



# Natural Gas Program Summary

Planning and Zoning Commission Work Session

March 24, 2010

# Natural Gas Program Summary (2006-Present)

## CITY AS:

### MINERAL OWNER

- Mineral asset leasing and management

### TAXING ENTITY

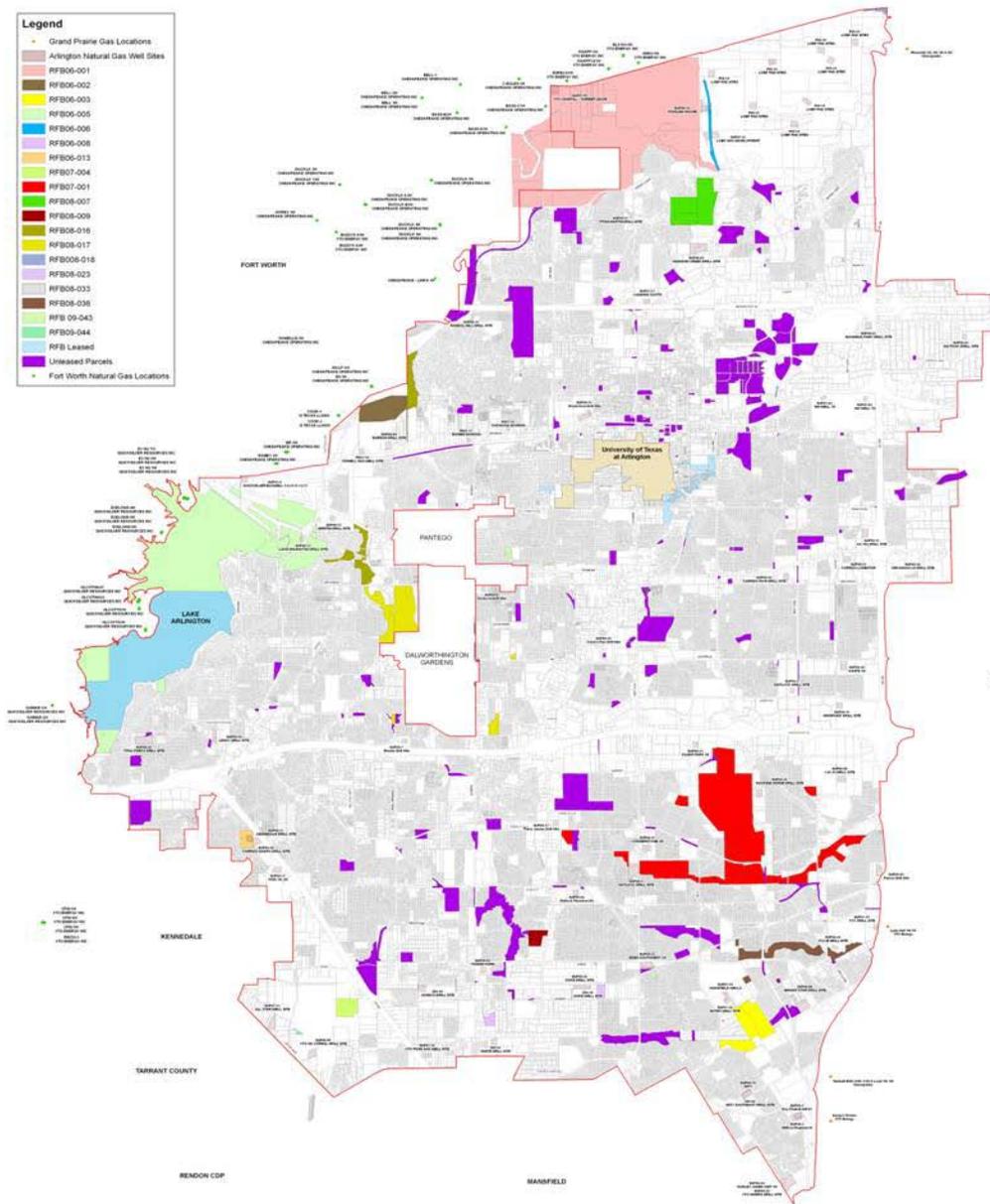
- Business Personal Property – Pipelines and drilling equipment
- Mineral Interests Assessed Value – based on market value of estimated recoverable reserves and the corresponding potential future net income discounted to present value
- Land – appraised value of land utilized for exploration and production purposes

### REGULATORY AUTHORITY

- Pipeline Licensing
- Gas Well Permitting

# LEASING SUMMARY

- Current Leases: 21
- Expired Leases: 3
- Leased Acreage: 4,995
- Released Acreage: 181
- Unleased Acreage: 1,343+



