

DATE <b>5/1/08</b>	SUSPENSE	ENGINEER <b>Brooks</b>	LOGGED IN <b>5/2/08</b>	TYPE <b>NSH</b>	APP NO. <b>PKVR0812330467</b>
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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



*RKI Exploration & Production LLC*  
*Pinnacle State #21*  
*5834*

**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]**

RECEIVED  
2008 MAY 1 PM 4 20

- [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 ~~X~~ 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 *Common ownership*
- [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.

*[Signature]*

Print or Type Name

Signature

**Kellahin & Kellahin**  
**Attorneys At Law**  
**706 Gonzales Rd.**  
**Santa Fe, NM 87501**

*5/1/08*  
 Date

**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**

May 1, 2008

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 for Approval of an  
Unorthodox Well Location for its  
Pinnacle State Well No. 21, Unit L,  
NSL Footage: 1145 feet FWL and 1330 feet FSL  
of Section 36 T22S, R28E, Eddy County New Mexico  
Dedication of 40-acre spacing unit consisting of the  
NW/4SW/4 for East Herradura Bend-Delaware Pool (30670)  
Dedication of 80-acre spacing unit consisting of the W/2SW/4 for the  
South Culebra Bluff-Bone Spring Pool (15011)

RECEIVED  
2008 MAY 1 PM 4 20

Dear Mr. Fesmire:

*[Handwritten signature]*

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 interior line between the NW/4SW/4 and the SW/4SW/4 of Section 36.

Very truly yours,  
*[Handwritten signature]*  
W. Thomas Kellahin

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

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

**IN THE MATTER OF THE ADMINISTRATIVE  
APPLICATION OF RKI EXPLORATION & PRODUCTION, LLC  
FOR AN UNORTHODOX WELL LOCATION  
EDDY COUNTY, NEW MEXICO**

**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”) for approval of an Unorthodox Well Location for its Pinnacle State Well No. 21, Unit L, Footage: 1145 feet FWL and 1330 feet FSL of Section 36 T22S, R28E, Eddy County New Mexico to be dedicated to a 40-acre spacing unit consisting of the NW/4SW/4 for East Herradura Bend-Delaware Pool (30670) and to be dedicated of 80-acre spacing unit consisting of the W/2SW/4 for the South Culebra Bluff-Bone Spring Pool (15011) in the event this well is productive from said pool or pools.

In support, RKI states:

1. RKI’s Pinnacle State Well No. 21 is to be located in Unit L of Section 36 (see C-102 attached as Exhibit “A”) and if productive:
  - a. in the Delaware formation will be located within 1-mile of the outer boundary of the East Herradura Bend-Delaware Pool and among other things, subject to a standard 40-acre spacing units. In that event, RKI would dedicate the NW/4SW/4 of Section 36 to this well. The well would encroach towards the SW/4SW/4 of Section 36 where RKI and its affiliated entities own this entire tract and thus have common interest.

- b. 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. In that event, RKI would dedicate the W/2SW/4 of Section 36 to this well. The well would encroach towards the SW/4 of Section 36 where RKI and its affiliated entities own ALL four 40-acre tracts.
2. RKI desires to test the Bone Spring formation as part of this well. See locator map attached as Exhibit "B"
3. All of the offsetting wells were drilled to the Bone Spring formation but only produce from the Delaware formation.

### **TECHNICAL EVIDENCE**

4. RKI's geologist and petroleum engineer have concluded that the four existing, the Pinnacle State Wells 1, 3, 11 and 12 will drain approximately 20-acres thus leaving an area of the reservoir between these wells that would not otherwise be recovered at a standard location or in the wells currently production in the subject unit and the 3 offsetting units therefore justifying this additional well. See Drainage plat attached as Exhibit "C" and typical volumetric calculation for similar wells in Section 36 the 3, 5, 12, and 13 attached as Exhibit "D"

### **NOTIFICATION AND OWNERSHIP**

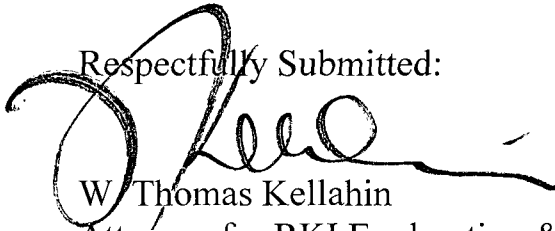
5. All of the S/2 of Section 36 is part of the same State of New Mexico Oil and Gas Lease V-3491-1 with RKI and its affiliated entities owning 100% of the SW/4
6. In accordance with Division rules, because of common ownership, no notice is required.

## CONCLUSION

7. 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long horizontal flourish extending to the right.

W Thomas Kellahin

Attorney for RKI Exploration & Production, LLC

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1801 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 and Natural Resources Department

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 15011	Pool Name South Culebra Bluff - Bone Spring
Property Code	Property Name PINNACLE STATE	Well Number 21
OGRID No.	Operator Name RKI EXPLORATION & PRODUCTION	Elevation 3090'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	36	22 S	28 E		1330	SOUTH	1145	WEST	EDDY

