

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
Braskey 27#1

ADMINISTRATIVE APPLICATION CHECKLIST

5932

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
- [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

2008 SEP 5 PM 1 53
 RECEIVED

[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.

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

Signature

Title

Date

e-mail Address

[Handwritten Signature]

9/5/08

Kellahin@COMCAST.NET

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

September 5, 2008

HAND DELIVERED

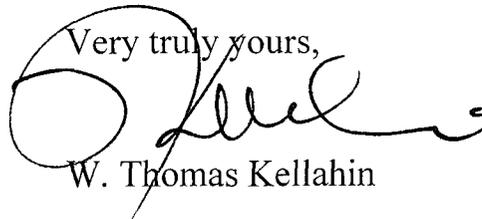
Mr. Mark Fesmire, PE, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED
2008 SEP 5 PM 1 53

Re: Administrative Application of RKI Exploration & Production, LLC
for Approval of an Unorthodox Well Location for its
Braskey "27" Well No. 1, Unit K,
NSL Footage: 2460 feet FSL and 1550 feet FWL
of Section 27, T24S, R28E, Eddy County New Mexico
dedication of 40-acre spacing unit consisting of the
NE/4SW/4 of Sec 27, T24S R28E for production from
the Delaware formation including the Willow
Lake-Delaware Pool (code 64453)

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 Northern and Western lines of the
NE/4SW/4 of Section 27.

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 Braskey “27” Well No. 1, Unit K, Footage: 2460 feet FSL and 1550 feet FWL of Section 27 T24S, R28E, Eddy County New Mexico to be dedicated to a 40-acre spacing unit consisting of the NE/4SW/4 for Delaware formation production, including the Willow Lake-Delaware Pool (64453), in the event this well is productive.

In support, RKI states:

1. RKI is the operator and agent for Lobos Energy Partners, LLC, and has consolidated on a voluntary basis the interest owners for the drilling of a Delaware oil well in the NE/4SW/4 of Section 27, T24S, R28E, Eddy County, NM
2. RKI’s Braskey “27” Well No. 1 is to be located in Unit K of Section 27 (see C-102 attached as Exhibit “A”) and if productive:
 - a. in the Delaware formation will be located within 1-1/2 miles of the outer boundary of the Willow Lake-Delaware Pool and among other things, subject to Division’s General Rule 104 providing for a standard 40-acre spacing units and location not closer than 330 feet to the outer boundary.

- b. In that event, RKI would dedicate the NE/4SW/4 (Unit K) of Section 27 to this well. The well would encroach towards Units E, F and L of Section 27 being 180 feet from the north line and 230 feet from the west line of Unit K.

LOCATOR MAP

3. Section 27 contains three producing wellbores. None of these wellbores are currently productive from the Delaware formation. See locator Map attached as Exhibit "B"

TOPOGRAPHIC REASON

4. The requested unorthodox oil well location is made necessary by the existing Willow Lake, roads and the well pad for the Malaga 27-1 (API 30-015-27451) an Atoka gas well. See aerial photo attached as Exhibit "C" and a topographic map attached as Exhibit "D"

TECHNICAL EVIDENCE

5. RKI's geologist and petroleum engineer have concluded that the proposed unorthodox well location is equivalent to any standard location within the standard drilling window for this spacing unit.

6. Direction drilling from the proposed unorthodox surface location to an standard subsurface location is prohibitively expensive.

NOTIFICATION AND OWNERSHIP

7. The ownership of the subject spacing unit in Unit K is different from the three adjoining spacing units towards which this wellbore will encroach.

8. All of the NW/4 of Section 27, including Units E and F, is part of a state of New Mexico oil & gas lease operated by OXY USA, Inc.

9. Unit L, while operated by RKI, has different working interest owners (“WIO”) than those in the subject spacing unit. The WIO for Unit L are listed on the attached notice list. See attached as Exhibit “E”

10. In accordance with Division rules, because of uncommon ownership, notice is required. The notice letter is attached as Exhibit “F”

CONCLUSION

11. 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 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
1625 N. French Dr., Hobbs, NM 88240

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

DISTRICT III
1000 Rio 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 | | Pool Code | Pool Name |
| Property Code | Property Name BRASKEY 27 | | Well Number 1 |
| OGRID No. | Operator Name RKI EXPLORATION & PRODUCTION | | Elevation 2995' |