Parcels Under Review  
No RFB Number, Leased  
and Parcels with RFB's



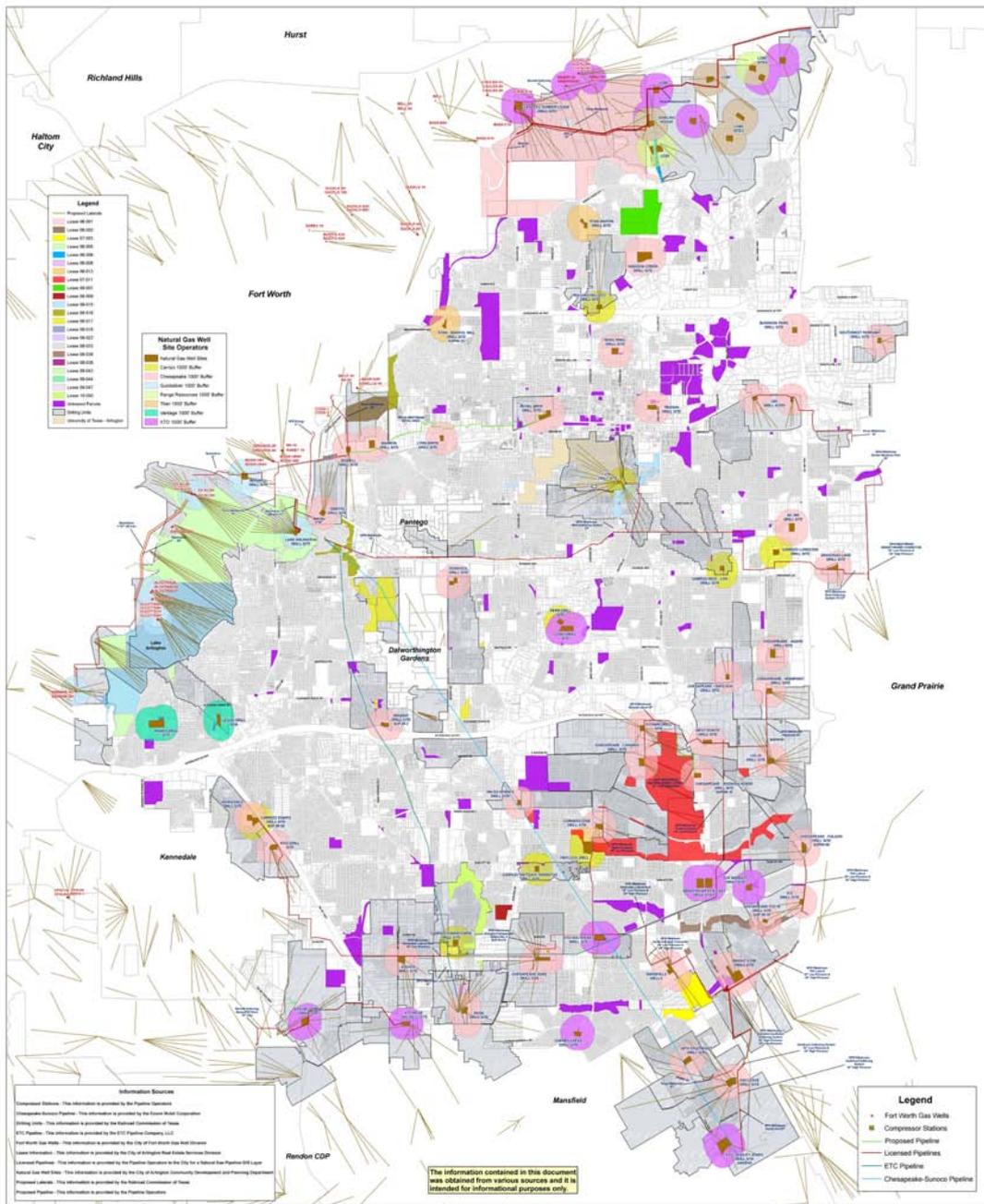
# Drilling Status

(City Minerals Only)

- Total Wells Drilled: 71  
24 located in Arlington
- Wells in Production (City only): 42  
33 located outside Arlington
- Shut-In Wells (City only): 6

# Production Status

- Unitized Acres: 2,677
- Non-unitized Acres: 2,318
- Acres in production: 1,021



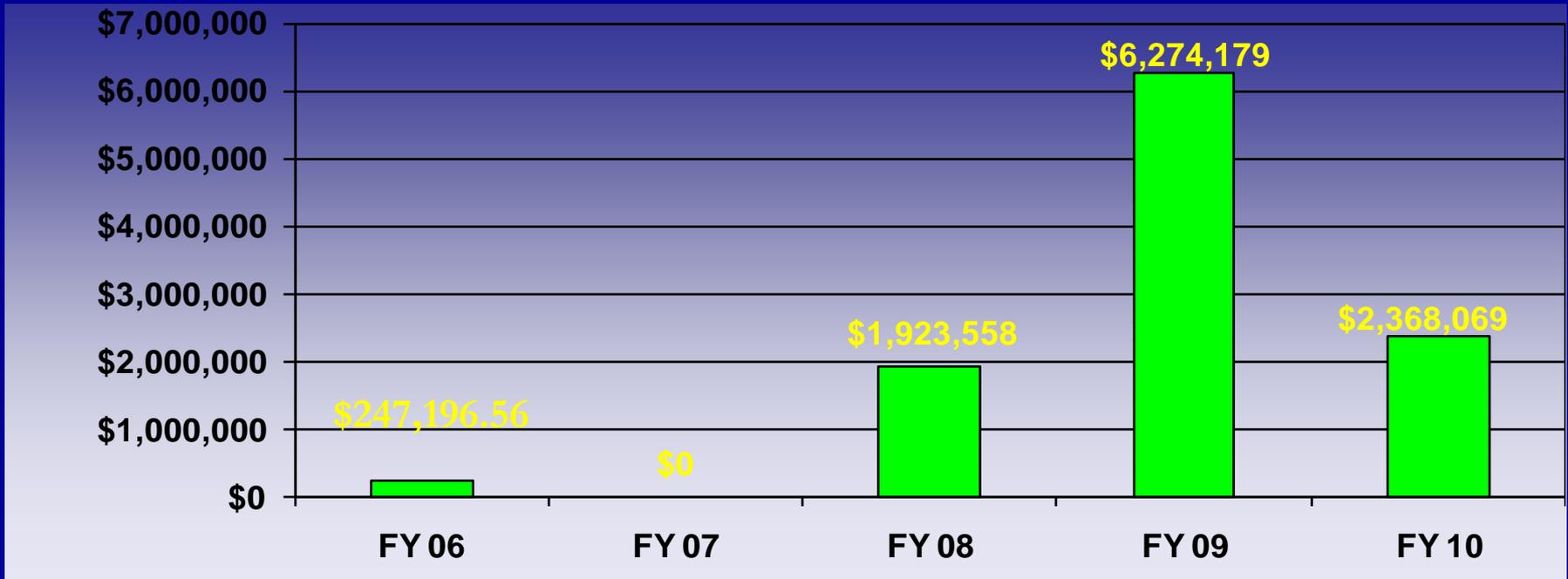
Arlington Pipeline Routes & Mineral Acres

# Total Program Receipts by Year

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>*FY 2010</b>	<b>TOTAL</b>
Lease Bonus	\$4,772,774.85	\$25,470,913.24	\$11,191,985.64	\$17,407,402.81	\$374,211	\$59,217,288
Royalty Receipts	\$247,196.56	-	\$1,942,654.31	\$6,193,332.24	2,345,569.38	\$10,728,752
Shut-In Royalty Payments	-	-	-	\$20,000	\$22,500	\$42,500
Seismic License Fees	\$8,000	\$15,436.58	\$3,790	\$4,817.47	\$3,702.67	\$35,747
<b>Total</b>	<b>\$5,027,971</b>	<b>\$25,486,350</b>	<b>\$13,138,430</b>	<b>\$23,625,553</b>	<b>\$2,745,983</b>	<b>\$70,024,287</b>

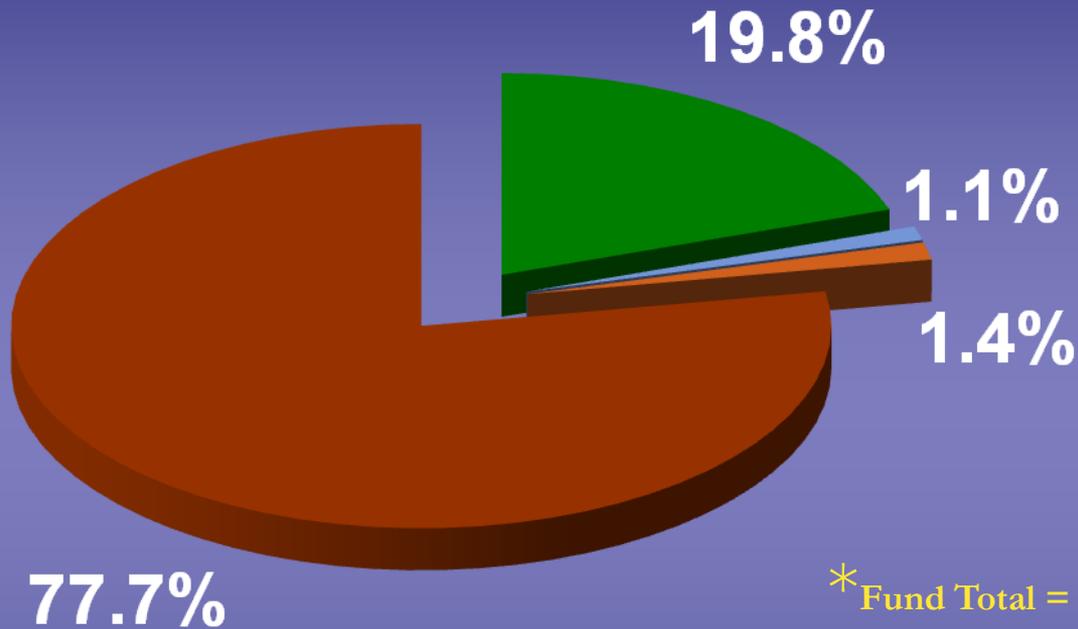
\* NOTE- FY2010 Represents 3 months of revenue activity

