

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
PLAINS EXPLORATION & PRODUCTION
COMPANY FOR AN ORDER PARTIALLY
VACATING ORDER 386-1 AND ESTABLISHING
WELL LOCATION AND SETBACK RULES FOR
THE DRILLING OF THE MESAVERDE GROUP
FOR CERTAIN LANDS IN THE HIGHTOWER
FIELD AREA LOCATED IN MESA COUNTY,
COLORADO

CAUSE NO: 386

ORDER NO:

DOCKET NO:

VERIFIED APPLICATION

COMES NOW the Applicant, Plains Exploration & Production Company, by its attorneys, Poulson, Odell & Peterson, LLC, and makes application to the Oil and Gas Conservation Commission of the State of Colorado for an Order establishing well location and setback rules applicable to the drilling and producing of gas and associated hydrocarbons from the Mesaverde Group, including the upper Williams 'Fork and the Rollins-Cozzette-Corcoran Sandstones, part of the Iles Formation (collectively "Mesaverde Group") underlying certain described lands in the Hightower Field Area in Mesa County, Colorado. In support thereof, Plains Exploration & Production Company states as follows:

1. This Application covers the following described lands located in Mesa County, Colorado, hereafter referred to as Application Lands:

Township 9 South, Range 92 West, 6th P.M.:

Section 16: S $\frac{1}{2}$

Section 24: Lots 1-5, N $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$

Section 25: Lots 1 & 2, N $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$

Section 34: HES 171

Section 35: Lots 1-5, N $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$

Section 36: All

2. Applicant is a corporation duly authorized to conduct business in the State of Colorado. Applicant, or one or more of its affiliates, is the owner of oil and gas leases within the area described above.

3. In Cause No. 386, Order No. 386-1 dated June 20, 1982, as of June 21, 1982, the Oil and Gas Conservation Commission established drilling and spacing units covering certain lands, including certain of the Application Lands, for production of gas and associated hydrocarbons from the Mesaverde Group, to wit: Township 9 South, Range 92 West, 6th P.M., Section 16: All. The Order established drilling and spacing units of 640 acres, more or less, consisting of governmental sections of land, with the permitted well located no closer than 600 feet from section boundaries.

4. In Cause No. 386, Order No. 386-2, dated December 11, 2006, as of November 27, 2006, the Oil and Gas Conservation Commission approved the equivalent of one well per ten (10) acres to be optionally drilled from the Mesaverde Group for certain lands, to wit:

Township 9 South, Range 92 West, 6th P.M., Section 20: All; Section 21: All. This Order provided that permitted wells must be located downhole no closer than one hundred (100) feet from lease lines, without exception granted by the Director. In cases where the lands abut or corner lands where the Commission has not, at the time of the drilling permit application, granted the right to drill ten (10) acre density Mesaverde Group wells, such wells must be located downhole no closer than two hundred (200) feet from lease lines abutting or cornering such lands without exception granted by the Director. It was further ordered that no more than four (4) Mesaverde Group wells shall be drilled on such lands per governmental quarter quarter section, with such wells to be drilled from the surface either vertically or directionally from no more than one (1) pad located on any quarter quarter section without exception granted by the Director.

5. The Application Lands which are not subject to Order No. 386-1 are subject to Rule 318.a., which requires that wells drilled in excess of two thousand five hundred (2,500) feet in depth be located not less than six hundred (600) feet from any lease line, and located not less than one thousand two hundred (1,200) feet away from any other producible or drilling oil or gas well within the same common source of supply, unless authorized by order of the Commission upon hearing.

6. Applicant alleges that the reason and justification for Order No. 386-1 no longer exists as to the units within the Application Lands, and requests the Commission to vacate said Order insofar as the same pertains to the Application Lands.

7. Geological and engineering information obtained in the drilling and producing of wells located in the area which are productive of gas and associated hydrocarbons from the Mesaverde Group indicates that, in order to adequately and efficiently drain the gas and associated hydrocarbons from the formation, it is necessary to have the option to drill said wells on a ten (10) acre density basis, with the result that up to four wells can be drilled to and completed in the Mesaverde Group upon each quarter quarter section of land. Applicant therefore requests that the Commission issue an Order permitting ten (10) acre density as to the Application Lands.

8. More specifically, Applicant requests that, as to the Application Lands, and consistent with the above described Orders, the Commission increase the number of wells which can optionally be drilled into and produced from the Mesaverde Group on the Application Lands to the equivalent of one (1) Mesaverde Group well per ten (10) acres. Applicant requests the Commission to issue its Order allowing all future wells located upon the Application Lands to be located downhole no closer than 100 feet from the boundary of lease or unit lines, as applicable, without exception granted by the Director. In cases where the Application Lands abut or corner lands where the Commission has not, at the time of the drilling permit application, granted the right to drill 10-acre density Mesaverde Group wells, the future well or wells should be located downhole no closer than 200 feet from the boundary or boundaries of the lease or unit abutting or cornering such lands, as applicable, without exception granted by the Director. It is not intended that more than four (4) Mesaverde Group wells would be drilled on Application Lands, per governmental quarter quarter section. Further, Mesaverde Group wells to be drilled on the Application Lands will be drilled from the surface either vertically or directionally from no more than one (1) pad located on any quarter quarter section, unless exception is granted by the Director.

9. Applicant alleges and believes that the granting of this Application will prevent waste, protect correlative rights, and assure the greatest ultimate recovery of gas and associated hydrocarbons from the reservoir.

10. The names and addresses of the interested parties according to the rules of this Commission, and based upon the information and belief of the Applicant, are set forth on Exhibit "A" attached hereto and made a part hereof.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in August, 2008, that notice be given as required by law, and that upon such hearing this Commission enter its order consistent with Applicant's proposals as set forth above.

DATED this 30th day of June, 2008.

By:

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VERIFICATION

STATE OF TEXAS

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ss.

COUNTY OF _____

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Tere Myers, of lawful age, being first duly sworn upon her oath, deposes and says that she is the Senior Landman of Plains Exploration & Production Company, and that she has read the foregoing Application and that the matters therein contained are true to the best of her knowledge, information and belief.

PLAINS EXPLORATION & PRODUCTION
COMPANY

By: _____
Tere Myers, Senior Landman

Subscribed and sworn to before me this 30th day of June, 2008.

Witness my hand and official seal.

My commission expires: _____.

Notary Public