

ABOVE THIS LINE FOR DIVISION USE ONLY

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



RKI Exp.
246289

Longview "1" #23

ADMINISTRATIVE APPLICATION CHECKLIST

30-015-37609

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]

Fed
Eddy
6277

[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 _____

200 SEP 23 P 11
RECEIVED OGD

[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.

Print or Type Name

Signature

Title

Date

W. THOMAS KELLAHIN
KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW

706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

(505) 982-4285
FAX (505) 216-2780
TKELLAHIN@COMCAST.NET

9/23/10

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-216-2780
TKELLAHIN@COMCAST.NET

September 23, 2010

VIA EMAIL

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
Longview "1" Well No. 23, Unit G, (API # 30-015-37609)
NSL Footage: 1700 feet FNL and 1650 feet FEL
of Section 1, T23S, R28E, Eddy County New Mexico
dedication of 80-acre spacing unit consisting of the
W/2NE/4 of Sec 1, T23S R28E for production from
the Bone Springs formation including the
South Culebra Bluff-Bone Spring Pool (code 15011)

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 E/2NE/4 of Section 1.

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 ("NSL") for its Longview "1" Federal Well No. 23, Unit G, Footage: 1700 feet FNL and 1650 feet FEL of Section 1 T23S, R28E, Eddy County New Mexico to be dedicated to a 80-acre spacing unit consisting of the W/2NE/4 for Bone Spring formation production within the South Culbera Bluff-Bone Spring Pool (15011), in the event this well is productive.

In support, RKI states:

- (1) The NE/4 of this section is part of a farmout between Chevron USA Inc as farmor and Lobos Energy Partners, LLC, effective May 1, 2009. Lobos merged into Khody Land & Minerals Company, which is a wholly owned subsidiary of RKI. See portion of farmout attached as Exhibit "A"
- (2) RKI is the operator and sole working interest owner for the drilling of its Longview "1" Federal Well No. 23 (API # 30-015-37609) Unit G for an 80-acre spacing unit dedicated to the W/2NE/4 of Section 1, T23S, R28E, Eddy County. See First page of APD and Form C-102 attached as Exhibit "B" and "C"

LOCATOR MAP

- (3) The NE/4 of Section 1 is subject to the South Culbera Bluff-Bone Spring Pool which includes special rules that require wellbores to be located within 150 feet of the center of either quarter/quarter section of the 80-acre spacing unit. See OCD Order R-6139 and locator map attached at Exhibit "D"

TOPOGRAPHICAL REASONS

- (4) RKI requested NSL is based upon topographical reasons expressed by the Bureau of Land Management.
- (5) The Federal APD, which was approved by the BLM after the BLM required that the wellbore be re-located to its present location (See locator map attached as Exhibit "E")
 - a. South 40-acre tract: BLM did not like the standard location 1980 FSL & 1980 FEL of Section 1, because it fell within a large drainage system and any move to the south or southeast would fall within an archaeological site (At the proposed move, the edge of the arch site is 150 ft. requiring an additional 100 ft. for a buffer). Any moves to the north are still within the drainage system. Any moves to the west would impact a Chevron power line and involve excessive cut and fill.
 - b. North 40 acre standard location circle fell on a south facing slope of a large hill that would involve excessive cut and fill as well as impacting an existing power line if moved north. Any moves south, east or west, was the same as the center, which would be on the slope of the hill.
 - c. BLM requested leaving this location at the approved Non Standard Location of 1700 FNL & 1650 FEL.
- (6) RKI's geologist has concluded that the NSL is comparable to the geology within the nearest standard drilling circle.
- (7) RKI's petroleum engineer has concluded that to directionally drill from the proposed unorthodox surface location to a standard subsurface location is prohibitively expensive.

