

DATE IN 09/04/13	SUSPENSE	ENGINEER DB	LOGGED IN 09/04/13	TYPE NSL	PRG 1324748926
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Catanach
 Print or Type Name

David Catanach
 Signature

Agent for RKI Exploration & Production, LLC
 Title

9/4/13
 Date

drcatanach@netscape.com
 E-Mail Address

6864

30-015-41092
 Longview 12 Feb #15 H
 RKI Exploration

2013 SEP -4 P 12:26

RECEIVED 0000

David,

RKI Exploration & Production, LLC has recently drilled this well. Artesia did not catch that it was an NSL until RKI filed completion forms.

This well is in the South Culbra Bluff-Bone Spring Pool (80-acre units, wells to be located within 150 feet of center of q-q section)

It is our understanding that Mewbourne Oil Company recently came in for hearing to change the well location rules for this pool to 330' setbacks. The order has not yet been issued.

Since we don't know when an order will be issued, we are applying for an NSL based on the current pool rules.

Can you please expedite to the extent possible, since the well is ready to produce?

Thanks,

David Catanach

September 4, 2013

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey, CPG
Division Director

Re: Application for Unorthodox Well Location
Longview Federal 12 Well No. 15H
API No. (30-015-41092)
Surface Location: 835' FNL & 2010' FWL (Unit C) Section 12, T-23S, R-28E
BHL: 348' FNL & 2332' FWL (Unit C) Section 1, T-23S, R-28E
First Take Point: 235' FNL & 2010' FWL (Unit C) Section 12-T-23S, R-28E
Eddy County, New Mexico

Dear Ms. Bailey:

Pursuant to Division Rule 19.15.15.13, RKI Exploration & Production, LLC ("RKI") respectfully requests administrative approval of an unorthodox oil well location for its Longview Federal 12 Well No. 15H. This well has been drilled as a horizontal development oil well in the South Culebra Bluff-Bone Spring Pool (15011).

The Longview Federal 12 Well No. 15H will be dedicated to a 200-acre non-standard spacing and proration unit ("project area") comprising the NE/4 NW/4 of Section 12 and the E/2 W/2 of Section 1, both in Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. There are currently no other existing Bone Spring producing wells within the project area.

The South Culebra Bluff-Bone Spring Pool is currently governed by "The Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool" as established by Division Order No. R-6139 dated October 12, 1979. These rules require standard 80-acre spacing and proration units comprising the N/2, S/2, E/2 or W/2 of a governmental quarter section with wells to be located within 150 feet of the center of a governmental quarter-quarter section.

Pursuant to these rules, a well in the South Culebra Bluff-Bone Spring Pool cannot be located closer than 510 feet to a direct offset tract, and cannot be located closer than 783 feet to a diagonal offset tract.

The proposed unorthodox location is necessary in order to maximize the recovery of oil and gas reserves from the South Culebra Bluff-Bone Spring Pool underlying the NE/4 NW/4 of Section 12 and the E/2 W/2 of Section 1.

The affected offset tracts are described as follows (See Attached Map):

Tract 1: E/2 SW/4 of Section 36-22S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI;

Tract 2: W/2 SE/4 of Section 36-22S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI;

Tract 3: N/2 NE/4 of Section 1-23S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI;

Tract 4: S/2 NE/4 of Section 1-23S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI;

Tract 5: N/2 SE/4 of Section 1-23S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI;

Tract 6: S/2 SE/4 of Section 1-23S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI;

Tract 7: N/2 NE/4 of Section 12-23S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by RKI; and

Tract 8: NW/4 NW/4 of Section 12 and W/2 W/2 of Section 1, both in T-23S, R-28E. This tract will be developed in the South Culebra Bluff-Bone Spring Pool by RKI.

Please note that RKI owns 100% of the working interest within each of the affected offset units as described above. Consequently, notice of this application is not required to any party.

Attached is a plat showing the proposed well, surface, first take point and bottomhole locations, proposed project area and affected offset tracts. Also attached is a Form C-102.

In summary, approval of the application will provide RKI the opportunity to recover additional oil and gas reserves from the South Culebra Bluff-Bone Spring Pool underlying the NE/4 NW/4 of Section 12 and the E/2 W/2 of Section 1 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,

A handwritten signature in black ink, appearing to read "David Catanach". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Catanach, Agent
RKI Exploration & Production, LLC
210 Park Avenue, Suite 900
Oklahoma City, Oklahoma 73102

Xc: OCD-Artesia

DISTRICT I
1423 N. Francis Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0728
DISTRICT II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9728
DISTRICT III
1000 Rio Bravo Rd., Artesia, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

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

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT **AS-DRILLED**

API Number 30-015-41092	Pool Code 15011	Pool Name SOUTH CULEBRA BLUFF BONE SPRING
Property Code 386847	Property Name LONGVIEW FEDERAL 12	Well Number 15H
OGRID No. 246289	Operator Name RKI EXPLORATION & PRODUCTION	Elevation 3057.37'

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	23 S	28 E		835	NORTH	2010	WEST	EDDY

