



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 15, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Patina San Juan Incorporated
c/o **J. Scott Hall**
Miller Stratvert, P. A.
P. O. Box 1986
Santa Fe, New Mexico 87404-1986

Administrative Order NSL-5313

Dear Mr. Hall:

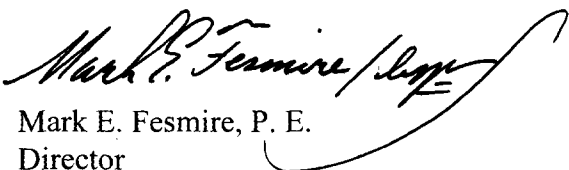
Reference is made to the following: (i) your initial application on behalf of the operator, Patina San Juan Incorporated, filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on November 22, 2005 (*administrative application reference No. pSEM0-532725814*); (ii) a letter of objection from San Juan Resources, Inc. of Denver, Colorado dated November 30, 2005 and filed with the Division on December 6, 2005; (iii) your telefaxed letter of December 7, 2005 requesting the Division stay any decision on this matter; (iv) your amended application dated and submitted to the Division on December 9, 2005; and (iii) the Division's records in Aztec and Santa Fe: all concerning Patina San Juan Incorporated's request for an exception to the well location requirements provided within the "*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, for its proposed Jacquez "02" Well No. 4 to be drilled at an unorthodox infill gas well location 660 feet from the North line and 130 feet from the West line (Lot 4/Unit D) of Section 2, Township 31 North, Range 13 West, NMPM, Blanco-Mesaverde Pool (72319), San Juan County, New Mexico.

The Blanco-Mesaverde gas production from this well is to be included within an existing standard 319.80-acre stand-up gas spacing and proration unit ("GPU") comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 2, which is currently dedicated to Patina San Juan Incorporated's: (i) Jacquez Com. Well No. 1 (**API No. 30-045-11044**), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 2; (ii) Jacquez Com. Well No. 1-A (**API No. 30-045-23005**), located at a standard infill gas well location 1450 feet from the North and West lines (Unit F) of Section 2; and (iii) Jacquez "02" Well No. 13 (**API No. 30-045-32612**), located at a standard infill gas well location 660 feet from the South and West lines (Unit M) of Section 2.

Your application for Patina San Juan Incorporated has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing the Blanco-Mesaverde Pool.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Blanco-Mesaverde infill gas well location for Patina San Juan Incorporated's proposed Jacquez "02" Well No. 4 is hereby approved. Further, all four of the aforementioned wells and existing 319.80-acre GPU will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico and to the Blanco-Mesaverde Pool.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec