



Oil Cons.
N.M. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

SEP 25 2007
OCD-ARTESIA

Form 3160-3
(April 2004)

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NMNM-118110	
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. STARR "B" FEDERAL #1 36780	
9. API Well No. 005-63994 30-015-35850	
10. Field and Pool, or Exploratory Lone Wolf - Devonian SW	11. Sec., T. R. M. or Blk. and Survey or Area SEC. 19-T13S-R29E
12. County or Parish CHAVES	13. State NM
14. Distance in miles and direction from nearest town or post office* 16 MILES EAST OF HAGERMAN, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 240 AC.
17. Spacing Unit dedicated to this well 80 AC.	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N.A.	19. Proposed Depth 9500'
20. BLM/BIA Bond No. on file NM-1826	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3657' GL	22. Approximate date work will start* 09/24/2007
	23. Estimated duration 45 DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>B. Stubbs</i>	Name (Printed/Typed) BRUCE A. STUBBS	Date 08/01/2007
Title VICE PRESIDENT - OPERATIONS		

Approved by (Signature) <i>ISI Angel Mayes</i>	Name (Printed/Typed) ISI Angel Mayes	Date SEP 20 2007
Title Assistant Field Manager, Lands And Minerals		
Office ROSWELL FIELD OFFICE		
APPROVED FOR 2 YEARS		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2)

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505



State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies
OCD-ARTESIA AMENDED REPORT

OCT 03 2007

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 40284		³ Pool Name Lone Wolf Devonian, Southwest	
⁴ Property Code		⁵ Property Name Starr "B" Federal			⁶ Well Number 1
⁷ GRID No. 1092		⁸ Operator Name Armstrong Energy Corp.			⁹ Elevation 3657

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	19	13S	29E		1650	North	330	East	Chaves

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16	Lease No.: NMNM-118110 NE/4 & E/2 NW/4 240 Ac.				1650' 	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division</i>	
						Signature: Date: 08/01/2007	
						Printed Name: Bruce A. Stubbs	
						¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>	
				Date of Survey: 6/21/2007 Signature and Seal of Professional Surveyor: Certificate Number:			

**Armstrong Energy Corporation
 Starr "B" Federal #1
 Devonian Test
 1650' FNL & 330' FEL
 Section 19-T13S-R29E
 Chaves County, New Mexico**

1. The Estimated tops of geological markers are as follows:

Surface Formation: Permian – Quaternary Sandy Alluvium

Yates	685'
7-Rivers	825'
Queen	1405'
Grayburg	1710'
San Andres	1985'
Glorietta	3290'
Tubb	4820'
Abo	5610'
XX Wolfcamp	6825'
3-Brothers	7135'
Mississippian	8735'
Kinderhook	9210'
Devonian	9405'

2. The estimated depth at which anticipated water, oil or gas formations are expected to be encountered:

Water	150'
Oil	9405'

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Any potential surface fresh water sands will be protected by setting 13 3/8" casing at 300' and circulating cement back to surface

3. Pressure Control Equipment: 3,000 psi W.P. BOP nipped up on the 8 5/8" casing
4. Proposed Casing and Cementing Program:

A. Casing Program:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft.</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Cond.</u>
17 1/2"	13 3/8"	48 #/ft.	H-40	ST&C	0-325'	New
12 1/4"	8 5/8"	32 #/ft.	K-55	ST&C	0-2210'	New
7 7/8"	5 1/2"	17 #/ft.	N-80	LT&C	0-TD	New

Minimum casing design factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

B. Cementing Program:

<u>String</u>	<u>Sacks</u>	<u>Type</u>	<u>Yield</u>	<u>Fill</u>
Surface	400	Class "C" w/ 2% CaCl ₂	1.32 ft ³	Circ.
Intermediate	800	Lite		
	200	Class "C" w/ 2% CaCl ₂	1.32 ft ³	Circ.
Production	305	Super "H" w/.5% LAP-1, .4% CFR-3, 2.5 #/sx. Salt, .25 #/sx. D-Air		TOC @ 8000'

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid loss</u>
0-325'	Fresh Water Gel	8.4-8.9	32-36	N.C.
325-2210'	Salt Gel/Starch/Brine	9.7-10.2	28-29	N.C.
2210-5600'	Cut Brine	9.1-9.2	28-29	N.C.
5600-8500'	Cut Brine/Oil/Torqmaster	9.0-9.1	34-40	N.C.
8500-T.D.	Cut Brine/Oil/Torqmaster	9.0-9.3	34-40	10-15

6. Testing, logging and coring programs:

DST's: Possible on all secondary target formations, plus target formations.