NOTIFICATION AND OWNERSHIP

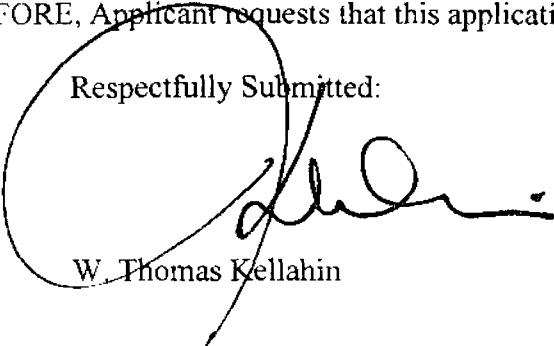
- (8) The ownership of the subject spacing unit is the same as adjoining spacing unit towards which this wellbore will encroach, being the E/2NE/4 of Section 1.
- (9) In accordance with Division rules, because of common ownership, no notice is required and the application may be processed by the Division at this time.

CONCLUSION

(11) 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 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

EAST HERRADURA BEND FIELD FARMOUT

EDDY COUNTY, NEW MEXICO

FARMOUT AGREEMENT No. QLS- 706107, QLS-019819, QLS-019808

BETWEEN

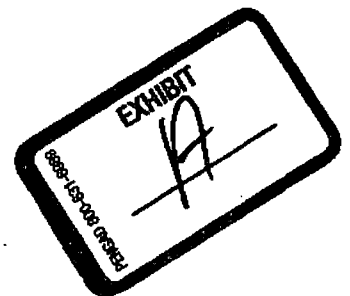
CHEVRON U.S.A. INC.

AND

LOBOS ENERGY PARTNERS LLC

Effective Date May 1, 2009

East Herradura Bend Field; QLS-706107; QLS-019819; QLS-019808
Farmout Agreement (2008)
Execution Version



21.6 **Time of the Essence.** Farmee acknowledges that time is of the essence with respect to this Agreement. By executing this Agreement, Farmee confirms that the timeframes for performing Operations under this Agreement are reasonable for all periods of time provided in this Agreement.

21.7 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed an original of this Agreement, and which together will constitute one and the same instrument, provided that neither Party will be bound to this Agreement unless and until both Parties have executed a counterpart.

21.8 **Drafting.** Preparation of this Agreement has been a joint effort of the Parties and the resulting Agreement must not be construed more severely against one of the Parties than against the other.

The remainder of this page intentionally left blank.

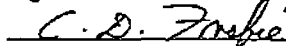
IMPORTANT NOTICE: THIS AGREEMENT CONTAINS PROVISIONS REGARDING INDEMNITIES AND WARRANTIES THAT EXPRESS THE AGREEMENT OF THE PARTIES CONCERNING CLAIMS ARISING OUT OF THIS AGREEMENT.

The Parties have executed this Agreement in triplicate as evidenced by the following signatures of authorized representatives of the Parties:

FARMOR:
CHEVRON U.S.A. INC.

FARMEE:
LOBOS ENERGY PARTNERS, LLC,

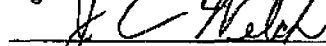
Signature:



Name: C. D. Frisbie

Title: Attorney-in-Fact

Signature:



Name: J. C. Welch

Title: Attorney-in-Fact

3. DESCRIPTION OF FARMOUT LEASES AND LANDS:

LAND FILE #: QLS-706107
LEASE DATE: April 1, 1973
LESSOR: United States of America (NM- 91078)
LESSEE: A. Charles Lentini
DESCRIPTION: Township 23South, Range 28 East, Eddy County, New Mexico

Section 1: Lot 1, S1/2NE1/4, NE1/4SE1/4, S1/2SE1/4, all depths; Lot 2, 3, 4
S1/2NW1/4, SW1/4, NW1/4SE1/4, as to all depths below the base of the
Delaware formation

Section 12: N1/2NE1/4, all depths; N1/2NW1/4, as to all depths below the base
of the Delaware formation

LAND FILE #: QLS-019808
LEASE DATE: July 1, 1985
LESSOR: United States of America (NM-61349)
LESSEE: Warren Robert Haas
DESCRIPTION: Township 22South, Range 29 East, Eddy County, New Mexico

