

November 24, 2008

OIL AND GAS DOCKET NO. 03-0258738

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APPLICATION OF CLAY/KATY HOCKLEY, LTD. TO CONSIDER APPROVAL OF A QUALIFIED SUBDIVISION PURSUANT TO STATEWIDE RULE 76, FOR A 157.109 ACRE TRACT, HARRIS COUNTY, TEXAS.

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**APPEARANCES:**

**For Applicant Clay/Katy Hockley, Ltd.**

John Camp  
Gregory Frazier  
Tim Smith  
Tom Northrup

**EXAMINERS' REPORT AND RECOMMENDATION**

**PROCEDURAL HISTORY**

<b>Application Filed:</b>	August 27, 2008
<b>Notice of Hearing:</b>	September 4, 2008
<b>Hearing Held:</b>	October 14, 2008
<b>Heard By:</b>	Mark Helmueller, Hearings Examiner Donna Chandler, Technical Examiner
<b>Late Filed Evidence Submitted:</b>	October 16, 2008
<b>Record Closed:</b>	November 19, 2008
<b>Report Issued:</b>	November 24, 2008
<b>Status:</b>	Unprotected

**STATEMENT OF THE CASE**

Clay/Katy Hockley, Ltd. ("Clay/Katy") has filed an application for approval of a qualified subdivision pursuant to Statewide Rule 76. On October 14, 2008, the Commission held a hearing at its offices located at 1701 N. Congress Avenue, Austin, Texas, to consider evidence offered by Clay/Katy in support of its application. No parties appeared at the hearing to protest the application. At the hearing, applicant advised that it obtained updated address information for several affected persons. Correspondence advising the parties about the hearing and their right to protest was sent by applicant's counsel on October 16, 2008.

On October 22nd, Glenn E. Robertson filed a protest to the proposed qualified subdivision. Applicant filed a response on November 12th, urging that the protest be disregarded and the application approved. On November 17th, a ruling was issued advising that a reopened hearing would be convened on a date mutually agreed to be protestant and applicant. On November 18, 2008, the protest was withdrawn. The examiners recommend approval of the application.

### **SUMMARY OF EVIDENCE PRESENTED**

Clay/Katy requests approval of a qualified subdivision for an 157.109 acre tract located within the J.O. Thomas Survey, A-1497, in Harris County, a county with a population in excess of 400,000. The proposed qualified subdivision designates a 4.5 acre tract for future drilling operations. A plat of the proposed subdivision is attached to the proposed final order.

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 8, 2008.

There has been extensive development of the minerals within the 2.5 miles surrounding the proposed qualified subdivision. The 20 known Railroad Commission designated fields within the 2.5 mile radius of review include: Delhi, North, Katy (II-B), Katy North, Katy (I-B), Katy (II-A L), Katy (Combined), Katy (Cockfield, Upper A), Katy (Cockfield, Upper B), Katy (First Wilcox), Katy (I-A), Katy (II-A U), Katy (II-B), Katy (III-A), Katy (III-B), Katy (IV), Katy (Wilcox 10,200 SEG. 5), Katy (Wilcox 10,200), Katy (Wilcox Sparks, SEG. 5), Katy (Wilcox Consolidated), and the Katy, East (Wilcox 10300) Fields. Clay/Katy identifies 118 wells within a 2.5 mile radius of the proposed qualified subdivision, with no wells located with the boundary of the subdivision. The deepest well within the 2.5 mile radius review was drilled to a total depth of 12,550 feet.

The proposed 4.5 acre drillsite tract is located in the northwest corner of the proposed qualified subdivision. Access easements for roads and pipelines are also identified. Clay/Katy 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.

### **EXAMINERS' RECOMMENDATION**

The examiners believe that the evidence presented satisfies the requirements of Statewide Rule 76. Sufficient acreage has been designated for the drill site tract consistent with the 2 acre requirement in Statewide Rule 76. 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 8, 2008.
2. Clay/Katy Hockley, Ltd. ("Clay/Katy") has authority to represent all surface owners of land contained in the proposed qualified subdivision.
3. Glenn E. Robertson filed a protest to the application which was withdrawn on November 18, 2008.
4. Clay/Katy's 157.109 acre tract located within the J.O. Thomas Survey, A-1497, in Harris County meets the requirements of a qualified subdivision.
  - a. The proposed qualified subdivision is a tract less than 640 acres in size.
  - b. Harris County is a county with a population in excess of 400,000 residents.
  - c. The proposed 4.5 acre 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 20 known Railroad Commission designated fields within the 2.5 mile radius of review include: Delhi, North, Katy (II-B), Katy North, Katy (I-B), Katy (II-A L), Katy (Combined), Katy (Cockfield, Upper A), Katy (Cockfield, Upper B), Katy (First Wilcox), Katy (I-A), Katy (II-A U), Katy (II-B), Katy (III-A), Katy (III-B), Katy (IV), Katy (Wilcox 10,200 SEG. 5), Katy (Wilcox 10,200), Katy (Wilcox Sparks, SEG. 5), Katy (Wilcox Consolidated), and the Katy, East (Wilcox 10300) Fields.
  - b. Clay/Katy identified 118 wells within 2.5 miles of the proposed qualified subdivision.

- C. No wells have been drilled or permitted within the boundary of the proposed subdivision.
  - c. The deepest well within the 2.5 mile radius review was drilled to a total depth of 12,550 feet.
8. The proposed 4.5 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

Clay/Katy Hockley, Ltd. 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