



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 19, 2006

Patina San Juan, Inc.
c/o Mr. Scott Hall
P.O. Box 1986
Santa Fe, NM 87504-1986

RCVD OCT25'06

OIL CONS. DIV

DIST. 3

RE: **Hoyt No. 1-C Well**
2490 feet FNL & 2320 feet FEL
Unit G, Sec. 5, T-26-N, R-4-W, Rio Arriba County, NM

Administrative Order NSL-5469

Dear Mr. Hall:

Reference is made to the following:

30 039 29 258

(a) your application (**administrative application reference No. pTDS0-629037526**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 17, 2006, on behalf of Patina San Juan, Inc. (Patina); and

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

Patina requests to drill its Hoyt No. 1-C well at an unorthodox Mesaverde and Dakota location, 2490 feet from the North line and 2320 feet from the East line (Unit G) of Section 5, Township 26 North, Range 4 West, N.M.P.M., in Rio Arriba County, New Mexico. The N/2 of Section 5 will be dedicated to this well in order to form a standard 320-acre spacing and proration unit in the Blanco-Mesaverde Pool (**72319**), and the Basin-Dakota Pool (**71599**). These pools are governed by special pool rules in Order No. R-10987-A and 10987-B, which provide that:

(a) a Gas Proration Unit (GPU) shall consist of 320 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental section; and

(b) wells drilled in these pools shall be located not closer than 660 feet to the outer boundary of the GPU and not closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.

Your application on behalf of Patina San Juan, Inc. has been duly filed under the provisions of Division Rules 104.D, 104.F and 1210.A(2) and Order No. R-10987-A and No. R-10987-B

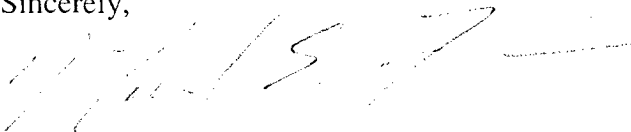
It is our understanding that this location is within the Jicarilla Apache Tribal Reservation, and the unorthodox location is being requested due to topographic restrictions including cliffs and arroyos. The uneven topography and the existence of archeological resources in the area precluded locating the well at a standard well location for Blanco-Mesaverde and Basin-Dakota Pools.

It is also our understanding that Geodyne Nominee Corporation, the only working interest owner in the S/2 of Section 5 into which the well encroaches has signed a waiver of objection (exhibit H). Therefore, no further notice is required and it is not necessary to wait for 20 days.

Pursuant to the authority granted under the provisions of Division Rules 104.D(2)(b) and 104.F(2) and Order No. R-10987-A and No. R-10987-B, the above-described unorthodox Mesaverde/Dakota location is hereby approved.

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/re

cc: New Mexico Oil Conservation Division - Aztec
Bureau of Land Management - Farmington