Section 31: Lots 1, 2, E1/2NW1/4, E1/2SW1/4, Lot 3 all depths; Lot 4, all depths
below the base of the Delaware formation

Township 23 South, Range 29 East, Eddy County, New Mexico

Section 6: Lots 1, 2, 3, 4, 5, 6, 7, S1/2NE1/4, SE1/4NW1/4, NE1/4SW1/4,
SE1/4SW1/4, SE1/4, all depths

LAND FILE #: QLS-019819
LEASE DATE: November 1, 1990
LESSOR: State of New Mexico (V-3479)
LESSEE: Fortson Oil Company
DESCRIPTION: Township 22South, Range 28 East, Eddy County, New Mexico

Section 36: SE1/4SE1/4, all depths

4. NOTICES:

Chevron U.S.A. Inc.
Attn: Land Manager
11111 S. Wilcrest
Houston, Texas 77099
Fax: 281-561-3880

Lobos Energy Partners, LLC
Attn: Land Department
3817 NW Expressway, Suite 950
Oklahoma City, Oklahoma 73112
Fax: 405-949-2223

END OF EXHIBIT A

Form 3160-3
(April 2004)

GCD Artesia

RECEIVED

FEB - 9 2010

NMOCD ARTESIA

SECRETARY'S POTASH

FA 10-201

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No. NM-91078
1b Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6 If Indian, Allottee or Tribe Name
2 Name of Operator RKI Exploration and Production, LLC.		7 If Unit or CA Agreement, Name and No.
3a Address 3817 NW Expressway, Suite 950 Oklahoma City, Oklahoma 73112	3b Phone No. (include area code) 405-996-5748	8 Lease Name and Well No. Longview 1 #23
4 Location of Well (Report location clearly and in accordance with any State requirements*) At surface 1790 FNL & 1650 FEL At proposed prod zone Same		9 API Well No. 30-015-371609
14 Distance in miles and direction from nearest town or post office* Approximately 3 - 1/2 miles northeast of Loving, NM		10 Field and Pool, or Exploratory Bone Spring
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg unit line, if any) 1650 ft.		11 Sec., T R M or Blk and Survey or Area Sec. 01, T. 23 S., R. 28 E.
16 No. of acres in lease 640		12 County or Parish Eddy
17 Spacing Unit dedicated to this well 40		13 State NM
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1320 ft.		20 BLM/BIA Bond No. on file BLM-NMB-000460
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 3070' GL		22 Approximate date work will start*
23 Estimated duration 28 days		24 Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, shall be attached to this form:

- Well plat certified by a registered surveyor
- A Drilling Plan
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office)
- Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25 Signature <i>Barry W. Hunt</i>	Name (Printed/Typed) Barry W. Hunt	Date 11/23/09
Title Permitting Agent for RKI		
Approved by (Signature) <i>Linda S.C. Rundell</i>	Name (Printed/Typed)	Date FEB 5 2010
Title STATE DIRECTOR NM STATE OFFICE		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

CARLSBAD CONTROLLED WATER BASIN

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II
1801 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV
1825 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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-37609	Pool Code 15011	Pool Name Culebra Bluff, BS, South
Property Code 37873	Property Name LONGVIEW "1"	Well Number 23
OGED No. 246289	Operator Name RKI EXPLORATION & PRODUCTION LLC	Elevation 3070'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	1	23 S	28 E		1700	NORTH	1650	EAST	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 80	Joint or Infill	Consolidation Code	Order No.
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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>SURFACE LOCATION Lat - N 32°20'14.58" Long - W 104°02'14.38" NAD83 - E 632758.4 (MAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p>Barry W. Hunt 11/23/09 Signature Date</p> <p>Barry W. Hunt Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>NOVEMBER 12, 2009</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p>7977</p> <p>No. 2198</p> <p>Certificate No. 7977</p> <p>BASIN SURVEYS</p>
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