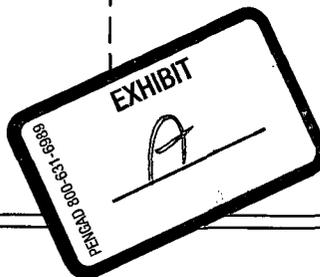
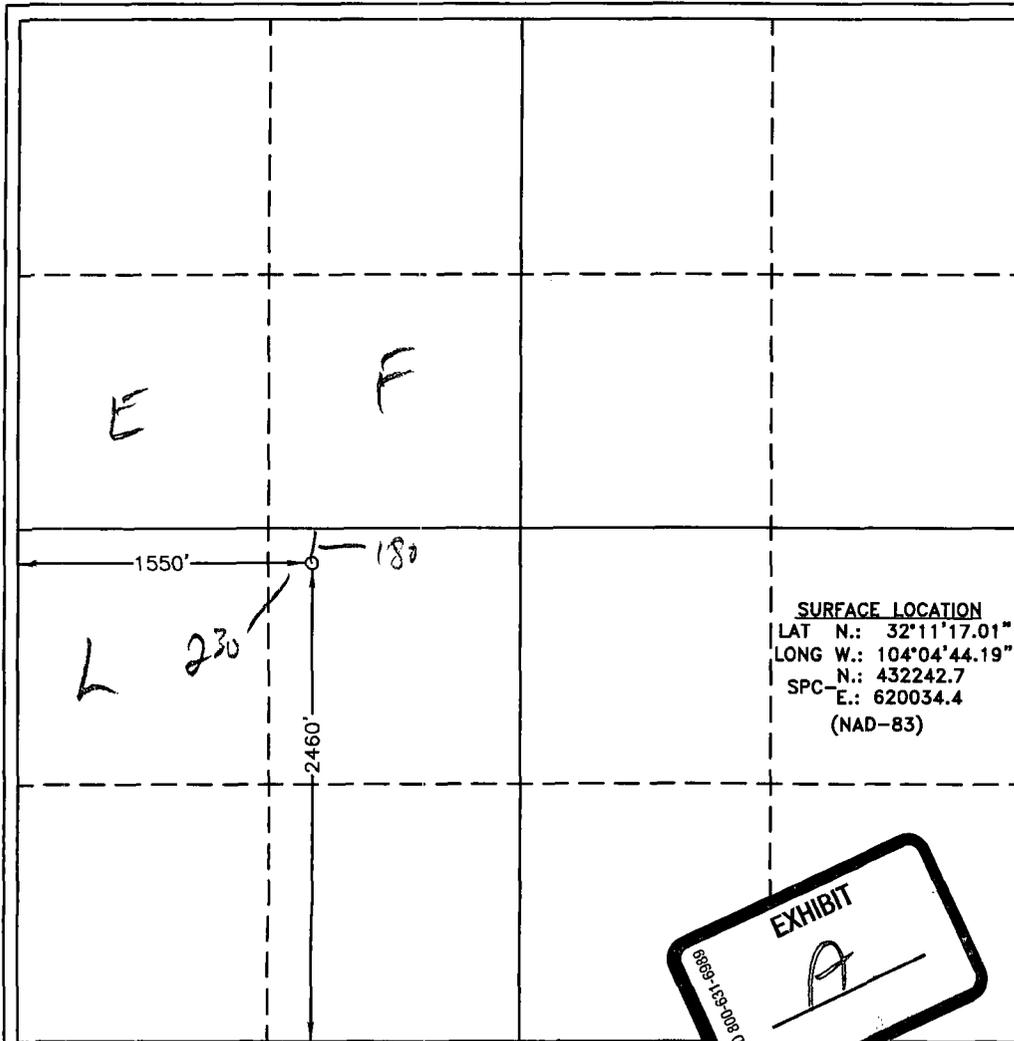
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K | 27 | 24 S | 28 E | | 2460 | SOUTH | 1550 | 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 | | Joint or Infill | Consolidation Code | | Order No. | | | | |
| | | | | | | | | | |

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



OPERATOR CERTIFICATION

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.

Signature _____ Date _____

Printed Name _____

SURVEYOR CERTIFICATION

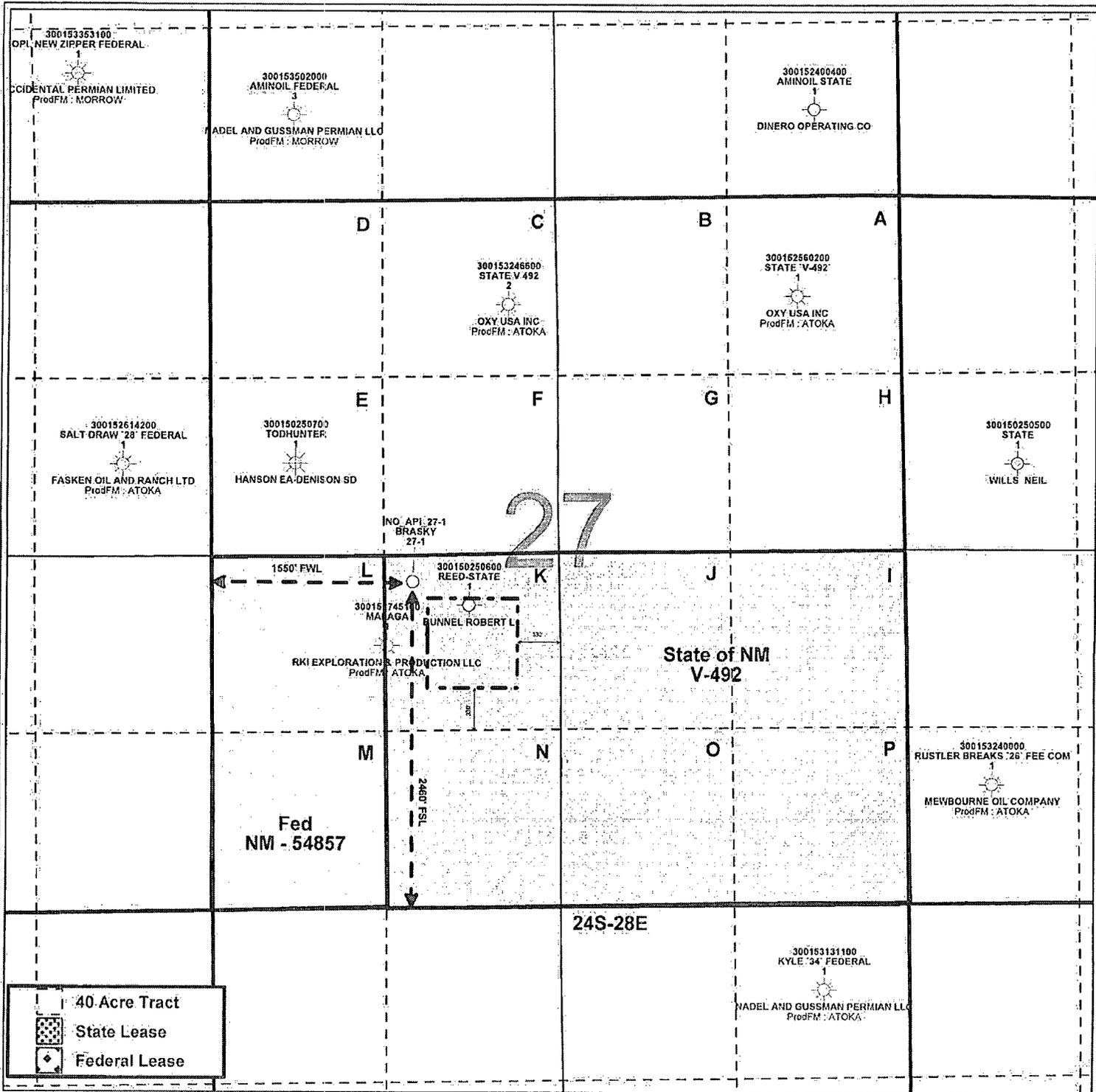
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JANUARY 21, 2008

Date Surveyed _____
Signature & Seal _____
Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS



PETRA 8/28/2008 6:57:35 AM

EXHIBIT
B
 608-133-008 CP/DBL

| |
|---|
| RKI Exploration & Production |
| Brasky 27-1 |
| SECTION 27-24S-28E |
| EDDY CO., NM |
| By: KCC |
| August 28, 2008 |

300150250700
TODHUNTER



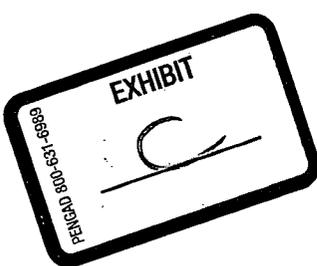
27



RKI EXPLORATION & PRODUCTION LLC
Produced by A.T. 10/08

40 Acre Tract

PETRA 9/2/2008 3:06:37 PM



RKI Exploration & Production

Brasky 27-1

UNIT 'K'

SECTION 27-24S-28E

EDDY CO., NM

By: KCC

September 2, 2008

EXHIBIT "E"

Unit E and F Operator:

OXY USA Inc.
P. O. Box 4294
Houston, TX 77210

Unit L working interest owners:

Devon Energy Production Company, L.P.
Attn: Land Department
20 N. Broadway
Oklahoma City, OK 73102

Fasken Land and Minerals, Ltd.
303 Wall St, Suite 1800
Midland, TX 79701-5106

Pogo Producing Company LLC
Attn: Sherry A. Cope
5 Greenway Plaza, Suite 2700
Houston, TX 77046

OXY USA, Inc.
Attn: Patrick Sparks
PO Box 4294
Houston, TX 77210-9480

Axis Energy Corporation
PO Box 2107
Roswell, New Mexico 88202-2107

Mid-Continent Energy, Inc.
Attn: Victor H. Wetmore
PO Box 657
Bixby, OK 74008

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

September 5, 2008

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION
DIVISION ADMINISTRATIVE CASE:**

*Re: Administrative Application of RKI Exploration & Production LLC for
an unorthodox well location for its Braskey "27" Well No 1 within the NE/4SW/4
of Section 27, T24S, R28E, Eddy County, New Mexico.*

Dear Interest Party;

On behalf of RKI Exploration & Production LLC please find enclosed a copy of its referenced administrative application. This notice is based upon records that indicate that you are an offsetting operator in the S/2NW/4 or a working interest owner of the NW/4SW/4 of Section 27 towards whom this well encroaches.

If you have no objection, then there is nothing for you to do. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours,

W. Thomas Kellahin