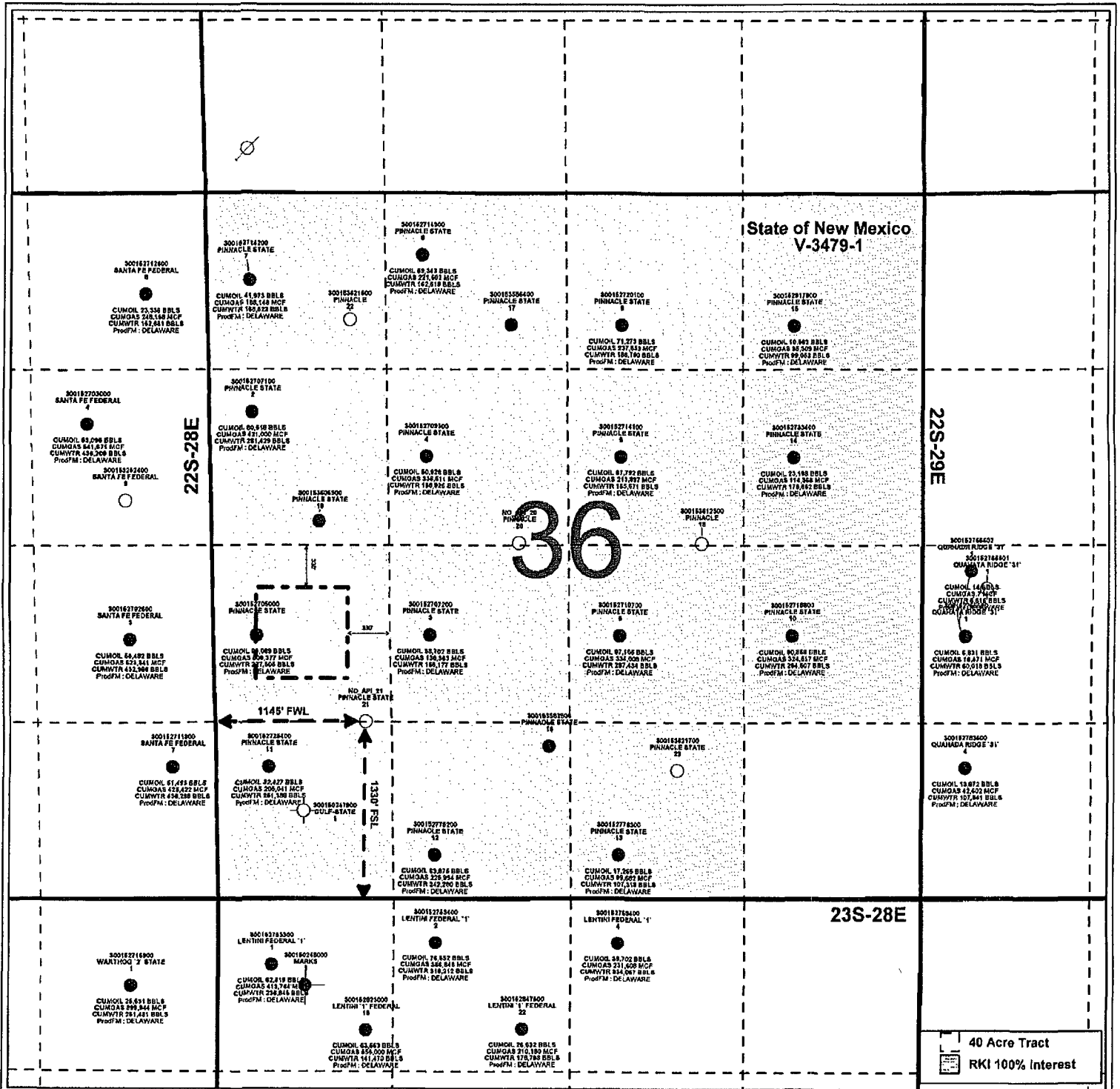
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 80	Joint or Infill Infill	Consolidation Code	Order No.						

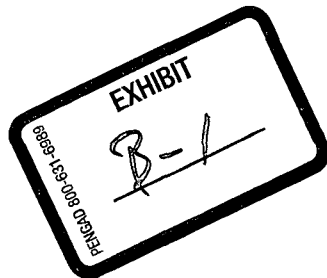
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>SURFACE LOCATION</b> LAT N.: 32°20'44.45" LONG W.: 104°02'44.59" N.: 489609.95 E.: 630158.70 (NAD-83)</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>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 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.</p> <p><i>[Signature]</i> 5/1/08 Signature Date</p> <p>F.G. Taylor Printed Name</p>
		<p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>FEBRUARY 17, 2008 Date Surveyed</p> <p><i>[Signature]</i> Signature of Surveyor</p> <p>Professional Surveyor</p> <p>W.C. [Signature] 2/15 Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>





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RKI Exploration & Production