Bottom Hole Location If Different From Surface

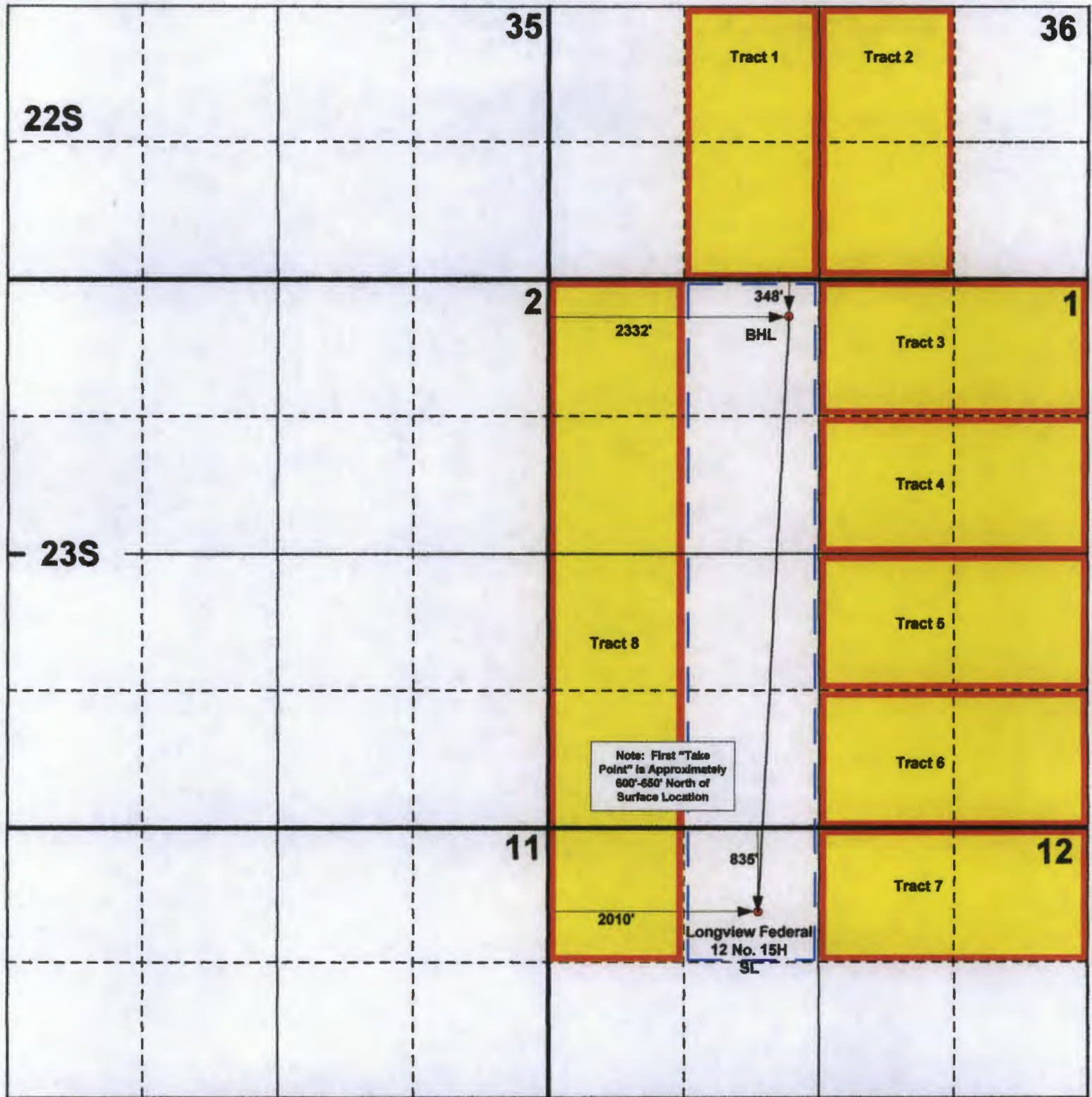
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	1	23 S	28 E		348	NORTH	2332	WEST	EDDY

Dedicated Acres 200	Joint or Infill	Consolidated Code	Order No.
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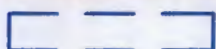
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	BHL: LONGVIEW FEDERAL 12-15H AS-DRILLED NMSP-E (NAD 27) N LAT. = 32.3408183° W LONG. = -104.0414753°	OPERATOR CERTIFICATION 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 voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Jody Noerdlinger</i> 7/18/2013 Signature Date Jody Noerdlinger Print Name jnoerdlinger@rkixp.com E-mail Address
		SHL: LONGVIEW FEDERAL 1-15H NMSP-E (NAD 83) Y = 482121.0' N X = 631062.4' E N LAT. = 32° 18' 30.32" W LONG. = -104° 02' 34.29" NMSP-E (NAD 27) Y = 482061.4' N X = 589879.8' E N LAT. = 32.3249674° W LONG. = -104.0423633°

28E



Affected Offset Acreage/Existing Spacing & Proration Units
Operator & 100% WI Owner: RKI Exploration & Production, LLC



Proposed 200-Acre Project Area

Application for Unorthodox Well Location
RKI Exploration & Production, LLC
Longview Federal 12 No. 15H

Brooks, David K., EMNRD

From: David Catanach <drcatanach@netscape.com>
Sent: Monday, September 30, 2013 10:36 AM
To: Brooks, David K., EMNRD
Cc: Cody Reid
Subject: RKI Applications

David,

I recently filed NSL and NSP applications for certain wells operated by RKI Exploration & Production, LLC in the South Culebra Bluff-Bone Spring Pool.

Due to recently issued order by the OCD, the special pool rules are no longer in effect. I believe that this order affects the recently filed applications in the following manner:

NSL Application-Pinnacle State 36 No. 32H: With 330' foot setbacks, it appears that the non-standard location request for this well is no longer necessary. You may want to verify that. Also, we were intending to form a 160-acre project area comprising the E/2 W/2 of Section 36. Since there are two existing wells dedicated respectively to the E/2 NW/4 and E/2 SW/4, and since both these wells will retain their 80-acre spacing, I don't think it will be a problem to form a 160-acre project area, because RKI owns 100% of the WI in the E/2 W/2.

NSL/NSP Application: Longview Federal 1 No. 21H. With respect to the NSP application, it appears that this application is no longer necessary due to the i) change in spacing to 40-acres; and ii) recent change in OCD policy allowing project areas to cross section lines. **With respect to the NSL application, it appears that the well is still unorthodox with respect to 330' setbacks.** Would we have to re-file the NSL application pursuant to the current rules, or, because it is less unorthodox than originally filed, can you just approve the current NSL application?

NSP Application: Longview Federal 12 No. 15H: With respect to the NSP application, it appears that this application is no longer necessary for the reasons stated above.

NSL Application: Longview Federal 12 No. 15H: **It appears that the well is still unorthodox with respect to 330' setbacks.** Would we have to re-file the NSL application under the current rules, or, because it is less unorthodox than originally filed, can you just approve the current NSL application?

Also, what is the date the new rules are in effect for the South Culebra Bluff-Bone Spring Pool?

Thanks,

David

Netscape. Just the Net You Need.

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Monday, September 09, 2013 2:23 PM
To: 'drcatanach@netscape.com'
Subject: RE: Longview 12 Fed #15H

That will work, but because of the peculiar language of the rule on administrative NSP applications, I believe it would have to go to hearing. It would be easier to do an NSP for the quarter-quarter only. Then you could form the PA in the usual way.

David

From: David Catanach [<mailto:drcatanach@netscape.com>]
Sent: Monday, September 09, 2013 2:17 PM
To: Brooks, David K., EMNRD
Subject: Re: Longview 12 Fed #15H

David,

What I was planning on doing was to submit an NSP application for a unit comprising the 200-acres we plan to dedicate to the well. (NE/4 NW/4 of Section 12 & E/2 W/2 of Section 1).

I was going to give notice to all offset 80-acre units, all the way around our 200-acre unit, either existing or not.

Will that not work?

David

--- david.brooks@state.nm.us wrote:

From: "Brooks, David K., EMNRD" <david.brooks@state.nm.us>
To: "drcatanach@netscape.com" <drcatanach@netscape.com>
Subject: Longview 12 Fed #15H
Date: Mon, 9 Sep 2013 20:04:41 +0000

Good Afternoon, David

There is a problem with your proposal here in that the project area you propose to dedicate to this well (NE/NW of Section 12 and E/2 W/2 of Section 1), in a pool spaced on 80 acres, would necessarily split a spacing unit, which the rules on project areas do not allow. We could do this with a 240-acre PA comprising the E/2 NW/4 of Section 12 and E/2 W/2 of Section 1. Otherwise you would have first apply for a non-standard proration unit comprising the NE/NW of Section 12.

Sincerely

David

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Monday, September 09, 2013 2:05 PM
To: drcatanach@netscape.com
Subject: Longview 12 Fed #15H

Good Afternoon, David

There is a problem with your proposal here in that the project area you propose to dedicate to this well (NE/NW of Section 12 and E/2 W/2 of Section 1), in a pool spaced on 80 acres, would necessarily split a spacing unit, which the rules on project areas do not allow. We could do this with a 240-acre PA comprising the E/2 NW/4 of Section 12 and E/2 W/2 of Section 1. Otherwise you would have first apply for a non-standard proration unit comprising the NE/NW of Section 12.

Sincerely

David

Brooks, David K., EMNRD

From: Davidson, Florene, EMNRD
Sent: Tuesday, October 01, 2013 10:29 AM
To: Brooks, David K., EMNRD
Subject: RE: S Culebra Bluff BS

Good morning, David. The order to abolish the special rules for the South Culebra Bluff-Bone Spring Pool is No. R-6139-B issued on September 24.

From: Brooks, David K., EMNRD
Sent: Tuesday, October 01, 2013 10:23 AM
To: Davidson, Florene, EMNRD
Subject: S Culebra Bluff BS

Good morning Florine

Can you provide me the order number and issue date for this recently issued order?

Thanks

David