

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



*RKI Exploration³
 Production, LLC
 Pinnacle State #22*

ADMINISTRATIVE APPLICATION CHECKLIST

NSL-5871

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]**

2008 JUN 9 AM 11 26
RECEIVED

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

8/9/08
 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

June 9, 2008

HAND DELIVERED

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

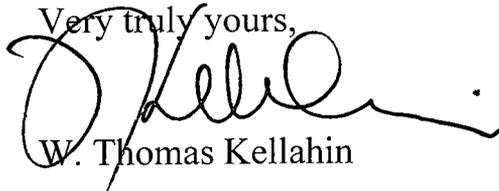
Re: Administrative Application of RKI Exploration
& Production, LLC for Approval of an
Unorthodox Well Location for its
Pinnacle State Well No. 22, Unit D,
NSL Footage: 955 feet FNL and 1086 feet FWL
of Section 36 T22S, R28E, Eddy County New Mexico
Dedication of 40-acre spacing unit consisting of the
NW/4NW/4 for East Herradura Bend-Delaware Pool (30670)
Dedication of 80-acre spacing unit consisting of the W/2NW/4 for the
South Culebra Bluff-Bone Spring Pool (15011)

2008 JUN 9 AM 11 26
RECEIVED

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 crowds towards the Eastern and Southern lines of the NW/4NW/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
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. 22, Unit D, Footage: 955 feet FNL and 1086 feet FWL of Section 36 T22S, R28E, Eddy County New Mexico to be dedicated to a 40-acre spacing unit consisting of the NW/4NW/4 for East Herradura Bend-Delaware Pool (30670) and to be dedicated of 80-acre spacing unit consisting of the W/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. RKI’s Pinnacle State Well No. 22 is to be located in Unit D 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/4NW/4 of Section 36 to this well. The well would encroach towards the SW/4NW/4 and the SE/4NW/4 of Section 36 where RKI and its affiliated entities own these entire tracts 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/2NW/4 of Section 36 to this well. The well would encroach towards the E/2NW/4 of Section 36 where RKI and its affiliated entities own ALL four 40-acre tracts in the NW/4
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 2, 4, 7, and 8 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 2, 4, 7, and 8 attached as Exhibit "D"

NOTIFICATION AND OWNERSHIP

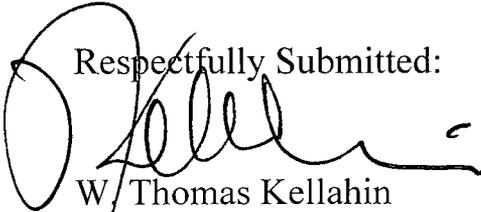
5. All of the NW/4 of Section 36 is part of the same State of New Mexico Oil and Gas Lease V-3479-1 with RKI and its affiliated entities owning 100% of the NW/4
6. In accordance with Division rules, because of common ownership, no notice is required.

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:



W/ Thomas Kellahin

Attorney for RKI Exploration & Production, LLC

DISTRICT I
1025 N. French Dr., Hobbs, NM 88240

DISTRICT II
1801 W. Grand Avenue, Artesia, NM 88310

DISTRICT III
1000 Rjo 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 30-015-36216	Pool Code 15011	Pool Name South Culebra Bluff - Bone Spring
Property Code	Property Name PINNACLE STATE	Well Number 22
OGRID No.	Operator Name RKI EXPLORATION & PRODUCTION	Elevation 3125'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	36	22 S	28 E		955 995	NORTH	1086	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

