DOG-11-2008

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June 16, 2008

Attn: Herschel McDivitt
Department of Natural Resources
Division of Oil and Gas
402 West Washington Street, Room W293
Indianapolis, Indiana 46204

RE: El Paso E&P Company, L.P.
Agenda for July 18, 2008, Meeting

Dear Herschel:

Please accept the following as a proposed agenda of the topics to be discussed and information to be offered at the meeting between El Paso E&P Company and the Division of Oil and Gas, scheduled for July 18, 2008:

1) El Paso E&P Company submitted a Petition for Exception to General Unit Size and Well Spacing Requirements pertaining to land in Daviess County. Accordingly, an informal hearing will be set and notice will be provided to the public. Said hearing shall be open to the public and all associated filings shall be considered a public record.

2) El Paso E&P Company shall offer information and data at the above described meeting, which shall not be considered a matter of public record nor shall information shared be available to the public.

3) El Paso E&P Company shall offer geologic information including measured fracture density and orientation and several cross sections of the New Albany Shale.

4) In support thereof, El Paso E&P Company shall offer sufficient evidence that resources are most efficiently recovered from the New Albany Shale by drilling a singe horizontal well on a three hundred twenty (320) acre drilling unit or a multilateral well on a six hundred forty (640) acre drilling unit. Recovery shall be confirmed through discussion of a satisfactory gas in place number, which when multiplied by the recovery factor equals a reasonable recovery rate per well.

Sincerely,

Karen J. Anspaugh

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STATE OF INDIANA

BEFORE THE NATURAL RESOURCES COMMISSION
OF THE DEPARTMENT OF NATURAL RESOUCRES

IN THE MATTER OF: PETITION OF EL PASO E&P COMPANY, L.P., FOR AN EXCEPTION TO 312 IAC 16-5-1, THE GENERAL OIL AND GAS WELL SPACING RULES, AND 312 IAC 16-5-2, THE GENERAL OIL AND GAS DRILLING UNIT SIZE RULES

PETITION

COMES NOW El Paso E&P Company, L.P., on behalf of itself and other owners of the leasehold interests as set forth below, hereinafter called "Petitioner," by attorney Karen J. Anspaugh, and respectfully shows the Department of Natural Resources of the State of Indiana the following:

1. Petitioner is the holder of legal title to and is the duly authorized representative of various owners of contractual or other beneficial interests in certain oil and gas leaseholds covering a majority of the following described land located in Daviess County:

   - Township - Range Description

Township - Range	Description
3N-5W	Sections 4-9, 11, 14-23, 27, 28
4N-5W	Sections 4-9, 14-34
3N-6W	Sections 1-7, 9-15, 24
4N-6W	Sections 1-36
5N-6W	Sections 19-36
3N-7W	Sections 1-11, North Half of Section 12, Fractional NW/4 and SW/4 of Section 15, Section 16-21, 29, 30, Location 185, 189, 191, 241, 243, 258, 269, 271, 272, 274, 275, 276, 277, 278, 279, 292, 293
4N-7W	Sections 1-36
5N-7W	Sections 25, 26, 34-36

   Attached hereto and incorporated herein as Exhibit "A" is a map of the area sought to be affected by this Petition, hereinafter referred to as the "Affected Area."

2. As allowed by 312 IAC 16-5-3, Petitioner herein seeks an exception, applicable only to the New Albany Shale formation underlying the Affected Area, to 312 IAC 16-5-1, the General Oil and Gas Well Spacing Rules, and 312 IAC 16-5-2, the General Oil and Gas Drilling Unit Size Rules. The variances requested are within the scope of 312 IAC 16-5-3, which does not prescribe minimum distances allowed between wells or maximum acreage allowed in a drilling unit. Said variances are for the following described purposes:

a) To eliminate standard spacing restrictions between single horizontal drainholes drilled in separate drilling units and between legs of multilateral horizontal drainholes drilled in a single drilling unit, except that no portion of any drainhole shall be located within three hundred thirty (330) feet of any unleased property boundary;

b) To establish drilling units containing three hundred twenty (320) acres, more or less, for use when a single lateral drainhole is drilled and to establish drilling units containing six hundred forty (640) acres, more or less, for use when at least two horizontal drainholes, originating from a single wellbore, are drilled. Such drilling units shall be established only for horizontal drilling in the New Albany Shale formation in the Affected Area.

   Each drilling unit containing three hundred twenty (320) acres, more or less, shall be comprised of two (2) contiguous quarter sections of land through which the drainhole traverses. Each drilling unit containing six hundred forty (640) acres, more or less, shall be comprised of four (4) contiguous quarter sections of land through which one or more of the horizontal drainholes traverse. Said one hundred sixty (160) acre quarter section drilling unit building blocks shall be established by the rectangular surveying system of the State of Indiana. When correction or irregular sections are encountered, a variance shall be allowed so that Petitioner may establish drilling units as close as possible to the acreages set out above.

   In those portions of the Affected Area that contain divisions of land identified as Locations, which have not been surveyed as part of the rectangular surveying system, all of the land located therein is described in this Petition by its north and south running range lines and its east and west running township lines. The exterior boundary of the resulting sections of land shall be further defined by following said range and township lines to the intersection of these lines. Said sections can be further subdivided into quarter section drilling unit building blocks using this same method. A portion of one or more Location, or all of a Location, may be located within the boundaries of a particular section of land.

3. Petitioner herein respectfully submits to the Commission that said exceptions are supported by regional and geological characteristics and would allow the most efficient and economic recovery of natural gas:

   a) Drilling into the New Albany Shale formation in and near the Affected Area has produced commercial quantities of natural gas;

   b) The unique characteristics of the New Albany Shale formation and its low permeability requires the use of horizontal drainholes to allow the Petitioner to more efficiently and economically develop this unconventional shale gas resource at the Affected Area;

c) Drilling horizontal drainholes enhances gas recovery within the New Albany Shale formation by cutting across existing fracture patterns within the formation which are often more vertical than horizontal in nature, thereby facilitating the flow of gas from the shale, to the fractures, to the drainhole;

d) Drilling a single horizontal drainhole in the manner described herein can effectively and economically recover the natural gas resources within a three hundred twenty (320) acre drilling unit and drilling a multilateral horizontal drainhole in the manner described herein can effectively and economically recover the natural gas resources within a six hundred forty (640) acre drilling unit.

e) The proposed exceptions to the General Oil and Gas Well Spacing Rules and General Oil and Gas Well Drilling Unit Size Rules will not result in a loss of resources within the New Albany Shale formation of the Affected Area. The variances will enhance recovery of the natural gas from the low permeability of the New Albany Shale formation.

4. Petitioner is ready and willing to present to the Commission or its representatives such further and additional information as may be pertinent or relative to consideration of the above described well spacing and unit size variances within the Affected Area, either at or prior to consideration of this Petition.

5. Petitioner has not attached structure maps hereto, as structure has little impact upon the production of natural gas from the New Albany Shale formation. The quantity of natural gas recovered will depend instead upon the existing fracture patterns within the formation.

6. Petitioner represents that to the best of its knowledge and belief, it would be in the best interests of conservation and the preservation and utilization of petroleum resources to approve the exceptions set out in Section 2(a) and 2(b) above.

Therefore, Petitioner prays that, through an informal hearing, the above described exceptions to 312 IAC 16-5-1 and 312 IAC 16-5-2 be authorized and established, according to any further terms and conditions as the Commission may impose in its Order establishing such unit and spacing.

Respectfully submitted,

EL PASO E&P COMPANY, L.P.

