ARMSTRONG ENERGY CORPORATION

APPLICATION OF ARMSTRONG ENERGY CORPORATION FOR A PRESSURE MAINTENANCE PROJECT AND FOR QUALIFICATION OF THE PROJECT AREA FOR THE RECOVERED OIL TAX RATE PURSUANT TO THE ENHANCED OIL RECOVERY ACT

NORTHEAST LEA-DELAWARE POOL
LEA COUNTY, NEW MEXICO

CASE No. 12885

DATA PREVIOUSLY SUBMITTED IN CASE No.: 11436 ON DECEMBER 7, 1995 AND APPROVED BY ORDER No.: R-10541 ON FEBRUARY 6, 1996

HEARD BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

ON

JUNE 27, 2002

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12885 Exhibit No. 3
Submitted by:
ARMSTRONG ENERGY CORPORATION
Hearing Date: June 27, 2002

PECOS PETROLEUM ENGINEERING, INC.
ROSWELL, NEW MEXICO

MOBIL LEA STATE PRESSURE MAINTENANCE PROJECT

PRODUCTION SUMMARY		CUM. 3/02	3/02 DAILY PROD.	REMAINING PRIMARY PRODUCTION	ULTIMATE PRIMARY RECOVERY
MOBIL LEA STATE #1					
	OIL	191,421	15.4	73,703	265,124
	GAS	251,962	30.5	162,146	414,108
	WATER	26,666	5.0		
MOBIL LEA STATE #2					
(PROD. INCLUDE	**OIL**	327,813	70.0	195,282	523,095
1ST SAND ZONE	**GAS**	347,640	100.2	390,564	738,204
	WATER	34,277	6.7		
MOBIL LEA STATE #3					
	OIL	146,895	17.2	77,877	224,772
	GAS	224,609	35.8	155,754	380,363
	WATER	133,163	24.2		
MOBIL LEA STATE #4					
	OIL	147,593	19.4	93,264	240,857
	GAS	231,237	109.3	158,549	389,786
	WATER	39,827	51.7		
TOTALS	**OIL**	813,722	121.9	440,126	1,253,848
	GAS	1,055,448	275.8	867,013	1,922,461
	WATER	233,933	87.7		

INJECTION WELL LOCATION

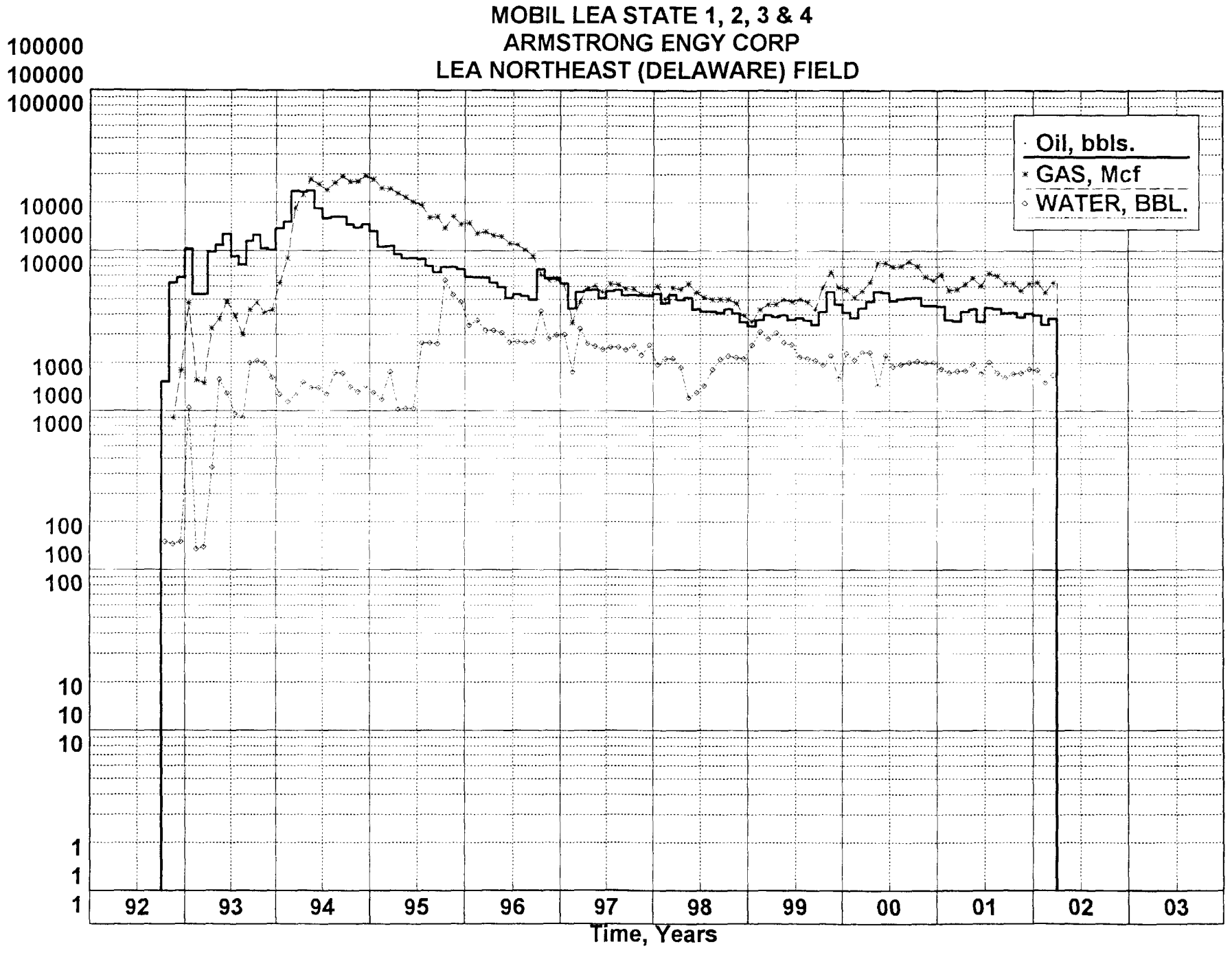
LOCATION		5500 DAYS ULT., BO	INCREASE BO
1	SE/SE/SW	1,732,500	44,400
2	SE/SW/SE	1,704,800	16,700
3	SW/SE/SW	1,736,500	48,400
4	SE/SW/SW	1,688,100	0
5	SW/SE/SW	1,716,400	28,300
6	NW/SE/SW	1,731,500	43,400

ADDITIONAL RECOVERY DUE TO INJECTION OF 500 BWPD

206,000 BO TO 306,000 BO

INJECTION WELL AND EQUIPMENT COSTS

DHC	$305,005
COMPL. COSTS	$307,712
	$612,717


MOBIL LEA STATE 1, 2, 3 & 4
ARMSTRONG ENGY CORP
LEA NORTHEAST (DELAWARE) FIELD
100000
100000
100000
10000
10000
10000
1000
1000
1000
100
100
100
10
10
10
1
1
1
Oil, bbls.
GAS, Mcf
WATER, BBL.
92
93
94
95
96
97
98
99
00
01
02
03
Time, Years

S/2 SECTION 2 T19S-R34E

MLS 2	MLS 1	MS 1	
MLS 3 4	MLS 4 6 3 1 5	2	

1)..... WELL REPORT: Time-Step = 483 Time = 5500.0000 days .....