**Pinnacle State 21**

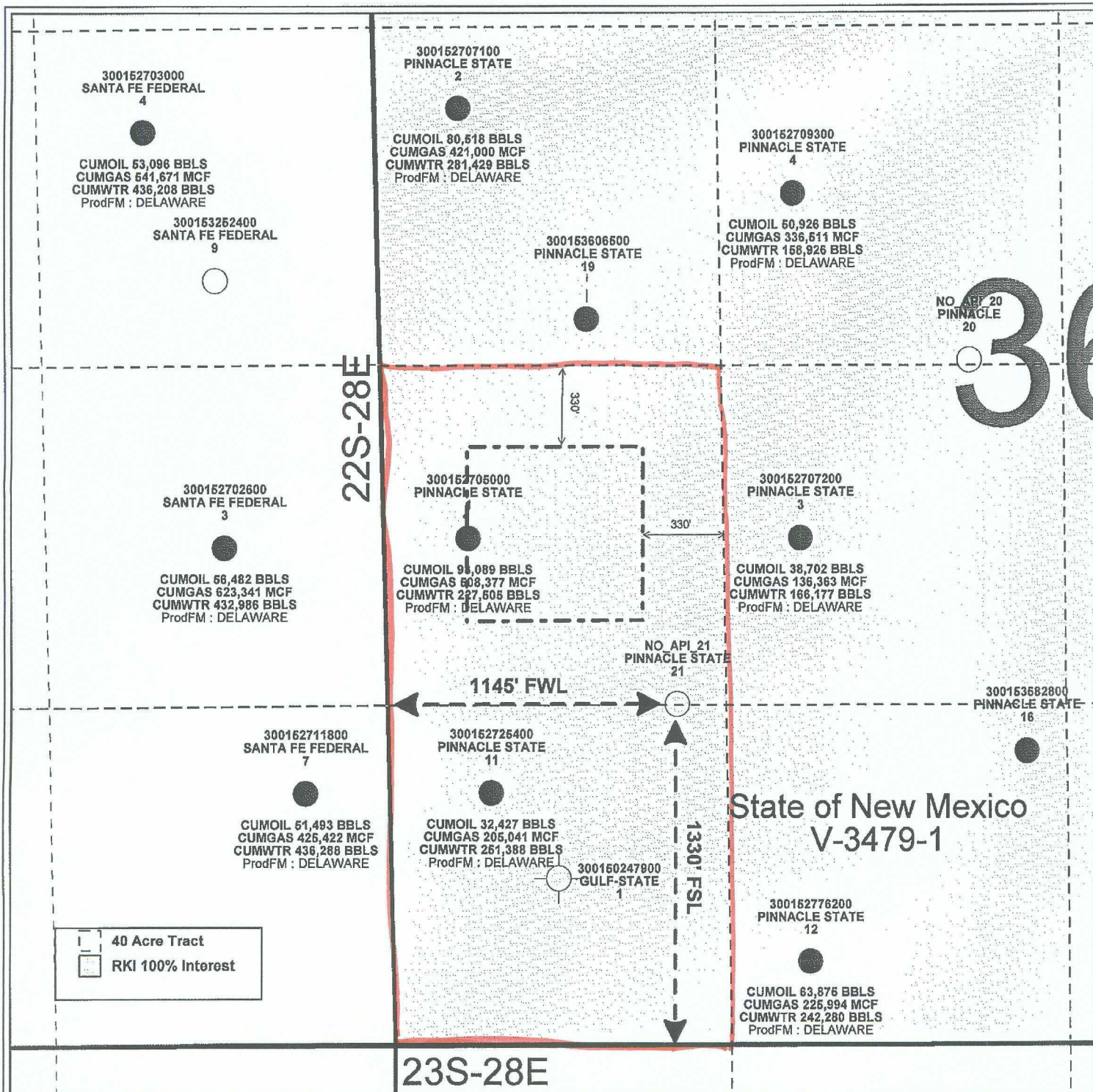
SECTION 36-22S-28E

EDDY CO, NM

By: KCC

April 3, 2008





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RKI Exploration & Production

