



# City of Denton

City Hall  
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[www.cityofdenton.com](http://www.cityofdenton.com)

## AGENDA INFORMATION SHEET

**DEPARTMENT:** Utilities

**CM/ DCM/ ACM:** Mario Canizares

**DATE:** October 24, 2017

### **SUBJECT**

Receive a report, hold a discussion, and give staff direction regarding an overview and options for gas well inspections performed under the City's regulatory authority.

### **BACKGROUND**

Staff has two primary objectives for this work session item and presentation to City Council:

1. Provide a high-level overview of regulatory agencies for gas well drilling and production and review the scope of the City of Denton's regulatory authority; and
2. Review a recommended service provision option for assistance with inspection activities performed under the City's Gas Well Ordinance and Municipal Code.

### **DISCUSSION**

#### **1) Regulatory Agencies**

By way of background, and to set parameters for the second objective for a service level discussion, staff will provide a breakdown of regulatory authority over gas well drilling and production activities. Below is a breakdown between state and local regulatory authority under HB 40 which was approved by the State legislature in May 2015.

<b>STATE</b> <b>Oil and Gas Operation Activities, including:</b>	<b>LOCAL</b> <b><u>Aboveground</u> Surface Activities, including:</b>
1. Exploration, development, production, processing, and transportation of oil & gas	1. Fire and emergency response
2. Drilling	2. Traffic
3. Hydraulic fracturing	3. Lights
4. Completion	4. Noise
5. Maintenance	5. Imposing Notice
6. Reworking	6. Reasonable setback requirements
7. Recompletion	7. Other aboveground activities, such as inspecting for air and water emissions. Any irregularities would be reported to the appropriate agency.
8. Disposal	
9. Plugging and abandonment	
10. Secondary or tertiary recovery	
11. Remediation activities	

In addition, under HB 40, local government regulations must meet all of the following 4 factors: 1) are limited to regulating aboveground activity related to an oil and gas operation (as noted in the chart above), 2) must be commercially reasonable, 3) do not effectively prohibit an oil and gas operation conducted by a reasonably prudent operator; and 4) are not otherwise preempted by state or federal law.

The City's Gas Well Ordinance (2015-033), Municipal Code, and Fire Code govern the city's regulations for gas wells as permissible by state and federal law. The City serves three main regulatory functions: 1) land use compatibility, 2) aboveground elements for gas well drilling and production, and 3) fire and emergency response. Staff will discuss how these functions are currently staffed and handled and will transition into a recommendation for an enhanced service level for gas well inspections for aboveground elements.

Currently, the Gas Well Inspections Division has one (1) FTE inspector with 3 vacancies. Due to the reduced activity for gas wells over the last couple year, the one inspector has been able to perform semi-annual inspections for all 501 gas wells, 294 within the City limits and 207 within the ETJ. These semi-annual inspections are primarily checking for code compliance (signs, equipment, fencing, trash, lighting, landscape, pipeline marking, erosion control, etc.) and to check for some leak detection or other environmental concerns. If any concerns or violations of state or federal law are suspected, the city inspector reports and works with the appropriate regulating authority.

## **2) Recommended Service Provision Option**

Staff is recommending a service provision option that will maintain the current level of inspections (2x per year by the city inspector) and enhance the service level with additional inspections performed by a contract with a specialized firm, Modern Geosciences. The following list highlights the proposed service level enhancements if a contract was awarded to Modern Geosciences to provide assistance with inspection activities performed under the City's Gas Well Ordinance:

- Additional inspections for gas wells within the City of Denton limits based upon priority (based upon proximity to protected uses);
- Instruments used to identify leaks and potential environmental concerns;
  - Optical gas imaging systems, radiation meter, methane meter, hydrogen sulfide meter, photoionization detector, noise meter, and others
- Inspection reports with site photos and instrument images along with enhanced GIS information that includes on-site equipment;
- Professionals with experience serving municipalities (Flower Mound, Colleyville, Grand Prairie, Kennedale);
- Flexibility to provide additional inspection services and support for city gas well inspector as needed.

Staff recommends this option for the reasons listed above. The proposal for services is for a one (1) year total not-to-exceed amount of \$250,000 and would be covered within the existing budget for the Gas Well Inspections division. Please see Fiscal Information section below.

The proposal from Modern Geosciences is attached as **Exhibit 3**. If City Council would like to consider staff's recommendation, there is an item prepared for consideration of a contract with Modern Geosciences on the City Council agenda for October 24, 2017 under Items for Individual Consideration.

## **RECOMMENDATION**

Staff recommends entering into a contract with Modern Geosciences. Further information on the recommendation for Modern Geosciences is provided in the agenda item for the contract for consideration.

## **FISCAL INFORMATION**

The proposal with Modern Geosciences is for a one (1) year total amount not-to-exceed of \$250,000. Staff anticipates that the salary savings and associated expenses from 3 vacant positions in the Gas Well Inspections Division will cover the cost of the contract with Modern Geosciences. In accordance, staff expects there will be no increase in fees to the gas well operators to support this contract and enhanced level of service.

## **STRATEGIC PLAN RELATIONSHIP**

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

**Related Key Focus Area:**     **Safe, Liveable & Family-Friendly Community**

**Related Goal:**               **4.2 Seek clean and healthy neighborhoods in Denton**

## **EXHIBITS**

1. Agenda Information Sheet
2. Presentation
3. Modern Geosciences Proposal

Respectfully submitted:

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