

ABOVE THIS LINE FOR DIVISION USE ONLY

RECEIVED NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

2009 MAY 20 AM 11 19 1220 South St. Francis Drive, Santa Fe, NM 87505



4193
30-015-36217
Pinnacle #23
RKI 246289

ADMINISTRATIVE APPLICATION CHECKLIST

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

[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	5/18/09 Date
		ben@sosconsulting.us e-mail Address	

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

DAC 4173

Operator **RKI Exploration & Production, LLC** Address **3817 NW Expressway, Suite 950, Oklahoma City, OK 73112**

Lease **Pinnacle State Well No.23** Well No. **UL 'O', Section 36, Twp 22 South, Rng 28 East** Unit Letter-Section-Township-Range **Eddy County** County

OGRID No. **246289** Property Code **303271** API No. **30 - 015 - 36217** Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<i>Handwritten:</i> East Hederra Bend; Delaware		South Culebra Bluff; Bone Spring
Pool Code	30670		15011
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	6020' - 6076' Perf 6198' - 6220' Perf		6486' - 6513' Perf
Method of Production (Flowing or 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 ~43.8; 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 (data attached) Rates:	Date: Rates:	Date: 7/20/2008 Rates: 15 o / 93 g / 152 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 TBD % Gas TBD %	Oil % Gas %	Oil TBD % Gas TBD %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
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 **5/18/2009**

TYPE OR PRINT NAME **Ben Stone** TELEPHONE NO. (**903**) **488-9850**

E-MAIL ADDRESS **ben@sosconsulting.us** **neostone@consultant.com**

May 18, 2009

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

Attn: Mr. Mark Fesmire, Director

Re: Application of RKI Exploration & Production, LLC to downhole commingle production in its Pinnacle State Well No.23 from the South Culebra Bluff Bone Spring and East Hederra Bend Delaware pools.

Dear Mr. Fesmire,

Please find enclosed the above-referenced 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.

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. A copy of this application has been furnished to the Commissioner of Public Lands at the State Land Office.

The existing wellbore of the Pinnacle State No.23 is currently completed in the Bone Spring formation and RKI intends to perforate and complete the Delaware portion by May 2009 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.

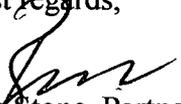
In the future, RKI further intends to apply for pre-approval for downhole commingling of production from additional Pinnacle wells from the East Hederra Bend Delaware and South Culebra Bluff Bone Spring pools. Production from these pools is mature and predictable in the subject area. Such pre-approval 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.

The legal notice for the downhole commingling of the Pinnacle State No.23 will be published in the Carlsbad Current-Argus and may in fact have already been printed. A copy of the legal notice will be provided for inclusion in the application file as soon as available.

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

I respectfully request that the processing of this application 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,



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

Cc: State Land Office – Oil & Gas Division
Application file

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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-36217	² Pool Code 15011	³ Pool Name South Culebra Bluff Bone Spring
⁴ Property Code 303271	⁵ Property Name Pinnacle State	
⁷ OGRID No. 246289	⁸ Operator Name RKI Exploration & Production, LLC	⁶ Well Number 23
		⁹ Elevation 3110 feet

¹⁰ Surface Location

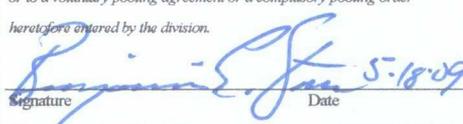
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	36	22-S	28-E		965	South	1865	East	Eddy