WELL #	ID	LOCATION I	J	K	CALC BHFP	SPEC BHFP	SPEC PI	RATE OIL STB/D	RATE GAS MCF/D	RATE WATER STB/D	GOR	WOR	CUMULATIVE OIL MSTB	CUMULATIVE GAS MMCF	CUMULATIVE WATER MSTB
1	MLS-1	7	15	1	-1.	0.	0.1300	48.4	136.	15.9	2817.7	0.330	335.6	594.	99.6
2	MLS-2	7	11	1	-1.	0.	0.1800	36.8	307.	15.1	8328.2	0.409	329.9	1294.	108.9
3	MLS-3	10	11	1	-1.	0.	0.1000	31.0	20.	13.1	636.3	0.423	236.6	275.	77.1
4	MLS-4	9	14	1	-1.	0.	0.0900	27.7	15.	18.1	523.9	0.652	245.4	191.	78.2
5	MF-8	8	8	1	-1.	0.	0.0050	1.2	9.	0.5	7913.2	0.407	10.7	60.	3.7
6	MF-4	11	6	1	-1.	0.	0.0500	10.9	57.	4.3	5169.3	0.396	108.7	267.	34.9
8	NL-10	14	6	1	-1.	0.	0.2000	6.3	6.	80.8	940.4	12.808	131.1	155.	388.8
10	NL-6	14	2	1	-1.	0.	1.3000	22.8	194.	156.8	8507.3	6.877	334.5	924.	977.0
12	MS-2I	**11**	**15**	1	4567.	0.	0.3000	0.0	0.	-500.0	0.0	0.000	0.0	0.	-1472.5
	TOTALS							185.1	742.8	-195.4			1732.5	3760.9	295.8

2) ..... WELL REPORT: Time-Step = 473 Time = 5500.0000 days .....

WELL #	ID	LOCATION I	J	K	CALC BHFP	SPEC BHFP	SPEC PI	RATE OIL STB/D	RATE GAS MCF/D	RATE WATER STB/D	GOR	WOR	CUMULATIVE OIL MSTB	CUMULATIVE GAS MMCF	CUMULATIVE WATER MSTB
1	MLS-1	7	15	1	-1.	0.	0.1300	46.9	141.	15.3	2997.6	0.326	332.5	568.	98.3
2	MLS-2	7	11	1	-1.	0.	0.1800	31.8	345.	14.1	10834.5	0.444	323.5	1284.	107.2
3	MLS-3	10	11	1	-1.	0.	0.1000	26.3	15.	11.6	565.7	0.442	224.2	353.	74.3
4	MLS-4	9	14	1	-1.	0.	0.0900	35.1	25.	11.0	719.1	0.313	236.9	258.	69.8
5	MF-8	8	8	1	-1.	0.	0.0050	1.1	10.	0.5	9054.5	0.421	10.9	54.	3.7
6	MF-4	11	6	1	-1.	0.	0.0500	10.2	66.	4.2	6546.0	0.414	108.9	282.	35.1
8	NL-10	14	6	1	-1.	0.	0.2000	6.8	17.	76.4	2488.2	11.307	132.2	175.	380.9
10	NL-6	14	2	1	-1.	0.	1.3000	23.3	192.	158.5	8246.1	6.803	335.7	960.	973.8
12	MS-2I	**11**	**19**	1	3068.	0.	0.3000	0.0	0.	-500.0	0.0	0.000	0.0	0.	-1472.5
	TOTALS							181.5	810.9	-208.3			1704.8	3933.5	270.6

4

3) ..... WELL REPORT: Time-Step = 484 Time = 5500.0000 days .....

