

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

**APPLICATION OF RKI EXPLORATION & PRODUCTION  
FOR A NON-STANDARD SPACING AND PRORATION UNIT,  
COMPULSORY POOLING AND APPROVAL OF AN  
UNORTHODOX WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.**

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RECEIVED  
CASE NO. 15581

**APPLICATION**

RKI Exploration & Production, ("RKI") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 640-acre, more or less, non-standard spacing and proration unit comprised of the W/2 of Section 19 and the W/2 of Section 30, Township 26 South, Range 31 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interest owners in the Wolfcamp formation (Brushy Draw; Wolfcamp (Gas) Pool (Pool Code 72897)); and (3) approving an unorthodox location for the proposed horizontal well. In support of its application, RKI states:

1. RKI Exploration & Production (OGRID No. 246289) is a working interest owner in the in the proposed non-standard spacing unit, and has the right to drill thereon.

2. RKI proposes to dedicate the above-referenced spacing and proration unit as the project area for its **RDX Federal Com 19-30 No. 3H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 19 to

a non-standard bottom hole location in in the SW/4 SW/4 (Unit M) of Section 30. The completed interval for this well will commence 330 feet from the North line and 330 feet from the West line (Unit D) of Section 19 to a location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 30.

3. This acreage is subject to the statewide rules for defined gas pools in Eddy County which requires 320-acre spacing and wells to be located no closer than 660 feet to the outer boundary of the quarter section. 19.15.15.10.B NMAC. Rules 19.15.15.13(B) and 19.15.4.12(A)2 NMAC allow the director to grant an exception to the well location requirements.

4. The proposed **RDX Federal Com 19-30 No. 3H Well** will be unorthodox because the completed interval for this well will be closer than 660 feet to the outer boundary as required by Rule 19.15.15.10.B(1). Specifically, it encroaches on the spacing and proration units to the North, Northwest, West, Southwest, and South of the proposed project area.

5. Approval of the non-standard location will allow RKI to efficiently and effectively space its wells in this area for optimal recovery of the underlying reserves.

6. RKI has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

7. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

8. In order to permit RKI to obtain it's just and fair share of the oil and gas underlying the subject lands, all mineral interests in this 640-acre spacing and proration

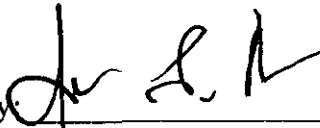
unit should be pooled and RKI Exploration & Production should be designated the operator of the unit.

WHEREFORE, RKI requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 27, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 640-acre, more or less, non-standard spacing and proration unit in the Wolfcamp formation (Brushy Draw; Wolfcamp (Gas) Pool (Pool Code 72897)), comprised of the W/2 of Section 19 and the W/2 of Section 30, Township 26 South, Range 31 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the Wolfcamp formation underlying the proposed non-standard spacing and proration unit;
- C. Designating RKI operator of this 640-acre spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing RKI to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- F. Imposing a 200% penalty for the risk assumed by RKI in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Approving the unorthodox well location for this initial well.

Respectfully submitted,

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**ATTORNEYS FOR  
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CASE 15581

Application of RKI Exploration & Production for a non-standard spacing unit, compulsory pooling, and approval of an unorthodox well location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an (1) creating a 640-acre, more or less, non-standard spacing and proration unit comprised of the W/2 of Section 19 and the W/2 of Section 30, Township 26 South, Range 31 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interest owners in the Wolfcamp formation (Brushy Draw; Wolfcamp (Gas) Pool (Pool Code 72897)) underlying the proposed unit; and (3) approving an unorthodox location for the proposed horizontal well. This 640-acre spacing unit is to be dedicated to applicant's **RDX Federal Com. 19-30 No. 3H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 19 to a non-standard bottom hole location in in the SW/4 SW/4 (Unit M) of Section 30. The completed interval for this well will commence 330 feet from the North line and 330 feet from the West line (Unit D) of Section 19 to a location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 30, thereby encroaching on the spacing and proration units to the North, Northwest, West, Southwest, and South of the proposed project area. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of RKI Exploration & Production as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 16 miles southeast of Malaga, New Mexico.