

September 6, 2005

OIL AND GAS DOCKET NO. 03-0243576

APPLICATION OF BALLARD EXPLORATION COMPANY, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED MYERS SUBDIV. (LWR COOK MTN) FIELD, LIBERTY COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: August 25, 2005

APPEARANCES:

REPRESENTING:

Dale Miller

Ballard Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Ballard Exploration Company, Inc. for a new field designation and field rules for the proposed Myers Subdiv. (Lwr Cook Mtn) Field which provide for:

1. The entire combined correlative interval from 12,098' to 13,130' as shown on the Array Induction, Gamma Ray - SPL Log of the Ballard Exploration Company, Inc., Houston Arts Endowment Lease Well No. 1 (API No. 42-291-32548), Section 175, Blk 6, H. & T.C RR. Co. Survey, A-271, Liberty County, Texas should be designated as the Myers Subdiv. (Lwr Cook Mtn) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

The initial proposed field name, Myers Subdivision (Lwr Cook Mtn) Field, contained to many characters for the Commission's computer field system. Subsequent to the hearing, the proposed field name was shortened to Myers Subdiv. (Lwr Cook Mtn) Field. It is also requested that any over production be canceled. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed Myers Subdiv. (Lwr Cook Mtn) Field was discovered on November 10, 2004, by completion of the Ballard Exploration Co., Houston Arts Endowment Lease Well No. 1 through four sets of select perforations from the measured depths of 12,098' to 13,074'. The well potentialled

at a highest rate of 1,400 MCFD and a calculated absolute open flow of 1,614 MCFD. The calculated bottomhole pressure was 10,743 psig.

The proposed Myers Subdiv. (Lwr Cook Mtn) Field is a new field designation as the well lies within a fault block and is separate from other wells completed at this depth within 2.5 miles of the subject well. There are three wells that penetrate the Cook Mountain formation. However, these wells are fault separated according to cross-section analysis. Review of pressure analysis of the other wells and the virgin geo-pressure of the subject well demonstrates there is no pressure or fluid communication. It is proposed that the entire combined correlative interval from 12,098' to 13,130' as shown on the Array Induction, Gamma Ray - SPL Log of the Ballard Exploration Company, Inc., Houston Arts Endowment Lease Well No. 1 (API No. 42-291-32548), Section 175, Blk 6, H. & T.C RR. Co. Survey, A-271, Liberty County, Texas should be designated as the Myers Subdiv. (Lwr Cook Mtn) Field.

Cumulative production from January 2005 through June 2005 is 131 MMCF of gas and 2,840 barrels of condensate. The production has been consistent at 650 to 700 MCFD. The four producing intervals are geo-pressured. This is a low producing rate for four perforated zones demonstrating that each zone is not a stand alone reservoir. Gas analysis shows that the produced gas from the intervals are very similar in chemical and physical properties. The produced gas contains 2.11 mole percent CO₂ (carbon dioxide). The CO₂ provides for a corrosive environment thereby leading to potential mechanical tubular failures. The completion cost of the well was \$3.2 million. It is estimated that an additional 76 MMCF of gas will be recovered by completing in the four zones because of lowering the economic producing limit of each.

Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement. Cancellation of overproduction will not harm correlative rights as there are no other wells within the fault block.

FINDINGS OF FACT

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed Myers Subdiv. (Lwr Cook Mtn) Field was discovered on November 10, 2004, by completion of the Ballard Exploration Co., Houston Arts Endowment Lease Well No. 1 through four sets of select perforations from the measured depths of 12,098' to 13,074'.
4. The proposed Myers Subdiv. (Lwr Cook Mtn) Field is a new field designation as the well

lies within a fault block and is separate from other wells completed at this depth within 2.5 miles of the subject well.

5. The entire combined correlative interval from 12,098' to 13,130' as shown on the Array Induction, Gamma Ray - SPL Log of the Ballard Exploration Company, Inc., Houston Arts Endowment Lease Well No. 1 (API No. 42-291-32548), Section 175, Blk 6, H. & T.C RR. Co. Survey, A-271, Liberty County, Texas should be designated as the Myers Subdiv. (Lwr Cook Mtn) Field.
6. Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.
 - b. Cancellation of overproduction will not harm correlative rights as there are no other wells within the fault block.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Adoption of the proposed new field designation and field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed new field designation and field rules for the Myers Subdiv. (Lwr Cook Mtn).

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel