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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 28, 2008

FEB 04 2008

OCD-ARTESIA

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

Administrative Order NSL-5771

Re: RKI Exploration & Production, LLC
Pinnacle State Well No. 19
Unit E, Section 36-22S-28E
Eddy County

Dear Mr. Kellahin:

Reference is made to the following:

(a) your application (administrative application reference No. pKVR08-00256096) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of RKI Exploration & Production, LLC (RKI), on January 2, 2008, and

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

RKI has requested to drill the above-referenced well at an unorthodox Delaware and Bone Spring oil well location, 2470 feet from the North line and 820 feet from the West line (Unit E) of Section 36, Township 22 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico.

The SW/4 NW/4 of Section 36 will be dedicated to this well in the Delaware formation in order to form a standard 40-acre, more or less, spacing unit in the East Herradura Bend-Delaware Pool (96617). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the southern unit boundary.

The W/2 NW/4 of Section 36 will be dedicated to this well in the Bone Spring formation in order to form a standard 80-acre, more or less, spacing unit in the undesignated South Culebra Bluff-Bone Spring Pool (15011). Spacing in this pool is governed by Rules 2 and 4 of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, as adopted by Order R-6139 issued on October 12, 1979, which provide for 80-acre units with wells to be located within 150 feet of the center of a quarter/quarter section. This location is more than 150 in a southeasterly direction from the center of the SW/4 NW/4 of Section 36.

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 you are seeking this location 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.

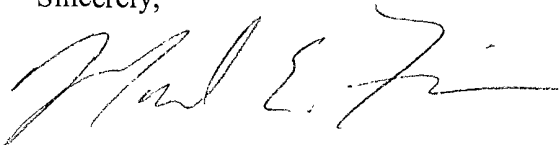
It is also understood that notice of this application to offsetting operators or owners is unnecessary because RKI and/or its affiliates own 100% of the working interest in the spacing units towards which the proposed location encroaches.

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

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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", with a stylized flourish 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