

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

PLAINS EXPLORATION & PRODUCTION CO.'S
VERIFIED APPLICATION FOR AN ORDER
VACATING ORDER 371-1 AND ESTABLISHING
WELL LOCATION AND SETBACK RULES FOR
THE DRILLING OF THE MESAVERDE
FORMATION (INCLUDING THE COZZETTE-
CORCORAN SANDSTONES) IN CERTAIN
LANDS LOCATED WITHIN THE BRUSH CREEK
FIELD AREA, MESA COUNTY, COLORADO

CAUSE NOS.: 371, 429

ORDER NO:

DOCKET NO:

VERIFIED APPLICATION

COMES NOW the Applicant, Plains Exploration & Production Co., 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 vacating Order 371-1 and establishing well location and setback rules applicable to the drilling and producing of gas and associated hydrocarbons from the Mesaverde Formation (including the Cozzette-Corcoran Sandstones) underlying certain described lands in the Brush Creek Field area in Mesa County, Colorado. In support thereof, Plains Exploration & Production Co. states as follows:

1. That Applicant is a corporation duly authorized to conduct business in the State of Colorado.

2. Applicant owns a leasehold interest in the following described lands in the Brush Creek Field area located in Mesa County, Colorado:

Township 9 South, Range 94 West, 6th P.M.:

Section 20: S½NE¼, NE¼ NE¼

3. The NW¼NE¼ of Section 20 is unleased. Applicant's leased lands and the unleased lands, *i.e.*, the NE¼ of Section 20, are collectively referred to herein as the Application Lands.

4. The Mesaverde Formation as referred to in this Application includes the Cozzette-Corcoran Sandstones.

EXISTING ORDERS

5. In Cause No. 371, Order No. 371-1 dated June 15, 1981, as of May 18, 1981, the Oil and Gas Conservation Commission established drilling and spacing units covering certain lands, including the Application Lands, located in the Buzzard Field for production of gas and associated hydrocarbons from the Mesaverde Formation. The Order established drilling and spacing units of 160 acres to consist of a quarter section of land. The Order provides that the permitted wells are to be located no closer than 660 feet from the boundaries of the unit.

6. In Cause No. 429, Order No. 429-5 (as of November 27, 2006), the Oil and Gas Conservation Commission established ten (10) acre density for certain lands for Mesaverde Formation wells, including a portion of the Application lands, to wit:

Township 9 South, Range 94 West, 6th P.M.:
Section 20: S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$

(omitting the SE $\frac{1}{4}$ NE $\frac{1}{4}$)

More specifically, the Order stated that the above lands are subject to Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission and it approved the equivalent of one (1) well per ten (10) acres to be optionally drilled for the production of gas from the Mesaverde Formation (including the Cozzette-Corcoran Sandstones) for the above lands. The Order provided that permitted wells must be located downhole no closer than 100 feet from lease lines without exception granted by the Director and, in cases where the lands abut or corner lands where the Commission has not, at the time of the APD, granted the right to drill 10 acre density Mesaverde Formation wells, permitted wells must be located no closer than 200 feet from lease lines abutting or cornering such lands. The Order specified that no more than four (4) Mesaverde wells may be drilled on the above lands per governmental quarter quarter section, either vertically or directionally, with no more than one pad per quarter quarter section unless the Director grants exception.

7. The above Order No. 429-5 was issued without reference to, and without any acknowledgment of, Order 371-1. Order No. 429-5 and 371-1 are in conflict.

REQUESTED APPLICATION

8. There are no producing wells on the Application Lands. Applicant respectfully submits that the reason and justification for Order No. 371-1 no longer exists as to the Application Lands for the very reasons that Order No. 429-5 was issued. Applicant requests the Commission to vacate Order 371-1 insofar as the same pertains to the Application Lands.

9. 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 Formation 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-acre density basis, with the result that up to four wells can be drilled to and completed in the Mesaverde Formation upon each quarter quarter section of land. Applicant requests that the Commission issue an Order extending Order 429-5, which permits ten-acre density on certain lands located within the Application Lands, to SE $\frac{1}{4}$ NE $\frac{1}{4}$ of the Section 20, Township 9 South, Range 94 West, 6th P.M. (the "Additional Lands"). Applicant requests that the Commission increase the number of wells which can optionally be drilled into and produced from the Mesaverde Formation on the Additional Lands to the equivalent of one (1) Mesaverde well per ten (10) acres. Applicant requests the Commission to issue its Order allowing all future wells located upon the Additional Lands to be located downhole no closer than 100 feet from the boundary of lease lines, without exception granted by the Director. In cases where the Additional 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 Formation wells, the future well or wells should be located downhole no closer than 200 feet from the boundary or boundaries of the lease abutting or cornering such lands, without exception granted by the Director.

10. It is not intended that more than four (4) Mesaverde Formation wells would be drilled on Additional Lands, per governmental quarter quarter section.

11. Mesaverde Formation wells to be drilled on the Additional 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.

12. 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 anticipated reservoir.

13. Pursuant to Rule 503(d) of this Commission, within seven (7) days of the filing of this Application, the Applicant shall submit a Certificate of Service to the Commission demonstrating that the Applicant served a copy of the Application on all persons entitled to Notice by mailing a copy thereof, first-class postage prepaid, to the last known mailing address of the interested parties. Applicant shall simultaneously submit said list of interested parties to the Commission via electronic media.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in June, 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: April _____, 2008.

Plains Exploration & Production Co.

By: _____

Scott M. Campbell
Nick A. Swartzendruber
POULSON, ODELL & PETERSON, LLC
1775 Sherman Street, Suite 1400
Denver, Colorado 80203
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VERIFICATION

STATE OF TEXAS }
COUNTY OF DENVER } ss.

_____, _____ of Plains Exploration & Production Co., upon oath, deposes and says that _____ has read the foregoing Verified Application being placed before the Oil and Gas Conservation Commission of the State of Colorado, and states that the matters contained therein are true to the best of _____ knowledge and belief.

Subscribed and sworn to before me this _____ day of April, 2008.

Witness my hand and official seal.

My commission expires: _____.

Notary Public

EXHIBIT A

Attached to and made a part of the
Verified Application of Plains Exploration & Production Co.
Cause Nos. 371, 429 Docket No. _____

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AFFIDAVIT OF MAILING

STATE OF COLORADO

)

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ss.

COUNTY OF DENVER

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Nick A. Swartzendruber, of lawful age, being first duly sworn upon oath, states and declares:

That he is the attorney for Plains Exploration & Production Co., Applicant herein; that on April _____, 2008, he caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to each of the parties listed on Exhibit "A" to the Application.

POULSON, ODELL & PETERSON, LLC

By: _____

Scott M. Campbell
Nick A. Swartzendruber
1775 Sherman Street, Suite 1400
Denver, Colorado 80203-4319
Telephone: (303) 861-4400

Subscribed and sworn to before me this _____ day of April, 2008.

Witness my hand and official seal.

My commission expires: July 22, 2011.

Notary Public