Mud Logging: From the Queen formation to T.D.

Electric Logging: From surface to T.D.; projected to run a CNL/LDT/GR and from 2210' to T.D. a sonic and DLL/MLL.

Coring: No coring is anticipated at this time. However, rotary sidewall cores may be taken while logging.

8. Abnormal pressure, temperature or other hazards

Lost Circulation Zones: Records on nearby wells do not report any lost circulation zones. Appropriate materials will be available to combat any lost circulation that is encountered.

High Pressure: Records available from nearby wells do not indicate any over pressured zones. Mud weights sufficient to maintain a hydrostatic gradient of 0.45 psi/ft. should be sufficient for well control.

High Temperature: BHT measured in nearby wells indicates a normal temperature gradient in this area. (145°F @ 9500' = .89 °F/100 ft.)

9. Anticipated starting date: September 24, 2007

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Starr "B" Federal #1
Devonian Test
1650' FNL & 330' FEL
Section 19-T13S-R29E
Chaves County, New Mexico

- Existing roads: Exhibit A is an aerial map showing the wells and roads in the vicinity of the proposed location. The wellsite is located approximately 16 miles east-northeast of Hagerman, New Mexico and the access road is indicated in yellow and the proposed access road is indicated in red.

Directions: From Hagerman, New Mexico, travel east on NM 31 to mile marker 20.6; turn north on Chaves county Road "Jemina"; which meanders north and then west a distance of 2.1 miles; turn north on Chaves County Road "Terersa" a distance of 6.3 miles to a dry hole marker and an unnamed oilfield road leading west. Turn west and travel 1.6 miles to a dry hole marker and large water tank. Turn south and travel .25 miles, turn west onto access road and travel .5 miles to location.

- Planned access road: The original access road will be bladed, resurfaced and packed as necessary. The access road is approximately 150 feet (9.1 rods) from the existing road to the east side of the location.
- Location of existing wells: Exhibit D shows existing wells within a one-mile radius of the proposed location. The following table lists the wells within the one-mile radius of the Starr "B" Federal #1.

<u>Operator Name</u>	<u>Field Name</u>	<u>Prod Zone Name</u>	<u>Lease Name</u>	<u>#</u>	<u>Location</u>
Armstrong Energy Corporation	Lone Wolf South	Devonian	South Lone Wolf	1	Sec. 29 F-T13S-R29E
Armstrong Energy Corporation	Lone Wolf South	Devonian	South Lone Wolf	2	Sec. 29 M-T13S-R29E
The Rodman Corporation	Wildcat	8778' D.H.	North King Camp Unit	5	Sec 17 K-T13S-R29E
Jack L. McClellan	Wildcat	1630' D.H.	North King Camp Unit	6	Sec 17 G-T13S-R29E
McClellan Oil Corporation	Wildcat	1497' D.H.	North King Camp Unit	7	Sec 17 L-T13S-R29E
Eik Oil Company	Wildcat	9397' D.H.	Nitschke "66" Federal	1	Sec. 19 C-T13S-R29E
McGrath & Smith, Inc	Wildcat	2120' D.H.	North King Camp Unit	3	Sec 20 G-T13S-R29E

- Location of existing and/or proposed facilities: In the event the well is productive, the necessary production facilities will be installed on the drilling pad. It is anticipated the well will be a oil well and no electrical power or gas pipeline will be will be required.
- Location and type of water supply: It is planned to reenter the proposed well using a cut brine mud system. The water will be obtained from commercial sources and will be hauled to location by truck over the existing and proposed roads shown in Exhibit A.
- Source of construction material: It is planned to use the caliche from the Nitschke "66" Federal #1 location and road on this location. The dirt contractor will locate the nearest pit and obtain

any permits and materials needed for construction should the location need any additional materials.

