



DENTON COUNTY
OIL AND GAS TASK FORCE
SUMMARY REPORT

June 1, 2005

Explosive growth in residential development in Denton County, along with the exploration of natural gas reserves in the Barnett Shale, has created new challenges for residents of Denton County, energy companies, and County officials and staff.

Based on studies by the Oil and Gas industry the average gas in place in the Barnett Shale is 160 billion cubic feet of gas per square mile. The Barnett Shale is the largest producing gas field in the State covering 15 counties in North Texas. The commercially productive area covers 60 square miles in Wise, Denton and Tarrant counties.¹

Ten year statistical information available shows that in 1995 Denton County had a population of 317,850. At that time, there were 156 wells with a mineral revenue of \$88,786 into the county. In comparison, the 2004 county wide population was 528,950 and there were 1,460 wells with a total mineral revenue to the County of \$2,731,324. This translates into a 66.4% increase in population, an 835.9% increase in wells, and a 2,976% increase in mineral valuation.²

New State regulations allow wells to be closer together – one per 40 acres compared with 640 acres- which has allowed for more aggressive drilling. Each well can produce gas for up to two decades. Geologists have long known that the region sits atop a gas rich rock formation, but energy companies are only beginning to realize it's potential. They estimate the Barnett Shale formation can produce gas for up to 30 years. They're going after the deposits with technological breakthroughs such as directional or horizontal drilling, which allow companies to bore through the earth at an angle and access minerals from a distance as far away as 3,500 feet.³

The 24-hour drilling operations normally take up to a month. After the shale is fractured, workers move out, leaving a wellhead in place. But some wells may have to be reopened every few years so workers can refracture the rock with a blast of water and sand mixture to keep the gas flowing.

One truck, at the legal weight limit, weighs 80,000 lbs. Each drilling site requires approximately 364 trips to haul water to the site. This would be the equivalent of 3,494,400 car trips. The approximate replacement cost, per lane mile, of a County maintained road is \$40,000.⁴

¹ Kathy Shirley, *Barnett Shale: Living Up To Potential*, Explorer, July, 2002

² Commissioner Jim Carter, *Denton County : 10 Year Statistical Information*, December, 2004

³ Kevin Krause, *Tarrant, Denton Drilling Boom*, Dallas Morning News, August 16, 2003

⁴ Unknown, *Road Damage Assessment Study*, City of Denton, August 12, 2004

At the suggestion of Commissioner Jim Carter, the Denton County Commissioners Court formed the Oil and Gas Task Force. The Task Force held their first meeting in March 2004. The Committee began with discussion of the task they were charged with by Commissioner Carter and Commissioner Court, which was to investigate areas of cooperation between the County, residential developers and drilling companies.

Guest speakers gave the Committee information regarding statutes that are in effect and any lobbying efforts that might be successfully supported by the drilling industry. Mr. Quentin Hix, Gas Well Inspector, with the Environmental Division of the City of Denton, gave a presentation to the Committee and shared information gathered by the city regarding gas well development and road repair agreements. Mr. Bill Stevens, Executive Vice-President of the Texas Alliance of Energy Producers, was the guest speaker at the November meeting. Mr. Stevens led the Committee in a discussion of efforts by the industry to be “a good neighbor” and work with local government as well as residential developers. Road repair issues were discussed at length. While the drilling companies seem willing to cooperate with local government on such issues as road repair, their primary concern is that there will be equality applied across the board to all companies regardless of size. Mr. Stevens indicated that while the industry is not in favor of additional regulation as a whole, there is the possibility they could support legislation that would redistribute funds that are already collected. It was suggested by committee members that there continue to be cooperation on road maintenance agreements and investigate if more funding could be generated by increasing the “over the weight limit” fees.

While compatible development of oil and gas drilling along side of housing developments was the goal, it quickly became apparent that counties had very little regulatory powers over the drilling industry. Development permits may be required for each site but basically can not be refused if all regulations are met. The charge then became to focus on how the County could foster an attitude of friendly development between drillers and the housing industry in unincorporated Denton County.

After several meetings the committee’s concerns were narrowed down to areas where there could be a more immediate effect while legislative issues are considered or to be determined at a later time.

