



CITY COUNCIL COMMUNICATION

June 23, 2009

SUBJECT: HOLD PUBLIC HEARING AND CONSIDER AN ORDINANCE BY THE REPEAL OF CHAPTER 40 "GAS DRILLING AND PRODUCTION" AND BY REPLACING IT WITH A NEW CHAPTER 40, TO PROVIDE REVISED REGULATIONS REGARDING DISTANCE, NOISE, GAS PIPELINES, AND TECHNICAL PROVISIONS; AMENDING SECTION 30-45 "GAS WELL PERMIT AND CONTRACT FEES" WITHIN CHAPTER 30 "FEES"

SUBMITTED BY: Mike Collins, Director of Planning and Development

REFERENCE NO: 09-09-CC

ACTION REQUESTED:

Receive public input and motion to approve Ordinance No. 1852, adopting a new Chapter 40 "Gas Drilling and Production" and amending section 30-45 "Gas Well Permit and Contract Fees".

ALTERNATIVES:

1. Approve the request – *simple majority*
2. Approve the request with modifications – *simple majority*
3. Deny the request – *simple majority*

SUMMARY OF SUBJECT:

The process of considering revisions to the Gas Drilling and Production Ordinance should perhaps be considered dynamic. As more is learned and technology advances, the ordinances regulating the drilling and production activity should be reflective of the best industry practices regarding minimizing nuisances, improving margins of safety, and sensitivities to the environment. Originally adopted in March 2005, the current city Gas Drilling and Production Ordinance is in need of such revision.

Since 2000, several thousands of gas wells have been drilled and are in production throughout the twenty (21) counties located throughout the Barnett Shale. Approximately

1,000 of these wells have been completed in the City of Fort Worth alone during the last seven (7) years. In 2006, there were approximately 1,500 wells drilled in the Barnett Shale. According to Texas Railroad Commission records, since 2001 there have been eight (8) reported incidents in the Barnett Shale related to either well blowouts or well control problems. There have been no reported resident or bystander injury as a result of a well site accident due to any drilling activity.

Collectively, the gas industry and the cities in which the operators are active have learned new techniques and methods over the years about drilling and producing natural gas in the Barnett Shale. The revisions proposed for the City of Euless Gas Drilling and Production Ordinance are in large measure a product of the experiences of the City of Fort Worth and other cities in Tarrant, Denton, Wise, and Johnson counties. In addition, the proposed revisions have been reviewed by several active gas drilling operators.

Adoption of the proposed Ordinance revisions would accomplish the following:

- Definitions would be included that reflect the current terminology and various processes of the gas well operations and that would enable consistency in application and interpretation;
- A new article would specifically address seismic surveys in the city;
- Language would be added to allow gas production on private and public properties;
- Separate permits would be established for the Gas Pad Site and for the Gas Drilling Operations, as well as creating a property owner waiver process;
- The Gas Pad Site Permit would deal with the consideration of drilling from a land use/site planning perspective, requiring the applicant to provide information regarding the well bore (s) location, pad site dimensions, structure locations, set back distances, and transportation routes;
- The Gas Pad Site Permit would be considered by the City Council under two (2) circumstances: If the distance of the well bore from adjacent residential, commercial, or public facilities is between 400' and 600' and the applicant was not able to obtain waivers from all property owners; and If the distance is between 200' and 400';
- The Gas Pad Site Permit would be considered an administrative approval by the City Manager under two (2) circumstances: If the distance of the well bore from adjacent residential, commercial, or public facilities is between 400' and 600' and the applicant obtained waivers from all property owners; and If the distance is greater than 600';
- Language would be added to clarify that other permits, such as fence and fresh water frac ponds, may be required due to site construction activities;
- Final approval of the Gas Well Operations Permit lies with the City Manager and would only be considered if a Gas Pad Site Permit was approved and granted if application is in substantial compliance with all technical requirements;

- A Noise Mitigation Plan must be submitted, developed in comparison to current ambient noise levels, covering all activities associated with site development, drilling, fracing, and production, use of best industry practices to mitigate noise;
- Margins of safety would be further enhanced through the following requirements: increase tank battery setbacks from public right-of-way, no on-site gas processing permitted, gas monitoring within 1,000' of structures, automatic shut off valve at the well head designed to stop the flow of gas and to prevent a well blow out;
- Additional requirements would be established for the Emergency Management Plan, report all emergencies to the city, establish clear emergency response plan requirements; and,
- New environmental provisions would be adopted to reduce emissions from wells and trucks, limit drilling fluids to lower toxicity, limits use of organic solvents; requires a lube oil purification unit on equipment at the site; prohibit drilling fluid pits and require closed loop mud system, require concrete containment berms for production tanks and devices to capture fluid leaks, prohibits salt disposal wells, and establish authority for soils testing.
- A Gas Well Inspection Services provider will be completing on-site inspections to ensure code compliance, and will be on call to respond to emergency situations.

The following fees are proposed for adoption in Chapter 30 (Fees):

• Gas Well Pad Site Permit (May be credited towards Gas Well Operations Permit Fee for first well)	\$1,500.00
• Gas Well Operations Permit (per well)	\$3,000.00
• Amended permit	\$540.00
• Extended permit	\$270.00
• Supplemental permit (change in depth or use from current permit)	\$180.00
• Operator Transfer	\$720.00
• Seismic site inspection	\$360.00
• Annual fee (per well)	\$500.00
• Fracture Pond	\$500.00
• Contract fee for technical expertise (per each new, supplement, or amended application review not to exceed amount for actual expenses).	\$5,000.00

- Contract fee for gas well inspection services provider (per gas well) \$5,000.00
- Each major activity inspection, including, re-drilling, re-working, re-fracture stimulation (not to exceed amount for actual expenses) \$5,000.00
- Right of Way Use (Pipeline) Application Fee \$1,500.00
- Right of Way Use Fee (per linear foot) \$46.00
- Construction Plan Review/Inspection Fee 3% of construction cost
- Inspection (after hours and weekends) Additional \$50.00 per hour/two hour minimum

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Ordinance No. 1852

APPROVED BY:

_____ LG _____

City Manager's Office

_____ SC _____

City Secretary's Office