7. Method of handling waste disposal:

- A. Drill cutting will be collected in the reserve pit as per OCD pit rules.
- B. Drill fluids will be stored in steel tanks and the reserve pit.
- C. Water produced during production operations will be stored in tanks until hauled to an approved disposal system.
- D. Oil produced during production operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk and other waste will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved landfill. Burial on site is not approved.

8. Ancillary facilities: None

9. Wellsite layout:

- A. Exhibit C shows the relative location and dimensions of the well pad, the location of the drilling equipment, rig orientation and access road approach.
- B. An area 600' x 600' with a 100' wide access road was archaeologically cleared by Boone Archaeological Services, LLC on July 20, 2007.

10. Plans for restoration:

- A. After the completion of the drilling and completion operations, all equipment and other materials not needed for additional operations will be removed. The location will be cleared of all trash and junk to leave the wellsite in an aesthetically pleasing a condition as possible.
- B. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. Surface Ownership: U.S.

Lessee: Mr. Robert Jolly
Sand Camp Ranch
P. O. Box 597
Hagerman, NM 88232
505-752-6662

The surface lessee has been contacted and a surface use agreement is being negotiated between Sand Camp Ranch and Armstrong Energy Corporation.

12. Other information:


- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings and historical and cultural sites.
- B. The primary surface use is for grazing.

13. Operator's representative:
Mr. Bruce A. Stubbs
Armstrong Energy Corporation
P.O. Box 1973
Roswell, New Mexico 88202
Phone 505-625-2222
bastubbs@zianet.com

14. Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Armstrong Energy Corporation and it's contractors and sub contractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: August 1, 2007

By : 
Bruce A. Stubbs
Vice President – Operations
Armstrong Energy Corporation

**Armstrong Energy Corporation
Starr "B" Federal #1
1650' FNL & 330' FEL
Sec. 19-T13S-R29E
Chaves County, New Mexico**

Hydrogen Sulfide Plan

Offset wells have not reported hydrogen sulfide in concentration in excess of 100 ppm. As per Rule 118.C.2, no further action is necessary.

As a precautionary measure, a H₂S monitor will be maintained on the rig floor to alert personnel to unanticipated H₂S buildup at the bell nipple and rig floor. Should H₂S be detected, a Hydrogen Sulfide Plan will be implemented.

There are no dwellings within a one-half mile radius of the well. The closest dwelling is an abandoned ranch house approximately one mile east of the location.

