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|------------------|----------|-------------------|-------------------|----------|-------------------------|
| DATE IN 04/15/09 | SUSPENSE | ENGINEER W. Jones | LOGGED IN 4/15/09 | TYPE DHC | APP NO. PKAA 0910557372 |
|------------------|----------|-------------------|-------------------|----------|-------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

2009 APR 15 1220 South St Francis Drive, Santa Fe, NM 87505



30-015-36216
Pinnacle State #222
RKI Expl. & Prod.
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

4/3/09
Date

neostone_consultant@excite.com
e-mail Address

ORIGINAL

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

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

District III
1000 Rio Brazos Road, 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-107A
Revised June 10, 2003

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

APPLICATION FOR DOWNHOLE COMMINGLING

RKI Exploration & Production, LLC

3817 NW Expressway, Suite 950, Oklahoma City, OK 73112

Operator

Address

Pinnacle State Well No.22

UL 'D', Section 36, Twp 22 South, Rng 28 East

Eddy County

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 246289 Property Code 303271 API No. 30 - 015 - 36216 Lease Type: ☐ Federal ☒ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------|-----------------------------------------------------------|
| Pool Name | <i>Horro</i> East Hederra Bend; Delaware | | <i>South</i> East Culebra Bluff; Bone Spring |
| Pool Code | 30670 <i>E</i> | | 15011 <i>E</i> |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 5958' - 6030' Perf 6198' - 6264' | | 6476' - 6503' 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 ~42.5; 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 Rates: (data attached) | Date: Rates: | Date: 3/26/2009 Rates: 47 o / 15.4 g / 11 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 Gas TBD % TBD % | Oil Gas % % | Oil Gas TBD % TBD % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes ☒ No ☐

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 4/2/2009

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

E-MAIL ADDRESS neostone_consultant@excite.com neostone@consultant.com

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:

April 7 2009

That the cost of publication is **\$46.66** and that payment thereof has been made and will be assessed as court costs.

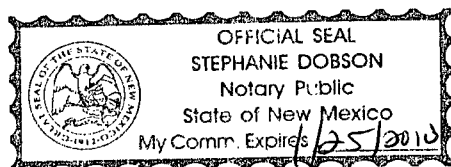
Kathy McCarroll

Subscribed and sworn to before me this

8 day of *April*, 2009
Stephanie Dobson

My commission Expires on *11/25/2010*

Notary Public



April 7, 2009

LEGAL 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 Souin, Colebro, Bluff Bone Spring pools in its Pinnacle State Well No. 22 located in Unit Letter 'D' of Section 36, Twp 22-S, Rng 28-E, N44PA, Eddy County, New Mexico.

The Pinnacle State No. 22 is currently completed in the Bone Spring formation and RKI intends to perforate and complete the Delaware formation by May 2009 and will immediately conduct production tests on that zone to establish a fixed percentage of location of oil and gas production is and 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 903-488-9450 or from the NMO Oil Conservation Division at 505-476-3460. Objections must be made within 20 days of the date of this publication.

RECEIVED
2009 APR 16 AM 10 17



April 2, 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.22 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.

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. 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.22 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. The non-standard location for both completions is covered by NSL-5871 dated July 10, 2008.

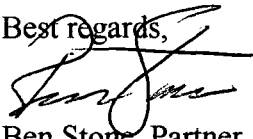
In the future, RKI further intends to apply for pre-approval for downhole commingling of production from additional Pinnacle wells from the East Hederra Bend Delaware and South Culebra Bluff Bone Spring pools. Production from these pools is mature and predictable in the subject area. Such pre-approval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

The legal notice for the downhole commingling of the Pinnacle State No.22 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,

A handwritten signature in black ink, appearing to read 'Ben Stone', written over the printed name.