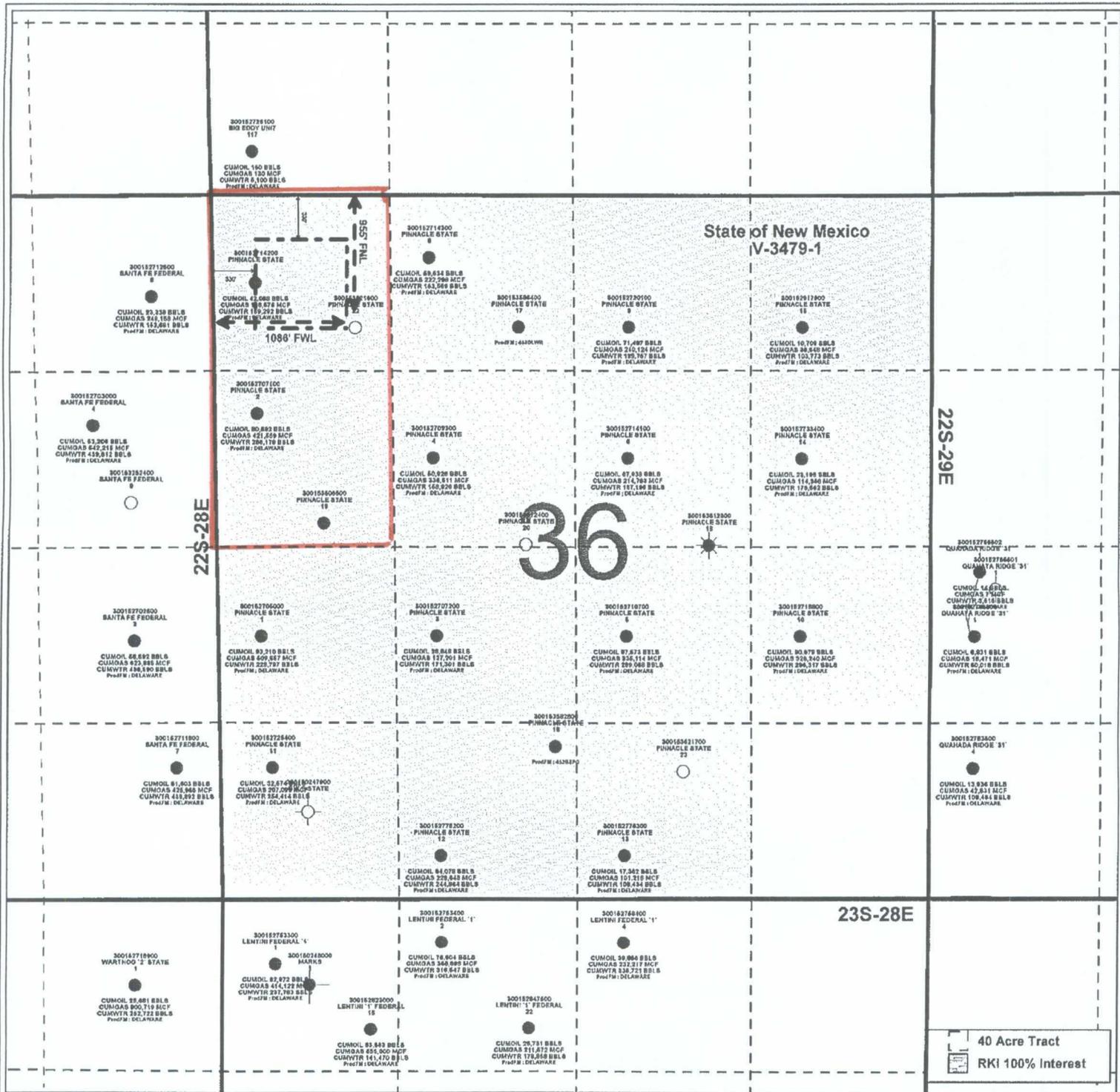
Dedicated Acres: 80
Joint or Infill: Infill
Consolidation Code:
Order No.:

955 is correct - all e-mail

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°21'14.18" LONG W.: 104°02'46.75" SPC N.: 492613.594 E.: 629964.768 (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>F.G. Taylor</i> 5/1/08 Signature Date</p> <p>F.G. TAYLOR Printed Name</p>

