

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF RKI EXPLORATION & PRODUCTION FOR COMPULSORY
POOLING AND APPROVAL OF AN UNORTHODOX WELL LOCATION, EDDY
COUNTY, NEW MEXICO.**

CASE NO. 15518

APPLICATION

RKI Exploration & Production, ("RKI") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) pooling all mineral interests in the Wolfcamp formation underlying the W/2 of Section 17, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) approving an unorthodox well location for the proposed well. In support of its application, RKI states:

1. RKI Exploration & Production (OGRID No. 246289) is a working interest owner in the W/2 of Section 17 and has the right to drill thereon.

2. RKI proposes to dedicate the above-referenced spacing and proration unit as the project area for its **RDX Federal 17 No. 35H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a non-standard bottom hole location in in the SW/4 SW/4 (Unit M) of Section 17. The completed interval for this well will commence 330 feet from the North line and 330 feet from the West line (Unit D) to a location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 17.

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3. This acreage is subject to the statewide rules for defined gas pools in Eddy County which requires 320-acre spacing and wells to be located no closer than 660 feet to the outer boundary of the quarter section. 19.15.15.10.B NMAC. Rules 19.15.15.13(B) and 19.15.4.12(A)2 NMAC allow the director to grant an exception to the well location requirements.

4. The proposed **RDX Federal 17 No. 35H Well** will be unorthodox because the completed interval for this well will be closer than 660 feet to the outer boundary as required by Rule 19.15.15.10.B(1). Specifically, it encroaches on the spacing and proration units to the North, Northwest, West, Southwest, and South of Section 17.

5. Approval of the non-standard location will allow RKI to efficiently and effectively space its wells in this area for optimal recovery of the underlying reservoir.

6. RKI has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

7. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

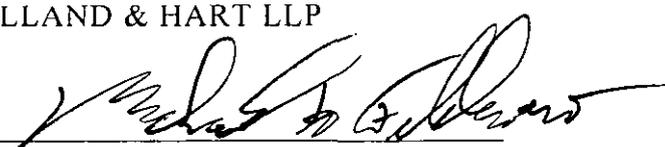
8. In order to permit RKI to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this standard spacing unit should be pooled and RKI Exploration & Production should be designated the operator of this standard spacing and proration unit.

WHEREFORE, RKI requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 21, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving a 320-acre standard spacing and proration unit in the Wolfcamp formation comprised of the W/2 of Section 17, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico;
- B. Pooling all mineral interests in this standard spacing and proration unit;
- C. Designating RKI operator of this standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing RKI to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- F. Imposing a 200% penalty for the risk assumed by RKI in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Approving the unorthodox well location for this initial well.

Respectfully submitted,

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**ATTORNEYS FOR
RKI EXPLORATION & PRODUCTION**

CASE 15518:

Application of RKI Exploration & Production for compulsory pooling and approval of an unorthodox well location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the Wolfcamp formation underlying the W/2 of Section 17, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico. This 320-acre standard unit is to be dedicated to applicant's **RDX Federal 17 No. 35H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a non-standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 17. The completed interval for this well will commence 330 feet from the North line and 330 feet from the West line (Unit D) to a location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 17, thereby encroaching the spacing units to the North, Northwest, West, Southwest, and South. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of RKI Exploration & Production as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8.5 miles southwest of Ross Place, New Mexico.