



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 10, 2008

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

Administrative Order NSL-5871

**Re: RKI Exploration & Production, LLC
Pinnacle State Well No. 22
API No. 30-015-36216
955 FNL & 1086 FWL, Unit D
Section 26-Twsp 22S-Range 28 East
Eddy County, New Mexico**

Dear Mr. Kellahin:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-16158365**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of RKI Exploration & Production, LLC (RKI), on June 9, 2008, and

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

RKI has requested to drill the above-referenced well at an unorthodox oil well location described above in the caption of this letter.

The NW/4 NW/4 of Section 36 will be dedicated to this well in order to form a standard 40-acre spacing unit in the East Herradura Bend-Delaware Pool (30670). Spacing in 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 eastern unit boundary.

The W/2 NW/4 of Section 36 will be dedicated to this well in order to form a standard 80-acre spacing unit in the South Culebra Bluff-Bone Spring Pool (15011). Spacing in this pool is governed by 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 south and east from the center of the NW/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 for engineering reasons, in order to obtain optimal drainage of the reserves in the NW/4 of Section 36.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because of common ownership.

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

This approval is **CONDITIONAL**, **HOWEVER**, on you correcting the previously approved Application for Permit to Drill this well, which shows the location as 995 feet from the North line of Section 36.

This approval is also 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,



Mark E. Fesmire, P.E.
Director

MEF/db

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