WELL #	ID	LOCATION I	J	K	CALC BHFP	SPEC BHFP	SPEC PI	RATE OIL STB/D	RATE GAS MCF/D	RATE WATER STB/D	GOR	WOR	CUMULATIVE OIL MSTB	CUMULATIVE GAS MMCF	CUMULATIVE WATER MSTB
1	MLS-1	7	15	1	-1.	0.	0.1300	40.9	146.	13.9	3558.6	0.341	320.1	683.	96.5
2	MLS-2	7	11	1	-1.	0.	0.1800	40.8	166.	15.0	4062.0	0.367	338.3	1129.	109.7
3	MLS-3	10	11	1	-1.	0.	0.1000	26.8	11.	19.2	419.0	0.714	245.2	251.	84.7
4	MLS-4	9	14	1	-1.	0.	0.0900	29.7	13.	15.6	445.1	0.526	246.1	196.	76.2
5	MF-8	8	8	1	-1.	0.	0.0050	1.5	5.	0.5	3488.9	0.349	11.0	57.	3.8
6	MF-4	11	6	1	-1.	0.	0.0500	12.2	47.	4.6	3875.4	0.376	109.8	255.	35.1
8	NL-10	14	6	1	-1.	0.	0.2000	6.7	10.	81.7	1504.5	12.246	131.0	142.	393.7
10	NL-6	14	2	1	-1.	0.	1.3000	22.7	197.	153.6	8678.1	6.764	335.0	926.	976.8
12	MS-2I	**11**	**13**	1	4450.	0.	0.3000	0.0	0.	-500.0	0.0	0.000	0.0	0.	-1472.5
	TOTALS							181.3	595.1	-195.9			1736.5	3639.6	304.1

4) ..... WELL REPORT: Time-Step = 488 Time = 5500.0000 days .....

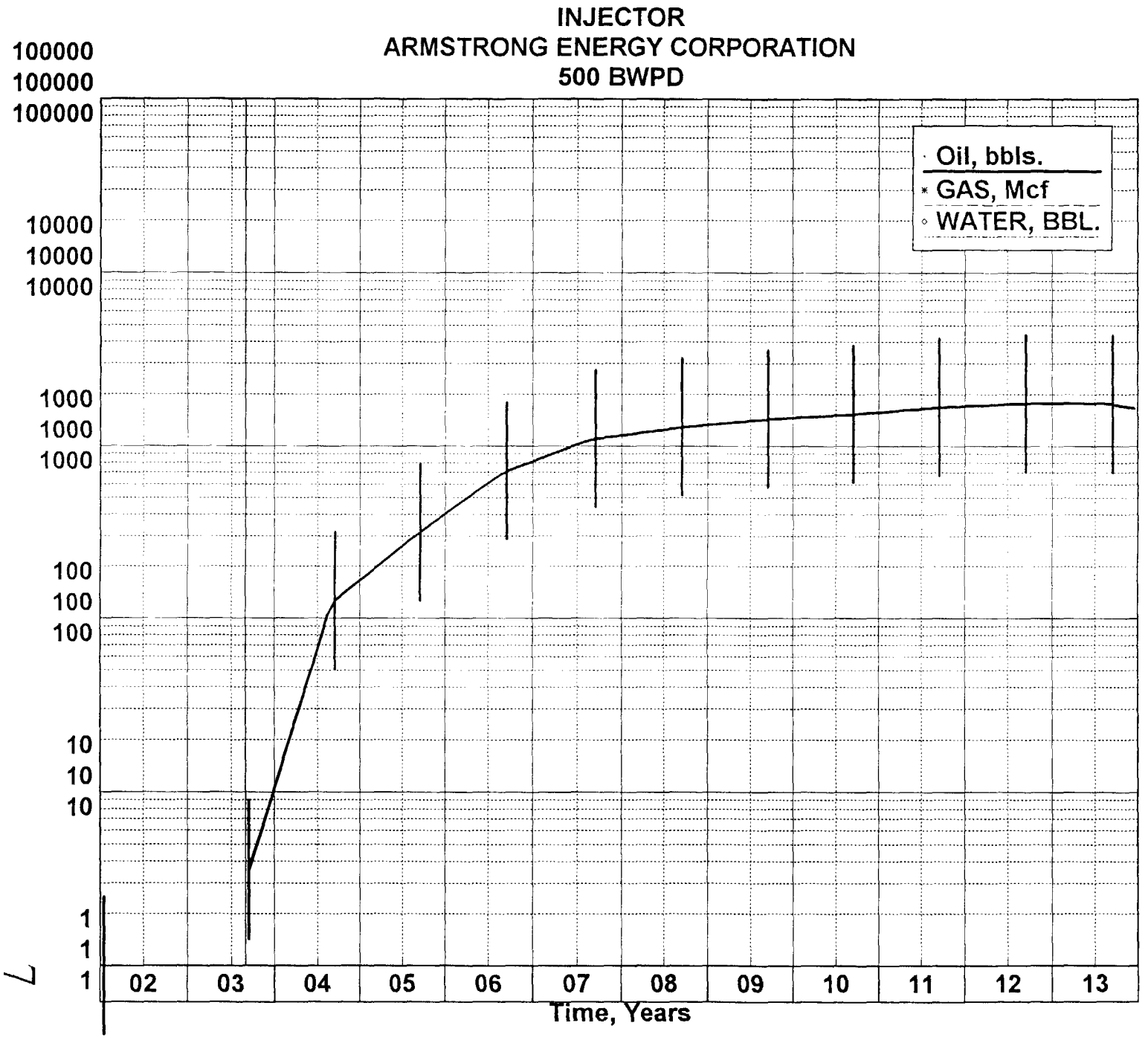
WELL #	ID	LOCATION I	J	K	CALC BHFP	SPEC BHFP	SPEC PI	RATE OIL STB/D	RATE GAS MCF/D	RATE WATER STB/D	GOR	WOR	CUMULATIVE OIL MSTB	CUMULATIVE GAS MMCF	CUMULATIVE WATER MSTB
1	MLS-1	7	15	1	-1.	0.	0.1300	34.3	180.	12.8	5236.8	0.372	308.9	716.	94.3
2	MLS-2	7	11	1	-1.	0.	0.1800	48.5	119.	16.6	2446.9	0.342	349.1	949.	111.0
3	MLS-3	10	11	1	-1.	0.	0.1000	5.5	2.	81.9	438.4	14.836	195.5	209.	199.2
4	MLS-4	9	14	1	-1.	0.	0.0900	34.3	21.	10.5	622.3	0.306	238.1	236.	69.7
5	MF-8	8	8	1	-1.	0.	0.0050	2.1	2.	0.6	1080.6	0.303	12.5	38.	4.0
6	MF-4	11	6	1	-1.	0.	0.0500	16.4	20.	5.3	1195.3	0.321	115.3	206.	35.9
8	NL-10	14	6	1	-1.	0.	0.2000	7.7	10.	83.8	1286.7	10.834	131.8	142.	399.8
10	NL-6	14	2	1	-1.	0.	1.3000	25.2	240.	160.7	9535.2	6.387	336.8	938.	984.8
12	MS-2I	**11**	**11**	1	4354.	0.	0.3000	0.0	0.	-500.0	0.0	0.000	0.0	0.	-1472.5
	TOTALS							174.1	593.9	-127.8			1688.1	3434.2	426.3

