December 11, 2006

OIL AND GAS DOCKET NO. 03-0249515

APPLICATION OF BALLARD EXPLORATION COMPANY, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED WHARTON JUNCTION, NORTH FIELD, WHARTON COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.
DATE OF HEARING: December 6, 2006

APPEARANCES:	**REPRESENTING:**
Dale Miller	Ballard Exploration Company, Inc.

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 Wharton Junction, North Field which provide for:

1. The entire combined correlative interval from 11,150' to 11,540' as shown on the Schlumberger Array Induction Gamma Ray-SP log of the Ballard Exploration, Harrison Lease Well No. 1 (API No. 42-481-34680), Alexander Jackson, A-34, Wharton County, Texas should be designated as the Wharton Junction, North Field.

2. A two-factor allocation formula based on 95% deliverability and 5% per well.

It is also requested that any overproduction be canceled. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed Wharton Junction, North Field was discovered on January 17, 2005, by completion of the Ballard Exploration, Harrison Lease Well No. 1 through three sets of select perforations from 11,270' to 11,496' subsurface depth. The well potentialed at a highest rate of 3,632 MCFD and a calculated absolute open flow (AOF) of 77,314 MCFD. The calculated bottomhole pressure was 10,096 psig.

The proposed Wharton Junction, North Field is a new field designation as there are no other wells completed in the proposed interval within 2.5 miles of the subject well. The entire combined correlative interval from 11,150' to 11,540' as shown on the Schlumberger Array Induction Gamma Ray-SP log of the Ballard Exploration, Harrison Lease Well No. 1 (API No. 42-481-34680), Alexander Jackson, A-34, Wharton County, Texas should be designated as the Wharton Junction, North Field. The cost of completing and stimulating the well was $2.3 million. It is essential that

the zones be produced at the same time for the efficient and effective depletion of this geo-pressured reservoir. The CO_2 content of the gas stream is 3mole percent.

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. Cumulative production from the well is 3.558 BCF of gas and 64,000 barrels of condensate. Current production is over 3,000 MCFD. The well produces with a 35% water cut. The completion report shows a certification date of April 5, 2005. The Commission District Office stamp date is June 16, 2006 and the Austin stamp date is August 24, 2006. Ballard states that it has been filing monthly production reports since pipeline sales commenced in January 2005 and the reports were filed indicating the field to be "Wildcat". The person who executed the Form G-1 is no longer an employee with Ballard, so there is no explanation as to why the completion package was not timely filed in April 2005. Additionally, there is no explanation for the Commission's non-timely processing of the completion forms that were filed in June 2006.

EXAMINER'S OPINION

It is alarming that the subject well has accumulated such a large volume of overproduction. However, it appears that the non-filing of the completion form was not intentional nor meant to be misleading. Indeed, Ballard continued to file the required monthly production reports in accordance to Commission rules. As this is the only well in the subject field, cancellation of the overproduction will not harm correlative rights. The allowable for a well in a single well field is the deliverability of the well (the same as suspension of the allocation formula in a multi-well field).

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 Wharton Junction, North Field was discovered on January 17, 2005, by completion of the Ballard Exploration, Harrison Lease Well No. 1 through three sets of select perforations from 11,270' to 11,496' subsurface depth.

4. The proposed Wharton Junction, North Field is a new field designation as the well there are no other wells completed in the proposed interval within 2.5 miles of the subject well.

5. The entire combined correlative interval from 11,150' to 11,540' as shown on the Schlumberger Array Induction Gamma Ray-SP log of the Ballard Exploration, Harrison Lease Well No. 1 (API No. 42-481-34680), Alexander Jackson, A-34, Wharton County, Texas should be designated as the Wharton Junction, North 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 Wharton Junction, North Field.

Respectfully submitted,

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