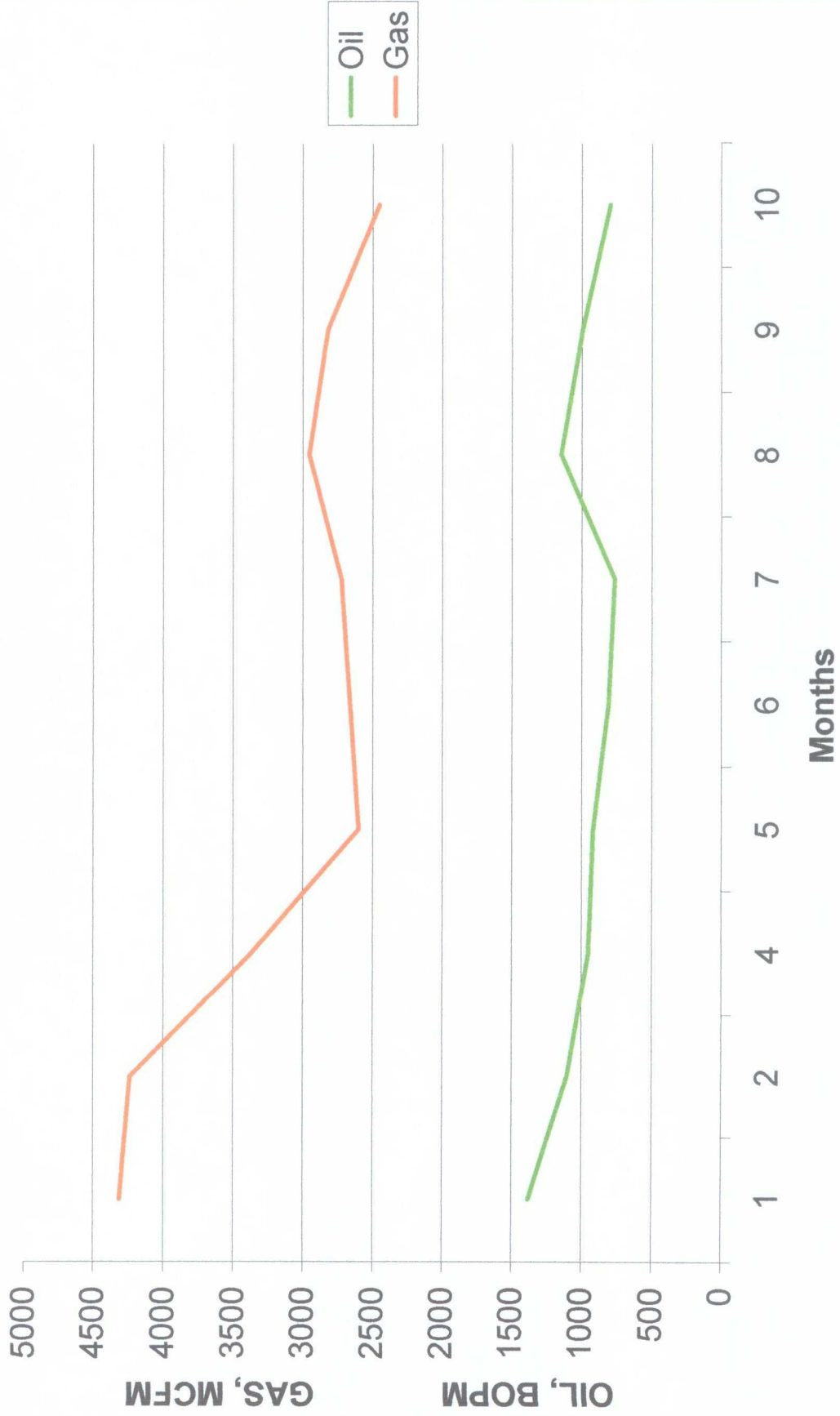
Ben Stone, Partner
SOS Consulting, LLC
Agent for RKI E&P

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

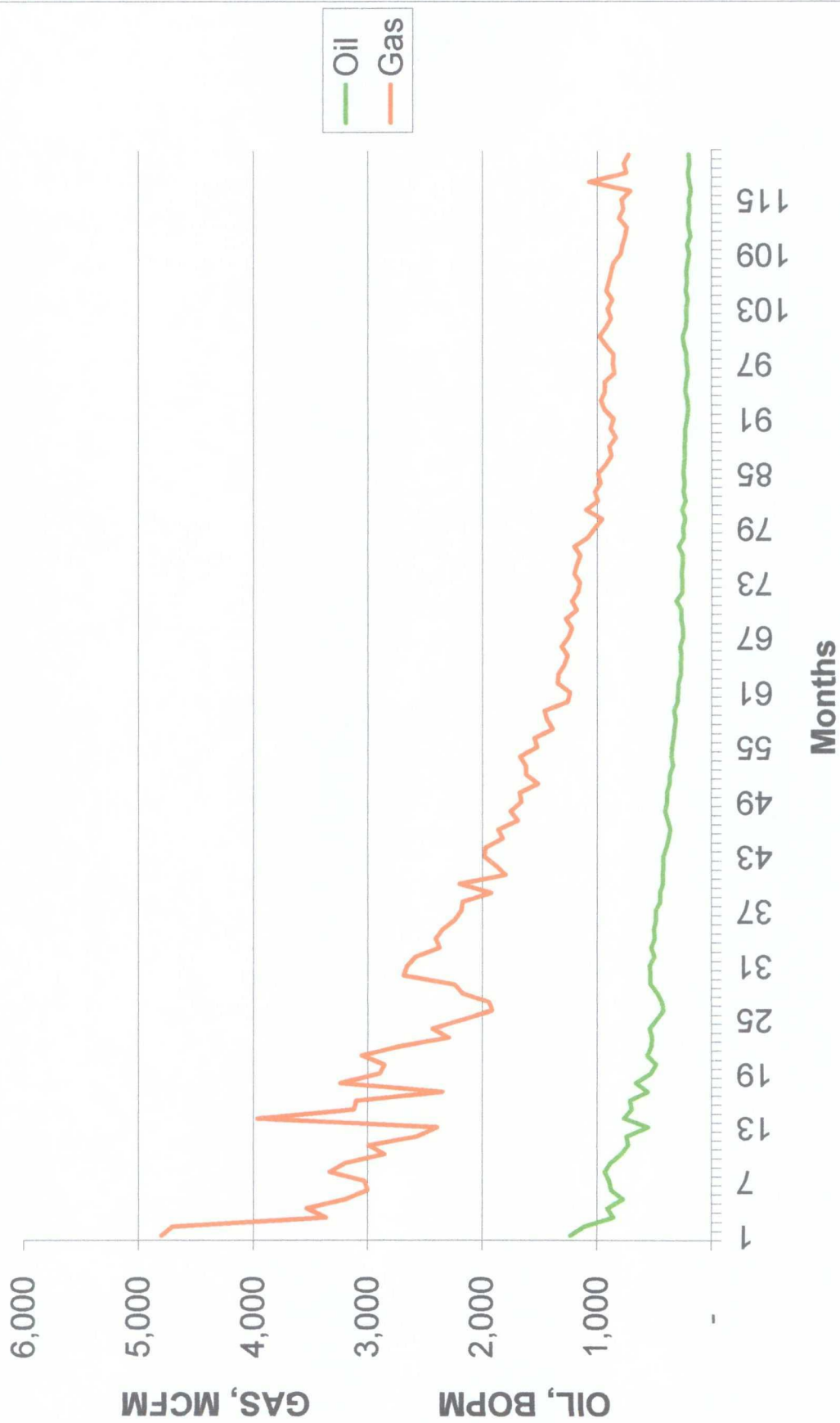
Pinnacle State No.22 (South Culebra Bluff Bone Spring)



Typical Bone Spring Well



Typical Delaware Well



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 30-015-36216 | ² Pool Code 15011 | ³ Pool Name South Culebra Bluff Bone Spring |
| ⁴ Property Code 303271 | ⁵ Property Name Pinnacle State | ⁶ Well Number 22 |
| ⁷ OGRID No. 246289 | ⁸ Operator Name RKI Exploration & Production, LLC | ⁹ Elevation 3125 feet |

¹⁰ Surface Location

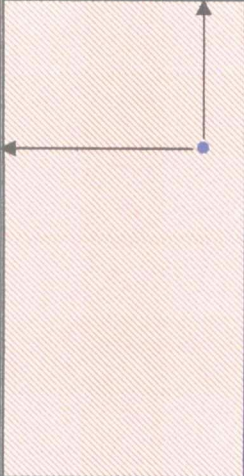

| | | | | | | | | | |
|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|-----------------------|------------------------|----------------|
| UL or lot no. D | Section 36 | Township 22-S | Range 28-E | Lot Idn | Feet from the 955 | North/South line North | Feet from the 1086 | East/West line West | County 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. NSL-5871 |
|-------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------|

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>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> Signature _____ Date _____</p> <p>Benjamin E. Stone 4/6/2009 Printed Name</p> <p>SOS Consulting, LLC agent for: RKI Exploration & Production, LLC</p> |
| | 1086 feet | | | |
| | | | | |

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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 30-015-36216 | ² Pool Code 30670 | ³ Pool Name East Herradura Bend Delaware |
| ⁴ Property Code 303271 | ⁵ Property Name Pinnacle State | ⁶ Well Number 22 |
| ⁷ OGRID No. 246289 | ⁸ Operator Name RKI Exploration & Production, LLC | ⁹ Elevation 3056 feet |

¹⁰ Surface Location

| | | | | | | | | | |
|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|-----------------------|------------------------|----------------|
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|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|-----------------------|------------------------|----------------|

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 40 | ¹³ Joint or Infill Infill | ¹⁴ Consolidation Code n/a | ¹⁵ Order No. NSL-5871 |
|-------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------|

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.

| | | | | | |
|-----------------------------------------------------------------------------------|----------|--|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | 955 feet | | | | ¹⁷ OPERATOR CERTIFICATION <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>  Signature Benjamin E. Stone 4/6/2009 Date Printed Name SOS Consulting, LLC agent for: RKI Exploration & Production, LLC |
| 1086 feet | | | | | ¹⁸ SURVEYOR CERTIFICATION <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> 2/17/2008 Date of Survey Signature and Seal of Professional Surveyor: Gary L. Jones Cert. No.7977 Certificate Number |

For Immediate Publication in the Carlsbad Current-Argus

LEGAL NOTICE

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Contact

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

Attn: Ben Stone

**903-488-9850
neostone@consultant.com**