# Royalty Receipts by Fiscal Year



\* NOTE- FY2010 – 1<sup>st</sup> Qtr receipts

# Revenue Allocation

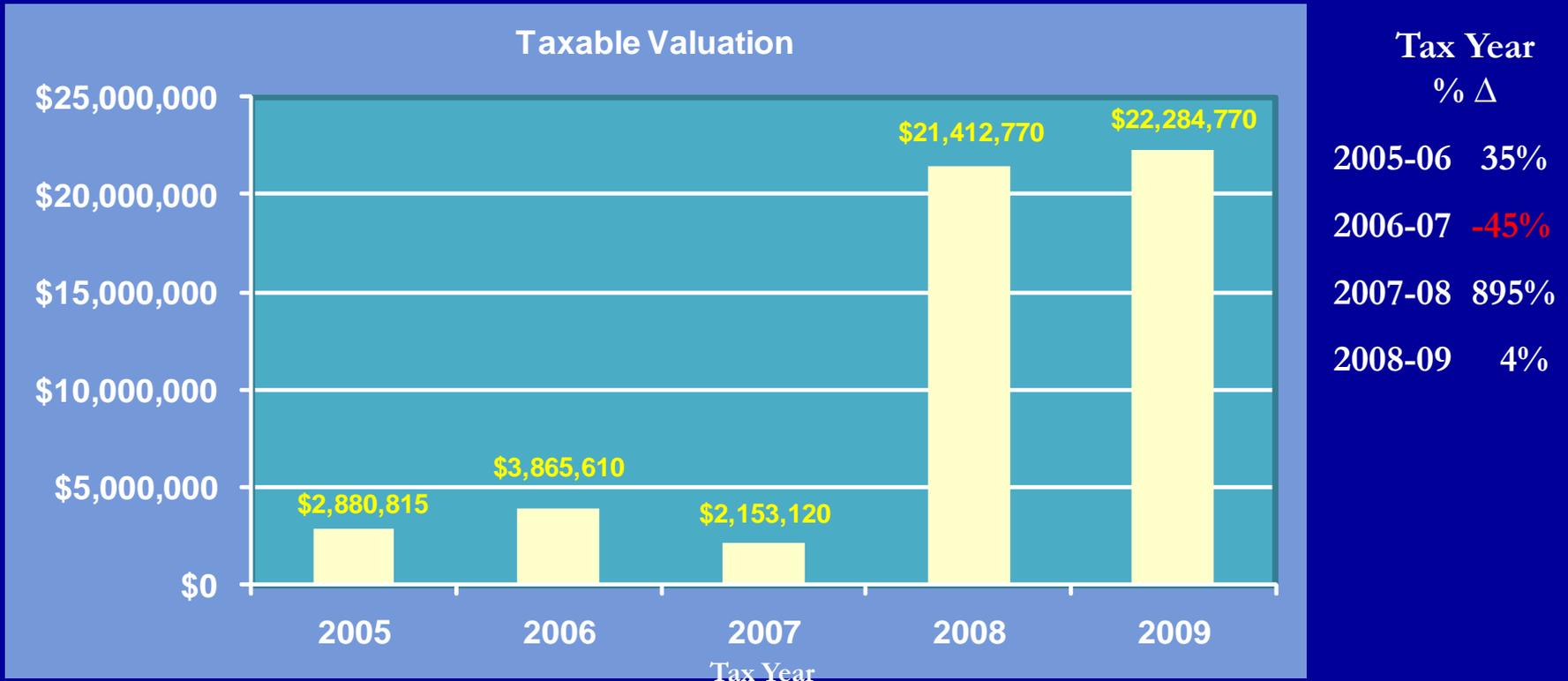


\*Fund Total = \$69,988,540

- City
- Expenses
- Land Banking
- Arlington Tomorrow Foundation

# Ad Valorem Tax

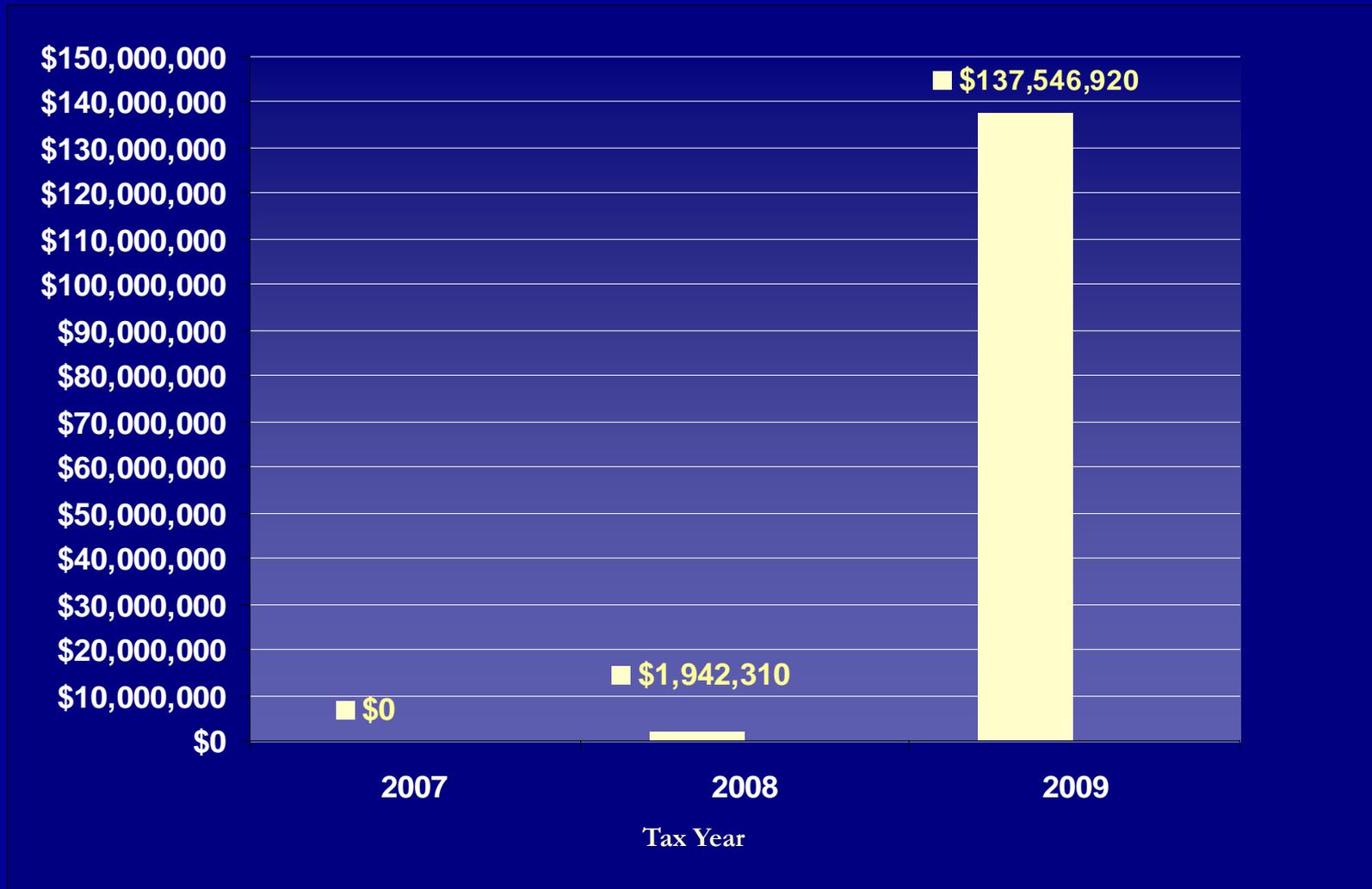
## Business Personal Property Assessed Value (by Year)



Includes pipelines, drilling rigs and compressors