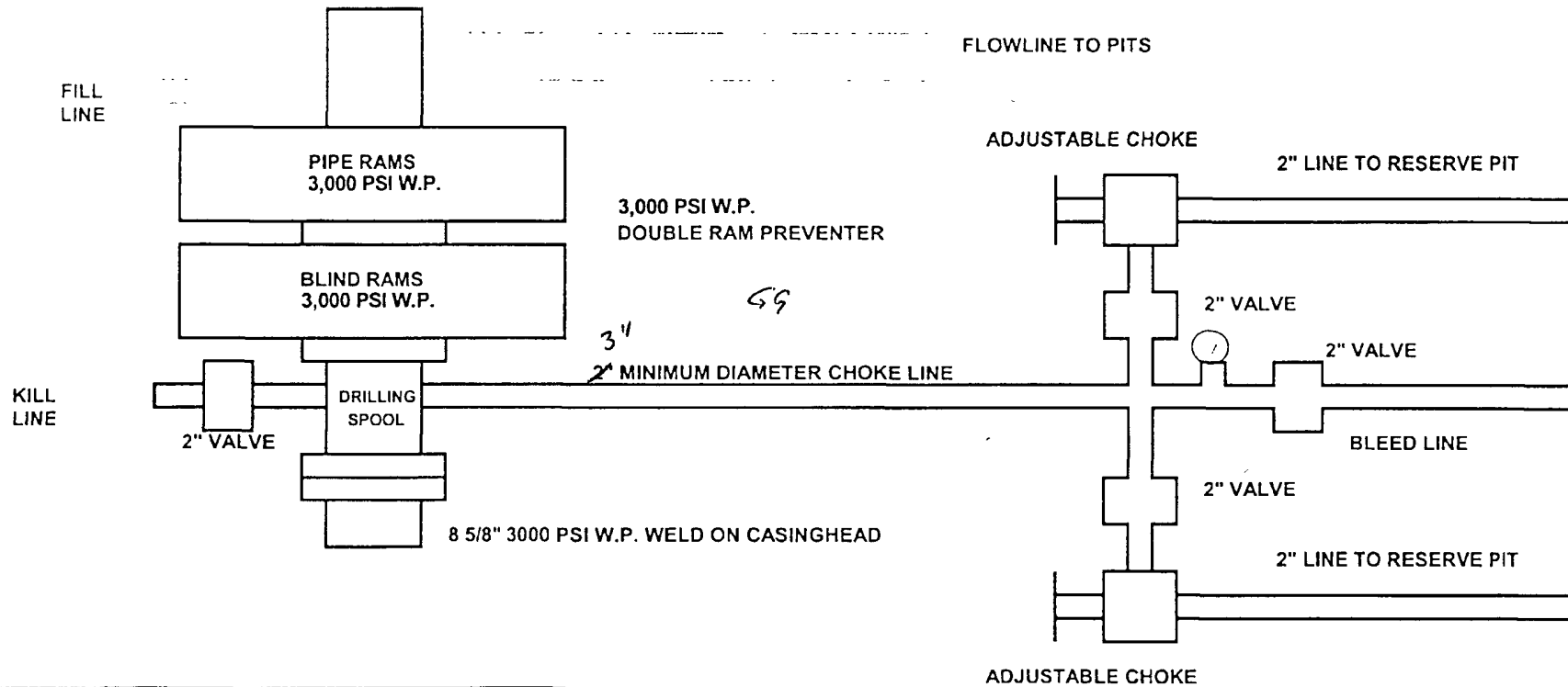
Should you have any questions concerning this well, please call me at 505-625-2222.

