

DATE IN 4.14.11	SUSPENSE	ENGINEER WJ	LOGGED IN	TYPE DHC 4379	APP NO. 1110455094
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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

Pinnacle St #25

ADMINISTRATIVE APPLICATION CHECKLIST **30-45-3633**

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
COMMON OWNERSHIP

- ☐ [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.

Ben Stone, SOS Consulting
 Print or Type Name

Signature

Agent for RKI E&P
 Title

4/11/11
 Date

ben@sosconsulting.us
 e-mail Address

April 11, 2011

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

Attn: Ms. Jamie Bailey, Director

Re: Applications of RKI Exploration & Production, LLC to downhole commingle production in its Pinnacle State Well No.25 and Longview Federal Well Nos.1-14, 1-34, 1-44 and 6-11 from the South Culebra Bluff Bone Spring and East Hederra Bend Delaware pools.

RECEIVED OGD
2011 APR 14 AM 11:23

Dear Ms. Bailey,

Please find enclosed the above-referenced application(s) for downhole commingling on Form C-107A and all supporting data.

RKI Exploration & Production seeks to continually optimize efficiency, both economically and operationally, of its operations. Approval of this application is consistent with that goal as well as the NMOCD's mission of preventing waste and protection of correlative rights.

The Pinnacle State and Longview Federal properties are individually owned by the applicant or its wholly owned subsidiaries. The surface is owned by the State of New Mexico and U.S. Department of the Interior, Bureau of Land Management respectively. Royalties to the state or federal government will not be reduced as a result of this commingling. A copy of this application has been furnished to the Commissioner of Public Lands at the State Land Office as well as the Bureau of Land Management, Carlsbad office. ***Please note that production between leases will not be commingled.***

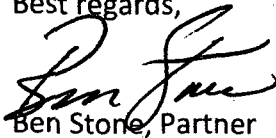
The existing wellbores of the subject wells are currently completed in the Bone Spring formation and RKI intends to perforate and complete the Delaware portion by April 2011 and will immediately conduct production tests on that zone. The vertical extents of separation between completions in the subject formations is well within the 150-percent guideline however, RKI will provide pressure data as it is available from any additional testing that may be conducted. Monthly well tests will be conducted and the wells may be separately metered in the future.

In the future, RKI further intends to apply for pre-approval for downhole commingling of production from additional Pinnacle wells from the East Hederra Bend Delaware and South Culebra Bluff Bone Spring pools. Production from these pools is mature and predictable in the subject area. Such pre-approval would also lend towards increased efficiencies for RKI as well as the NMOCD. This individual well application will be included as the initial dataset for a pre-approved downhole pool combination application. Due diligence for that effort is ongoing and all data in support of such application will be provided including notification to all operators with ownership in the subject pools.

Finally, RKI will provide recommended fixed allocation percentages for these wells after analysis of the data obtained from upcoming production tests.

I respectfully request that the processing of these applications proceed swiftly and if you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Stone", written over the printed name.

Ben Stone, Partner
SOS Consulting, LLC
Agent for RKI E&P

Cc: State Land Office – Oil & Gas Division
Bureau of Land Management - Carlsbad Office
Application file



SOS Consulting, LLC

April 11, 2011

New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, New Mexico 87504

Attn: Mr. Larry Roybal, Director

Re: Application of RKI Exploration & Production, LLC to downhole commingle production in its Pinnacle State Well No.25 from the South Culebra Bluff Bone Spring and East Herradura Bend Delaware pools.

Dear Mr. Roybal,

Please find enclosed a copy of the above-referenced NMOCD application for downhole commingling on Form C-107A and all supporting data.

RKI Exploration & Production seeks to continually optimize efficiency, both economically and operationally, of its operations. Approval of this application is consistent with that goal as well as the NMOCD's mission of preventing waste and protection of correlative rights.

Ownership of the Pinnacle State property is individually owned by the applicant or its wholly owned subsidiaries. *The surface is owned by the State of New Mexico and royalties to the state will not be reduced as a result of this commingling.*

The existing wellbore of the Pinnacle State No.25 is currently completed in the Bone Spring formation and RKI intends to perforate and complete the Delaware portion by May 2011 and will immediately conduct production tests on that zone. The vertical extents of separation between completions in the subject formations is well within the 150-percent guideline however, RKI will provide pressure data as it is available from any additional testing that may be conducted. Monthly well tests will be conducted and the wells may be separately metered in the future.