# Ad Valorem Tax

## Mineral Interest Total Assessed Value by Year



# Ad Valorem Tax

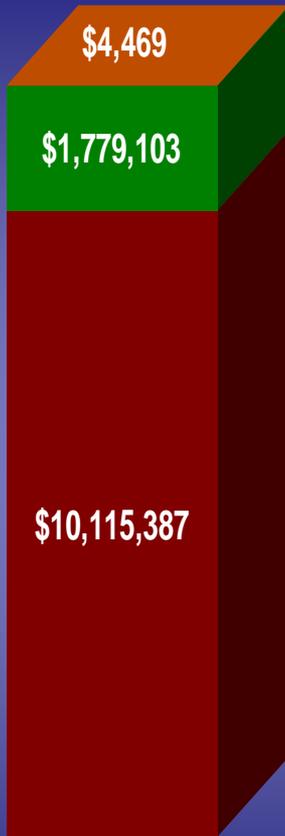
## Taxable Value Summary by Year

Tax Year	Business Personal	Mineral Interest	Totals	Tax Revenue (City Only)
2006	\$3,865,610	\$ 0	\$ 3,865,610	\$ 38,656.10
2007	\$2,153,120	\$ 0	\$ 2,153,120	\$ 21,531.20
2008	\$21,412,770	\$ 1,942,310	\$ 23,355,080	\$ 151,340.91
2009	\$22,284,770	\$137,546,920	\$159,831,690	\$1,035,709.35*
			Total	<b>\$1,247,237.56</b>