EXHIBIT A
6889-139-008 OGRID



State of New Mexico
V-3479-1

22S-28E

22S-29E

23S-28E

40 Acre Tract
RKI 100% Interest

PETRA 6/2/2008 8:33:10 AM

RKI Exploration & Production

Pinnacle 22

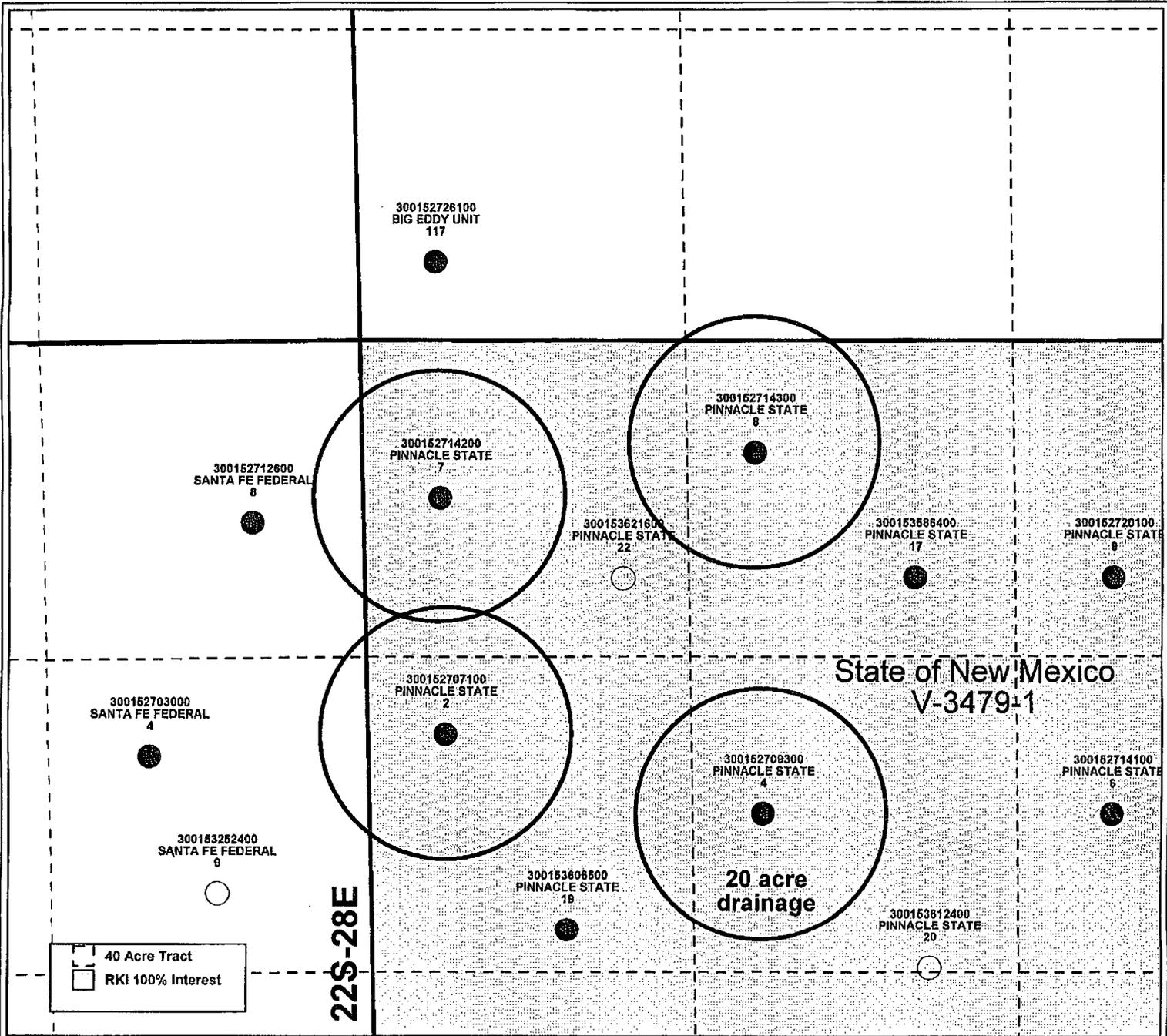
SECTION 36-22S-28E

EDDY CO, NM

By: KCC

June 2, 2008





PETRA 6/2/2008 8:28:58 AM

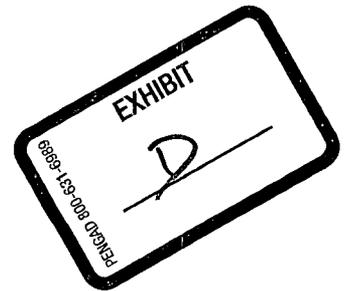


RKI Exploration & Production
Pinnacle 22
SECTION 36-22S-28E
EDDY CO, NM
By: KCC
June 2, 2008

Pinnacle 22

Lease	H (FT)	Porosity	Sw	Drainage (ACRES)	Bo (RB/STB)	R.F. (%)	VOLUMETRIC EUR (MBO)	HIST. CUM. (MBO)	RATE/TIME EUR MBO
Pinnacle 2	143	0.19	0.53	20.00	1.128	13	228,350	80,861	121,091
Pinnacle 4	100	0.15	0.60	20.00	1.128	13	107,291	51,405	82,244
Pinnacle 7	133	0.18	0.60	20.00	1.128	13	171,237	42,082	71,405
Pinnacle 8	105	0.15	0.51	20.00	1.128	13	138,004	59,422	108,155
TOTAL							644,883	233,770	382,895

The Pinnacle 2, 4, 7 and 8 have volumetric reserves of 645 MBO based on 20 acre spacing. The historical cumulative oil production for the same wells is 234 MBO. From Rate/Time analysis, the four wells will produce another 149 MBO over a time frame of approximately 41 years. The four wells calculate a total EUR of 382 MBO from Rate/Time analysis showing a drainage area between 10 and 20 acres. The additional well will attempt to drain the remaining 20 acres.



Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, July 08, 2008 10:45 AM
To: 'Tom Kellahin'
Subject: RKI Pinnacle State #22 - NSL application

Dear Tom

Your application is for a location 955 FNL and 1086 FWL of 36-22S-28E. OCD shows this well as 995 FNL and 1086 FWL.

