OIL AND GAS DOCKET NO. 03-0260611

THE APPLICATION OF BALLARD EXPLORATION COMPANY, INC. TO CONSOLIDATE THE CHINA (YEGUA EY), CHINA (YEGUA EY-2) AND CHINA (EY-3) FIELDS INTO A NEW FIELD TO BE KNOWN AS THE CHINA (YEGUA CONS.) FIELD AND TO ADOPT FIELD RULES FOR THE CHINA (YEGUA CONS.) FIELD, JEFFERSON COUNTY, TEXAS

Heard by: Donna K. Chandler on February 5, 2009

Appearances:	**Representing:**
Dale Miller	Ballard Exploration Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Ballard Exploration Company, Inc. requests that the China (Yegua EY), China (Yegua EY-2) and China (Yegua EY-3) Fields be consolidated into a new field called the China (Yegua Cons.) Field and that the following rules be adopted for the consolidated field:

1. Designated interval from 12,482 feet to 14,492 feet as shown on the log of the Edson Realty Company Well No. 1;

2. Allocation based 5% per well and 95% deliverability, with AOF status.

This application was unprotested and the examiner recommends approval of Ballard's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The China (Yegua EY) Field was discovered in 1996 and there is one well listed on the current proration schedule, an inactive well operated by Samson Lone Star, LLC. The China (Yegua EY-2) Field was discovered in 1997 and there are no wells currently carried in this field. The China (Yegua EY-3) Field was discovered in 2003 and there are five producing wells in the field, all operated by Ballard. All three fields are non-associated gas fields which operate under Statewide Rules.

A total of eleven completions have been made in the various fields. Two wells have had completions in two of the three fields. Cumulative production from the China (Yegua EY) Field is 6 BCF of gas, cumulative production from the China (Yegua EY-3) Field is 6.54 BCF and cumulative production from the China (EY-2) Field is 0.55 BCF of gas.

The proposed consolidated field is from the top of the Yegua to the base of the Yegua EY-5 as shown on the log of the Edson Realty Company No. 1. This interval includes up to six separate Yegua sand members. Many of these sands would not be economic as single completions. Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic. Ballard estimates that combining just two of the reservoirs will result in the recovery of an additional 25 MMCF of gas per well due to a lower combined economic limit. The cost to drill and complete a single zone at this depth is over $6 million.

A two factor allocation formula based on 5% deliverability and 95% per well is requested for the consolidated field to meet statutory requirements. Additionally, AOF status is requested for the consolidated field. The only field with production, the China (Yegua EY-3) is currently AOF status.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.

2. The subject three fields proposed for consolidation are non-associated gas fields which operated under Statewide Rules.

3. The China (Yegua EY-3) Field has five producing wells. The other two fields have no producing wells at this time.

4. Cumulative production from the three subject fields is about 13 BCF of gas.

5. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.

6. The China (Yegua Cons.) Field should be designated as the correlative interval from 12,482 feet to 14,492 feet as shown on the log of the Edson Realty Company Well No. 1.

7. Allocation based on 5% per well and 95% deliverability will protect correlative rights and satisfy statutory requirements.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.

2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.

3. Consolidation of the fields as proposed by Ballard Exploration Company, Inc. is necessary to prevent waste and protect correlative rights.

4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

5. Suspension of the allocation formula for the China (Yegua Cons.) Field is appropriate pursuant to Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the three subject fields be consolidated into a new field to be known as the China (Yegua Cons.) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner