

February 18, 2005

OIL AND GAS DOCKET NO. 03-0240655

THE APPLICATION OF THE WOODLANDS LAND DEVELOPMENT COMPANY, LP TO CONSIDER APPROVAL OF A QUALIFIED SUBDIVISION PURSUANT TO STATEWIDE RULE 76 FOR A 60.1936 ACRE TRACT SUBDIVISION, IN MONTGOMERY COUNTY, TEXAS.

APPEARANCES:

For Applicant The Woodlands Land Development Company, LP

Howard Rose

Alex Sutton

Dale Miller

For Observers

Leonard Pringle, Mineral Interest Owner

Philip C. Madelet, Mineral Interest Owner

EXAMINERS' REPORT AND RECOMMENDATION

PROCEDURAL HISTORY

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| Notice of Hearing: | November 22, 2004 |
| Hearing Held: | January 27, 2005 |
| Heard By: | Mark Helmueller, Hearings Examiner Donna Chandler, Technical Examiner |
| Report Issued: | February 18, 2005 |
| Status: | Unprotested |

STATEMENT OF THE CASE

The Woodlands Land Development Company, LP ("Woodlands") has filed an application for approval of a qualified subdivision pursuant to Statewide Rule 76. On January 27, 2005, the Commission held a hearing at its offices located at 1701 N. Congress Avenue, Austin, Texas, to consider evidence offered by Woodlands in support of its application. Two mineral interest owners appeared at the hearing as observers. The examiners recommend approval of the application.

SUMMARY OF EVIDENCE PRESENTED

Woodlands' 57.74¹ acre tract is located within the Ezra Read, A-468 Survey in Montgomery County, a county with a population in excess of 140,000 which borders Harris County, a county with a population in excess of 400,000 residents. The proposed qualified subdivision designates a two acre tract for future drilling operations. Historically, no wells have been drilled within the area of the proposed qualified subdivision. A plat of the proposed subdivision is attached.

There has been limited development of the minerals within the 2.5 miles surrounding the proposed qualified subdivision. The known Railroad Commission designated fields within the 2.5 mile radius of review include: Tamina (Chase Sand), Indian Hills, N. (Clarkfield), Indian Hills, N. (Clarkfield III), Indian Hills, N. (Clarkfield 5400), Indian Hills, N. (Clarkfield 5500), Indian Hills, N. (F Sand), Indian Hills, N. (G Sand), and Indian Hills, N. (Yegua 7000) Fields. Woodlands identifies 39 wells and/or permit locations within a 2.5 mile radius of the proposed qualified subdivision. Commission records show that only 7 wells had historically produced, and no wells are currently producing within the 2.5 mile area surrounding the proposed qualified subdivision.

The proposed 2 acre drillsite tract is adjacent to an existing road or access easement. Woodlands represents that the location for the proposed drillsite tract will allow future mineral development of the entire 57.74 acre tract by the use of directional drilling technology.

EXAMINERS' RECOMMENDATION

The examiners believe that the evidence presented satisfies the requirements of Statewide Rule 76. The proposed drillsite tract will allow for the future mineral development of the entire 57.74 acre tract. Accordingly, the examiners recommend that the qualified subdivision be approved.

FINDINGS OF FACT

1. At least 10 days notice of this hearing was given to all owners of the possessory mineral interest and to the mineral lessors of the proposed qualified subdivision. Notice of the hearing was published for four consecutive weeks in the Conroe Courier, a newspaper of general circulation in Montgomery County, beginning on December 12, 2004.
2. The Woodlands Land Development Company, LP ("Woodlands") has authority to represent all surface owners of land contained in the proposed qualified subdivision.

¹While this matter is captioned identifying a 60.1936 acre tract, all evidence presented identifies the subdivision's acreage as 57.74 acres. It appears that the difference in area reflects the presence of a road, FM 2878, bisecting the subdivision tract.

3. Woodlands' 57.74 acre tract located within the Ezra Read, A-468 Survey in Montgomery County, Texas meets the requirements of a qualified subdivision.
 - a. The proposed qualified subdivision is a tract less than 640 acres in size.
 - b. Montgomery County, is a county with a population in excess of 140,000 which borders Harris County, a county with a population in excess of 400,000 residents.
 - c. The proposed operations site is adequate to ensure the full and effective development of the minerals which might underlie the proposed qualified subdivision.
 - d. The proposed qualified subdivision plat provides for access and pipeline connections adjacent to the proposed operations site.
4. The owners of the mineral interests underlying the tract did not object to the proposed qualified subdivision.
5. There are no wells currently producing on the acreage of the proposed qualified subdivision.
6. The 57.74 acre tract has been subdivided in a manner authorized by law by the surface owners for residential, commercial, or industrial use.
7. There has been limited development of the minerals within the 2.5 miles surrounding the proposed qualified subdivision.
 - a. The known Railroad Commission designated fields within the 2.5 mile radius of review include: Tamina (Chase Sand), Indian Hills, N. (Clarkfield), Indian Hills, N. (Clarkfield III), Indian Hills, N. (Clarkfield 5400), Indian Hills, N. (Clarkfield 5500), Indian Hills, N. (F Sand), Indian Hills, N. (G Sand), and Indian Hills, N. (Yegua 7000) Fields.
 - b. There are 39 wells, permitted locations, existing wells and plugged wellbores within a 2.5 mile radius of the proposed qualified subdivision.
8. The proposed 2 acre operations site provides sufficient area for any potential future drilling and production related to the development of the mineral interests underlying the proposed qualified subdivision.

CONCLUSIONS OF LAW

1. The application for the proposed qualified subdivision was properly filed with the Railroad Commission pursuant to its jurisdictional authority.
2. Proper and adequate notice was given by the Railroad Commission directly and by publication to persons legally entitled to such notice.
3. All things have been done or have occurred to give the Railroad Commission jurisdiction to decide this matter.
4. The application complies with the requirements of Statewide Rule 76 and Texas Natural Resources Code §§ 92.001 - 92.004.
5. Approval of this application will provide for the full and effective development of the minerals underlying the subject property as well as allow for the fullest and most efficient use of the surface estate.

RECOMMENDATION

The Woodlands Land Development Company, LP has satisfied the requirements of Statewide Rule 76 for approval of its qualified subdivision plan. Accordingly, the examiners recommend that the application be approved.

Respectfully submitted,

Mark Helmueller
Hearings Examiner

Donna Chandler
Technical Examiner