5)..... WELL REPORT: Time-Step = 468 Time = 5500.0000 days .....

WELL #	ID	LOCATION I	J	K	CALC BHFP	SPEC BHFP	SPEC PI	RATE OIL STB/D	GAS MCF/D	WATER STB/D	GOR	WOR	CUMULATIVE OIL MSTB	GAS MMCF	WATER MSTB
1	MLS-1	7	15	1	-1.	0.	0.1300	38.0	164.	13.5	4304.7	0.355	315.8	658.	95.4
2	MLS-2	7	11	1	-1.	0.	0.1800	34.5	309.	14.7	8953.9	0.425	332.2	1207.	109.0
3	MLS-3	10	11	1	-1.	0.	0.1000	26.9	18.	16.1	670.8	0.599	237.6	261.	81.8
4	MLS-4	9	14	1	-1.	0.	0.0900	33.1	29.	11.2	872.3	0.339	241.1	228.	71.2
5	MF-8	8	8	1	-1.	0.	0.0050	1.2	9.	0.5	7676.5	0.378	10.3	94.	3.6
6	MF-4	11	6	1	-1.	0.	0.0500	12.5	46.	4.6	3691.2	0.372	111.1	259.	35.4
8	NL-10	14	6	1	-1.	0.	0.2000	6.4	4.	86.9	627.7	13.583	131.1	136.	405.6
10	NL-6	14	2	1	-1.	0.	1.3000	23.7	190.	164.4	8028.3	6.942	337.1	919.	993.9
12	MS-2I	**12**	**13**	1	2678.	0.	0.3000	0.0	0.	-500.0	0.0	0.000	0.0	0.	-1472.5
	TOTALS							176.4	769.6	-188.0			1716.4	3761.7	323.4

