



City of League City, TX

300 West Walker
League City TX 77573

Text File

File Number: 17-0409

Agenda Date: 6/27/2017

Version: 2

Status: ATS Review

In Control: Land Management

File Type: Agenda Item

Title

Consider and take action on a request by Lynn Watkins of Venture 2, LLC. for variances to Chapter 42, Article III, of the League City Code of Ordinances entitled "Oil and Gas Well Drilling" related to a proposed drilling permit application for a site generally located south of the Magnolia Creek Golf Course, southwest of the Brittany Lakes Subdivision, east of Bay Area Boulevard, and west of Landing Boulevard (Director of Planning and Development)

..Background:

The applicant is requesting several variances to the City's Oil and Gas Well Drilling ordinance to facilitate an exploratory drilling operation. Action on these requests will *not* authorize the approval of a drilling permit, and approval or denial of the variance requests will not create any precedence in future requests.

Staff recommends compliance with City ordinance and the previously approved variances.

Timeline:

December 1, 2010 - Due to an overwhelming response from the citizens, League City conducts Town Hall Meeting to discuss the City initiated revision to Chapter 42, Article III of the League City Code of Ordinances entitled Oil and Gas Wells.

August 2, 2011 - City Council adopts revisions to the Oil and Gas ordinance in which three separate articles are created to address drilling, drilling production, plugging and abandonment, and pipelines.

May 18, 2015 - Governor signs HB 40 into law.

February 15, 2016 - Applicant submits to City initial application for a proposed drilling permit. As part of the submitted documentation, the applicant requests variances to several of the City's ordinance requirements.

March 22, 2016 - At the request of the applicant, item to consider variances moved from the March 22, 2016 City Council agenda to that of April 12, 2016.

April 12, 2016 - City Council approves or conditionally approves twenty-three (23) requested variances (see attached summary from April 12, 2016).

June 15, 2016 - City submits Mr. Watkins' application documents to Lloyd's Register ("Lloyd's"), the City's contracted third-party expert on oil and gas exploration, for review.

July 29, 2016 - Lloyd's review comments conveyed to applicant; application deemed incomplete by City as several City ordinance requirements not addressed in application.

December 21, 2016 - At Mr. Watkins' request, staff and applicant meet to discuss status of application. Applicant requests City staff administratively approve application "as is", based on the applicant's opinion that the City's ordinance is "over-reaching." Application remains incomplete.

May 16, 2017 - Applicant requests several recently submitted documents be conveyed to Lloyd's for review; documents are in support of current application and based on the deficiencies noted by Lloyd's in July 2016.

May 28, 2017 - Lloyd's 2nd review comments conveyed to applicant; application remains incomplete as several City ordinance requirements not addressed in application.

June 9, 2017 - Applicant requests City Council consideration/reconsideration of deficiencies in

application (see attached letter).

Summary:

On April 12, 2016, the City Council approved or conditionally approved twenty-three (23) requested variances related to the proposed drilling project. Since that time, the application for a drilling permit has remained incomplete due to several deficiencies in the documentation submitted to the City. The applicant, Lynn Watkins of Venture 2, LLC., is requesting the City Council reconsider two (2) variance requests from April 12, 2016, and consider three (3) new variance requests to the City's Oil and Gas (Drilling) Ordinance.

According to the letter from the applicant (see attached), the requests are based on the applicant's interpretation of HB 40 and its impact on the pending drilling permit application. In accordance with Section 42-173 of the City Code that provides for the consideration of variances for drilling permits, it is incumbent upon the applicant to demonstrate to the City Council that the provision(s) of the drilling regulations would cause an unnecessary hardship if strictly adhered to without destroying the spirit of the ordinances or compromising safety.

REQUESTS FOR RECONSIDERATION (2)

Section 42-132. Water Supply Source, and Section 42.91. Alternative Water Supply

Requirement: Requires all drilling and workover operations to receive their water from the municipal water system, and submit plans for alternative water supply in the event City water supply is unavailable.

