

ABOVE THIS LINE FOR DIVISION USE ONLY

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



RKI Exploration  
 Production LLC  
 Pinnacle State #19

**ADMINISTRATIVE APPLICATION CHECKLIST**

5771

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 \_\_\_\_\_

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

*1/2/08*  
 \_\_\_\_\_  
 Date

\_\_\_\_\_  
 e-mail Address

**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

January 2, 2008

HAND DELIVERED

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

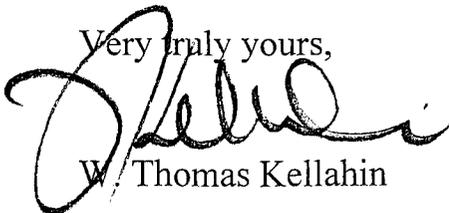
Re: Administrative Application of RKI Exploration  
& Production, LLC for Approval of an  
Unorthodox Well Location for its  
Pinnacle State Well No. 19, Unit E,  
NSL Footage: 2470 FNL and 820 FWL  
of Section 36 T22S, R28E, Eddy County New Mexico  
Dedication of 40-acre spacing unit consisting of the  
SW/4NE/4 for East Herradura Bend-Delaware Pool (30670)  
Dedication of 80-acre spacing unit consisting of the W/2NE/4 for the  
South Culebra Bluff-Bone Spring Pool (15011)

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2008 JAN 2 PM 2:36

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 NW/4SW/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. 19, Unit E, Footage: 2470 FNL and 820 FWL of Section 36 T22S, R28E, Eddy County New Mexico to be dedicated to a 40-acre spacing unit consisting of the SW/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. 19 is to be located in Unit E 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 SW/4NW/4 of Section 36 to this well. The well would encroach towards the NW/4SW/4 of Section 36 where RKI and its affiliated entities own this entire tract and thus have common interest.

- b. in the Bone Springs formation <sup>under</sup> 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 SW/4 of Section 36 where RKI and its affiliated entities own ALL four 40-acre tracts.
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 concludes that the four existing, the Pinnacle Wells 1, 2, 4 and 3 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 3, 5, 12, and 13 attached as Exhibit "D"

#### **NOTIFICATION AND OWNERSHIP**

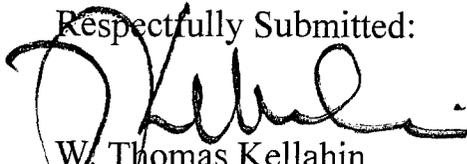
5. All of the S/2 of Section 36 is part of the same State of New Mexico Oil and Gas Lease V-3491-1 with RKI and its affiliated entities owning 100% of the SW/4
6. The SW/4 does not currently contain any Bone Spring wells.
7. In accordance with Division rules, because of common ownership, no notice is required.

## CONCLUSION

8. 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  
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<br>PINNACLE STATE               | Well Number<br>19  |
| OGRID No.     | Operator Name<br>RKI EXPLORATION & PRODUCTION | Elevation<br>3128' |

**Surface Location**

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E             | 36      | 22 S     | 28 E  |         | 2470          | NORTH            | 820           | 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**

|  |   |  |
|--|---|--|
|  | <p><b>OPERATOR CERTIFICATION</b></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 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>Signature _____ Date _____</p> <p>Printed Name _____</p> |  |
|  | <p><b>SURVEYOR CERTIFICATION</b></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>DECEMBER 3, 2007</p> <p>Date Surveyed _____</p> <p>Signature _____</p> <p>Professional Surveyor</p> <p>W.S. _____ 7977</p> <p>Certificate No. Gary L. Jones 7977</p>  |  |
|  | <p><b>BASIN SURVEYS</b></p>   |  |
|  | <p><b>EXHIBIT A</b></p> <p>PENGAD 800-631-6989</p>  |  |

300152712600  
SANTA FE FEDERAL  
8

CUMOil : 23,338 BBLs  
CUMGAS : 248,168 MCF  
CUMWTR : 152,681 BBLs  
ProdFM : DELAWARE

300152714200  
PINNACLE STATE  
7

CUMOil : 41,440 BBLs  
CUMGAS : 185,484 MCF  
CUMWTR : 166,007 BBLs  
ProdFM : DELAWARE

300152714300  
PINNACLE STATE  
8

CUMOil : 68,426 BBLs  
CUMGAS : 219,075 MCF  
CUMWTR : 159,272 BBLs  
ProdFM : DELAWARE

300153586400  
PINNACLE STATE  
17

300152703000  
SANTA FE FEDERAL  
4

CUMOil : 62,635 BBLs  
CUMGAS : 540,062 MCF  
CUMWTR : 421,911 BBLs  
ProdFM : DELAWARE

300152707100  
PINNACLE STATE  
2

CUMOil : 79,126 BBLs  
CUMGAS : 415,011 MCF  
CUMWTR : 264,445 BBLs  
ProdFM : DELAWARE

State of New Mexico  
V-3479-1

300152708300  
PINNACLE STATE  
4

CUMOil : 50,681 BBLs  
CUMGAS : 335,090 MCF  
CUMWTR : 157,510 BBLs  
ProdFM : DELAWARE

300153252400  
SANTA FE FEDERAL  
9

820' FWL  
No API  
PINNACLE  
19

3

300152702600  
SANTA FE FEDERAL  
3

CUMOil : 56,021 BBLs  
CUMGAS : 621,732 MCF  
CUMWTR : 418,689 BBLs  
ProdFM : DELAWARE

300152706000  
PINNACLE STATE  
1

CUMOil : 92,336 BBLs  
CUMGAS : 502,709 MCF  
CUMWTR : 223,099 BBLs  
ProdFM : DELAWARE

300152707200  
PINNACLE STATE  
3

CUMOil : 37,824 BBLs  
CUMGAS : 130,331 MCF  
CUMWTR : 150,759 BBLs  
ProdFM : DELAWARE

40 Acre Tract  
RKI 100% Interest

RKI Exploration & Production

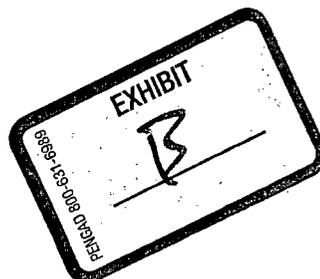
Pinnacle State 19

SECTION 36-22S-28E

EDDY CO, N.M.

12-12-07

By: KCC



State of New Mexico  
V-3479-1

300162712600  
SANTA FE FEDERAL  
8

300162714200  
PINNACLE STATE  
7

300162714300  
PINNACLE STATE  
8

300163586400  
PINNACLE STATE  
17

300162703000  
SANTA FE FEDERAL  
4

300162707100  
PINNACLE STATE  
2

300162709300  
PINNACLE STATE  
4

300163262400  
SANTA FE FEDERAL  
9

No. API  
PINNACLE  
19

30

22S-28E

300162702600  
SANTA FE FEDERAL  
3

300162705000  
PINNACLE STATE  
1

300162707200  
PINNACLE STATE  
3

20 acre  
drainage

40 Acre Tract  
 RKI 100% Interest

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RKI Exploration & Production

**Pinnacle State 19**

SECTION 36-22S-28E

EDDY CO., N.M.

12-12-07

By: KCC

Pinnacle 16

| Lease       | H<br>(FT) | Porosity | Sw   | Drainage<br>(ACRES) | Bo<br>(RB/STB) | R.F.<br>(%) | VOLUMETRIC   |              | HIST.<br>CUM.<br>(MBO) | RATE/TIME  |     |
|-------------|-----------|----------|------|---------------------|----------------|-------------|--------------|--------------|------------------------|------------|-----|
|             |           |          |      |                     |                |             | EUR<br>(MBO) | EUR<br>(MBO) |                        | EUR<br>MBO | MBO |
| Pinnacle 3  | 117       | 0.15     | 0.62 | 20                  | 1.128          | 13          | 120,980      | 37,504       | 52,725                 |            |     |
| Pinnacle 5  | 65        | 0.19     | 0.57 | 20                  | 1.128          | 13          | 94,962       | 94,119       | 152,627                |            |     |
| Pinnacle 12 | 56        | 0.18     | 0.60 | 20                  | 1.128          | 13          | 72,100       | 62,379       | 75,630                 |            |     |
| Pinnacle 13 | 66        | 0.18     | 0.63 | 20                  | 1.128          | 13          | 78,222       | 16,137       | 39,159                 |            |     |
| TOTAL       |           |          |      |                     |                |             | 366,264      | 210,139      | 320,141                |            |     |

The Pinnacle 3, 5, 12 and 13 have volumetric reserves of 366 MBO based on 20 acre spacing. The historical cumulative oil production for the same wells is 210 MBO. From Rate/Time analysis, the four wells will produce another 110 MBO over a time frame of approximately 40 years. The four wells calculate a total EUR of 320 MBO from Rate/Time analysis showing a drainage area between 15 and 20 acres. The additional well will attempt to drain the remaining 20 acres.