¹¹ Bottom Hole Location If Different From Surface

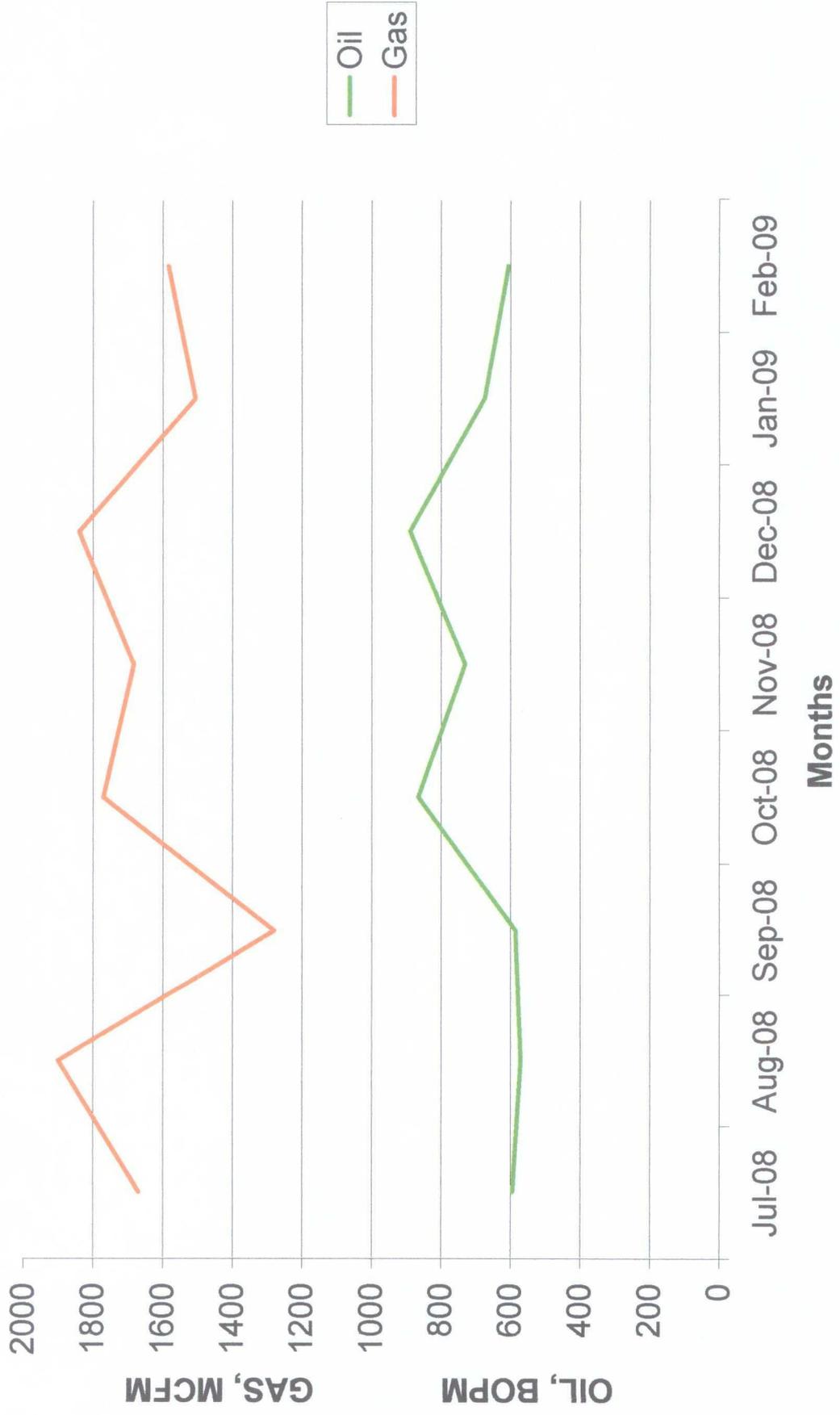
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 80	¹³ Joint or Infill Infill	¹⁴ Consolidation Code n/a	¹⁵ Order No.
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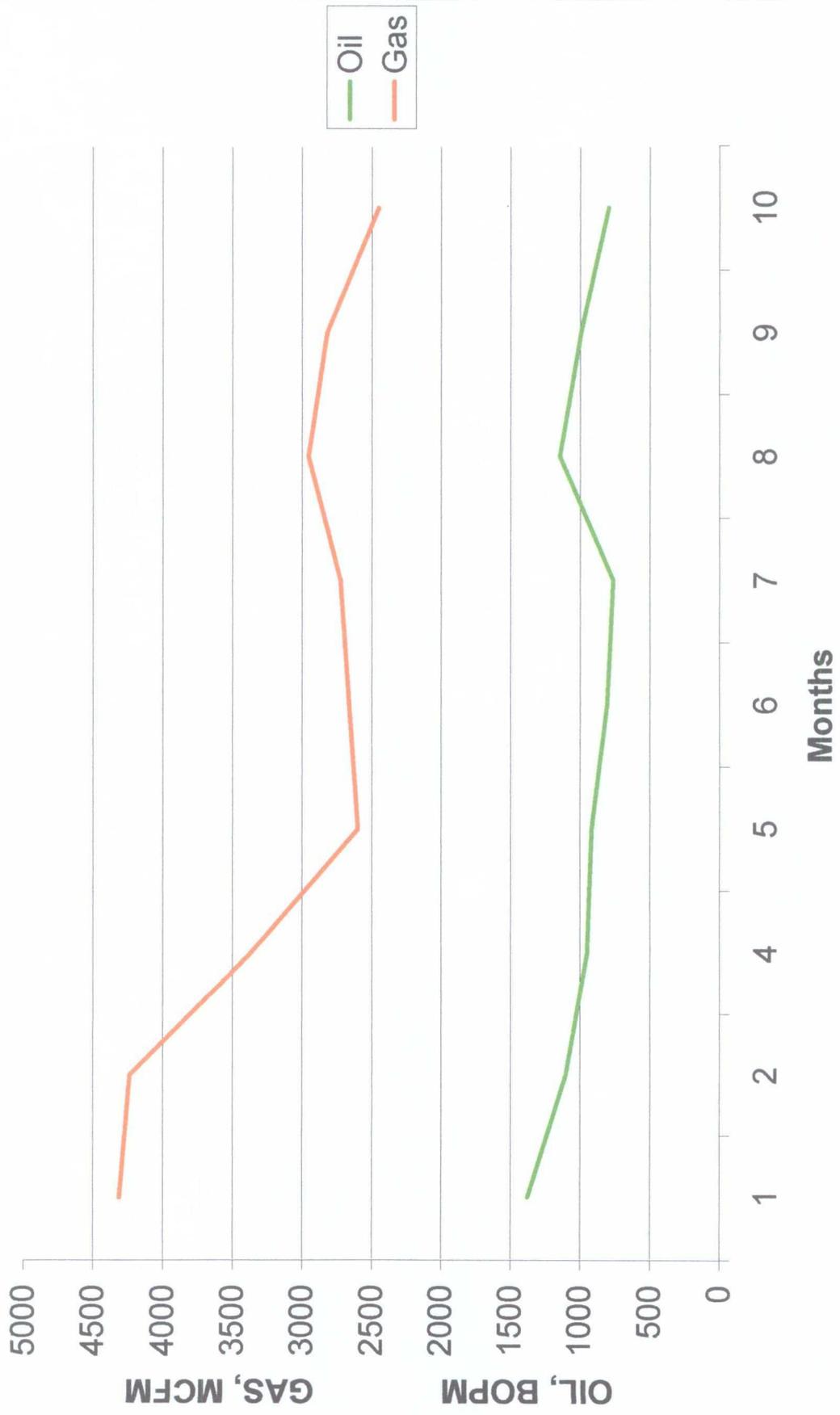
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16		<p>¹⁷ 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> <p style="text-align: right;"> Signature Date</p> <p style="text-align: right;">Benjamin E. Stone 5/18/2009 Printed Name</p> <p>SOS Consulting, LLC agent for: RKI Exploration & Production, LLC</p>
	965 feet	<p>¹⁸ 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> <p style="text-align: center;">2/17/2008 Date of Survey</p> <p style="text-align: center;">Signature and Seal of Professional Surveyor: Gary L. Jones, Basin Surveys</p> <p style="text-align: center;">Cert. No. 7977 Certificate Number</p>

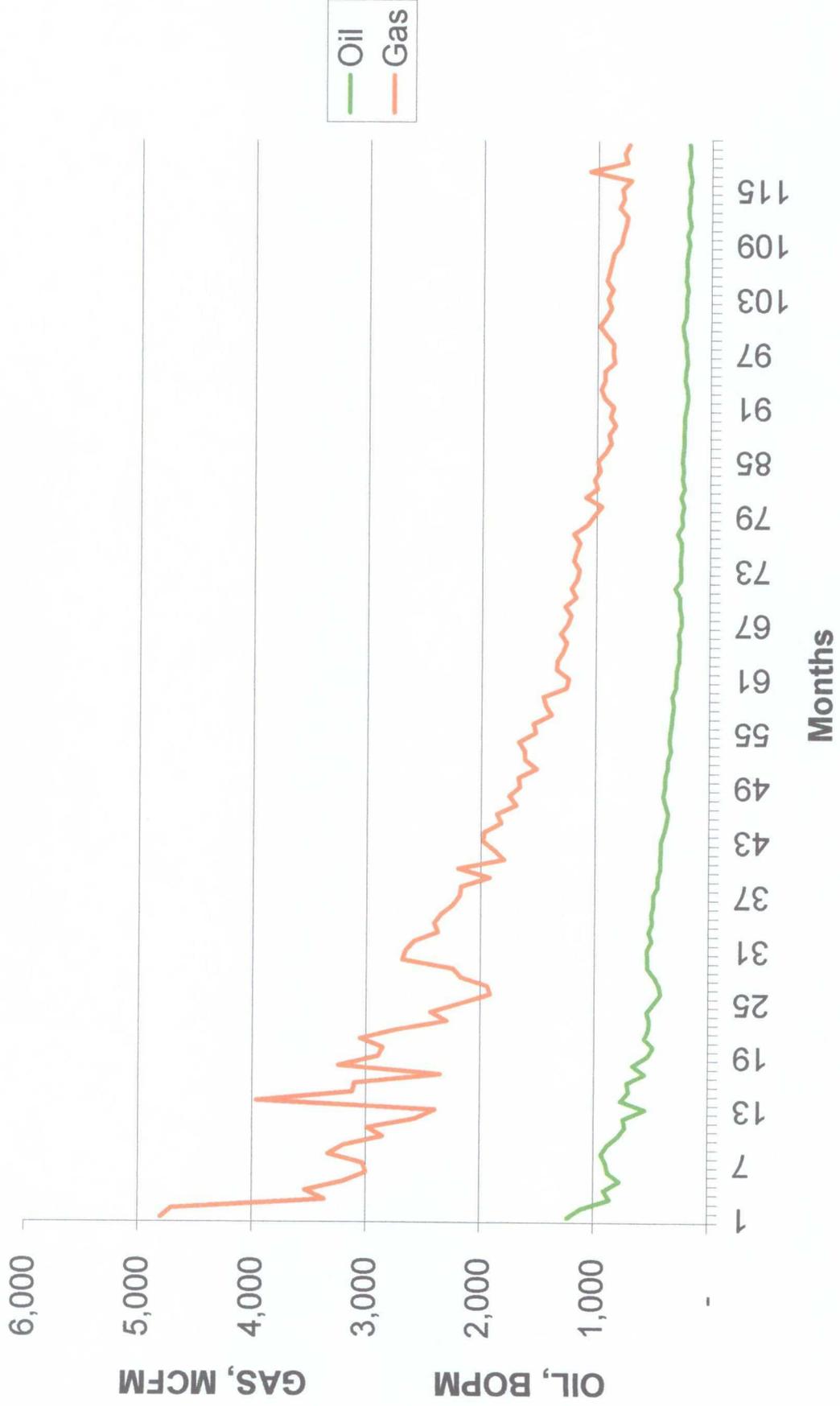
Pinnacle State No.23 (South Culebra Bluff Bone Spring)