2016 Applicant Request: Applicant proposes to utilize City water if facilities are located within 500 feet. Otherwise, the applicant may procure water from a private or other public water purveyor that is available.

2016 Approved Variance: The applicant shall provide a letter from the water provider indicating that they can provide the amount of water necessary for the applicant.

Lloyd's 2017 Review: Draft agreement with Gulf Coast Water Authority (GCWA) is provided for use of their canal approximately 300' north of the drill site, but such agreement is not executed.

Applicant 2017 Request: Approval of draft agreement as compliant with requirement.

Section 42-143.(h)(i) Well control equipment and procedures.

Requirement: Provides for a set of approximately 15 criteria for the Drilling Contractor to perform prior to and during drilling operations such as allowable sources of equipment, documentation of pressure control equipment, performance of equipment and procedures testing along with minimum requirements for blowout prevention equipment.

2016 Applicant Request: Applicant requests a variance from subparagraphs h and i. The applicant indicates the requirement of blowout equipment including shear rams and pipe rams and a four (4) ram stack are not industry standard for land-based drilling operations and are not commercially reasonable. The applicant requests that the drilling operation be allowed to follow accepted industry standards for blowout protection associated with land-based drilling.

2016 Approved Variance: Well control equipment, including blowout prevention equipment, flowlines and valves, shall be required for all drilling and workover activity. In lieu of utilizing a four ram stack equipped with blind shear rams, the applicant may provide the city with a written opinion, signed and stamped by a Texas licensed professional engineer with experience in land-based oil and gas drilling operations, that the BOP configurations proposed to be used by the applicant will comply with API Standard 53: "Recommended Practices for Blowout Prevention Equipment Systems for Drilling Wells", considering the anticipated depth and working pressures of the well for which a permit is being sought.

Applicant 2017 Request: Approval of plan submitted.

Lloyd's 2017 Review: "No additional documentation regarding well control equipment and components was provided"

NEW REQUESTS (3)

Sections 42-99. Environmental Management - risk management assessment

Requirement: Submit risk management assessment to identify, assess, and prioritize risks including coordination and economical application of resources to minimize, monitor, and control the probability and/or impacts of unfortunate events.

Applicant Request: Approval of plan submitted as meeting requirement.

Lloyd's Review: "The Emergency Response - Risk Management Plan did not cover economical application of resources. Also, there was no prioritization of risks."

Sections 42-103. Safety Management

Requirement: Both operator and driller shall submit a Safety and Environmental Management System (SEMS) plan.

Applicant Request: Approval of safety plan documents submitted to date as meeting requirement.

Lloyd's Review: "(Lloyd's) found that 4 (Safety and Environmental, Assurance of Quality and Mechanical Integrity of Critical Equipment, Audit of Safety and Environmental Management System Elements, and Record and Documentation) of the 12 SEMS elements were still lacking depth as there was not enough supporting documentation and evidence...These 4 SEMS elements, in addition to the League City Drilling Ordinance, should be followed-up to ensure a complete (SEMS) is in place prior to commencing operations."

Sections 42-142. Fire Prevention

Requirement: ...All equipment, other than wellheads, shall be equipped with an automated valve that closes or shuts down the equipment in the event of an abnormal change in operating pressure...(and) Only electric motors shall be permitted for the purpose of pumping wells.

Applicant Request: Approval of plan submitted as meeting requirement.

Lloyd's Review: "Automated valves that close or shut down the equipment in the event of an abnormal change in operating pressure and wellhead automated emergency shut off valves to the well production sale line were not covered in the documentation provided. Electric motors were not covered in the documentation provided."

Attachments:

- 1. Data Sheet
- 2. Applicant request dated June 9, 2017
- 3. Summary of variances approved on April 12, 2016
- 4. Recent correspondence between applicant/representatives and City
- 5. Oil & Gas Ordinance

CONTRACT ORIGINATION:

Director of Planning and Department
Applicant/Owner: Lynn Watkins of Venture 2, LLC.

FUNDING

NOT APPLICABLE

Funds are available from Account # _____

Requires Budget Amendment to transfer from Account # _____ to Account # _____