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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

January 28, 2010

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

Attn: Mr. Robert G. Armstrong

Re: Amended 2010 Plan of Development
Z-28 Unit
Chaves County, New Mexico

Dear Mr. Armstrong:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

Please be advised that Automatic Elimination of the undrilled acreage occurred on March 8, 2009.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division

PL/IB/jm
cc: Reader File
OCD-Ed Martin

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

UNIT NAME: CARAVAN STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE APPROVED	OCD CASE NO. OCD ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 1/25/2010	CASE NO. 14404 ORDER NO. R-13215	1,600	1,600	0	0	STRICT	5 YEARS & SO LONG AS

APPROVALS

SLO-1/25/2010
OCD-12/22/2010

TOWNSHIP 24 SOUTH, RANGE 33 EAST

SECTION 28: W/2
SECTION 32: ALL
SECTION 33: ALL



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January 26, 2010

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

Attn: Mr. Robert G. Armstrong

Re: Z-28 State Exploratory Unit
Automatic Elimination Effective 3/8/2009
Chaves County, New Mexico

Dear Mr. Armstrong:

Our records reflect that pursuant to Article 9 of the Z-28 State Exploratory Unit the contraction/automatic elimination date occurred on March 8, 2009. Our review of this unit reflects the following:

- The Z-28 Unit was approved effective March 8, 2004.
- Article 9 of the Z-28 Unit provides for the following:
 - Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well-spacing or proration unit tracts within the unit boundaries shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.
- The Z-28 Unit Well No. 1 (30-005-63644) (A) Sec. 11-10S-26E was determined to be a commercial Wolfcamp well by our letter of July 16, 2004. This well is currently producing from the Foor Ranch; Wolfcamp (Gas) pool. The OCD spacing assigned to this well is the N/2 of Sec. 11-10S-26E, 320.00 Acres.
- The Z-28 Well No. 2 (30-005-63719) (M) Sec. 24-10S-26E is currently producing from the Comanche Wolfcamp (G) pool. The spacing assigned to this well is the W/2 of Section 24-10S-26E, 320.00 acres.
- The Z-28 Well No. 3 (30-005-63744) was plugged and abandoned on April 19, 2005.
- No drilling operations were being conducted on March 8, 2009.

In view of the above please be advised that the Z-28 unit has been automatically contracted to the NMOCD spacing units of the Well Nos. 1 and 2 effective March 8, 2009. The unit boundaries now consist of the N/2 of Section 11-10S-26E and the W/2 of Section 24-10S-26E (Unit Tract Nos. 1 and 6).

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

Armstrong Energy Corporation
January 26, 2010
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Please also be advised that due to the automatic elimination, the following State Leases have expired by their own terms:

VA-2004-1, W/2 Sec. 12-10S-26E, 320.00 Acres
VA-2005-1, W/2 Sec. 13-10S-26E, 320.00 Acres
VA-2008-1, S/2 Sec. 11-10S-26E, 320.00 Acres
VA-2010-1, E/2 Sec. 13-10S-26E, 320.00 Acres
VA-2012-1, E/2 Sec. 24-10S-26E, 320.00 Acres

Please submit revised exhibits "A" and "B" for this unit to reflect the revised acreage due to the contraction. In addition, please notify all interested parties of this action.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File,
OCD-Santa Fe, Attn: Mr. Ed Martin
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Mr. Kurt McFall

UNIT NAME: Z-28 STATE EXPLORATORY UNIT
OPERATOR: ARMSTRONG ENERGY CORPORATION
COUNTY: CHAVES

<u>DATE</u> <u>APPROVED</u>	<u>OCD CASE NO.</u> <u>OCD ORDER NO.</u>	<u>TOTAL</u> <u>ACREAGE</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>INDIAN</u> <u>FEE</u>	<u>SEGREGATION</u> <u>CLAUSE</u>	<u>TERM</u>
<u>EFFECTIVE</u> 3/8/2004	<u>CASE NO.</u> 13219 <u>ORDER NO.</u> R-12111	640	640	0	0	STRICT	5 YEARS SO LONG AS

APPROVALS

SLO-03/08/2004
OCD-03/02/2004

TOWNSHIP 10 SOUTH, RANGE 26 EAST

SECTION 11: N/2
SECTION 24: W/2