

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

**APPLICATION OF RKI EXPLORATION AND PRODUCTION
FOR A NON-STANDARD SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.**

2017 JUL -3 PM 3:00
RECEIVED
CASE NO. 15774

APPLICATION

RKI Exploration and 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) creating a 460-acre, more or less, non-standard spacing and proration unit comprised of the W/2 of Section 29 and the NW/4 of irregular Section 32, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico¹; and (2) pooling all mineral interests in the Wolfcamp formation (Purple Sage Wolfcamp Gas Pool (98220)). In support of its application, RKI states:

1. RKI Exploration and Production (OGRID No. 246289) is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.
2. RKI proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for its **Schooner 32-29 Federal Com No. 1H Well**, which will be horizontally drilled from a surface location in the SW/4 NW/4 (Lot 4) of irregular Section 32 to a standard bottom hole location in in the NW/4 NW/4 (Unit D) of Section 29.
3. The completed interval for this well will remain within the 330-foot standard offset required by the Special Rules set forth in Order No. R-14262.

¹ Section 32 is an irregular section along the Texas border.

5. 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.

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

7. 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 non-standard spacing unit should be pooled and RKI Exploration and Production should be designated the operator of this non-standard spacing and proration unit.

WHEREFORE, RKI requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 3, 2017, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 448.88-acre non-standard spacing and proration unit in the Wolfcamp formation (Purple Sage Wolfcamp Gas Pool (98220)) comprised of the W/2 of Section 29 and the NW/4 of irregular Section 32, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico;
- B. Pooling all mineral interests in this non-standard spacing and proration unit;
- C. Designating RKI Exploration and Production operator of this non-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; and

- 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.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Jordan L. Kessler

Adam G. Rankin

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

Email: jlkessler@hollandhart.com

Email: agrarkin@hollandhart.com

ATTORNEYS FOR

RKI EXPLORATION AND PRODUCTION

CASE 16774:

Application of RKI Exploration and Production for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 448.88-acre, more or less, spacing and proration unit comprised of W/2 of Section 29 and the NW/4 of irregular Section 32, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Wolfcamp formation (Purple Sage Wolfcamp Gas Pool (98220)) underlying this acreage. Said non-standard unit is to be dedicated to the applicant's proposed **Schooner 32-29 Federal Com No. 1H Well**, which will be horizontally drilled from a surface location in the SW/4 NW/4 (Lot 4) of irregular Section 32 to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 29. The completed interval for this well will remain within the 330-foot standard offset required by the Special Rules set forth in Order No. R-14262. 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 and Production as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 17 miles southeast of Malaga, New Mexico.