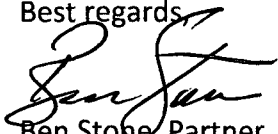
In the future, RKI further intends to apply for pre-approval for downhole commingling of production from additional Pinnacle wells from the East Hederra Bend Delaware and South Culebra Bluff Bone Spring pools. Production from these pools is mature and predictable in the subject area. Such pre-approval would also lend towards increased efficiencies for RKI as well as the NMOCD. This individual well application will be

included as the initial dataset for a pre-approved downhole pool combination application. Due diligence for that effort is ongoing and all data in support of such application will be provided including notification to all operators with ownership in the subject pools.

Finally, RKI will provide recommended fixed allocation percentages for this well after analysis of the data obtained from upcoming production tests.

If you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Stoke", written over the printed name.

Ben Stoke, Partner
SOS Consulting, LLC
Agent for RKI E&P

Cc: NMOCD – Engineering Bureau
Application file

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, 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-107A
Revised June 10, 2003

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

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

RKI Exploration & Production, LLC **3817 NW Expressway, Suite 950, Oklahoma City, OK 73112**
Operator Address
Pinnacle State Well No.25 **UL 'M', Section 36, Twp 22 South, Rng 28 East** **Eddy County**
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. **246289** Property Code **303271** API No. **30 - 015 - 36333** Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	<input checked="" type="checkbox"/> UPPER ZONE	INTERMEDIATE ZONE	<input checked="" type="checkbox"/> LOWER ZONE
Pool Name	East Hederra Bend; Delaware		South Culebra Bluff; Bone Spring
Pool Code	30670		15011
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	~5950'- ~6265' Perf		6423'- 7330' Perf
Method of Production (Flowing or Artificial Lift)	Artificial lift		Artificial lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			Not required per 150% rule
Oil Gravity or Gas BTU (Degree API or Gas BTU)	New zone (Inferred data Oil ~42.5; Gas ~1215		Oil ~42.5; Gas ~1250
Producing, Shut-In or New Zone	New Zone		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Estimates inferred Rates: (data attached)	Date: Rates:	Date: 11/30/2010 Rates: 16 o / 64 g / 8 w Per day
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas TBD % TBD %	Oil Gas % %	Oil Gas TBD % TBD %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: _____

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

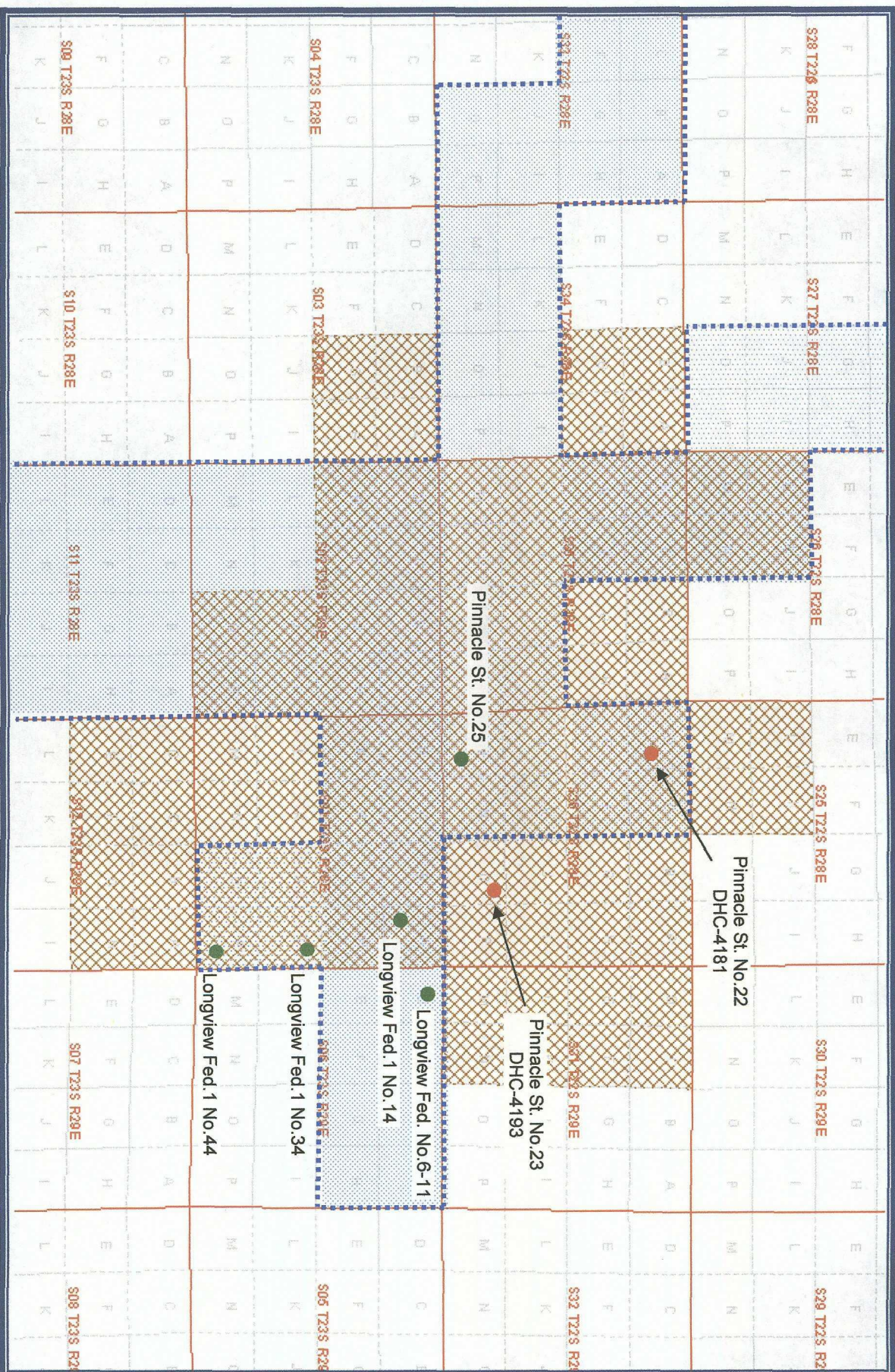
SIGNATURE Ben Stone TITLE Agent for RKI E&P DATE 4/07/2011
TYPE OR PRINT NAME Ben Stone TELEPHONE NO. (903) 488-9850
E-MAIL ADDRESS ben@sosconsulting.us

