

Giant and local partner go to the edge

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Exxon Mobil has entered the Barnett Shale natural-gas field, but not in the manner that many would have thought: by the giant multinational devouring one of the bigger independent producers already there, or by a repurchase of a bundle of existing leases.

Instead, Exxon Mobil has quietly partnered with closely held Harding Co. of Dallas, whose president is Rick Harding of Fort Worth.

The Big Oil-little exploration company partnership isn't going to blitz the field with a dozen rigs. Instead, the partnership is breaking ground in Dallas County with a modest drilling program along an Exxon Mobil pipeline that will pioneer the eastern edges of the field.



CHARLES HARDING

"It's very early, and almost no 3-D seismic imaging has been shot in Dallas County," Harding said. "So we're going to be careful."

The Harding-Exxon partnership plans to keep one drilling rig busy this year, a credible enough performance but far short of the 20 to 30 rigs the Barnett behemoths such as Devon Energy, XTO and Chesapeake Energy will run in the North Texas field this year.

As Harding explains it, the partnership has evolved around the use of an old Mobil Corp. 8-inch pipeline running from Keller to Corsicana. Harding has leases along the pipeline, from Keller through Hurst, North Richland Hills, Arlington and Grand Prairie, western Dallas County and southeast into Ellis County at Midlothian.

"They had the pipeline and we had the Barnett Shale expertise, so it made a good partnership," Harding said.

Harding-Exxon will be a pioneer of sorts, pushing into Dallas County, which in contrast to Tarrant County has seen virtually no Barnett Shale drilling. The partnership has a lease in west Dallas near Kiest Boulevard and Texas 408 near Dallas Baptist University.

Harding says he is looking at other leasing sites in Dallas County.

So far, the Barnett Shale boom has stopped at the western Dallas County line because of an underground barrier called the Ouachita Overthrust, a break in geological formation patterns that occurred roughly 280 million years ago when the earth's tectonic plates pulled apart, then came back together.

The result was the Ouachita Mountains, whose remnants can be seen today in parts of Arkansas and Missouri. In Texas, the Ouachita Overthrust runs under the western half of Dallas County.

"The Ouachita Overthrust is considered to be the eastern boundary to the Barnett Shale, and everything behind it is pretty much a no-man's land," said geologist Jimmy Thomas of Weatherford, a longtime student of the Barnett Shale.

Harding agrees with the conventional wisdom about the Ouachita Overthrust and says that the city of Dallas is unlikely to see the kind of industrial-strength drilling that Fort Worth and Tarrant County have experienced.

He says, however, that the old Mobil pipeline through Dallas, Ellis and Navarro counties courses through a path on the safe side of the Ouachita Overthrust, with the added bonus of giving the partners the capacity to take the gas away.

"I don't want to produce stranded gas with no pipeline access," said Harding, whose company will produce about 1 billion cubic feet of Barnett Shale gas from its own leases -- independent of the Exxon Mobil partnership -- in eastern Parker County this year.

Exxon Mobil, as is its custom, declined to talk about its partnership with Harding. While other big integrators such as Shell, ConocoPhillips and Marathon Oil have moved into the Barnett Shale in the past two years, Exxon Mobil has generally stayed aloof, concentrating its new U.S. natural-gas production in the Piceance Basin of western Colorado.

The partnership with Harding has been something of a surprise among independents because Harding Co., while a well-regarded producer over its 54-year life, has studiously kept a low profile ever since Rick Harding's father, Charles, sold a Dallas furniture store in 1953 and went into the oil business.

"We are a family operation and we want to be low-key," Harding said.

The elder Harding, now 87, was in partnership with his brother Roy in a Preston Road furniture store in 1953 when they were offered pieces of an oil-drilling deal in Brown County. When the first seven wells came in, Charles and Roy Harding

decided to get out of the furniture business and become full-time oilmen.

The Brown County wells, and another set of wells Harding drilled in Callahan County, benefited from a Railroad Commission rule at the time that exempted more shallow wells such as Harding's from mandatory shutdowns that the commission used at the time to control overproduction of oil.

The Hardings kept their overhead low and their options wide by gradually divesting most of their assets through the '60s, '70s and '80s. That enabled the company to ride out the downturn in the oil business in the 1980s and '90s.

Like most energy producers, Charles Harding was always aware of the Barnett Shale but like his fellows, Harding knew the conventional wisdom that the Barnett could never be drilled because of its impermeability.

"We always thought the idea of drilling the Barnett Shale was crazy," said the elder Harding, who still comes to Harding's offices on West Northwest Highway regularly.

As the son and nephew of oilmen (Roy Harding died in the early 1990s), Rick Harding grew up in the oil fields. Father Charles tells a story of how his son learned the habits of the field. A young Rick imitated his elders at a rig one day as they licked rock fragments that came out of the test well, seeking the telltale taste of petroleum. Rick, however, took the process a step further and swallowed the rock.

"I survived it, and I guess that told me I was going to be an oilman," the younger Harding said.

In the early part of this decade Harding noticed the success Mitchell Energy was having with its first Barnett Shale wells in Wise and Denton counties north of Fort Worth.

Eager to try the new field, Harding took a lease in Rhome and sunk its first well.

"The well was not a success," Rick Harding said. "We didn't have good 3-D seismic on it."

But Harding tried again, this time in eastern Parker County along White Settlement Road. That well paid off, and was the beginning of a 5,000-acre lease position in eastern Parker County. Harding's production jumped from 150.5 million cubic feet in 2004 to almost 1 billion cubic feet of gas in the first 10 months of 2006, according to Texas Railroad Commission figures.