By: _____

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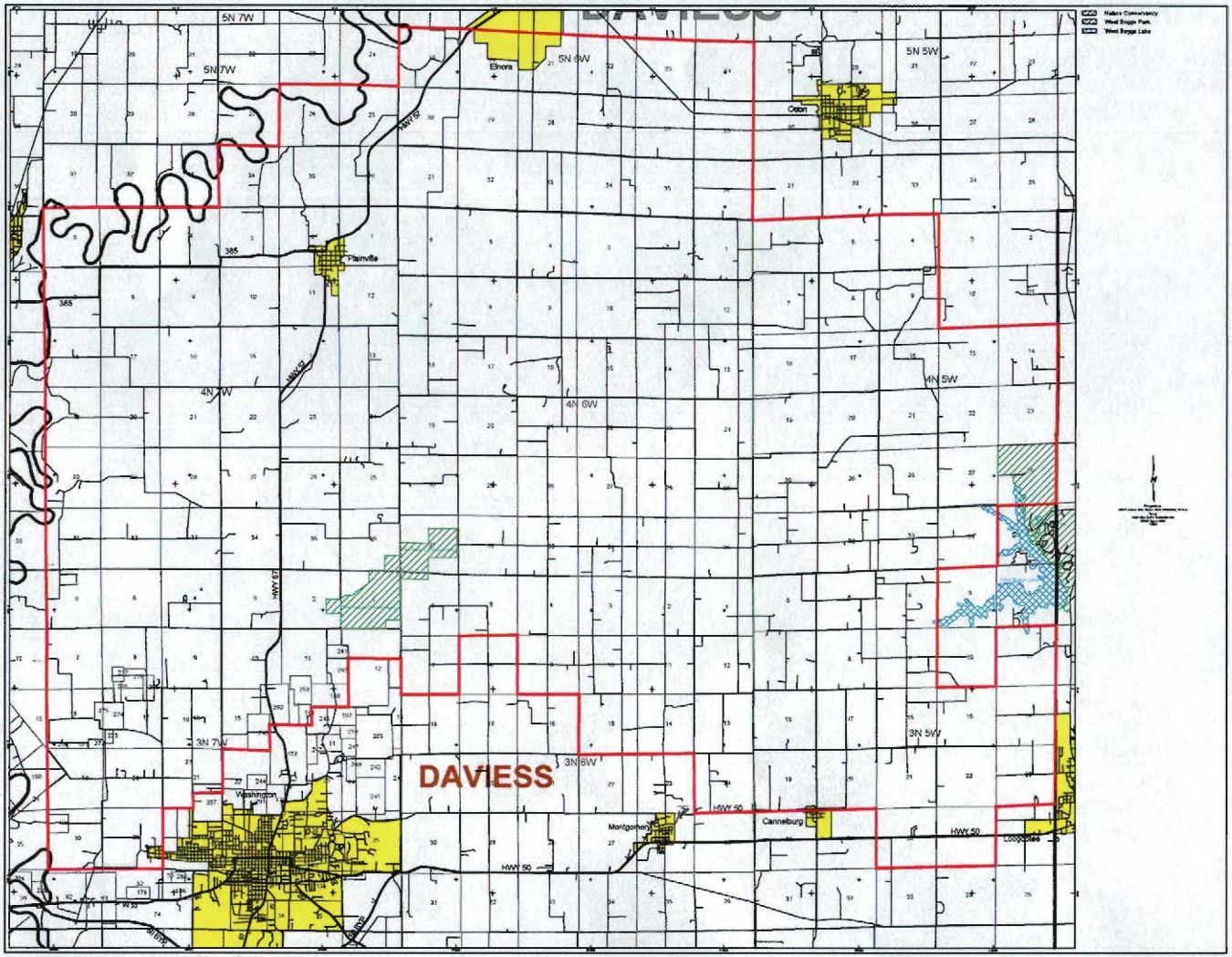
ATTORNEY FOR PETITIONER

For notification purposes:
El Paso E&P Company, L.P.
Attn: Elizabeth R. Williams
Post Office Box 2511
Houston, Texas 77252-2511

Exhibit "A"


5N 7W
5N 6W
5N 5W
Elnora
Odon
Plainville
385
4N 7W
4N 6W
4N 5W
HWY 57
3N 7W
3N 6W
3N 5W
DAVIESS
Washington
Montgomery
Cannelburg
HWY 50
Loogootee