G. Yates
State
TD 5800
DIA 3-25-65

1-60
H.L. Brown, Jr.
(ST)
1-8-81
Yc
Er
(Ch)
Lk

1934
Gulf
Strange-Fed
TD 13600
Shell
Fed
TD 10300
U.S.

Culbertson &
Irwin
Burton
TD 5010

(A.R. Co.)
0-63073
Read E.
Stevens
Fed

Chesapeake
06-1847
Read E.
Stevens
Fed

(BP Amer.)
06-1847
Read E.
Stevens
Fed
Atl-Rich
TD 5220

Samson Res.
1-1-2010
V-7264
30294

Reddy Gulf
State

Chi Ener.
12-1-95
85344
18000

Chevron
HBP
16355

Jerry W. Guy
(Chevron)
16355

PEARL W.

Superior
Govt.

(Superior)
Govt.
1-1-2010
P/B 6300

Smith
Marrs
Morris
(Guy's O&G)

Shell
Matlock-Fed
TD 6200
DIA 3-16-59

H.L. Brown, Jr.
Wilbanks-Fed
TD 10,360
DIA 3-7-73

Chi Ener.
9-1-2004
93490
4700

Chesapeake
57285
P/B 1000

H.E. Yates
84900
11000

(Montana)
P/B 6300

Armstrong Ener
Prudential
stranded
Ener.
10500
Mobilized
H.E. Yates Co.
3381550
Prudential Mins
2-6
Govt.
TD 5105
U.S.

Superior
Govt.
Disc. P/B
TD 10950
P/B 6034

**MESCALERO RIDGE UT.
DEVON ENER. (OPER.)**

U.S. "Sunburst
Shagrin Fed"

Superior
Govt.
57285
U.S.
Stumhafer
Stivason
E-6700

Superior
Govt.
Disc. P/B
TD 10950
P/B 6034

Chi Ener.
9-1-2004
93491
4700

Marg. Peterson, P.T. Bolog, et al
HBP
57285

Marg. Peterson, P.T. Bolog et al
HBP
57285
Superior
Govt.
TD 5200

Armstrong Ener
Superior
Govt.
TD 6200

Chevron
E-1587

Gruy Pet.
(Magnum Hunter,
3 et al D/R)

El Paso Prod, et al
04452

Merit
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Merit Ener.
(Hanson Oil)
w. Pearl Fed.
7 Riv Disc.

Gruy Pet
Mallan
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Strata
Stivason
Fed.

Strata
Stivason
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Strata
Stivason
Fed.

Strata
Stivason
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Gruy Pet.
(Mallan)
Fed.

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(Mallan)
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Gruy Pet.
(Mallan)
Fed.

Gruy Pet.
(Mallan)
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Gruy Pet.
(Mallan)
Fed.

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(Mallan)
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

Gruy Pet.
(Mallan)
Fed.

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(Mallan)
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

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Govt.
TD 6200

Chevron
E-1587

Gruy Pet.
(Mallan)
Fed.

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(Mallan)
Fed.

Merit Ener.
(Hanson Oil)
Pennzoil et al
05519

Superior
Govt.
TD 6200

Chevron
E-1587

RECEIVED OCT 18 2005

PEGASUS PLACE
125 WEST FOURTH STREET
POST OFFICE BOX 298
ROSWELL, N.M. 88202-0298

Phil Brewer
ATTORNEY & COUNSELOR

TELEPHONE: 505-625-0298
FACSIMILE: 505-625-0299
E-MAIL: pbrewer@pegasusplace.com

September 28, 2005

Armstrong Energy Corporation
P.O. Box 1973
Roswell, NM 88202-1973

Attention: Robert G. Armstrong, President

RE: Certification of Identical Ownership
Government "G" No. 1 and No. 2 Wells
SE/4 Section 24, Township 19 South, Range 34 East, NMMP
Lea County, New Mexico

Dear Mr. Armstrong:

At your request, I have examined such title materials as I deem to be necessary to certify that production from the San Andres and Queen formations underlying the wells identified in the caption hereof are owned by the royalty, overriding royalty, and working interest owners in identical percentages. This certification is rendered pursuant to NMOC Rule 19.15.5.303.B(3)(iii).

Very truly yours,


Phil Brewer

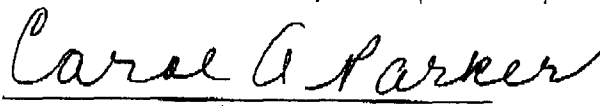
PB:cp

STATE OF NEW MEXICO)

COUNTY OF CHAVES)

) ss.

Subscribed, sworn to, and certified before me this 28th day of September, 2005 by Phil Brewer, Attorney.


