

New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



November 7, 2011

W. Thomas Kellahin, Esq.
706 Gonzales Road
Santa Fe, NM 87501

Administrative Order NSL-6498

Re: RKI Exploration & Production, LLC
RDU 22 Federal Well No. 2H (API No. 30-015-39262)
SHL: 330 FNL 2105 FEL (BHL: 401 FSL 1683 FEL)
(Well path inadvertently veered to 1645 FEL within Unit J)
Project Area: Units B, G, J, O of Section 22, T26S, R30E
Eddy County, New Mexico

Dear Mr. Kellahin:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-28034758**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of RKI Exploration & Production, LLC(RKI) [OGRID 246289], on October 4, 2011, and

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

RKI has drilled the above-referenced well as a horizontal well at a maximum vertical depth of 8400 feet within the Bone Spring formation (whose top is at 7440 TVD), at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC].

The W/2 E/2 of Section 22 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the Wildcat; Bone Spring Pool. This pool is governed by statewide Rule 15.9 [19.15.15.9 NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because the horizontal well path veered to a distance of 1645 FEL within Unit letter J of Section 22 before it was steered back to a standard location.



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

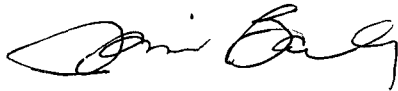
It is also understood that the owners or "affected persons" of the encroached E/2 E/2 of Section 22 are identical to the owners of the subject project area and notice was not provided with this application.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.15.13.B NMAC], the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to, Division Rule 5.9 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



JAMI BAILEY
Director

JB/wvj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad