

November 7, 2006

OIL AND GAS DOCKET NO. 03-0245364

THE APPLICATION OF MORRISON HOMES OF TEXAS, INC. TO CONSIDER APPROVAL OF A QUALIFIED SUBDIVISION PURSUANT TO STATEWIDE RULE 76 FOR A 134.4288 ACRE TRACT SUBDIVISION, IN FORT BEND COUNTY, TEXAS.

APPEARANCES:

For Applicant Morrison Homes of Texas, Inc.

John Camp
Gregory Frazier
Tim Smith
Tom Northrup

For Intervenor JAR Texas Properties, LP.

David Gross

EXAMINERS' REPORT AND RECOMMENDATION

PROCEDURAL HISTORY

Application Filed:	November 29, 2005
Notice of Hearing:	September 26, 2006
Hearing Held:	October 25, 2006
Heard By:	Mark Helmueller, Hearings Examiner Donna Chandler, Technical Examiner
Report Issued:	October 31, 2006
Revised Report Issued:	November 7, 2006
Status:	Unprotested

STATEMENT OF THE CASE

Morrison Homes of Texas, Inc. ("Morrison") has filed an application for approval of a qualified subdivision pursuant to Statewide Rule 76. On October 25, 2006, the Commission held a hearing at its offices located at 1701 N. Congress Avenue, Austin, Texas, to consider evidence offered by Morrison in support of its application. No parties appeared at the hearing to protest the application. The examiners recommend approval. The revised report corrects the erroneous inclusion of survey information describing the location of the subdivision.

SUMMARY OF EVIDENCE PRESENTED

Morrison's 134.4228 acre tract is located within the George E. Fields A-591, Brooks & Burleson A-145, and William Stanley A-599 Surveys in Fort Bend County, a county with a population in excess of 140,000 residents adjacent to Harris County, a county with a population in excess of 600,000. The proposed qualified subdivision designates a 4 acre tract for future drilling operations. A plat of the proposed subdivision is attached.

Notice of the hearing was published for four consecutive weeks in the Daily Court Review, a newspaper of general circulation in the area of the proposed subdivision, beginning on September 27, 2006. JAR Texas Properties, LP. filed a protest to the application which was withdrawn on October 19, 2006.

There has been extensive development of the minerals within the 2.5 miles surrounding the proposed qualified subdivision. The 25 known Railroad Commission designated fields within the 2.5 mile radius of review include: Clodine, Clodine (7000), Clodine (7100), Clodine (7400), Clodine, North (Yegua 8020 FB-A), Clodine, SW (Frio 4700), Clodine, SW (7260), Clodine, SW (McCrary Sand), Clodine, SW (Yegua 7250), Clodine, West (5300), Clodine, West (7200), Clodine, West (7350), Cornerstone (Clodine), Endurance (Mid-Wilcox), Endurance (Third Meek Sand), Gaston (Murphy), Gaston (Yegua Upper), McCrary (2nd Yegua), McCrary (3rd Yegua), McCrary (4th Yegua), Rabb (Yegua 7305), Rabb (Yegua 7400 Y-1), Rabb (Yegua 7600), and the Richmond, North Fields. Morrison identifies 115 wells within a 2.5 mile radius of the proposed qualified subdivision, including one well located with the boundary of the subdivision which was plugged and abandoned on January 27, 2000.¹ The deepest well within the 2.5 mile radius review was drilled to a total depth of 17,040 feet.

The proposed 4 acre drillsite tract is located on the southern border of the proposed qualified subdivision and is adjacent to an existing road. Morrison characterizes the proposed drillsite tract as a cluster designed to minimize the potential impact on the proposed development of residential and commercial property. Morrison notes that separating the cluster into 2 tracts of 2 acres each located throughout the proposed qualified subdivision would not provide sufficient space for a drilling rig necessary to drill a well to a depth of 20,000 feet.

Morrison represents that the location for the proposed drillsite tract will allow future mineral development of the entire tract by the use of directional drilling technology. Nearby wells show directional drilling is both technically and economically feasible in this area.

¹ The well drilled within the area of the proposed subdivision was the Schultz Unit No. 1, API No. 157-31181. The Schultz Unit No. 1 well reported cumulative production from the Gaston (Yegua Upper) and Clodine, North (Yegua 8020 FB-A) Fields of 1.22 Bcf of natural gas and 8653 barrels of condensate. The former well site is located in a drainage detention area designated in the subdivision plan.

EXAMINERS' RECOMMENDATION

The examiners believe that the evidence presented satisfies the requirements of Statewide Rule 76. The Commission has previously approved "cluster" drillsites, and the overall acreage designated for the site is equal to the amount which would be required for 2 separate drillsites. Further, directional drilling would allow for mineral development of the entire tract from the proposed drillsite. 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 Daily Court Review, a newspaper of general circulation in the area of the proposed subdivision, beginning on September 27, 2006.
2. Morrison Homes of Texas, Inc. ("Morrison") has authority to represent all surface owners of land contained in the proposed qualified subdivision.
3. JAR Texas Properties, LP. filed a protest to the application which was withdrawn on October 19, 2006.
4. Morrison's 134.4228 acre tract is located within the George E. Fields A-591, Brooks & Burleson A-145, and William Stanley A-599 Surveys, Fort Bend County, Texas meets the requirements of a qualified subdivision.
 - a. The proposed qualified subdivision is a tract less than 640 acres in size.
 - b. Fort Bend County is a county with a population in excess of 140,000 residents adjacent to Harris County a county with a population in excess of 400,000 people.
 - c. The proposed operation site contains sufficient acreage and access thereto for equipment and pipelines adequate to ensure the full and effective development of the minerals which might underlie the proposed qualified subdivision.
5. There are no wells currently producing on the acreage of the proposed qualified subdivision.
6. The tract has been subdivided in a manner authorized by law by the surface owners for residential, commercial, or industrial use.

7. There has been extensive development of the minerals within the 2.5 miles surrounding the proposed qualified subdivision.
 - a. The 25 known Railroad Commission designated fields within the 2.5 mile radius of review include: Clodine, Clodine (7000), Clodine (7100), Clodine (7400), Clodine, North (Yegua 8020 FB-A), Clodine, SW (Frio 4700), Clodine, SW (7260), Clodine, SW (McCrary Sand), Clodine, SW (Yegua 7250), Clodine, West (5300), Clodine, West (7200), Clodine, West (7350), Cornerstone (Clodine), Endurance (Mid-Wilcox), Endurance (Third Meek Sand), Gaston (Murphy), Gaston (Yegua Upper), McCrary (2nd Yegua), McCrary (3rd Yegua), McCrary (4th Yegua), Rabb (Yegua 7305), Rabb (Yegua 7400 Y-1), Rabb (Yegua 7600), and the Richmond, North Fields.
 - b. Morrison identified 115 wells within 2.5 miles of the proposed qualified subdivision including one well located with the boundary of the subdivision which was plugged and abandoned on January 27, 2000.
 - c. The deepest well within the 2.5 mile radius review was drilled to a total depth of 17,040 feet.
8. The proposed 4 acre operation site provides a 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

Morrison Homes of Texas, Inc. 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