

November 7, 2005

OIL AND GAS DOCKET NO. 03-0244578

APPLICATION OF BALLARD EXPLORATION COMPANY, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED LURA MIRE (YEGUA) FIELD, LIBERTY COUNTY, TEXAS

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

DATE OF HEARING: November 3, 2005

APPEARANCES:

REPRESENTING:

Dale E. Miller
George C. Neale, attorney

Ballard Exploration Company, Inc.
Cimarron Engineering Corp.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Ballard Exploration Company for a new field designation and field rules for the proposed Lura Mire(Yegua) Field which provide for:

1. The entire combined correlative interval from 11,600' to 11,726' as shown on the Conductivity Gamma Ray Final Composite log of the Ballard Exploration Company, State Lura Mire Lease Well No. 1 (API No. 42-291-32596), W.C.R.R. Co./HB Aldrich Survey, A-976, Liberty County, Texas should be designated as the Lura Mire (Yegua) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

The subject hearing was originally noticed with a proposed field name of "Cow Island Bayou". The Commission desires to have the field name include some identification of the producing formation included in the name. Two other preference field names were proposed each beginning with Cow Island. Subsequent to the hearing the examiner contacted the Commission's New Field Section and was advised that a field name starting with the name of "Cow Island" could not be used because there was no available field number for a new field by the proposed name. Subsequently, the name Lura Mire (Yegua) Field was proposed and was acceptable. The examiner recommends approval of the proposed application as amended.

DISCUSSION OF THE EVIDENCE

The proposed Lura Mire (Yegua) Field was discovered on July 29, 2005, by completion of the Ballard Exploration Co., State Lura Mire Lease Well No. 1 through selective perforations from 11,601' to 11,705' subsurface depth. The well potentialized at 16,027 MCFD and a calculated absolute open flow potential of 132,854 MCFD. The measured bottomhole pressure was 9,975 psia.

The proposed Lura Mire(Yegua) Field is a new field designation as there is no comparable Yegua production within 2.5 miles from the subject well. There are no wells within 2.5 miles that have even been perforated 150' above or below the correlative interval. It is proposed that the entire combined correlative interval from 11,600' to 11,726' as shown on the Conductivity Gamma Ray Final Composite log of the Ballard Exploration Company, State Lura Mire Lease Well No. 1 (API No. 42-291-32596), W.C.R.R. Co./HB Aldrich Survey, A-976, Liberty County, Texas should be designated as the Lura Mire (Yegua) Field.

The producing intervals are geo-pressured and contain 1.45 Mol% CO₂. Cumulative production for the well is 937,238 MCF in three months. By producing both intervals simultaneously, an estimated 200,000 MCF of gas may be recovered because of lowering the economic limit of each zone. Though the well commenced phenomenal production initially, the flowing bottomhole pressure has decreased by approximately 50%.

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.

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 Lura Mire(Yegua) Field was discovered on July 29, 2005, by completion of the Ballard Exploration Co., State Lura Mire Lease Well No. 1 through selective perforations from 11,601' to 11,705' subsurface depth.
4. The proposed Lura Mire (Yegua) Field is a new field designation as there is no comparable Yegua production within 2.5 miles from the subject well.
5. The entire combined correlative interval from 11,600' to 11,726' as shown on the Conductivity Gamma Ray Final Composite log of the Ballard Exploration Company, State Lura Mire Lease Well No. 1 (API No. 42-291-32596), W.C.R.R. Co./HB Aldrich Survey, A-976, Liberty County, Texas should be designated as the Lura Mire (Yegua) 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.

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 Lura Mire (Yegua) Field.

Respectfully submitted,

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