The Bill Barrett Corporation and the Gibson Gulch Area

The Bill Barrett Corporation is a relatively new independent oil and gas company with operations in nine basins in the Rocky Mountains. In 2004, only two years after its inception, the corporation went public on the New York Stock Exchange (NYSE). Today, the company's total proven gas reserves are 258 billion cubic feet of gas and 5.7 million barrels of oil.

One of the most important gas reserves owned by the company is in the Gibson Gulch area, near Parachute, Colorado. The area contains approximately 89 billion cubic feet equivalent of unconventional gas -- or tight gas. This is a lenticular reservoir, in which gas is accumulated in relatively small, discrete packets of tight (extremely low permeability) sand (Fig. 1). Most of these deposits lie in the Mesaverde Group.

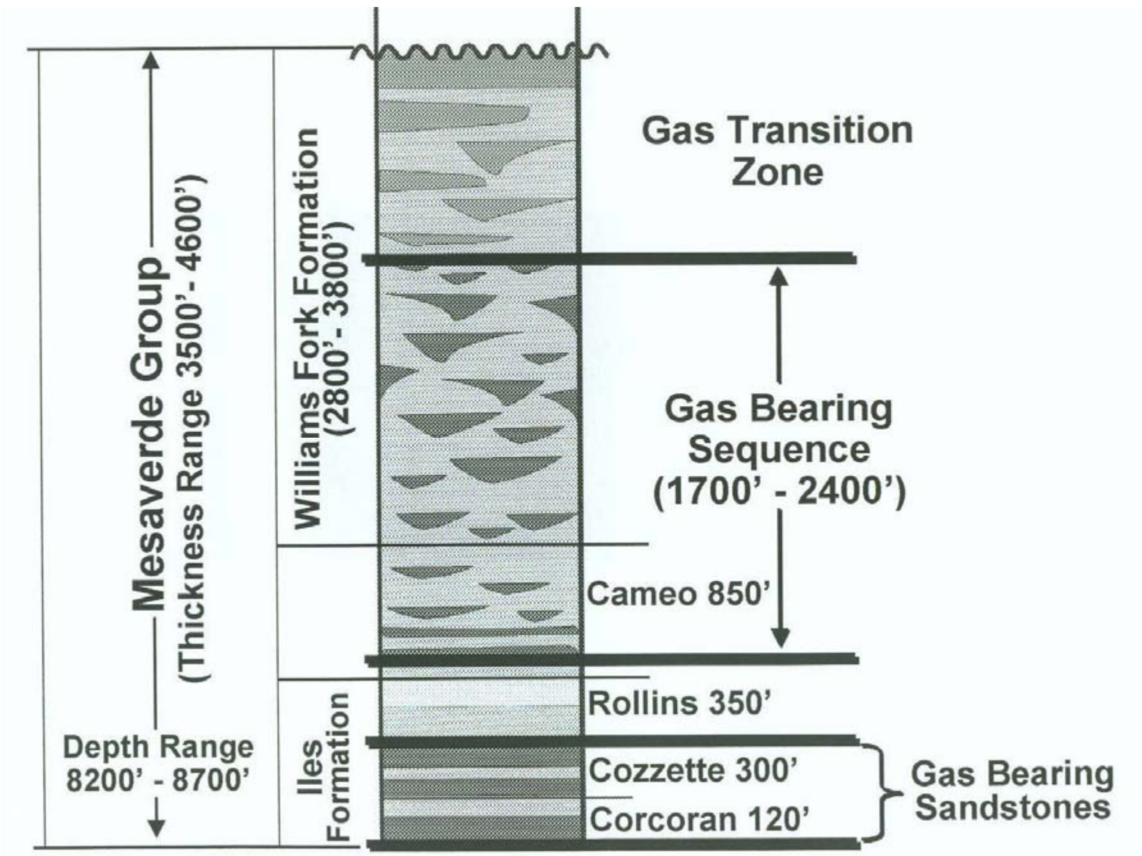

Figure 1
Example of lenticular reservoir

Although the deposit is naturally fractured, enabling some flow of gas from the reservoir into the production wells, it is necessary to implement a hydraulic fracturing program to increase gas production. To date, about 100 producer wells have been completed, to depths between 7,000 and 8,000 feet, for a total production of about six million of cubic feet of gas per day.

The current well spacing is 40 acres (per drilling pad), but through the use of directional drilling, an underground spacing of 20 acres is achieved. According to the Bill Barrett Corporation, the total recovery of Gas In Place (GIP) increases with the number of wells. With 40-acre spacing, about 24% of the GIP will be recovered; with the 20-acre spacing, 48% can be achieved; and with a 10-acre spacing it is estimated that 86% of GIP can be recovered. Directional drilling technology can drill up to 16 wells from a common site on the surface. The company has received approval from the Bureau of Land Management to implement the desired 10-acre *underground* spacing.

Oil and gas industry projects have different associated risks. Nevertheless, these projects have the advantage of serving a market in which supply does not meet the demand. According to Alan Greenspan, today's oil and gas prices do not reflect cumulative inflation for the last decades, if they did, the prices would likely be higher. Furthermore, a reduction in gas prices in the U.S. due to the importation of liquefied natural gas (LNG) is very unlikely to occur in the near future since these are long term projects with an intense capital investment.

References:

2004 Annual Report, Bill Barrett Corporation.

www.federalreserve.gov/boarddocs/speeches.2005.