Typical Bone Spring Well



Typical Delaware Well



For Immediate Publication in the Carlsbad Current-Argus

LÉGAL NOTICE

RKI Exploration & Production, LLC of Oklahoma City, OK has made application to the New Mexico Oil Conservation Division to downhole commingle production from the East Hederra Bend Delaware and South Culebra Bluff Bone Spring pools in its Pinnacle State Well No.23 located in Unit Letter 'O' of Section 36, Twp 22-S, Rng 28-E, NMPM, Eddy County, New Mexico.

The Pinnacle State No.23 is currently completed in the Bone Spring formation and RKI intends to perforate and complete the Delaware portion by June 2009 and will immediately conduct production tests on that zone to establish a fixed percentage allocation of oil and gas production. Production is individually owned by the applicant.

Interested persons may obtain additional information from RKI E&P at 405-949-2221, Ben Stone, SOS Consulting, agent for RKI at 903-488-9850 or from the NM Oil Conservation Division at 505-476-3460. Objections must be made within 20 days of the date of this publication.

Contact

**SOS Consulting, LLC
P.O. Box 300
Como, TX 75431**

Attn: Ben Stone

**903-488-9850
ben@sosconsulting.us
neostone@consultant.com**

May 17, 2009

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

Attn: Ms. Jami Bailey, Director

Re: Application of RKI Exploration & Production, LLC to downhole commingle production in its Pinnacle State Well No.23 from the South Culebra Bluff Bone Spring and East Hederra Bend Delaware pools.

Dear Ms. Bailey,

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.23 is currently completed in the Bone Spring formation and RKI intends to perforate and complete the Delaware portion by May 2009 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.

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

Best regards,


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

Cc: NMOCD – Engineering Bureau
Application file

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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

June 2, 2009

RKI Exploration & Production, LLC
3817 NW Expressway, Suite 950
Oklahoma City, Oklahoma 73112

Attn: Mr. Ben Stone

Re: Downhole Commingling Application
Pinnacle State Well No. 23 (API # 30-015-36217)
Unit Letter O, Section 36-22S-28E
East Hederra Bend; Delaware and East Culebra Bluff; Bone Spring Pools
Eddy County, New Mexico

Dear Mr. Stone:

Thank you for your application to downhole commingle the East Hederra Bend; Delaware and East Culebra Bluff; Bone Spring pools from the referenced well in Eddy County, New Mexico.

Since it appears that all the New Mexico Oil Conservation's (OCD) rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your application is approved. Any deviation from the substance of your application will be cause for rescinding our approval, and approval is subject to like approval by the OCD.

Your filing fee in the amount of \$30.00 has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
PL/JB/jm
Enclosure
xc: Reader File
OCD—Ed Martin

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

Kathy McCarroll, being first duly sworn,
on oath says:

That she is the Classified Supervisor of the Carlsbad Current-Argus, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

May 19 _____ 2009

That the cost of publication is **\$53.31** and that payment thereof has been made and will be assessed as court costs.

Kathy McCarroll

Subscribed and sworn to before me this

20 day of May, 2009

Stephanie Dobson

My commission Expires on 11/25/2010

Notary Public



May 19, 2009

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Contact
SOS Consulting, LLC
P.O. Box 300
Corno, TX 75431
Attn: Ben Stone
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ben@sosconsulting.us
neostone@consultant.com

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