Sincerely,
Armstrong Energy Corporation



By: Bruce A. Stubbs
Vice President - Operations

TYPICAL 3000 PSI BOP STACK

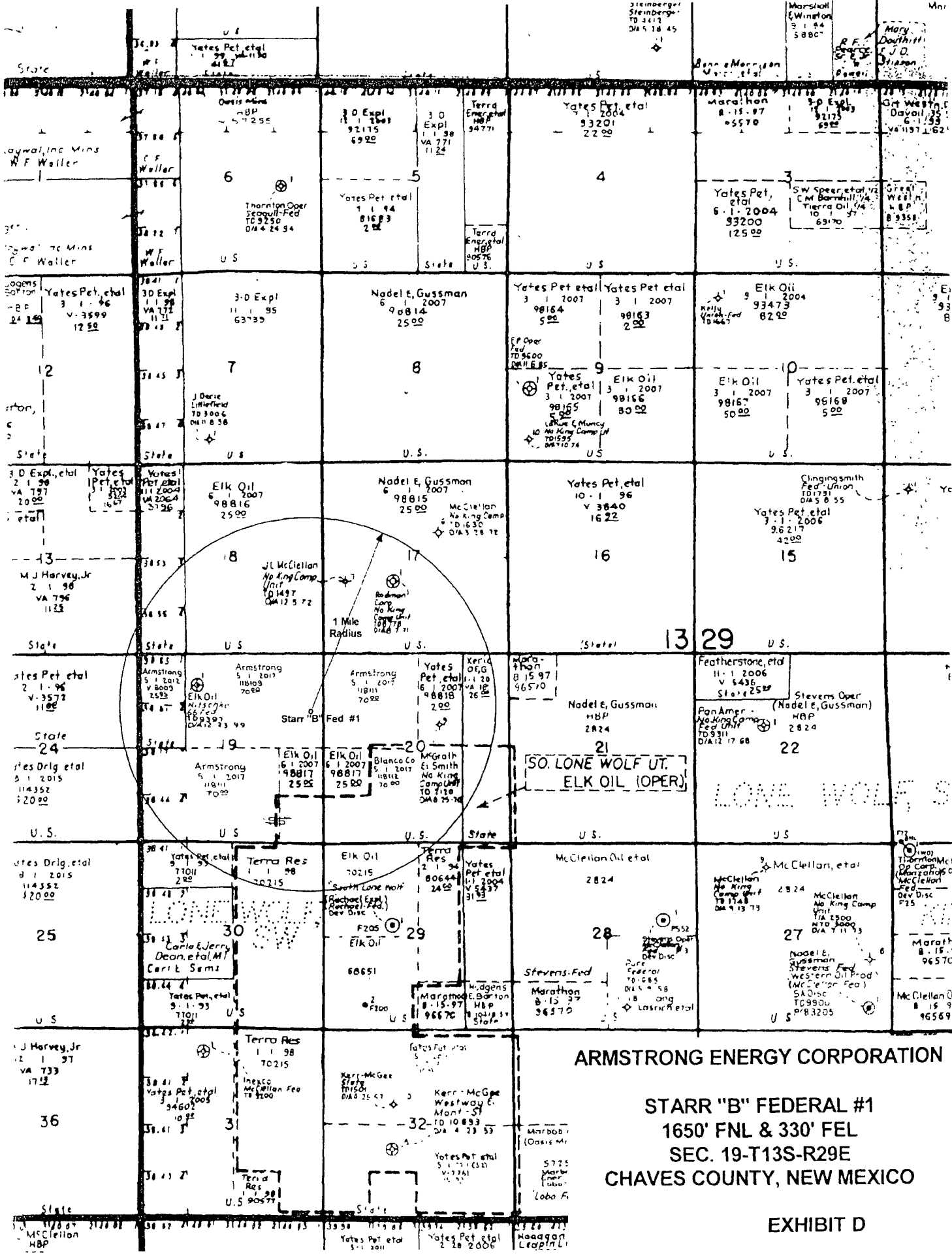


ARMSTRONG ENERGY CORPORATION

STARR "B" FEDERAL #1
 1650' FNL & 330' FEL
 SEC. 19-T13S-R29E
 CHAVES COUNTY, NEW MEXICO

API No.: 30-005-

EXHIBIT B



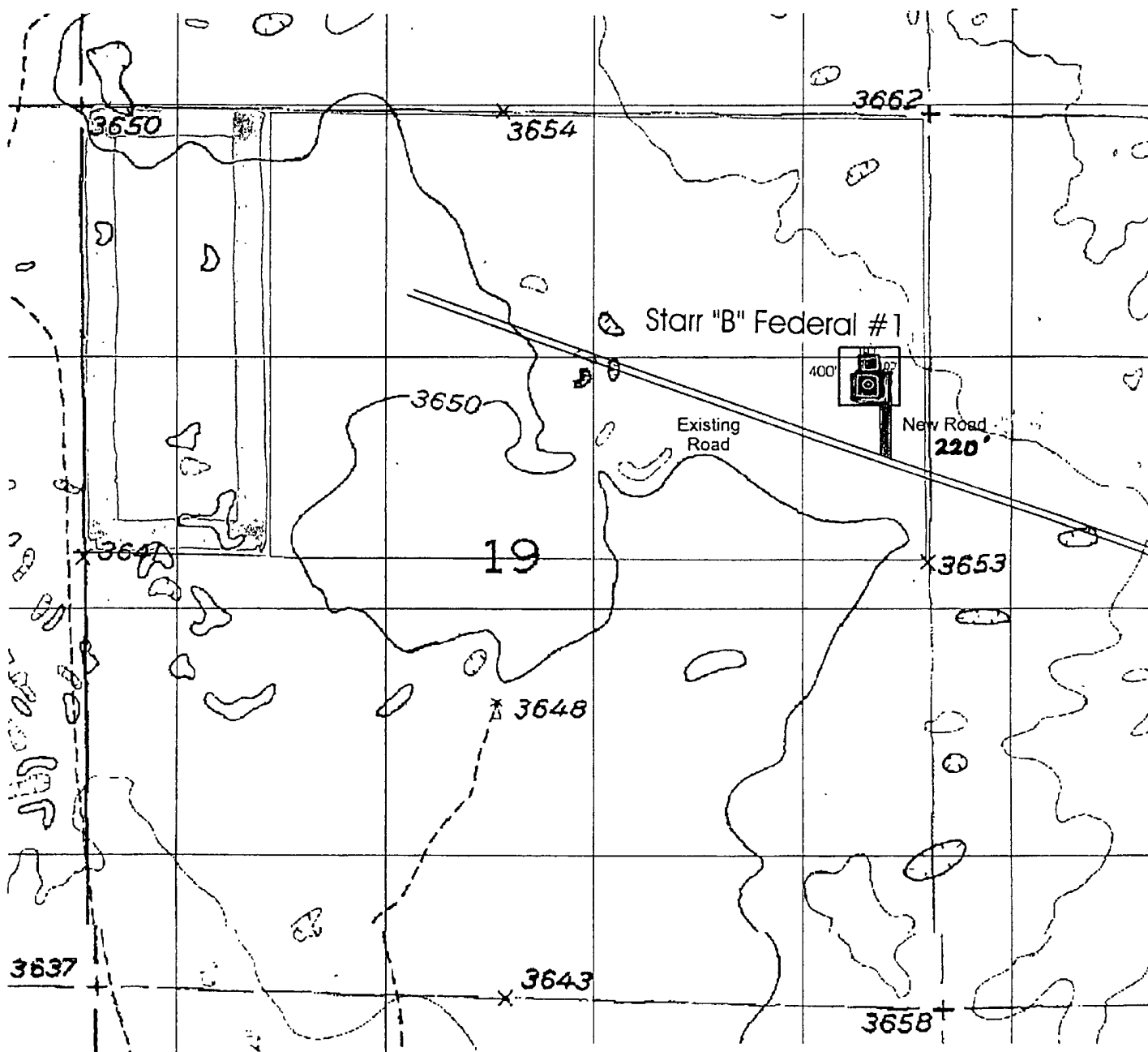
ARMSTRONG ENERGY CORPORATION
STARR "B" FEDERAL #1
1650' FNL & 330' FEL
SEC. 19-T13S-R29E
CHAVES COUNTY, NEW MEXICO

EXHIBIT D

EXHIBIT A

9/18/07

OPERATORS NAME: Armstrong Energy Corporation
LEASE NO.: NM-118110
WELL NAME & NO: Starr "B" Federal #1
SURFACE HOLE FOOTAGE: 1650' FNL & 330' FEL
LOCATION: Section 19, T. 13 S., R. 29 E., NMPM
COUNTY: Chaves County, New Mexico



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13 3/8 inch; 8 5/8 inch; 5 1/2 inch.

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan is not required for this wellbore.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

B. CASING:

1. The 13 3/8 inch shall be set at 325 Feet with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8 5/8 inch Intermediate casing is to circulate.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to place TOC to 8000 ft.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13 3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3 M psi.

Arrant, Bryan, EMNRD

From: Arrant, Bryan, EMNRD
Sent: Wednesday, September 26, 2007 10:58 AM
To: 'bastubbs@zianet.com'
Cc: 'John_Simitz@nm.blm.gov'; Jones, William V., EMNRD
Subject: Starr B Federal # 1

Dear Mr. Stubbs,

In order to further review and possibly API this APD, please re submit NMOCD form C-102 and show the correct dedicated acreage for an oil well.

Unless Armstrong Energy Corporation has some kind approval from Santa Fe for 80 acre dedication, I cannot accept this application to produce.

In reviewing this area, there is an oil pool southeast of this proposed location named the Lone Wolf; Devonian, Southwest Oil Pool (Created by R-9771).

However, I do not see any special pools rules for this pool.

Please fill out your C-102 in it's entirety so that I can process you application faster.

Yours truly,

Bryan G. Arrant
District II Geologist
New Mexico Oil Conservation Division
1301 West Grand Ave.
Artesia, NM 88210
505-748-1283 Ext. 103

CC: Well File

9/26/2007