

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



RKI Exploration 3
PRODUCTION
LLC

Pinnacle State #16

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.

Print or Type Name

Signature

Title

Date

Kellahin & Kellahin
 Attorneys At Law
 706 Gonzales Rd.
 Santa Fe, NM 87501
 e-mail Address

11/20/07

RECEIVED
2007 NOV 20 PM 4 11

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF RKI EXPLORATION & PRODUCTION, LLCTO
AMENDED DIVISION ORDER NSL-5692
EDDY COUNTY, NEW MEXICO**

**RECEIVED
2007 NOV 20 PM 4 11**

ADMINISTRATIVE APPLICATION

Comes now RKI EXPLORATION & PRODUCTION, LLC ("RKI") and by and through its attorneys, Kellahin & Kellahin, and in accordance with Division General Rule 104.F, applies to the New Mexico Oil Conservation Division ("Division") to amend Division's administrative order NSL-5692, dated October 3, 2007, approving the location for production from the Herrudura Bend-Delaware to also include approval of this unorthodox well location for the South Culebra Bluff-Bone Spring Pool, an 80-acre spacing pool, in the event this well is productive from said pool. Pinnacle State Well No. 16 is located 1152 feet from the South line and 2528 feet from the West line (Unit N) of Section 36, T22S, R28E, Eddy County New Mexico and if productive will to dedicated to a standard 80-acre oil spacing unit consisting of the E/SW/4 of this section.

In support, RKI states:

1. RKI's Pinnacle State Well No. 16 is located in Unit N of Section 36 and if productive in the Bone Springs formation will be located within 1-mile of the outer boundary of the South Culebra Bluff- Bone Spring Pool and among other things, subject to a standard 80-acre spacing units.
2. In that event, RKI would dedicate the E/2SW/4 of Section 36 to this well. The well would encroach towards that SE/4 of Section 36 where RKI and its affiliated entities own three of the four 40-acre tracts with Chevron USA owning the SE/4SE/4.

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

November 20, 2007

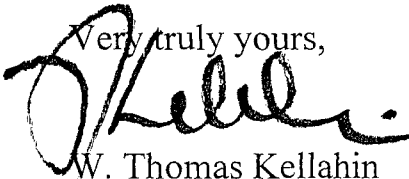
HAND DELIVERED

Mr. Mark Fesmire, PE, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative Application of RKI Exploration
& Production, LLC to amended NSL-5692 to
include the South Culebra Bluff-Bone Spring Pool
for its Pinnacle State Well No. 16, Unit N,
NSL Footage: 1152 FSL and 2528 FWL
Bone Spring Dedication: 80-acres being the E/2SW/4 of Section 36
T22S, R28E, Eddy County New Mexico

Dear Mr. Fesmire:

On behalf of RKI Exploration & Production, LLC, please find enclosed our
referenced application that is being filed in accordance with Division Rule 104.D
(2)(b)). This location crowds towards the SE/4 of Section 36.

Very truly yours,

W. Thomas Kellahin

CC: RKI Exploration & Production, LLC
Attn: Chip Taylor

3. RKI is drilling this well and desires to test the Bone Spring formation as part of this well. See locator map attached as Exhibit "A"
4. All of the offsetting wells were drilled to the Bone Spring formation but only produce from the Delaware formation.

NOTIFICATION AND OWNERSHIP

5. All of the S/2 of Section 36 is part of the same State of New Mexico Oil and Gas Lease V-3491-1 with Chevron being the WIO for the SE/4SE/4 and with RKI and its affiliated entities being the WIO for the balance of this half-section.
6. While the SE/4 does not currently contain any Bone Spring wells, hypothetically the SE/4 could contain an 80-acre spacing units consisting of the S/2SE/4 and thus including Chevron's tract.
7. Notice will be sent to Chevron USA in accordance with Division rules. See Exhibit "B"

CONCLUSION

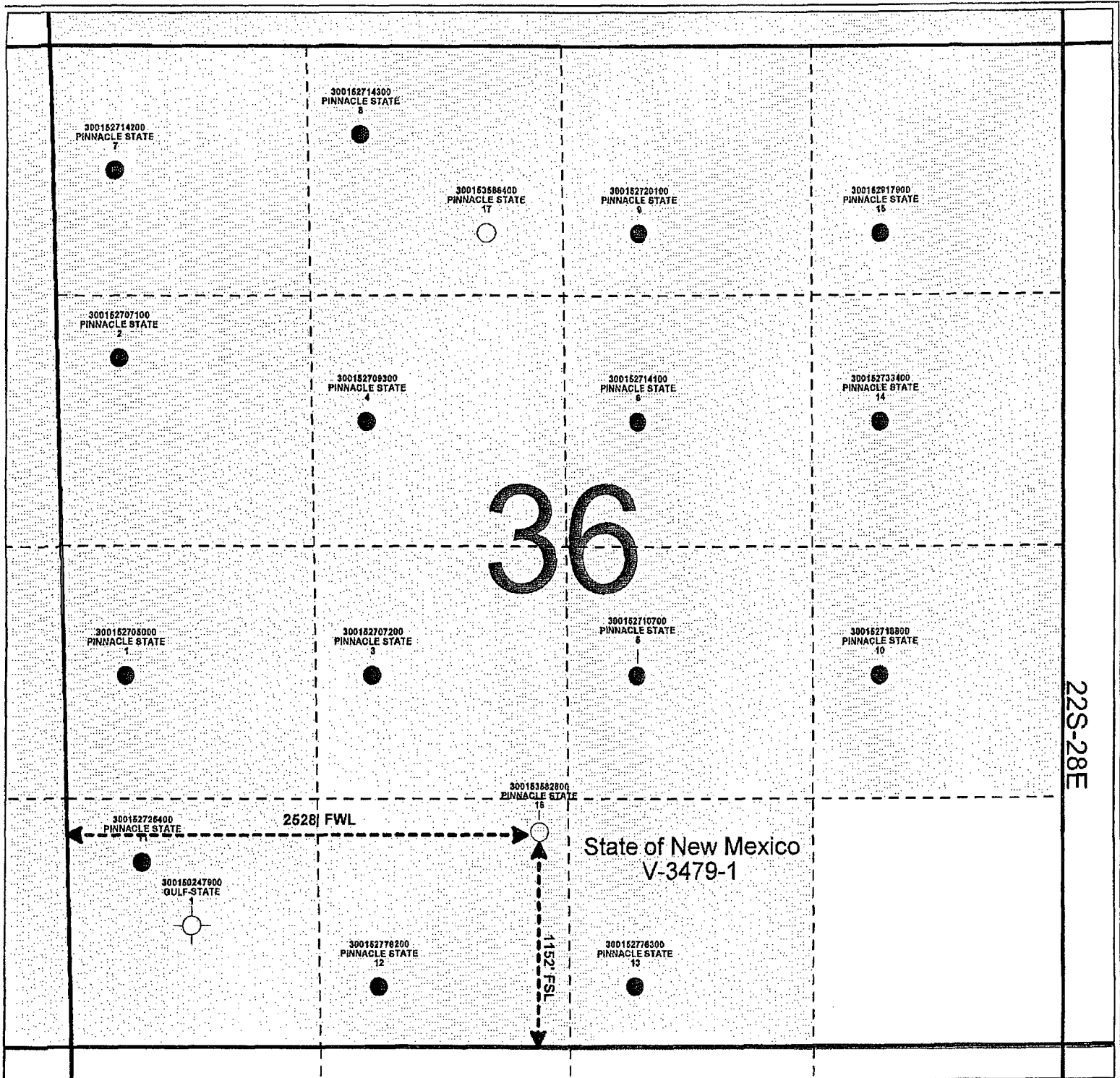
8. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the hydrocarbons in the Delaware and Bone Spring formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:



W. Thomas Kellahin
Attorney for RKI Exploration & Production, LLC



PETRA 11/20/2007 9:43:28 AM



RKI Exploration & Production

Pinnacle 16

SECTION 36-22S-28E

EDDY CO., N.M.

11-20-07

By: KCC

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

November 20, 2007

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION
DIVISION ADMINISTRATIVE CASE:**

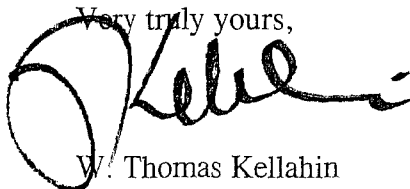
*Re: Administrative Application of RKI Exploration & Production LLC to
Amended Administrative Order NSL-5692 for an unorthodox its Pinnacle State
Well No 16 within the SE/4SW/4 of Section 36, T22S, R28E, Eddy County, New
Mexico.*

Dear Interest Party;

On behalf of RKI Exploration & Production LLC please find enclosed a
copy of its referenced administrative application. This notice is based upon
records that indicate that you are the working interest owner of the SE/4SE/4 of
Section 36

If you have no objection, then there is nothing for you to do. If you are
willing to waiver objection, please sign this letter as indicated and return it to me.
However, should you have any objection to the Division approving this
application, then it will be necessary for you to file a written objection with the
New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa
Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure
to file a timely objection will preclude you from objecting at a later date.

Very truly yours,


W. Thomas Kellahin

WAIVER OF OBJECTION:

By: _____ with authority for
and on behalf of Chevron USA
Date: _____



Jones, William V., EMNRD

From: Davidson, Florene, EMNRD
Sent: Monday, January 07, 2008 9:29 AM
To: Jones, William V., EMNRD
Subject: RE: RKI Exploration-Pinnacle 16

Thank you, Will. Now I have some idea of who is working on what. Keep on drinking that coffee!

From: Jones, William V., EMNRD
Sent: Monday, January 07, 2008 9:10 AM
To: Davidson, Florene, EMNRD
Cc: Phillips, Dorothy, EMNRD; Romero, Kimberly V, EMNRD
Subject: RE: RKI Exploration-Pinnacle 16

Hi Florene:
 If you get phone calls or email requests, here is how Richard has us working:

David Brooks is doing all NSL, NSP, SD applications
 I am doing the commingles (PLC, OLM, CTB, PC, DHC) and injection related applications. (SWD, WFX, PMX, IPI)

We both have companies waiting on us at this time - so we drink lots of coffee, and keep juggling.

William V. Jones PE
 New Mexico Oil Conservation Division
 1220 South St. Francis
 Santa Fe, NM 87505
 505-476-3448

DAVID?

TODAY
FROM

Tom
Kellahin

From: Davidson, Florene, EMNRD
Sent: Monday, January 07, 2008 8:55 AM
To: Jones, William V., EMNRD
Subject: FW: RKI Exploration-Pinnacle 16

Will, did you get this administrative application or should I send it to Richard?

From: Tom Kellahin [mailto:tkellahin@comcast.net]
Sent: Monday, January 07, 2008 7:46 AM
To: Davidson, Florene, EMNRD
Subject: RKI Exploration-Pinnacle 16

Florene,

Would you please check the status of an administrative application I filed on November 20, 2007 to amended Administrative Order NSL-5692, dated October 3, 2007, to add the Bone Springs formation. RKI has notified me that they were successful and need approval today in order to sell the oil. Thanks, Tom

This inbound email has been scanned by the MessageLabs Email Security System.

1/7/2008