I looked at the well file to resolve this discrepancy, and found that the approved C-101 says 995 FNL, but the C-102 filed with it (just like the C-102 attached to the NSL application) shows 955 FNL.

Can you find out which is right so I can write the NSL order for the correct location.

Sincerely

David

7/8/2008

Brooks, David K., EMNRD

From: Tom Kellahin [tkellahin@comcast.net]
Sent: Wednesday, July 09, 2008 11:38 AM
To: Brooks, David K., EMNRD
Cc: Matt Huhnke
Subject: FW: RKI Pinnacle State #22 - NSL application

Dear David,

RKI advised about the correct location-see below

Thanks,

Tom

From: Matt Huhnke [mailto:MHuhnke@rkixp.com]
Sent: Wednesday, July 09, 2008 5:14 AM
To: Tom Kellahin
Cc: Pat McCollom; Bill Aubrey
Subject: RE: RKI Pinnacle State #22 - NSL application

Tom,

The survey plat for this well is 955 FNL and 1086 FWL (correct location). The 995 must have been a typo when the well permit was requested.

Thanks,
Matt

From: Tom Kellahin [mailto:tkellahin@comcast.net]
Sent: Tuesday, July 08, 2008 5:38 PM
To: Matt Huhnke
Subject: FW: RKI Pinnacle State #22 - NSL application

Matt,

See below--Which footage is the correct one?

Tom Kellahin
Kellahin & Kellahin
Attorneys at Law
706 Gonzales Road
Santa Fe, NM 87501
ph 505-982-4285
fx 505-982-2047
tkellahin@comcast.net

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Tuesday, July 08, 2008 11:45 AM

7/10/2008

To: Tom Kellahin
Subject: RKI Pinnacle State #22 - NSL application

Dear Tom

Your application is for a location 955 FNL and 1086 FWL of 36-22S-28E. OCD shows this well as 995 FNL and 1086 FWL.

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Sincerely

David

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7/10/2008