6)..... WELL REPORT: Time-Step = 487 Time = 5500.0000 days .....

WELL #	ID	LOCATION I	J	K	CALC BHFP	SPEC BHFP	SPEC PI	RATE OIL STB/D	GAS MCF/D	WATER STB/D	GOR	WOR	CUMULATIVE OIL MSTB	GAS MMCF	WATER MSTB
1	MLS-1	7	15	1	-1.	0.	0.1300	48.0	87.	15.1	1807.6	0.314	332.6	597.	98.7
2	MLS-2	7	11	1	-1.	0.	0.1800	57.1	67.	17.6	1176.5	0.308	361.1	892.	112.6
3	MLS-3	10	11	1	-1.	0.	0.1000	16.1	8.	36.6	467.6	2.271	227.6	235.	102.0
4	MLS-4	9	14	1	-1.	0.	0.0900	14.0	10.	42.5	707.7	3.023	227.2	170.	105.5
5	MF-8	8	8	1	-1.	0.	0.0050	2.0	0.	0.6	205.3	0.290	11.5	42.	3.8
6	MF-4	11	6	1	-1.	0.	0.0500	11.5	50.	4.4	4381.9	0.386	108.3	254.	34.7
8	NL-10	14	6	1	-1.	0.	0.2000	6.8	10.	73.9	1414.5	10.920	131.0	170.	376.4
10	NL-6	14	2	1	-1.	0.	1.3000	20.9	204.	137.9	9773.3	6.595	332.1	920.	958.4
12	MS-2I	**10**	**13**	1	4469.	0.	0.3000	0.0	0.	-500.0	0.0	0.000	0.0	0.	-1472.5
	TOTALS							176.4	436.0	-171.4			1731.5	3278.3	319.5



PSD	09/01/2003
Phase	OIL
Type	Exp
Decline(%)	-3900.0
qi	3
Cum(M) 01/2000	0.000
Remaining(M)	206.407
Ultimate(M)	206.407
OGRE Cum(M)	0.000
OGRE Ult(M)	206.407

ARMSTRONG ENERGY CORPORATION

P.O. BOX 1973
ROSWELL, NEW MEXICO 88202

AFE NUMBER: **MLS-2-20-34-8N**
DATE: 5-13-2002

AUTHORIZATION FOR EXPENDITURE

LEASE/WELL NAME: MOBIL LEA STATE #8 WIW — DEPTH: 6250FT.
FIELD NAME: NORTHEAST LEA DELAWARE — OBJECTIVE: DELAWARE
LEGAL DESCRIPTION: 330' FSL & 1650' FWL SECTION 2-T20S-R34E — COUNTY/STATE: LEA, N.M.
DESCRIPTION OF WORK: DRILL A WELL FOR WATERINJECTION INTO THE CHERRY CANYON THIRD SAND INTERVAL.

