

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 #20
5773-A

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 *COMMON OWNERSHIP*

- [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.

[Signature]
Print or Type Name

Signature

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

5/5/08
Date

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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 5, 2008

HAND DELIVERED

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

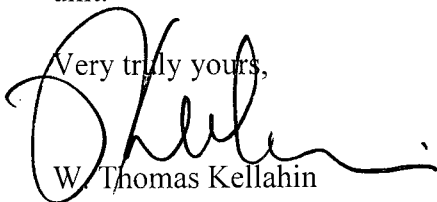
Re: Administrative Application of RKI Exploration
& Production, LLC to Amend Administrative Order
NSL-5773 to Change the Unorthodox Well Location for its
Pinnacle State Well No. 20, from Unit K to Unit F,
NSL Footage:
 Old: 2630 feet FSL and 2335 feet FWL
 New: 2630 feet FNL and 2335 feet FWL
 of Section 36 T22S, R28E, Eddy County New Mexico
Dedication of 40-acre spacing unit consisting of the
 Old: NE/4SW/4 for East Herradura Bend-Delaware Pool (30670)
 New: SE/4NW/4
Dedication of 80-acre spacing unit consisting of the
 Old: E/2SW/4 for the South Culebra Bluff-Bone Spring Pool (15011)
 New E/2NW/4

RECEIVED
2008 MAY 5 AM 11 24

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 is being moved to the 80-acre spacing unit just north of the originally approved 80-acre spacing unit.

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
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") to amend Administrative order NSL-5773 that approved an Unorthodox Well Location for its Pinnacle State Well No. 20, Unit K, so that this well can now be drilled in Unit F and a new location 2630 FNL and 2335 FWL of Section 36 T22S, R28E, Eddy County New Mexico to be dedicated to a 40-acre spacing unit consisting of the SE/4NW/4 for East Herradura Bend-Delaware Pool (30670) and to be dedicated of 80-acre spacing unit consisting of the E/2NW/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) By Administrative Order NSL-5773, dated January 29, 2008, the Division approved RKI's application for its Pinnacle State Well No. 20 to be located in Unit K of Section 36 and if productive in the Bone Spring formation would have been in the same 80-acre spacing unit with RKI's Pinnacle State Well No. 16 (API # 30-015-35828) located in the E/2SW/4 of this section. See Order NSL-5773 attached as Exhibit "A"
- (2) Because the Pinnacle State Well No. 16 appears to be able to produce a substantial portion of the Bone Spring allowable for its 80-acre spacing unit, RKI desires to move the subject well, the Pinnacle State Well No. 20, into a separate 80-acre spacing unit in the E/2NW/4. See C-102 for #20 attached as Exhibit "B" a locator map attached as Exhibit "C"
- (3) 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.

- (4) The proposed amended well location would encroach towards that offsetting tract in Section 36 where RKI and its affiliated entities own those entire tracts and thus have common interest. See acreage map of Section 36 attached as Exhibit "D"

TECHNICAL EVIDENCE

(5) RKI's geologist and petroleum engineer have concluded that moving this well's location toward the north do not alter their technical opinions that the four offsetting existing wells, the Pinnacle Wells 3, 4, 5 and 6 will drain approximately 20-acres in the Delaware formation 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 "E" and typical volumetric calculation for similar wells being the 3, 5, 12, and 13 as shown attached as Exhibit "F"

(6) That in their opinion, adding the Bone Spring formation is both practical and reasonable and may recover hydrocarbons form the Bone Spring formation that may not otherwise be recovered.

NOTIFICATION AND OWNERSHIP

(7) All of Section 36, except for the SE/4SE/4 is part of the same State of New Mexico Oil and Gas Lease V-3491-1 with RKI and its affiliated entities owning 100%

(8) The NW/4 does not currently contain any Bone Spring wells.

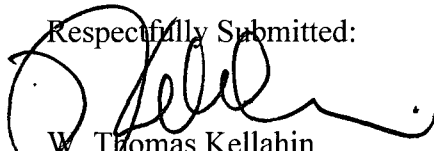
(9) In accordance with Division rules, because of common ownership, no notice is required.

CONCLUSION

(10) 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



30013 04101
**NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT**

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 29, 2008

**FEB 04 2008
OCD-ARTESIA**

Mr. W. Thomas Kellahin
Kellahin & Kellahin
706 Gonzales Rd
Santa Fe, NM 87501

Administrative Order NSL-5773

**Re: RKI Exploration & Production, LLC
Pinnacle State Well No. 20
Unit K, Section 36-22S-28E
Eddy County**

Dear Mr. Kellahin:

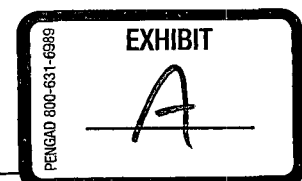
Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-00256724**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of RKI Exploration & Production, LLC (RKI), on January 2, 2008, and

(b) the Division's records pertinent to this request.

RKI has requested to drill the above-referenced well at an unorthodox Delaware and Bone Spring oil well location, 2630 feet from the South line and 2335 feet from the West line (Unit K) of Section 36, Township 22 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico.

The NE/4 SW/4 of Section 36 will be dedicated to this well in the Delaware formation in order to form a standard 40-acre, more or less, spacing unit in the East Herradura Bend-Delaware Pool (96617). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern and eastern unit boundaries.



