



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

October 3, 2007

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

Administrative Order NSL-5692

Re: Pinnacle State Well No. 16
API No. 30-015-35828
Unit N, Section 36-22S-28E
Eddy County

Dear Mr. Kellahin:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-26838891**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 18, 2007, on behalf of RKI Exploration & Production, LLC (RKI), and

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

RKI has requested to drill its Pinnacle State Well No. 16 (API No. 30-015-35828) at an unorthodox well location, 1152 feet from the South line and 2528 feet from the West line (Unit N) of Section 36, Township 22 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico. The SE/4 SW/4 of Section 36 will be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the East Herradura Bend-Delaware Pool (30670). This pool is governed by statewide Rule 104.B(1), which provides for 40-acres units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from both the northern and eastern unit boundaries.

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

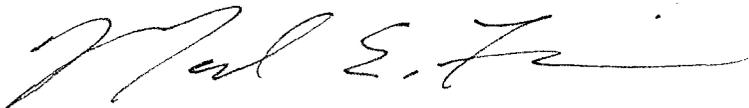
It is our understanding that that this location is being requested because RKI's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

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

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

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

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