ACCOUNT CODE	DESCRIPTION			DRILLING	COMPLETION	TOTAL
	INTANGIBLE DRILLING COSTS					
	SURVEYING			1,200		
	LOCATION , ROAD, CONDUCTOR PIPE & DAMAGES			25,000		
	DRILLING - FOOTAGE RATE	$18.00/FT	6250 FT.	119,250		
	DRILLING- DAYWORK	$4600/DAY	3 DAYS	14,628		
	CEMENT & SERVICES- SURFACE CASING		1200SX	19,080		
	SUPERVISION	20 DAYS @ $650		13,000		
	GEOLOGIST			2,000		
	MUD MATERIALS & SPECIAL EQUIPMENT			12,720		
	WATER	10,000 BBLS F.W. & 10,000 BBLS. BRINE		25,002		
	HAULING AND TRANSPORTATION			3,000		
	LOGGING			12,000		
	MUD LOGGER	$650/DAY	10 DAYS	6,890		
	PIT LINING AND FENCING			3,500		
	CASING CREW	SURFACE CASING		2,300		
	ADMINISTRATIVE OVERHEAD			5,000		
	LEGAL			2,000		
	CONTRACT LABOR			1,500		
	MISCELLANEOUS			10,000		
	INTANGIBLE COMPLETION COSTS					
	COMPLETION UNIT	7DAYS @ $150/HR.			12,600	
	REVERSE UNIT				3,500	
	WATER	2000 BBLS.			2,650	
	CEMENTING SERVICES PRODUCTION CASING	2000 SX			37,800	
	PERFORATING AND BOND LOG	1 ZONE			6,360	
	STIMULATION:	1 ACID TREATMENT			4,770	
		1 FRAC TREATMENT			60,000	
	WELDING				1,000	
	SUPERVISION	10 DAYS @ $650/DAY			6,500	
	TRANSPORTATION, INSTALLATION & LABOR				3,000	
	EQUIPMENT RENTAL:	2- FRAC TANKS			780	
		5 1/2" PACKER			1,590	
		MISCELLANEOUS (TUBING)			5,000	
	LABOR, ROUSTABOUTS				12,720	
	CASING CREW	PRODUCTION CASING			3,710	
	ADMINISTRATIVE OVERHEAD				1,500	
	ELECTRICAL				6,000	
	MISCELLANEOUS				10,000	
	TOTAL INTANGIBLE COSTS			278,070	179,480	457,550
	TANGIBLE COMPLETION COSTS					
	WELLHEAD			4,500	2,000	
	SURFACE CASING	9 5/8" - 1700 FT.		22,435		
	PRODUCTION CASING	5 1/2" - 6250 FT.			38,094	
	TUBING	2 3/8" P.C.- 6000FT.			24,486	
	BUILDING				7,420	
	INJECTION PUMP	J-100			24,513	
	DOWNHOLE EQUIPMENT	P.C. PACKER AND ON-OFF TOOL			5,500	
	ANCHORS				850	
	FLOWLINES VALVES & FITTINGS				7,950	
	SPECIAL EQUIPMENT (FILTERS, MISC.)				10,000	
	TANK COATING				7,420	
	TOTAL TANGIBLE COSTS			26,935	128,232	155,167
	TOTAL WELL COST			**305,005**	**307,712**	**612,717**

1. 16" CONDUCTOR @ 40'.
2. 9 5/8" SURFACE CASING @ 1700'.
3. 5 1/2" CASING @ 6250'.
4. PERFORATE, ACIDIZE AND FRAC THIRD SAND ZONE @ 5950'-6000'.
5. RUN P.C. PACKER, ON-OFF TOOL, PROFILES AND P.C. 2 3/8" TUBING WITH PACKER AT +/- 5950'.
6. PUT WELL ON INJECTION AT + 500 BWPD.

PREPARED BY: BRUCE A. STUBBS — TITLE: PETROLEUM ENGINEER — DATE: 5-13-2002

ARMSTRONG ENERGY CORPORATION

APPROVED BY: ROBERT G. ARMSTRONG — TITLE: PRESIDENT — DATE: 5-13-2002

APPROVED BY: _____ — TITLE: _____ — DATE: _____
COMPANY: _____ — %W.I.: _____

IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS A.F.E. SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN THE OPERATION SPECIFIED ABOVE, WHETHER MORE OR LESS THAN SET OUT HEREIN.