\*Note- Anticipated tax collection based on certified appraised value

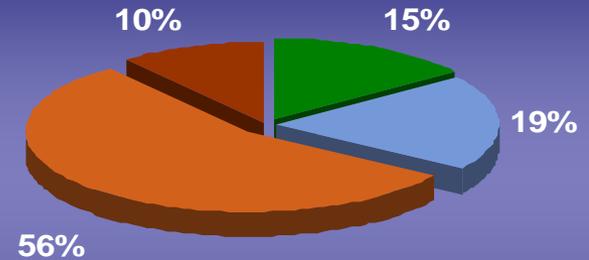
# Taxable Land Value Analysis

## Assessed Values



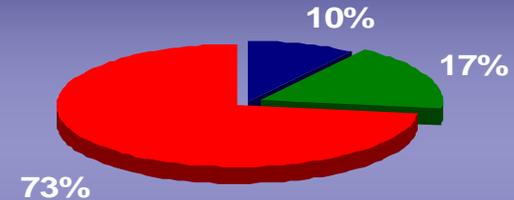
■ Ag Exempt Acreage  
■ Tax Exempt Acreage  
■ Taxable Acreage

## Acreage Distribution by Zoning



■ Ag Acres - 46.62  
■ Residential Acres - 93.17  
■ Commercial Acres - 173  
■ Multi-Family - 32.70

## Taxable Status



■ Tax Exempt - 30  
■ Ag Exempt - 53.9  
■ Taxable - 228.9

# Alternative Land Use Tax Value Comparison

Use	Acreage	Total Tax Value	Tax Value per Acre
<b>Multi Family</b>			
Gateway Park	9.5939	\$13,717,976	\$1,429,864
Mission Rock Ridge	12.5897	\$17,281,306	\$1,372,654
Bardin Greene	15.8586	\$15,941,030	\$1,005,198
Chesterfield	13.86	\$13,577,000	\$ 979,582
Falcon Lakes	17.45	\$16,407,000	\$ 940,229
Medlin Square	2.1149	\$ 1,448,000	\$ 684,666
<b>Retail/Commercial</b>			
Arlington Highlands	87.638	\$183,909,560	\$2,098,523
Lake Prairie Towne Crossing	61.453	\$ 57,313,381	\$ 932,638
Mansfield Towne Crossing	45.519	\$ 38,818,348	\$ 852,796
Mansfield Town Center	28.029	\$ 20,734,967	\$ 739,758
Creekside Plaza	32.391	\$ 15,404,354	\$ 475,575
<b>Drill Site</b>	<b>78.312</b>	<b>\$138,196,652</b>	<b>\$1,764,693</b>

# Leasing, Production and Tax Value Highlights

- Natural gas production is in the early stages of development with only **20%** of the City's leased mineral acres designated for production
- Royalty receipts **increased 326%** between Fiscal Years 2008 and 2009.
- Taxable value of mineral interests in Arlington **increased 7,081%** between Fiscal Years 2008 and 2009
- Properties with agricultural exemption prior to the construction of a drill site will not lose their agricultural exempt status
- Based on Railroad Commission filings approximately 21,300 mineral acres have been unitized for drilling out of an estimated 63,000 mineral acres in Arlington
- **66 sites** comprised of **312 acres** have been approved for gas drilling and production as a permitted use

# PIPELINE REGULATION

Natural Gas Pipelines are permitted by the Texas Railroad Commission

The City regulates  
where and how they cross  
public rights-of-ways and public land

The City uses Pipeline License Agreements to require operators to:

- Communicate planned pipeline route and locations
- Complete ROW Permit process and plan review
- Provide adequate insurance and bonding
- Preserve future municipal expansion opportunities
- Submit "As-Built" construction plans

# Summary of Pipeline Licensing

- Licensed linear feet

86,866

- Constructed linear feet "city-wide":

