



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 7, 2008

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

Administrative Order NSL-5692-A

**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. pKVR07-33029708**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of RKI Exploration & Production, LLC (RKI), on November 20, 2007, and

(b) the Division's records pertinent to this request, including the Division's records pertaining to Administrative Order NSL-5692, issued on October 3, 2007.

RKI has requested to produce the above-referenced well at an unorthodox Bone Spring oil 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 E/2 SW/4 of Section 36 will be dedicated to this well in order to form a standard 80-acre oil spacing and proration unit in the 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 feet from the center of the SE/4 SW/4 of Section 36, and encroaches toward the eastern unit boundary.

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

It is our understanding that RKI is seeking this location for geologic reasons, and in order to utilize a single wellbore to produce from two formations.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining 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.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire
Mark E. Fesmire, P.E.
Director

MEF/db

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