



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 03-0309439

**THE APPLICATION OF BALLARD EXPLORATION COMPANY, INC. (048169) TO
CONSIDER A NET GAS-OIL RATIO FOR THE FEDEX (27261) LEASE, WELL NO. 1,
CLINTON, NW (MIOCENE 3850) FIELD, HARRIS COUNTY, TEXAS**

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: June 6, 2018

CONFERENCE DATE: September 18, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller
Tyson McClead

Ballard Exploration Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF CASE

Ballard Exploration Company, Inc. ("Ballard") requests authority to produce the Fedex (27261) Lease, Well No. 1 ("the Well") in the Clinton, NW (Miocene 3850) Field under a net gas-to-oil ratio ("GOR") authority with a daily gas limit of 750 thousand cubic feet of gas per day ("MCFD"). Ballard also requests that all overproduction accrued for the Well be cancelled effective the date of the Final Order in this matter. The application was not protested. The technical examiner and administrative law judge ("Examiners") recommend the application be granted.

DISCUSSION OF THE EVIDENCE

Ballard completed the Well on February 11, 2017 and there is only well on the lease. The Well was the discovery well for the Clinton, NW (Miocene 3850) Field ("the Field"). The initial potential test dated February 12, 2017 shows the 24-hour rates were 75 barrels of oil per day ("BOPD"), 722 MCFD, 55 barrels of water per day ("BWPD"), and

an initial GOR of 9,626 cubic feet of gas per barrel of oil. The Field currently has a top allowable of 100 BOPD with a standard GOR of 2,000:1, which provides for a daily gas production limit of 200 MCFD for all wells. Because of the GOR reported from the initial potential test, a penalized oil allowable of 21 BOPD is currently assigned to the Well. Total production reported from February 2017 to March 2018 is 4,494 BO and 112,003 MCF of casinghead gas. Ballard stated that the Well had never produced oil condensate in excess of 100 BOPD.

There are two sets of perforations in the Well from 3,912 feet to 3,917 feet and from 3,930 feet to 3,934 feet. The Well has a history of operational problems, would not consistently flow, and would sand up which prevented production. Ballard cleaned out the Well and set a bridge plug over the lower perforations to isolate them from the upper perforations in September 2017. Production is now only from the upper perforations.

According to Ballard, the reservoir pressure is nearing the line pressure of 600 psi, and the Well will need to be put on compression soon. From April 4, 2018 to May 6, 2018, Ballard performed step-rate tests using decreasing choke sizes from 9/64ths to 8/64ths. Results of the tests indicate there is reservoir decline. The Flowing Tube Pressure ("FTP") remained stable or declined during the tests with decreasing choke sizes, demonstrating the reservoir is possibly loading and is not rate sensitive.

Based on the production characteristics of the Well, Ballard believes overproducing the current casinghead gas limit will be a continual issue. Therefore, based on a review of the initial potential testing data for the subject well, Ballard is requesting a daily gas limit of 750 MCFD. Ballard stated there will never be any other wells drilled into this reservoir and that they are trying to optimize their ultimate recovery and avoid being shut-in.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Well was completed on February 11, 2017 and there is only well on the lease. The Well was the discovery well for the Clinton, NW (Miocene 3850) Field.
3. A penalized oil allowable of 21 BOPD is currently assigned to the Well, and a daily gas production limit of 200 MCFD is assigned for all wells.
4. Ballard performed step-rate tests wherein the FTP remained stable or declined indicating the reservoir is possibly loading and is not rate sensitive.
5. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.42.
3. Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on September 18, 2018.

RECOMMENDATION

The Examiners recommend that authority be granted to Ballard Exploration Company, Inc. to produce the Fedex (27261) Lease, Well No. 1, in the Clinton, NW (Miocene 3850) Field under a net GOR authority with a daily gas limit of 750 MCFD, and that all accumulated overproduction for this lease be cancelled as of the effective date of the Final Order in this matter.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Lynn Latombe
Administrative Law Judge