**Pinnacle State 21**

**SECTION 36-22S-28E**

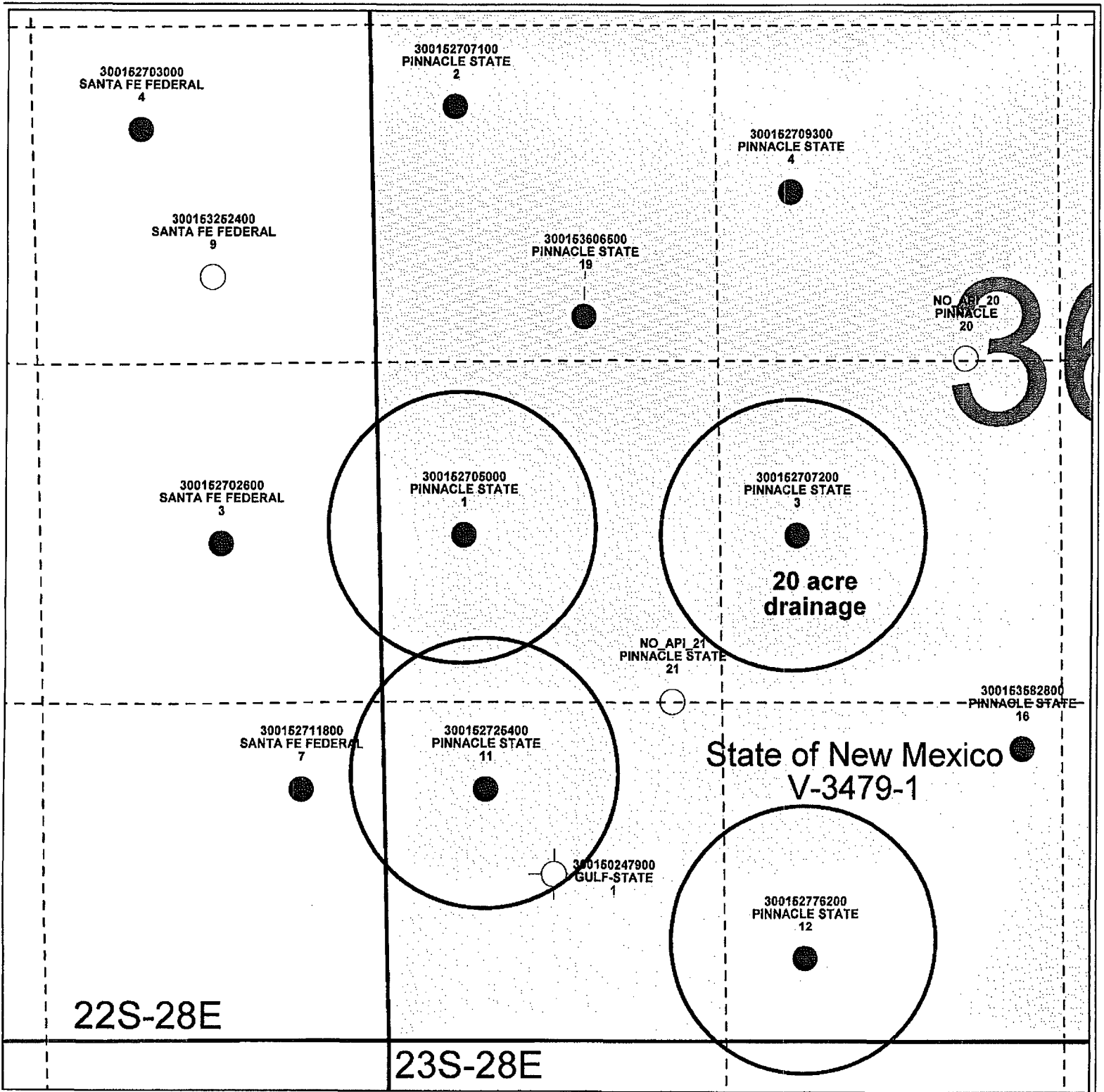
**EDDY CO, NM**

By: KCC

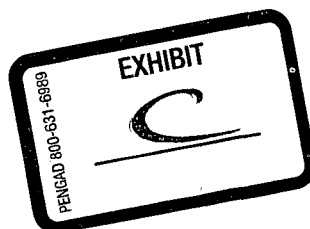
April 2, 2008







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RKI Exploration & Production

**Pinnacle State 21**

SECTION 36-22S-28E

EDDY CO, NM

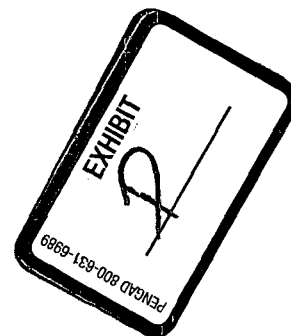
By: KCC

April 2, 2008

Pinnacle 16

Lease	H (FT)	Porosity	Sw	Drainage (ACRES)	Bo (RB/STB)	R.F. (%)	VOLUMETRIC EUR (MBO)	HIST. CUM. (MBO)	RATE/TIME EUR MBO
Pinnacle 3	117	0.15	0.62	20	1.128	13	120,980	37,504	52,725
Pinnacle 5	65	0.19	0.57	20	1.128	13	94,962	94,119	152,627
Pinnacle 12	56	0.18	0.60	20	1.128	13	72,100	62,379	75,630
Pinnacle 13	66	0.18	0.63	20	1.128	13	78,222	16,137	39,159
TOTAL							366,264	210,139	320,141

The Pinnacle 3, 5, 12 and 13 have volumetric reserves of 366 MBO based on 20 acre spacing. The historical cumulative oil production for the same wells is 210 MBO. From Rate/Time analysis, the four wells will produce another 110 MBO over a time frame of approximately 40 years. The four wells calculate a total EUR of 320 MBO from Rate/Time analysis showing a drainage area between 15 and 20 acres. The additional well will attempt to drain the remaining 20 acres.



DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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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

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#### [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

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*Common ownership*

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

Print or Type Name \_\_\_\_\_ Signature \_\_\_\_\_

Kellahin & Kellahin  
 Attorneys At Law  
 706 Gonzales Rd.  
 Santa Fe, NM 87501

5/1/08  
 Date

RECEIVED  
 2008 MAY 1 PM 4 20

**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**

May 1, 2008

HAND DELIVERED

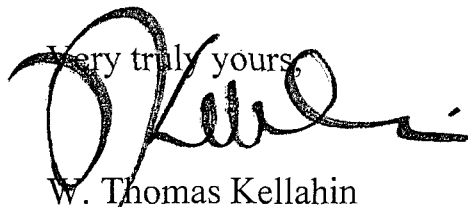
Mr. Mark Fesmire, PE, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

RECEIVED  
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Re: Administrative Application of RKI Exploration  
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of Section 36 T22S, R28E, Eddy County New Mexico  
Dedication of 40-acre spacing unit consisting of the  
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Dedication of 80-acre spacing unit consisting of the W/2SW/4 for the  
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Dear Mr. Fesmire:

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referenced application that is being filed in accordance with Division Rule 104.D  
(2)(b)). This location crowds towards the interior line between the NW/4SW/4 and  
the SW/4SW/4 of Section 36.

Very truly yours,  
  
W. Thomas Kellahin

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

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

**IN THE MATTER OF THE ADMINISTRATIVE  
APPLICATION OF RKI EXPLORATION & PRODUCTION, LLC  
FOR AN UNORTHODOX WELL LOCATION  
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**ADMINISTRATIVE APPLICATION**

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  - a. in the Delaware formation will be located within 1-mile of the outer boundary of the East Herradura Bend-Delaware Pool and among other things, subject to a standard 40-acre spacing units. In that event, RKI would dedicate the NW/4SW/4 of Section 36 to this well. The well would encroach towards the SW/4SW/4 of Section 36 where RKI and its affiliated entities own this entire tract and thus have common interest.

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- 2. RKI desires to test the Bone Spring formation as part of this well. See locator map attached as Exhibit "B"
- 3. All of the offsetting wells were drilled to the Bone Spring formation but only produce from the Delaware formation.