Pinnacle State and Longview Federal Well Locations



- WELLS CURRENTLY APPLIED FOR DHC IN SUBJECT POOLS


● WELLS PREVIOUSLY APPROVED FOR DHC IN SAME POOLS



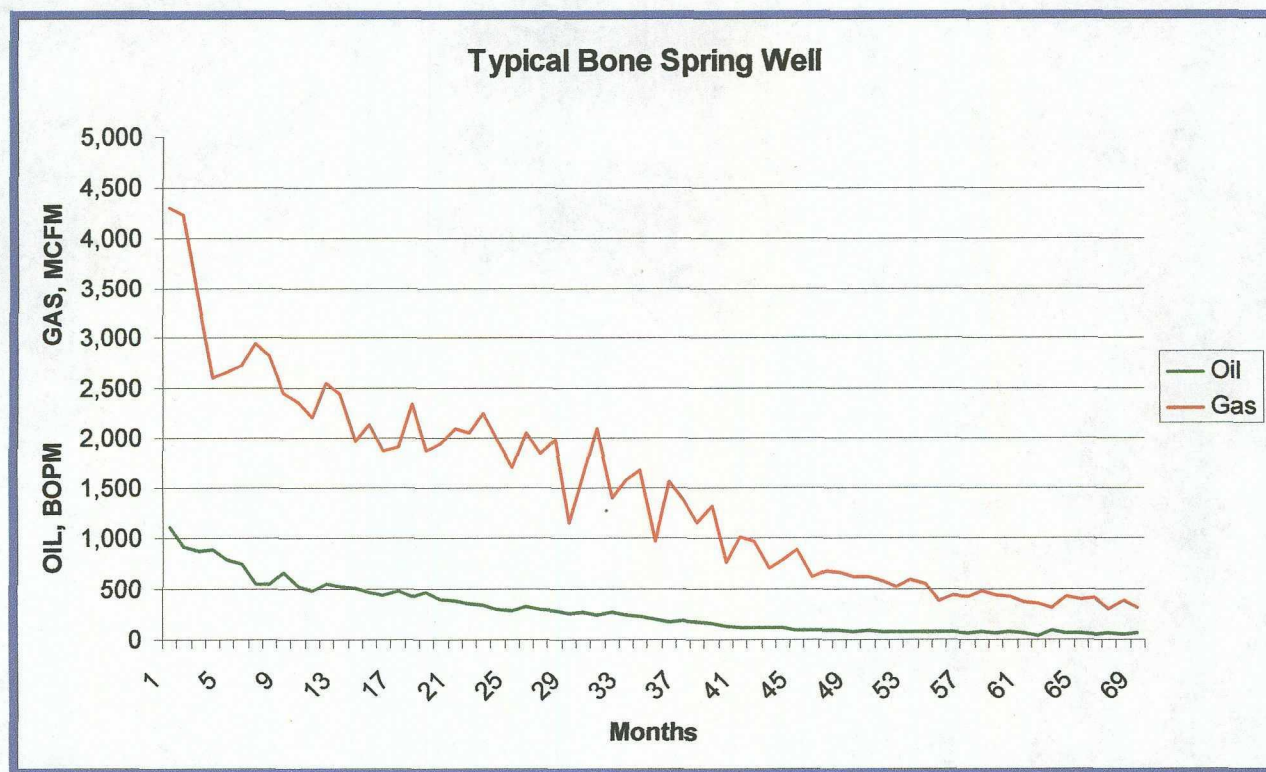
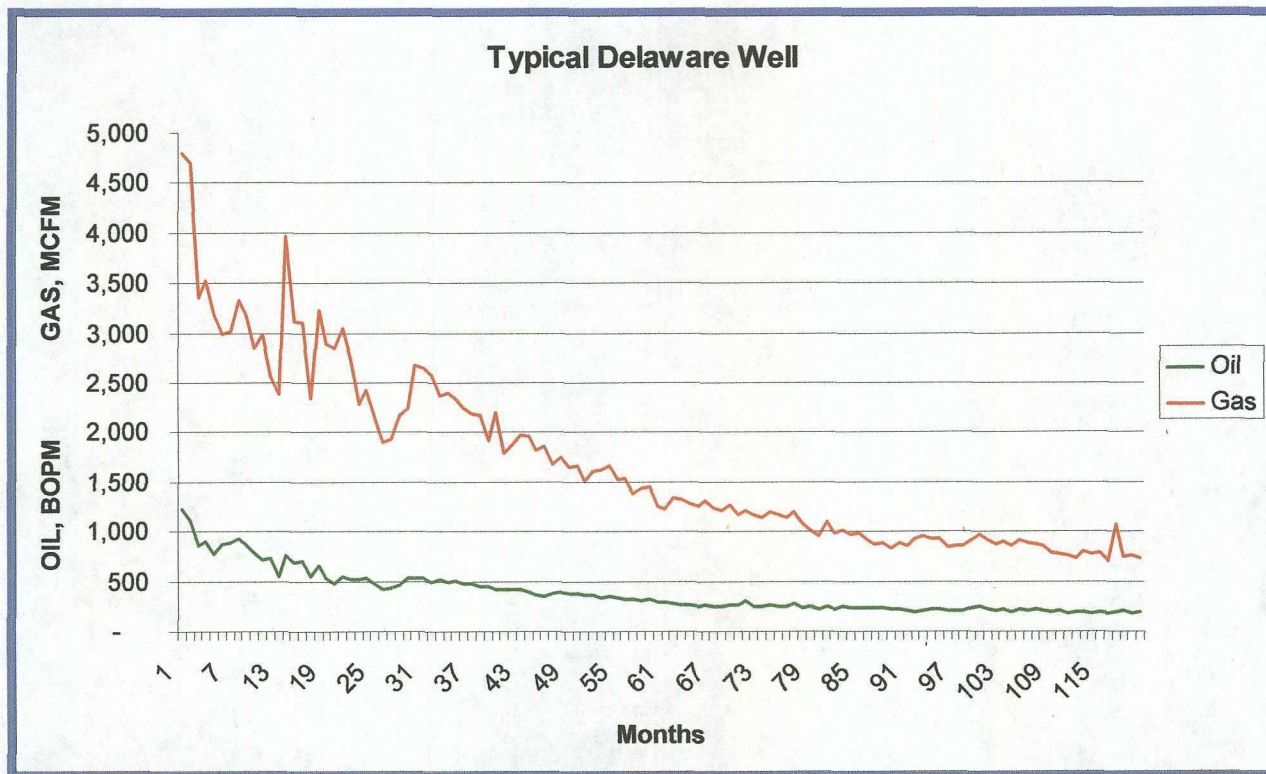
GIS Map by Sylvan Ascent
Drawn 4/7/2011
by Ben Stone, SOS Consulting, LLC
For RKI Exploration & Production