Collectively the Committees concerns are:

Road Issues:

Concern for the maintenance of County Road System (roads and bridges).

- Denton County might consider changes in road standards to concrete.

Subsidizing county road funds with general funds (or some other method).

- Consider increasing the percentage, to the affected precincts, in the amount of revenue currently collected for Road and Bridge Funds.

Consider creating a preferred route option for drilling and associated equipment.

There should continue to be dialog between drilling companies and the county in all areas of road maintenance and cooperative agreements for the maintenance or repair of existing county roads. There has already been some progress in this area. Commissioner Carter has made agreements with companies within Precinct #4 for the maintenance or repair of some roads. Other discussions are in progress to make agreements with additional companies in much the same manner.

Environmental Issues:

Expanding soils and the depth and routing of pipelines

Fresh water quality

Storm water issues

Dust Control

Some issues such as storm water control and water quality are addressed to some extent by County requirements as well as State and Federal laws. Dust control is frequently handled by County Road & Bridge crews as maintenance and in response to tax payer inquires.

Education:

Educating energy companies, land owners and developers on County regulations.

The Public Works Department has begun to develop public education policies within each department to reach a closer working relationship with the drilling companies and operators and citizens.

B. Public Education

1. In House – letters to all drilling companies, (on track with public education meetings)
2. Thru outside agencies, such as Devon (facilitate/host by providing room and advertisement/announcement of meeting).

Partnerships and Cooperation:

Can County (thru regulations, statutory authority, etc.) foster Developers and energy companies working together?

It was also suggested that a specific staff member act as liaison between County and energy companies. The suggestion that the point of contact be the first person that would need to be contacted by drillers and residential developers.

It is the Committee's recommendation that Denton County:

- Continue to develop maintenance agreements with drilling companies to address road maintenance and repair issues
- Develop Public Education programs aimed at County staff, drilling companies, and the general public.
- Create a fact sheet for county residents on where gas may be found (a general map of the field) that includes basic information that they should be aware of when purchasing properties, including the legal rights of mineral owners and drilling companies. This could be distributed through title companies, realtors who operate in the county, and the appraisal district, sent with the annual notices.
- Continue to monitor environmental concerns such as watershed and soil conditions, spill containment requirements surrounding the surface equipment, i.e., tanks and compressors.
- At a time when the Legislature may enact any laws that would address road repair and maintenance issues as well as any environmental issues, that Denton County would be pro-active in adopting those regulations and enforcing them within the unincorporated areas of the County.
- Understand how income from the gas wells impacts the county real estate taxes-the oil and gas industry is cyclic, mirroring the uncertainty of production and price over time. The value of each well is tied to its production and product price from the previous year. The county budgets should be attuned to this. Production rates in the county will decline as the drilling of new wells slows.
- That Denton County review the effectiveness of current and any future road standards, with emphasis given to the type of development likely to occur within the unincorporated areas of the county.

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Committee Members:

Cathy Allcorn, Chair	Denton County Public Works
Ken Banks	City of Denton
George Belcheff	Belcheff & Associates
John T. Bryant	Bryant Consultants, Inc.
Bing Burton	Denton County Health
Chris Steubing	Denton County Public Works
Larry Hulse	Larry O. Hulse & Co.
George Jackson	Devon Energy
Marvin Jackson	Texas Bank
Peter Malin	The Malin Group
Doug Mitchell	EnCana Oil & Gas, Inc.
Everett Newland	Vanderlaan-Newland Real Estate
Frank Phillips	Denton County Judge's Office
Phil Ryan	Denton County Sheriff's Department
Jerrold Sanders	Denton County Traffic Enforcement
Julie Smith	Town of Flower Mound
Jim Terry	Denton County Fire Marshall
Cliff Thomson	Chief Oil & Gas
Lee Veness	Denton County District Attorney
Wade Willis	Guy Willis Inspection
Kelly Zwinggi	Zwinggi Engineering/Planning, LLC

County Staff Support:

Gina Apuzzo	Denton County Public Works
LeDena Ferrell	Denton County Commissioner, Precinct 4
Joel Henrie	Denton County Public Works