### **TECHNICAL EVIDENCE**

- 4. RKI's geologist and petroleum engineer have concluded that the four existing, the Pinnacle State Wells 1, 3, 11 and 12 will drain approximately 20-acres thus leaving an area of the reservoir between these wells that would not otherwise be recovered at a standard location or in the wells currently production in the subject unit and the 3 offsetting units therefore justifying this additional well. See Drainage plat attached as Exhibit "C" and typical volumetric calculation for similar wells in Section 36 the 3, 5, 12, and 13 attached as Exhibit "D"

### **NOTIFICATION AND OWNERSHIP**

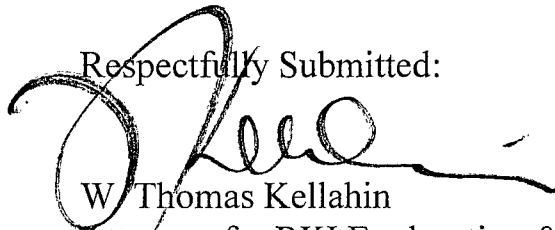
- 5. All of the S/2 of Section 36 is part of the same State of New Mexico Oil and Gas Lease V-3491-1 with RKI and its affiliated entities owning 100% of the SW/4
- 6. In accordance with Division rules, because of common ownership, no notice is required.

## CONCLUSION

7. 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the printed name.

W. Thomas Kellahin

Attorney for RKI Exploration & Production, LLC



DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240  
DISTRICT II  
1801 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 and Natural Resources Department

Form C-102  
Revised October 12, 2005

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 15011	Pool Name South Culebra Bluff - Bone Spring
Property Code	Property Name PINNACLE STATE	Well Number 21
OGRID No.	Operator Name RKI EXPLORATION & PRODUCTION	Elevation 3090'

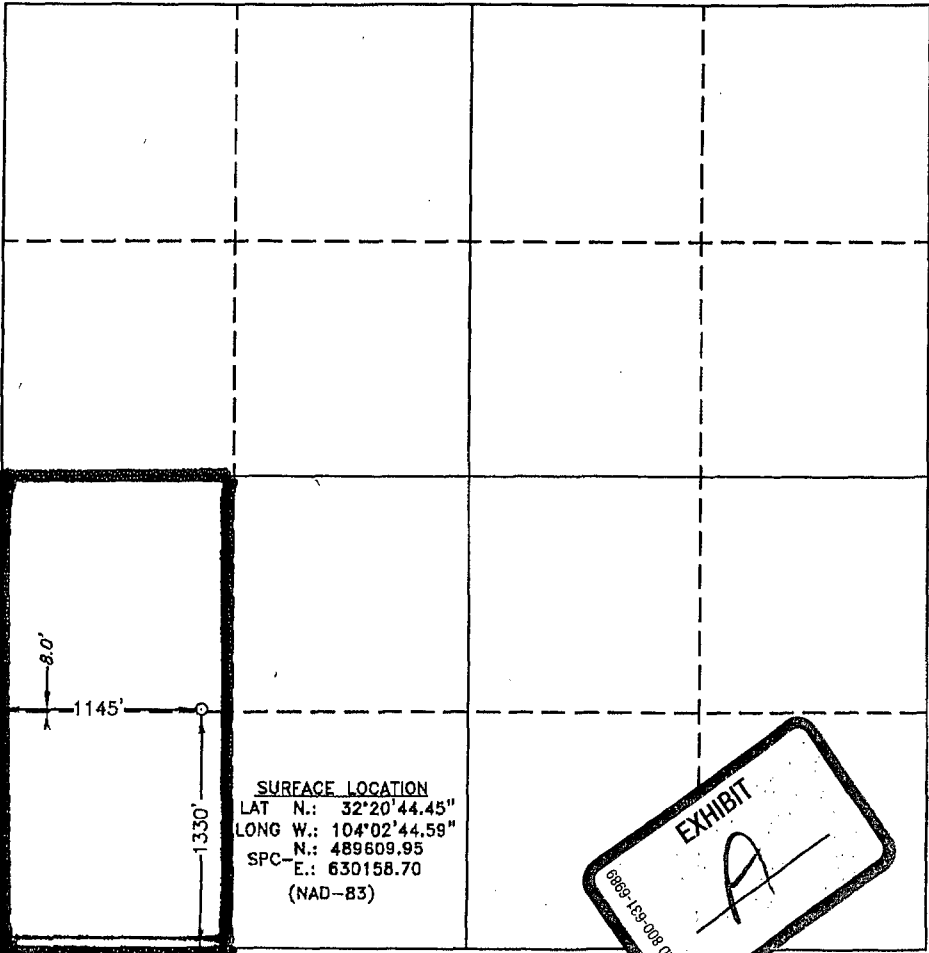
Surface Location

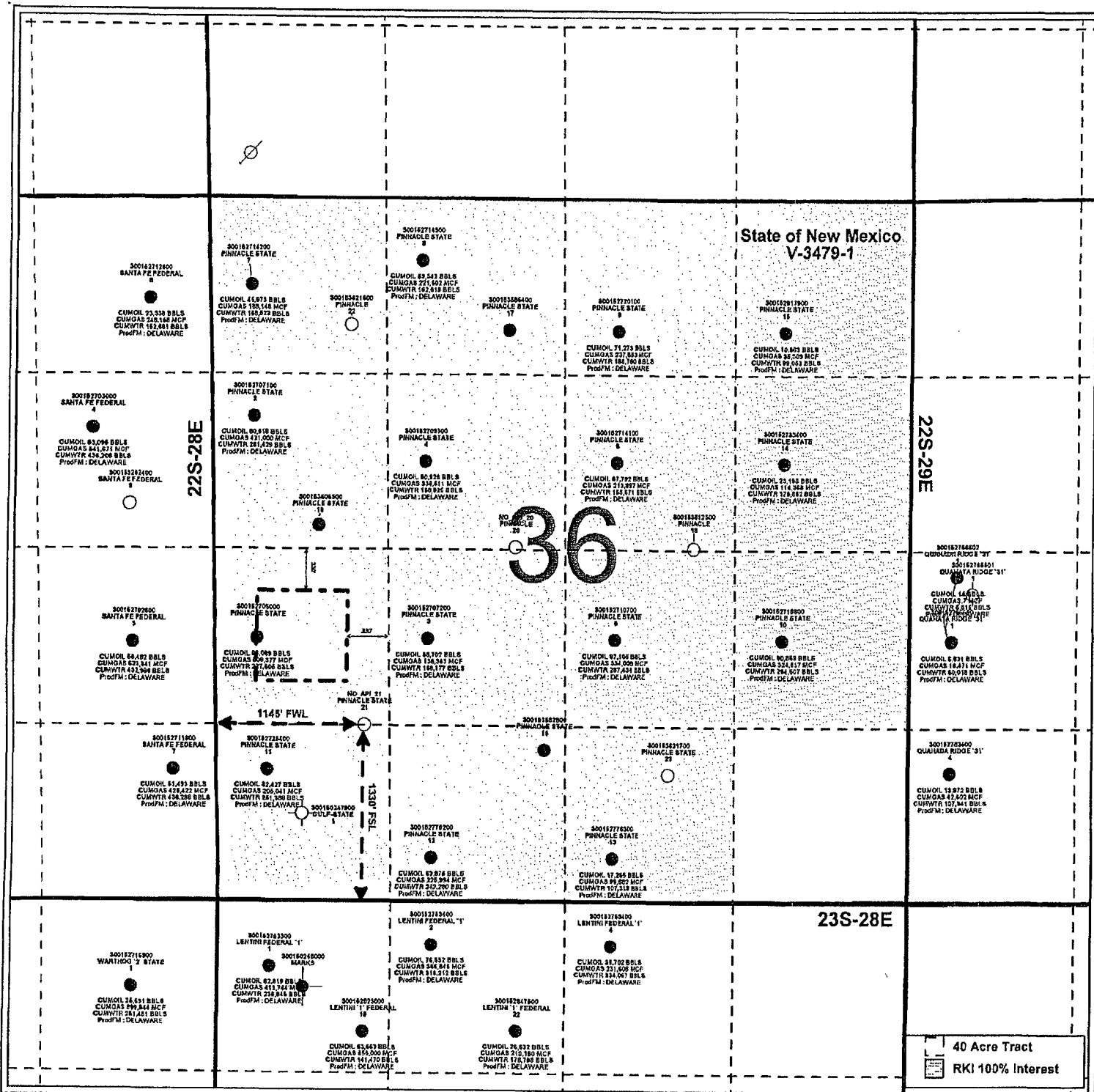
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	36	22 S	28 E		1330	SOUTH	1145	WEST	EDDY

Bottom Hole Location If Different From Surface

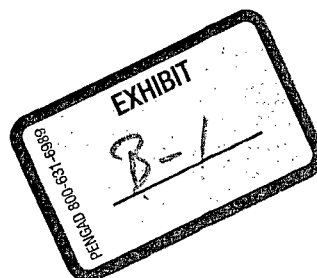
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 80	Joint or Infill Infill	Consolidation Code	Order No.						

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

 <p>SURFACE LOCATION LAT N.: 32°20'44.45" LONG W.: 104°02'44.59" N.: 489609.95 SPC-E.: 630158.70 (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>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 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.</p> <p><i>[Signature]</i> Signature Date</p> <p>F.G. Taylor Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 17, 2008 Date Surveyed</p> <p><i>[Signature]</i> Signature Professional Surveyor</p> <p>W. O. Jones Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
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RKI Exploration & Production