The E/2 SW/4 of Section 36 will be dedicated to this well in the Bone Spring formation in order to form a standard 80-acre, more or less, spacing unit in the undesignated South Culebra Bluff-Bone Spring Pool (15011). Spacing in this pool is governed by Rules 2 and 4 of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, as adopted by Order R-6139 issued on October 12, 1979, which provide for 80-acre units with wells to be located within 150 feet of the center of a quarter/quarter section. This location is more than 150 in a northeasterly direction from the center of the NE/4 SW/4 of Section 36.

Your application on behalf of RKI has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because RKI's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

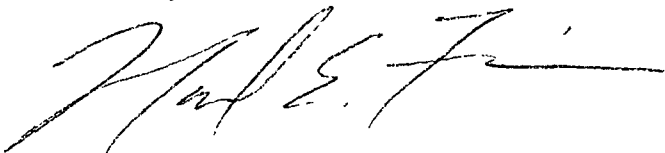
It is also understood that notice of this application to offsetting operators or owners is unnecessary because RKI and/or its affiliates own 100% of the working interest in the spacing units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal stroke extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe

DISTRICT I
1685 N. French Dr., Hobbs, NM 88240

DISTRICT II
1801 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Bravos Rd., Antec, 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 20
OGRID No.	Operator Name RKI EXPLORATION & PRODUCTION	Elevation 3101'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	36	22 S	28 E		2630	NORTH	2335	WEST	EDDY

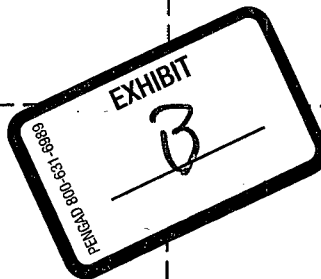
Bottom Hole Location If Different From Surface

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.
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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

<p>SURFACE LOCATION LAT N.: 32°20'57.69" LONG W.: 104°02'31.37" SPC N.: 490951.130 E.: 631288.712 (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</p> <p>Date Surveyed Signature Professional Surveyor</p> <p><i>[Signature]</i> W. J. JONES Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>



State of New Mexico
V-3479-1

22S-28E

300152714200
PINNACLE STATE
7

CUMOIL 41,973 BBLs
CUMGAS 188,146 MCF
CUMWTR 168,522 BBLs
ProdFM : DELAWARE

300152714300
PINNACLE STATE
8

CUMOIL 59,343 BBLs
CUMGAS 221,802 MCF
CUMWTR 182,819 BBLs
ProdFM : DELAWARE

300153821800
PINNACLE
22

300153586400
PINNACLE STATE
17

300152720100
PINNACLE STATE
9

CUMOIL 71,273 BBLs
CUMGAS 237,853 MCF
CUMWTR 186,780 BBLs
ProdFM : DELAWARE

300152707100
PINNACLE STATE
2

CUMOIL 80,518 BBLs
CUMGAS 421,000 MCF
CUMWTR 281,429 BBLs
ProdFM : DELAWARE

300153606500
PINNACLE STATE
19

300152799300
PINNACLE STATE
4

CUMOIL 60,126 BBLs
CUMGAS 338,511 MCF
CUMWTR 168,928 BBLs
ProdFM : DELAWARE

300152714100
PINNACLE STATE
6

CUMOIL 67,782 BBLs
CUMGAS 213,897 MCF
CUMWTR 166,671 BBLs
ProdFM : DELAWARE

300153612300
PINNACLE
18

300152705000
PINNACLE STATE
1

CUMOIL 93,089 BBLs
CUMGAS 508,377 MCF
CUMWTR 227,605 BBLs
ProdFM : DELAWARE

300152707200
PINNACLE STATE
3

CUMOIL 38,702 BBLs
CUMGAS 136,363 MCF
CUMWTR 166,177 BBLs
ProdFM : DELAWARE

300152710700
PINNACLE STATE
5

CUMOIL 97,105 BBLs
CUMGAS 334,008 MCF
CUMWTR 287,434 BBLs
ProdFM : DELAWARE

NO API 21
PINNACLE STATE
21

36

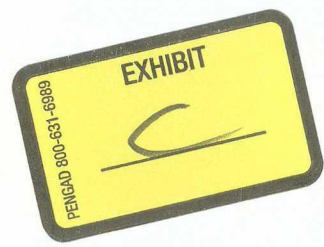
2335' FWL

2630' FNL

F SE/WW

40 Acre Tract
RKI 100% Interest

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RKI Exploration & Production	
Pinnacle State 20	
SECTION 36-22S-28E	
EDDY CO, NM	
By: KCC	
April 2, 2008	

22S-28E

State of New Mexico
V-3479-1

300152714200
PINNACLE STATE
7

300152714300
PINNACLE STATE
8

300153621600
PINNACLE
22

300153566400
PINNACLE STATE
17

300152720100
PINNACLE STATE
9

300152707100
PINNACLE STATE
2

300152709300
PINNACLE STATE
4

300152714100
PINNACLE STATE
6

300153506800
PINNACLE STATE
18

NO API 20
PINNACLE
20

300153612300
PINNACLE
16

300152708000
PINNACLE STATE
1

300152707200
PINNACLE STATE
3

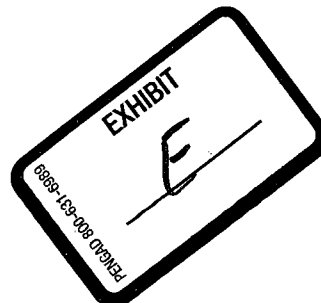
300152710700
PINNACLE STATE
5

20 acre
drainage

40 Acre Tract
RKI 100% Interest

NO API 21
PINNACLE STATE
21

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RKI Exploration & Production

Pinnacle State 20

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.

