

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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March 2, 2009

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

Attn: Mr. Brian M. Carlozzi

Re: Round Tank Queen Unit
Preliminary Approval
Chaves County, New Mexico

Dear Mr. Carlozzi:

This office is in receipt of your letter of February 16, 2009 wherein you have requested preliminary approval to the proposed Round Tank Queen Unit Agreement, Chaves County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 1.045, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation from the Bureau of Land Management.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Carrie Tingley Hospital • Charitable Penal & Reform School • NM Highlands University • NM Institute of Handicapped • NM State Hospital • New Mexico State Park Commission • University of New Mexico • Case No. 14341 & 14342 (Consolidated) Exhibit No. 5

Submitted by:

ARMSTRONG ENERGY CORPORATION

Hearing Date: July 23, 2009

Miners' Hospital of NM • NM Boys School for the Deaf • NM School for the Visually Impaired • Public Buildings at Capital University

5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. Please submit one original and one copy of the Unit Agreement.
7. A copy of the Unit Operating Agreement (if applicable).
8. A re-designation of all well names and numbers.
9. Pursuant to Section 11 of the Unit Agreement, please submit your initial plan of operation for approval.
10. Pursuant to State Land Office Rule Number 19.2.100.51 the Commissioner of Public Lands discourages the use of fresh water in waterflood units in cases where salt water is practical. It is our understanding that fresh water will not be used in this unit.
11. On page 4 of your agreement please date the agreement.
12. On Exhibit "B", please include a column for the "Lessee of Record" and list the lessee of record for each tract.
13. Please submit a \$120 filing fee.

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-Attention: Ed Martin
BLM-Roswell, Attention Mr. John Simitz
BLM-Carlsbad