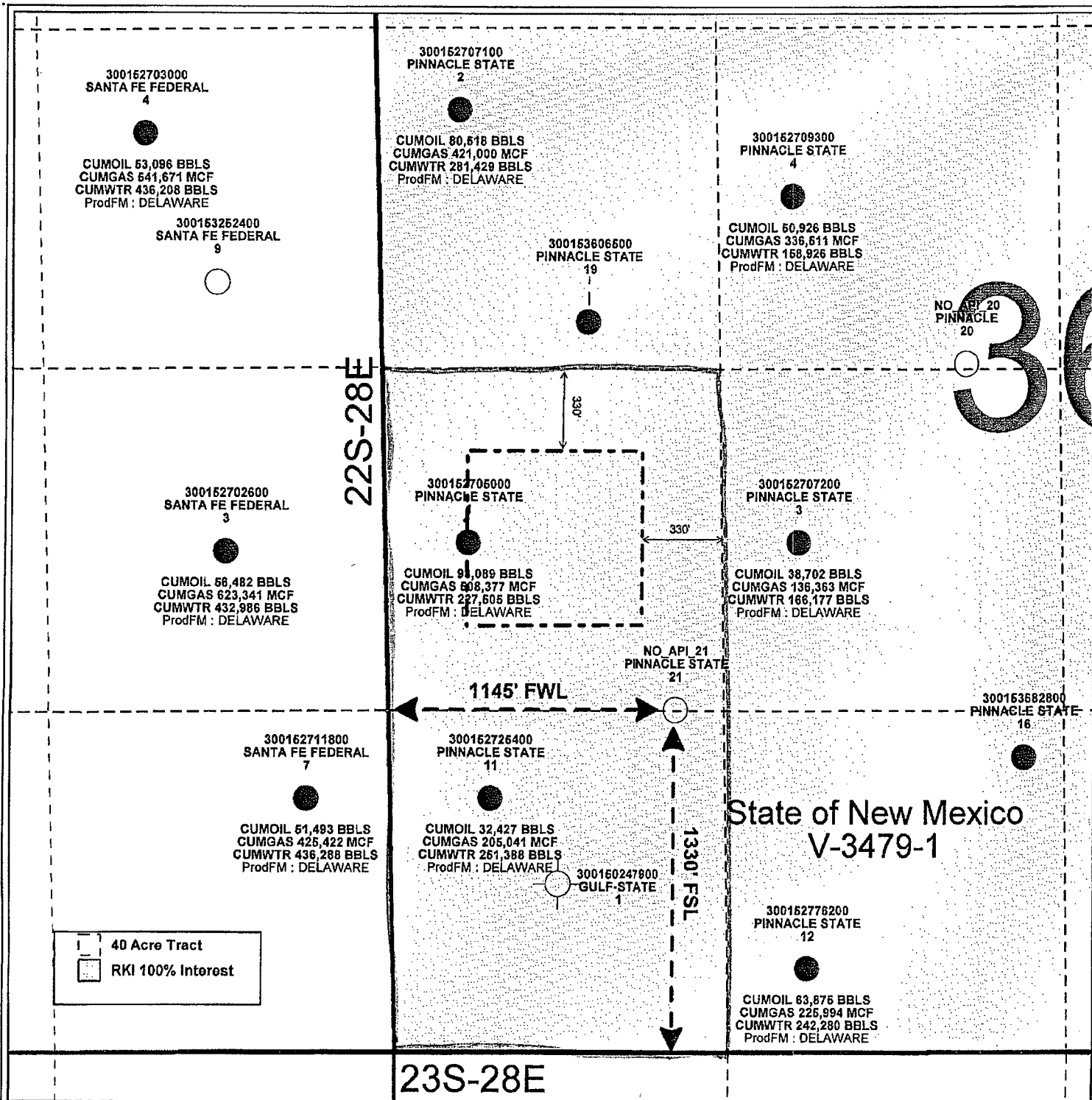
**Pinnacle State 21**

**SECTION 36-22S-28E**

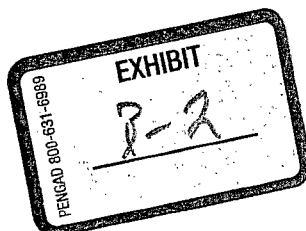
**EDDY CO, NM**

By: KCC

April 3, 2008



PETRA 4/2/2008 11:01:17 AM



**RKI Exploration & Production**

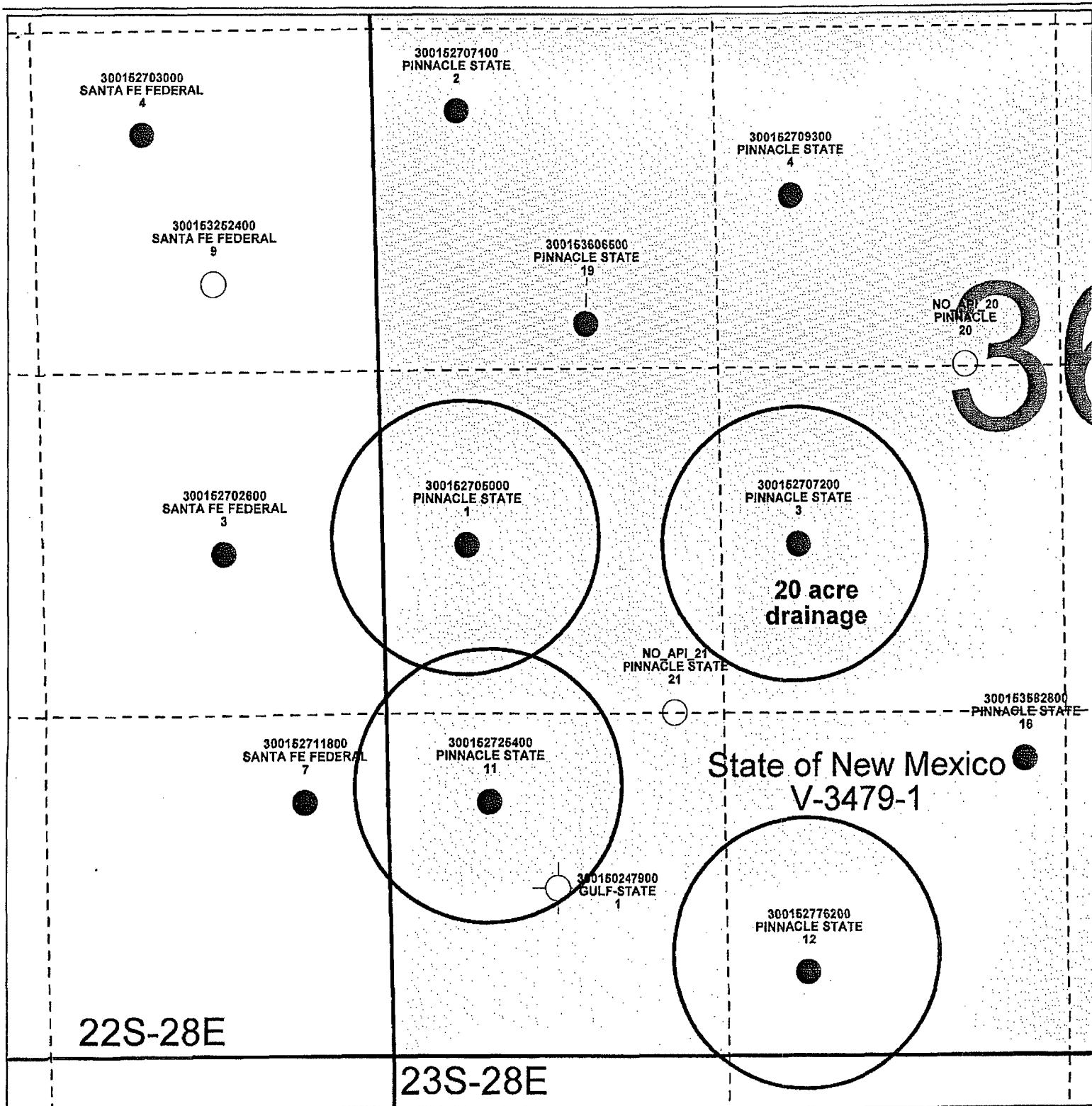
**Pinnacle State 21**

**SECTION 36-22S-28E**

**EDDY CO, NM**

**By: KCC**

**April 2, 2008**



PETRA 4/2/2008 11:07:08 AM

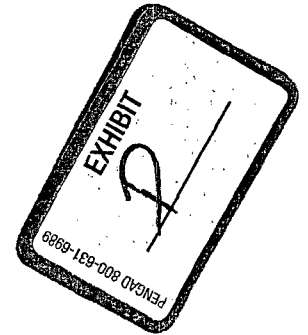


RKI Exploration & Production
<b>Pinnacle State 21</b>
SECTION 36-22S-28E
EDDY CO, NM
By: KCC
April 2, 2008

Pinnacle 16

Lease	H (FT)	Porosity	Sw	Drainage (ACRES)	Bo (RB/STB)	R.F. (%)	VOLUMETRIC EUR (MBO)	HIST. CUM. (MBO)	RATE/TIME EUR MBO
Pinnacle 3	117	0.15	0.62	20	1.128	13	120,980	37,504	52,725
Pinnacle 5	65	0.19	0.57	20	1.128	13	94,962	94,119	152,627
Pinnacle 12	56	0.18	0.60	20	1.128	13	72,100	62,379	75,630
Pinnacle 13	66	0.18	0.63	20	1.128	13	78,222	16,137	39,159
TOTAL							366,264	210,139	320,141

The Pinnacle 3, 5, 12 and 13 have volumetric reserves of 366 MBO based on 20 acre spacing. The historical cumulative oil production for the same wells is 210 MBO. From Rate/Time analysis, the four wells will produce another 110 MBO over a time frame of approximately 40 years. The four wells calculate a total EUR of 320 MBO from Rate/Time analysis showing a drainage area between 15 and 20 acres. The additional well will attempt to drain the remaining 20 acres.



**Brooks, David K., EMNRD**

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**From:** Brooks, David K., EMNRD  
**Sent:** Friday, May 30, 2008 10:09 AM  
**To:** 'Tom Kellahin'  
**Subject:** RE: NSLs applications for RKI

Dear Tom

I have looked at the Pinnacle #21. You have asked for NSL approval for both the Delaware and the Bone Spring, and you note that in the 40-acre Delaware unit it encroaches toward Unit M to the South, and the 80-acre Bone Spring unit, it encroaches towards Units K and N to the east.

Actually it seems that the location encroaches to the east as to both formations. You have stated that RKI owns the working interest as to all units in the SW/4 of Section 36-22S-28E in the Bone Spring. Is this also the case in the Delaware? If so, please specifically confirm.

