

November 7, 2005

OIL AND GAS DOCKET NO. 03-0244430

APPLICATION OF BALLARD EXPLORATION COMPANY, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED TANK FARM (LWR. COOK MTN. 3A) FIELD, LIBERTY COUNTY, TEXAS

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

DATE OF HEARING: November 3, 2005

APPEARANCES:

REPRESENTING:

Dale E. Miller

Ballard Exploration Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Ballard Exploration Company for a new field designation and field rules for the proposed Tank Farm (Lwr. Cook Mtn. 3A) Field which provide for:

1. The entire combined correlative interval from 12,933' TVD to 13,104' TVD as shown on the Gamma Ray/Conductivity log of the Ballard Exploration Company, Abshier Lease Well No. 1 (API No. 42-291-32580), W.C.R.R. Co. Survey, A-410, Liberty County, Texas should be designated as the Tank Farm (Lwr. Cook Mtn. 3A) 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 "Tank Farm Field". The Commission desires to have the field name include some identification of the producing formation included in the name. The proposed amended field name of "Tank Farm (Lwr. Cook Mtn. 3A) Field" was suggested at the hearing. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed Tank Farm (Lwr. Cook Mtn. 3A) Field was discovered on July 1, 2005, by completion of the Ballard Exploration Co., Abshier Lease Well No. 1 through selective perforations from 13,507' to 13,677' (measured depths) [12,936' to 13,103' TVD]. The well potential at 678 MCFD and a calculated absolute open flow potential of 807 MCFD. The measured bottomhole

pressure was 10,658 psia.

The proposed Tank Farm (Lwr. Cook Mtn. 3A) Field is a new field designation as the closest comparable Cook Mountain production, the Devers, SW. (Cook Mountain) Field, is 5,450' to the southeast and is fault separated from the proposed field. This has been verified by 3-D seismic. There are four other wells that are closer and at least penetrate the subject interval, but are perforated at least 650' above or below the correlative interval. It is proposed that the entire combined correlative interval from 12,933' TVD to 13,104' TVD as shown on the Gamma Ray/Conductivity log of the Ballard Exploration Company, Abshier Lease Well No. 1 (API No. 42-291-32580), W.C.R.R. Co. Survey, A-410, Liberty County, Texas should be designated as the Tank Farm (Lwr. Cook Mtn. 3A) Field.

The producing intervals are geo-pressured and contain 1.977 Mol% CO₂. Cumulative production for the well is 42,120 MCF. By producing both intervals simultaneously, an estimated 63,500 MCF of gas may be recovered because of lowering the economic limit of each zone.

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 Tank Farm (Lwr. Cook Mtn. 3A) Field was discovered on July 1, 2005, by completion of the Ballard Exploration Co., Abshier Lease Well No. 1 through selective perforations from 13,507' to 13,677' (measured depths) [12,936' to 13,103' TVD].
4. The proposed Tank Farm (Lwr. Cook Mtn. 3A) Field is a new field designation as the closest comparable Cook Mountain production, the Devers, SW. (Cook Mountain) Field, is 5,450' to the southeast and is fault separated from the proposed field.
5. The entire combined correlative interval from 12,933' TVD to 13,104' TVD as shown on the Gamma Ray/Conductivity log of the Ballard Exploration Company, Abshier Lease Well No. 1 (API No. 42-291-32580), W.C.R.R. Co. Survey, A-410, Liberty County, Texas should be designated as the Tank Farm (Lwr. Cook Mtn. 3A) 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 Tank Farm (Lwr. Cook Mtn. 3A) Field.

Respectfully submitted,

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