SOS Consulting, LLC

Pool boundaries generated from RBDMS database with most current nomenclature provided by NMOCD

<div data-bbox="69 991 313 1242" data-label="Text"> <p>16</p> </div>				<div data-bbox="1042 991 1513 1242" data-label="Text"> <p>17</p> <p>OPERATOR CERTIFICATION</p> <p><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></p> <div data-bbox="1042 1242 1513 1287">  <div data-bbox="1351 1242 1513 1287">4-5-11</div> </div> <div data-bbox="1042 1287 1513 1306"> <div data-bbox="1042 1287 1351 1306">Signature</div> <div data-bbox="1351 1287 1513 1306">Date</div> </div> <div data-bbox="1042 1306 1513 1357"> <div data-bbox="1042 1306 1351 1357">Benjamin E. Stone</div> <div data-bbox="1351 1306 1513 1357">4/05/2011</div> </div> <div data-bbox="1042 1357 1513 1376"> <div data-bbox="1042 1357 1351 1376">Printed Name</div> </div> <div data-bbox="1042 1376 1513 1425"> <div data-bbox="1042 1376 1513 1425">SOS Consulting, LLC agent for: RKI Exploration & Production, LLC</div> </div> </div>
<div data-bbox="69 1242 313 1481" data-label="Text"> <p>800 feet</p> </div>				<div data-bbox="1042 1242 1513 1481" data-label="Text"> <p>18</p> <p>SURVEYOR CERTIFICATION</p> <p><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></p> <div data-bbox="1042 1481 1513 1504"> <div data-bbox="1042 1481 1513 1504">5/07/2008</div> <div data-bbox="1042 1504 1513 1525">Date of Survey</div> </div> <div data-bbox="1042 1525 1513 1544"> <div data-bbox="1042 1525 1513 1544">Signature and Seal of Professional Surveyor:</div> </div> <div data-bbox="1042 1544 1513 1574"> <div data-bbox="1042 1544 1513 1574">Gary L. Jones, Basin Surveys</div> </div> <div data-bbox="1042 1574 1513 1593"> <div data-bbox="1042 1574 1513 1593">Cert. No. 7977</div> <div data-bbox="1042 1593 1513 1613">Certificate Number</div> </div> </div>
<div data-bbox="69 1481 313 1959" data-label="Text"> <p>330 feet</p> </div>				<div data-bbox="1042 1481 1513 1959" data-label="Text"> <p>19</p> <p>WELL LOCATION CERTIFICATION</p> <p><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></p> <div data-bbox="1042 1959 1513 1968"> <div data-bbox="1042 1959 1513 1968">5/07/2008</div> <div data-bbox="1042 1968 1513 1968">Date of Survey</div> </div> <div data-bbox="1042 1968 1513 1968"> <div data-bbox="1042 1968 1513 1968">Signature and Seal of Professional Surveyor:</div> </div> <div data-bbox="1042 1968 1513 1968"> <div data-bbox="1042 1968 1513 1968">Gary L. Jones, Basin Surveys</div> </div> <div data-bbox="1042 1968 1513 1968"> <div data-bbox="1042 1968 1513 1968">Cert. No. 7977</div> <div data-bbox="1042 1968 1513 1968">Certificate Number</div> </div> </div>

C-107a - Supporting Data
Typical Production from Subject Pools
 (Data derived from one or more area wells.)



Production Summary Report
API: 30-015-36333
[303271] PINNACLE STATE #025
Printed On: Tuesday, April 05 2011

Year	Pool	Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Mar	88	525	452	3
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Apr	755	3993	1473	25
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	May	1291	4251	849	30
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Jun	771	2860	510	29
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Jul	871	2999	607	31
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Aug	823	3582	637	31
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Sep	657	2914	511	30
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Oct	473	1675	273	31
2010	[15011] CULEBRA BLUFF;BONE SPRING, SOUTH	Nov	489	1925	240	30

