



CITY COUNCIL COMMUNICATION

June 22, 2010

SUBJECT: HOLD PUBLIC HEARING FOR GAS WELL PAD SITE PERMIT -
CASE NO. 10-07-CC

SUBMITTED BY: Chris Barker, Director of Planning and Development

REFERENCE NO: 10-07-CC

ACTION REQUESTED:

Approve a request for a Gas Well Pad Site Permit proposed to be located on James M Matson Survey, A-1080, Tract 3B at 1051 Westpark Way (the northeast corner of West Pipeline Road and Westpark Way).

ALTERNATIVES:

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

SUMMARY OF SUBJECT:

David H. Arrington Oil and Gas Inc., a gas well operator, has applied for a Gas Well Pad Site Permit for a 2.788 acre parcel located at the northeast corner of West Pipeline Road and Westpark Way. The operator intends to complete a gas well pad site and drill two gas wells on the site. The gas well drilling unit is titled the Reveille 1H, 2H unit as permitted by the Texas Railroad Commission. Mr. Keith Frank owns the parcel on which they are requesting the permit.

The City Council approved Ordinance No. 1852 in June 2009 modifying the Gas Well Drilling Ordinance to separate the permitting process into a Gas Well Pad Site Permit and a Gas Well Operations Permit. The ordinance dictates that if the proposed wellheads are intended to be located between two hundred (200') feet and four hundred (400') feet of any residential structure, public building or commercial structure intended for human occupancy, then a simple majority City Council decision is required in order to issue the permit for the pad site.

Previous Pad Site Approval

The City Council held a public hearing (Case No. 09-10-CC) relating to this Gas Well Pad Site Permit on October 13, 2009. The Council approved the Gas Well Pad Site Permit by a vote of 6-1. The Operator was unable to obtain the required Gas Well Operations permit within 180 days of the pad site permit as required by Sec 40-7 of the gas well ordinance. Inherent to the previous pad site approval, the Operator intended to construct an off-site fresh water surface pond on adjacent property to supply the pad site with water to be used during fracturing operations. The Operator was not able to obtain the necessary Federal and State permits to construct this pond in the timeframe required, thus resulting in the expiration of the approved Gas Well Pad Site Permit.

The pad site permit application currently before you for consideration has been modified to reflect on-site storage of water within tanks.

Setback Distances

The two wells intended for drilling are located within six hundred (600') feet of eight structures intended for human occupancy, four of which are located closer than four hundred (400') feet. Although the operator has procured signed waivers from the ownership of all structures located within six hundred (600') feet of the proposed wellheads with the sole exception being that of the City of Euless owned structure located at 1100 Westpark Way (the former Fire Station), the ordinance dictates that if the proposed wellheads are intended to be located between two hundred (200') feet and four hundred (400') feet of any residential structure, public building or commercial structure intended for human occupancy, then a simple majority City Council decision is required in order to issue the permit for the pad site.

The proposed production layout of the pad site indicates that all final production equipment including containment layout and storage tanks will be in compliance with required setbacks from property lines and adjacent structures.

Transportation Route

The Operator intends to utilize State Highway 10 (Euless Blvd) and an eight hundred sixty-five (865') foot section of Westpark Way as the transportation route to bring construction, drilling and completion equipment and supplies to the site in order to complete the drilling process. Access to the site will be from a drive approach to Westpark Way, designed to City of Euless standards, at the north end of the subject parcel. If the permit is approved, the transportation route will be part of the conditions of the permit and would prohibit any truck traffic associated with the gas well pad site from utilizing an alternative route north on Westpark Way accessing SH 183.

As part of the Gas Well Operations Permit, the Operator will enter into a road damage mitigation agreement to compensate the City of Euless for any damage the additional truck traffic associated with the gas well operations will have on the 865' of Westpark Way identified in the transportation route. Additionally, the Operator has agreed to employ traffic

control methods, personnel and appropriate safety equipment during any and all moving of drilling equipment onto and off of the pad site location; moving of frac water storage tanks and for other large multiple load equipment moves. The scope of these traffic control methods, personnel and appropriate safety equipment will be at the discretion of the City, specifically under the direction and approval of the Chief of Police.

The drive approach on the subject parcel will be designed to City Emergency Access, Drainage and Utility Easement (EADUE) standards and installed as a seventy five (75') foot long concrete drive. A tier mud shaker (grate) will be located at the junction of the pad site and the concrete drive and the operator will provide street sweeping services as necessary and required by the city during the pre-production period. A manually operated security gate will be located at the end of the drive.

Noise Mitigation

At the request of staff, the Operator has, through computer modeling, shown the potential impact nuisance noise generated by the drilling operation may have on surrounding property as well as measured the existing pre-drilling average ambient noise level. Ordinance No. 1852 requires that the drilling operations not generate any noise greater than 78 dB (decibels) as measured at a distance three hundred (300') feet from the source of the noise. The computer modeling shows that with distances involved with the drilling operations the decibel levels would not exceed 78 dB at a distance three hundred (300') feet from the source of the noise – thereby the processes would be in compliance with the Ordinance.

The Inspection Services Provider, Mr. David Lunsford, employed by the City of Euless to review and inspect all pad sites and operations in the City, has provided a recommendation to the City Council that noise mitigation procedures be installed on the rig operations and fracturing processes on this pad site in order to ensure continuous compliance with the noise performance standards of the ordinance.

During drilling operations, the Operator intends to construct a sixteen (16') foot high noise attenuation barrier (sound blanket) along the northern, western, eastern and southern sides of the rig operations. This barrier would surround the diesel engines used to run the rig electric generation and the areas surrounding the wellheads where the greatest amount of noise is generated. Post mitigation noise computer modeling has shown the proposed noise attenuation measures to provide significant noise reduction to the adjacent properties and neighborhoods, in excess of the minimum requirements of the ordinance.

At this time, the Operator does not intend to provide noise attenuation barriers (sound blankets) on site during fracture stimulation operations.

Environmental Testing Agreement

The Operator has signed and executed an Environmental Testing Agreement which dictates that the Operator, at their cost and expense, will undertake environmental testing at the well site which may include the use of infrared FLIR cameras to detect VOC omissions, if

requested by the City. Additionally, in the event on an involuntary spill or release of solids, liquids or gases requiring reporting to a state or federal agency, the Operator shall call 911 and the Deputy Fire Chief to report the incident. The Operator, after being notified may be required by the City to temporarily terminate all operations on the well-site. The Operator would then reimburse the City any remediation, testing and inspection costs the City may incur regarding the incident. If, after a public hearing, the City Council determines that the site contains conditions as to create an endangerment to the health, safety and welfare of the citizens of the City, the City may require ceasing all operations at the site until the Operator takes action to remediate the cause of the endangerment. Operations at the well site could not be renewed until further authorized by the City Council. (See attached Environmental Testing Agreement).

Water Usage

As a modification from the previous approval of the Gas Well Pad Site, the Operator intends to utilize eighteen (18) truck-hauled water tanks stored on the pad site during fracture stimulation operations. The Operator intends to move the tanks onto the site empty and fill them on-site, utilizing metered City water resources.

Site Appearance

During the drilling and fracturing process of the pad site, the pad will be secured by an onsite 24-hour watchman. Post-completion of the wells, the Operator will construct a perimeter surrounding wall comprised of a masonry wall to the north, west and a portion of the southern pad site which is parallel to West Pipeline Road. The remainder of the perimeter wall to the south and to the east of the pad site will be fenced with a steel or aluminum fence in a wrought iron style. The applicant would be required to begin the installation of the required fencing within 30 days of the completion of the wells. It is anticipated that the completion of the wells would occur approximately 90 days from the commencement of work at the location. The Operator has provided a landscape and permanent irrigation plan for the frontage of the site along Westpark Way.

Public Notification

Letters of notification were mailed to all property owners within one thousand (1000') feet of the pad site boundary. Additionally, signs announcing the public meeting were placed on the pad site property as required by ordinance. Notification of the public hearing was published in the Fort Worth Star-Telegram on June 5 and June 6, 2010.

Next Steps

The Operator has submitted the required information for a Gas Well Operations Permit for two wellheads. The Gas Well Operations Permit is a technical permit and would be reviewed and approved at the staff level. By ordinance, the City Manager has final approval of the operations permit.

As required by ordinance, the Inspection Services Provider, Mr. David Lunsford with Universal Pegasus International, has completed his review of the application and has provided a letter recommending approval of the Gas Well Pad Site Permit. A copy of this letter has been provided as part of your case packet.

Staff has reviewed the Gas Well Pad Site Permit for technical criteria as required by Section 40 of the City Code of Ordinances and has certified that the documentation submitted by the operator is in compliance with all applicable City regulations.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Application
- Exhibits
- Unmitigated Sound Mitigation Letter and Graphic
- Mitigated Sound Letter
- Timeline
- Executed Environmental Testing Agreement
- Inspection Services Provider Recommendation Letter
- Proximity Waivers
- Comments of Approval
- Comments of Protest
- Map 1, Map 2, and Map 3

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **SC** _____

City Secretary's Office