



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 31, 2006

Patina San Juan Incorporated
c/o **J. Scott Hall**
Miller & Stratvert, P. A.
P. O. Box 1986
Santa Fe, New Mexico 87401

Administrative Order NSL-1256-A

Dear Mr. Hall:

Reference is made to the following: (i) your application filed on behalf of the operator, Patina San Juan Incorporated ("Patina"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 10, 2006 (*administrative application reference No. pTDS0-606957188*); and (ii) the Division's records in Aztec and Santa Fe, including the records on Division Administrative Orders NSL-1256 and NSL-1858: all concerning Patina's request for exceptions to the well location requirements provided within the:

(A) "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002; and

(B) "*Special Rules for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, issued in Case No. 12290 and dated June 30, 2000, as amended by Division Orders No. R-10987-B (1), dated August 10, 2000, and R-10987-B (2), dated January 29, 2002:

Patina proposes to drill its Rio Bravo "27" Well No. 15 at an unorthodox gas well location in both the Blanco-Mesaverde (72319) and Basin-Dakota (71599) Pools 500 feet from the South line and 1810 feet from the East line (Unit O) of Section 27, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico.

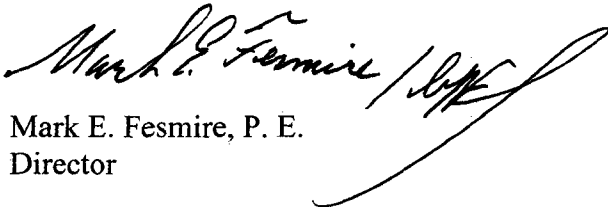
This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing both pools.

Gas production from the deeper Basin-Dakota Pool is to be included within an existing standard 320-acre lay-down gas spacing and proration unit ("GPU") comprising the S/2 of Section 27, which is currently dedicated to Patina's: (i) Nance Well No. 1 (API No. 30-045-10310), located at a standard gas well location 1760 feet from the South line and 2310 feet from the East line (Unit J) of Section 27; and (ii) Nance Well No. 1-E (API No. 30-045-25894), located at a non-standard infill Dakota gas well location (approved by Division Administrative Order NSL-1256, dated August 20, 1980) 590 feet from the South line and 1850 feet from the West line (Unit N) of Section 27.

The proposed Rio Bravo "27" Well No. 15 will be the initial Mesaverde gas well within this same 320-acre lay-down GPU.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Basin-Dakota/Blanco-Mesaverde gas well location for Patina's proposed Rio Bravo "27" Well No. 15 is hereby approved. Further all of the aforementioned wells and both spacing units will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
File: NSL-1256
NSL-1858