Notary Public

My commission expires:

11-17-2007



ConocoPhillips Company
1020 Plaza Office Building
Bartlesville, OK 74004

FACILITY
STATEMENT
OF RUNS

FACILITY NAME: GOVERNMENT G #1
FACILITY/BATTERY NUMBER: 2018072 / 68766

DATE: JANUARY 2006
PAGE: 2

OPERATOR: ARMSTRONG ENERGY CORPORAT STATE: NM COUNTY: LEA
PRICE SCHEDULE: CONOCOPHILLIPS WTI +P+ +MWTI -CWTI

1240861000
ARMSTRONG ENERGY CORPORATION
P. O. BOX 1973
ROSWELL NM
88202

San Andres + Queen Oil

CURRENT MONTH PRICE REFLECTS:
MARKETING DEDUCTION OF 0.9900 PER BBL
PRICING IS BASED ON A 40.0 GRAVITY BASIS
PRICING METHOD: WEIGHTED AVERAGE

BARRELS	GROSS VALUE	TRANSPORTATION	TAX	NET VALUE
343.38	21,856.24	.00	1,823.47	20,032.77

DATE	TKT NO.	TRN TKT TYP	GRAV	PRICE	BARRELS	GROSS VALUE
01/11/06	CI0213	0 TK	35.10	63.650	171.88	10,940.21
				TRANSPORTER: SENTINEL	TRANSPORTATION LLC	
01/20/06	CI0257	0 TK	34.80	63.650	171.50	10,916.03
				TRANSPORTER: SENTINEL	TRANSPORTATION LLC	
RUN MONTH TOTAL					343.38	21,856.24
FACILITY TOTAL					343.38	21,856.24

REPORT CENTER/TYPE NAME	DATE	BARRELS	TAX	NET VALUE
000286876600001 / HLCO GOVERNMENT G #1	01/06			
	HLCO TOTAL	343.38	1,823.47	20,032.77
	FACILITY TOTAL	343.38	1,823.47	20,032.77

TICKET TYPE
TK OR R = TANK TICKET
MT OR T = METER TICKET
GV = GROSS TICKET
NV = NET VOLUME
PJ = REJECT TICKET
WT = WEIGHT TICKET

TRANSACTION TYPE
O = ORIGINAL
R = REVERSING
C = CORRECTING

PAYMENTS ARE BEING MAILED UNDER
SEPARATE COVER. RETAIN THIS STATEMENT
FOR TAX PURPOSES.
FOR INQUIRIES: IF YOUR LAST NAME OR
COMPANY BEGINS WITH:
A-F, CALL (918)661-0904
G-O, CALL (918)661-0905
P-Z, CALL (918)661-0906

FACILITY NAME: GOVERNMENT E #7
FACILITY/BATTERY NUMBER: 2018071 / 68765

DATE: JANUARY 2006
PAGE: 1

OPERATOR: ARMSTRONG ENERGY CORPORAT STATE: NM COUNTY: LEA
PRICE SCHEDULE: CONOCOPHILLIPS WTI +P+ +MWTI -CWTI

RECEIVED FEB 13 2006

1240861000
ARMSTRONG ENERGY CORPORATION
P. O. BOX 1973
ROSWELL NM
88202

CURRENT MONTH PRICE REFLECTS:
MARKETING DEDUCTION OF 0.9900 PER BBL
PRICING IS BASED ON A 40.0 GRAVITY BASIS
PRICING METHOD: WEIGHTED AVERAGE

BARRELS	GROSS VALUE	TRANSPORTATION	TAX	NET VALUE
351.37	22,364.81	.00	1,865.89	20,498.92

DATE	TKT NO.	TRN TKT TYP	GRAV	PRICE	BARRELS	GROSS VALUE
01/11/06	CL0131	0 TK	36.40	63.650	173.99	11,074.52
TANK NO: 6876502				TRANSPORTER: SENTINEL TRANSPORTATION LLC		
01/20/06	CI0256	0 TK	37.30	65.650	177.38	11,290.29
TANK NO: 6876501				TRANSPORTER: SENTINEL TRANSPORTATION LLC		
RUN MONTH TOTAL					351.37	22,364.81
FACILITY TOTAL					351.37	22,364.81

REPORT CENTER/TYPE NAME	DATE	BARRELS	TAX	NET VALUE
000286876500001 / HLCO	01/06	351.37	1,865.89	20,498.92
GOVERNMENT E #7		351.37	1,865.89	20,498.92
HLCO TOTAL		351.37	1,865.89	20,498.92
FACILITY TOTAL		351.37	1,865.89	20,498.92

QCA	QCA
MAC	IN
BS	JB
US	CL
COPY 1 BS	
FILE	

TICKET TYPE
TK OR R = TANK TICKET
MT OR T = METER TICKET
GV = GROSS TICKET
NV = NET VOLUME
RJ = REJECT TICKET
WT = WEIGHT TICKET

TRANSACTION TYPE
O = ORIGINAL
R = REVERSING
C = CORRECTING

PAYMENTS ARE BEING MAILED UNDER
SEPARATE COVER. RETAIN THIS STATEMENT
FOR TAX PURPOSES.
FOR INQUIRIES: IF YOUR LAST NAME OR
COMPANY BEGINS WITH:
A-F, CALL (918)661-0904
G-O, CALL (918)661-0905
P-Z, CALL (918)661-0906

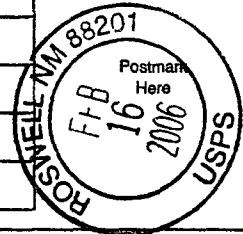
U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 1.35
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.60



Sent To
Bureau of Land Management

Street, Apt. No.,
or PO Box No. Second Street

City, State, Zip+4
Roswell, NM 88201

PS Form 3800, June 2002

See Reverse for Instructions

7003 3110 0000 4015 6314
HTEB ST04 0000 DTTE E001