

*ms*

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 14341**

**ORDER NO. R-\_\_\_\_\_**

**APPLICATION OF ARMSTRONG ENERGY CORPORATION FOR APPROVAL  
OF A UNIT AGREEMENT, CHAVES COUNTY, NEW MEXICO.**

**ARMSTRONG ENERGY CORPORATION'S  
PROPOSED ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing on July 23, 2009 at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this \_\_\_ th day of July 2009, the Division Director, having considered the record and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Armstrong Energy Corporation, seeks approval of its Round Tank-Queen Waterflood Unit Agreement for all oil and gas in the Queen formation underlying the following-described 1922.72 acres, more or less, of State of New Mexico and Federal lands in Chaves County, New Mexico:

**TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM**

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

Section 25: E/2

**TOWNSHIP 15 SOUTH, RANGE 28 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

(3) The unitized formation in the Round Tank-Queen Waterflood Unit Agreement is the interval underlying the Unit Area commonly known as the "Queen Formation," the vertical limits of which extend from an upper limit of 1,510 feet to a lower limit of 15,26 feet. These geologic makers having been previously found to occur in the Christine Federal #3 Well located 680 feet FNL and 1,980 feet FEL of Section 30, Township 15 South, Range 29 East, NMPM, Chaves County, New Mexico.

(4) Applicant presented testimony that demonstrates that:

- (a) All working interest owners in the Unit area have been afforded an opportunity to commit their interests to the Unit Agreement and the owners representing 100% of the working interest ownership in the Unit Area have committed their interests to the Unit Agreement.
- (b) 100% of the royalty interest ownership in the proposed Round Tank-Queen Unit owned by the Federal Government and the State of New Mexico;
- (c) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;
- (d) The Bureau of Land Management has designated the Unit Area as a logical unit area;
- (e) Sufficient working interest and royalty interest within the Unit Area has been voluntarily committed to afford effective control of unit operations pursuant to the Unit Plan;

(5) Applicant presented geological evidence that showed that the Queen formation is present throughout the proposed unit, has a net thickness in the Unit Area of approximately 15 feet, with an estimated average porosity of 18%, an average permeability of approximately 100md and it is good candidate for a waterflood project.

(6) No interested party appeared or otherwise objected to the proposed unit agreement.

(7) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Round Tank-Queen Unit Agreement is hereby approved for all oil and gas in the Queen formation underlying the following-described 1922.72 acres, more or less, of State Of New Mexico and Federal lands in Chaves County, New Mexico:

**TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM**

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

Section 25: E/2

**TOWNSHIP 15 SOUTH, RANGE 28 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

Section 18: E/2

Section 20: All

(2) The unitized interval in the Round Tank-Queen Waterflood Unit Agreement is the interval underlying the Unit Area commonly known as the "Queen Formation," the vertical limits of which extend from an upper limit of 1,510 feet to a lower limit of 1,526 feet. These geologic makers having been previously found to occur in the Christine Federal #3 Well located 680 feet FNL and 1,980 feet FEL of Section 30, Township 15 South, Range 29 East, NMPM, Chaves County, New Mexico.

(3) The plan contained in the Round Tank-Queen Waterflood Unit Agreement for the further development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereinafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas there from.

(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective on the first day of the calendar month next following approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Authorized Officer of the Bureau of Land Management for the Federal government. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

**Case No. 14341**

**Order No. R-\_\_\_\_\_**

**Page \_\_\_\_\_**

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.

Director

SEAL