We can issue approval on the Pinnacle #21 upon receipt of this information.

The Pinnacle #20 will be addressed next week.

Thanks

David K. Brooks  
Legal Examiner  
505-476-3450

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**From:** Tom Kellahin [mailto:tkellahin@comcast.net]  
**Sent:** Friday, May 30, 2008 6:24 AM  
**To:** Brooks, David K., EMNRD  
**Cc:** Chip Taylor  
**Subject:** NSLs applications for RKI

Good Morning David,

I filed administrative NSL application on May 1st for Pinnacle #21 and on May 5th for Pinnacle #20. Neither required notice.

RKI Exploration and Production, has request that I asked for the status.

Thanks, Tom

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

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5/30/2008

**Brooks, David K., EMNRD**

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**From:** Tom Kellahin [tkellahin@comcast.net]  
**Sent:** Saturday, May 31, 2008 7:57 AM  
**To:** Brooks, David K., EMNRD  
**Cc:** Chip Taylor  
**Subject:** RE: NSLs applications for RKI

Dear David,

Thank for the update--Your assumption is correct. RKI and its affiliated entities owns all the working interest in the SW/4 of Sec 36 in both the Bone Spring and Delaware. This any encroachment is towards common ownership. Sorry to any confusion.

Tom

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Friday, May 30, 2008 11:09 AM  
**To:** Tom Kellahin  
**Subject:** RE: NSLs applications for RKI

Dear Tom

I have looked at the Pinnacle #21. You have asked for NSL approval for both the Delaware and the Bone Spring, and you note that in the 40-acre Delaware unit it encroaches toward Unit M to the South, and the 80-acre Bone Spring unit, it encroaches towards Units K and N to the east.

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David K. Brooks  
Legal Examiner  
505-476-3450

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**To:** Brooks, David K., EMNRD  
**Cc:** Chip Taylor  
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6/1/2008