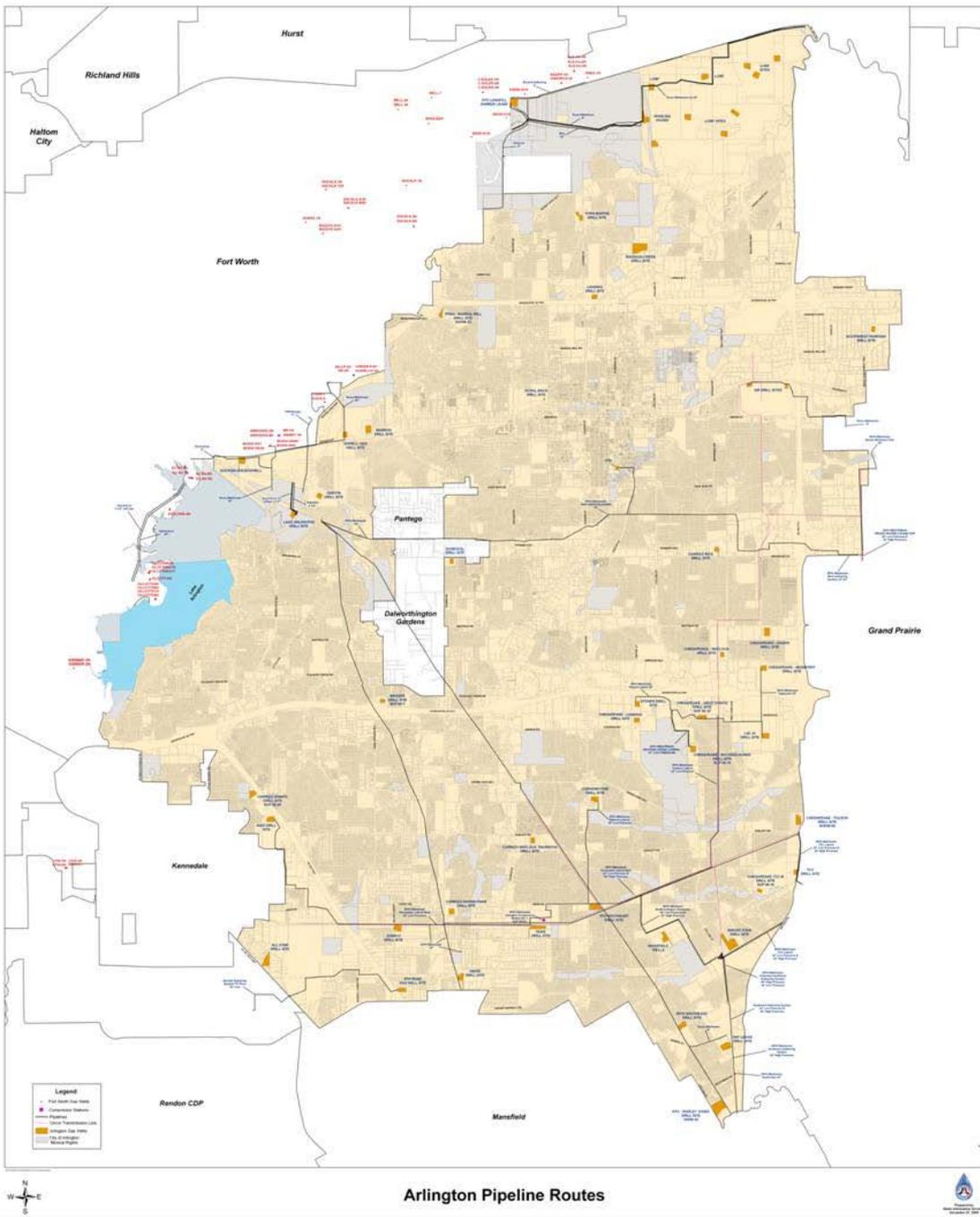
111,177

- Projected linear feet not constructed:

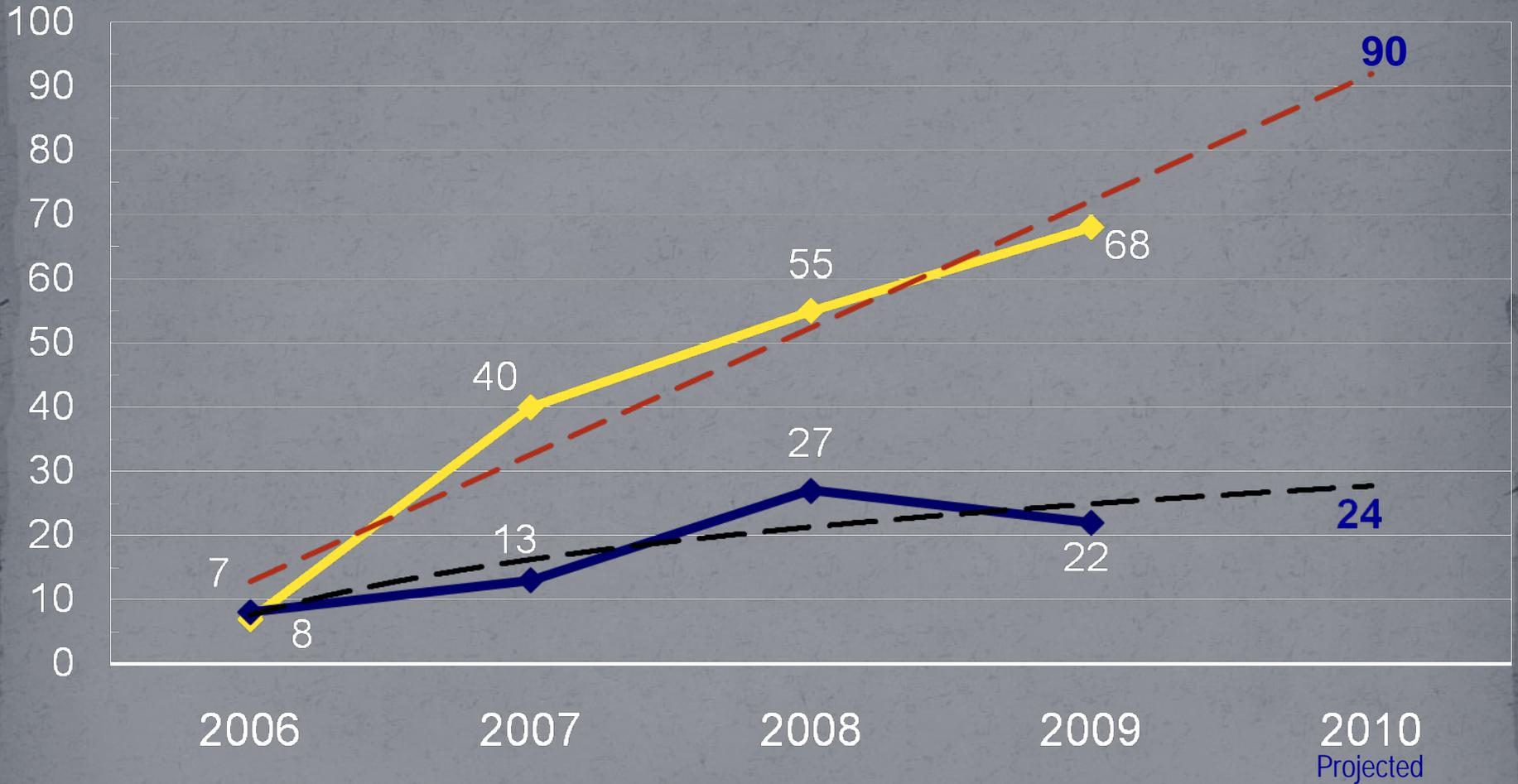
259,692

- Collected license fees

\$3,149,345.85



# Applications



◆ Gas Well Permits

◆ Zoning Cases

— Permit Trendline

— Zoning Trendline

# Specific Use Permits (SUP)

## Zoning Applications

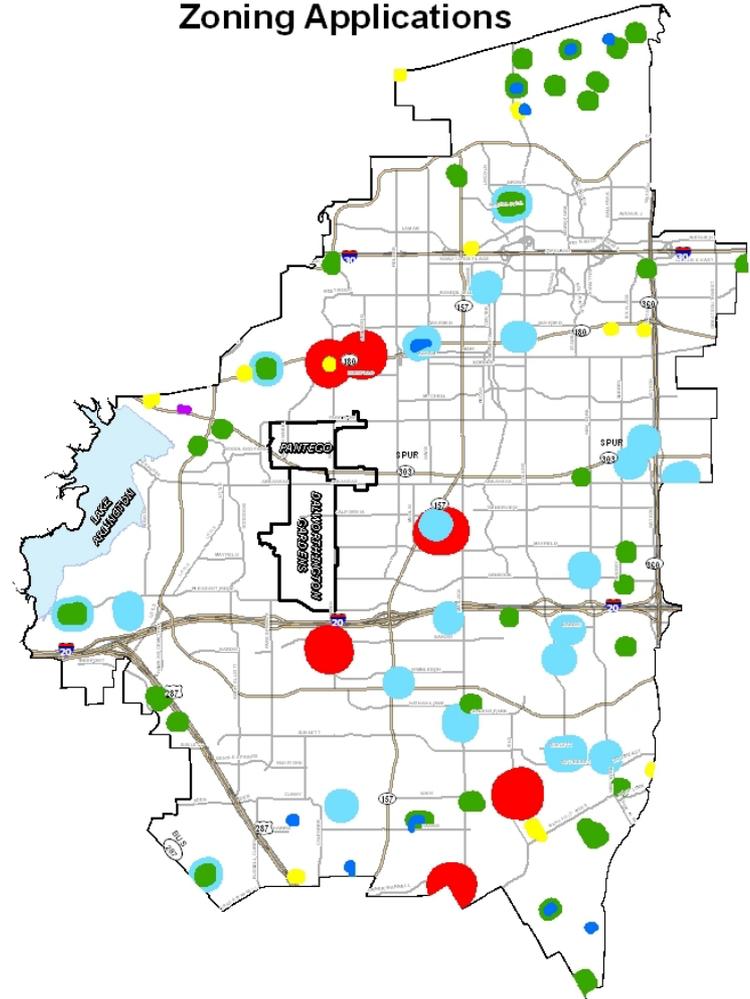
PD prior to October 2007

- 2005 – 1
- 2006 – 7
- 2007 – 13
- 2008 – 27
- 2009 – 22
- 2010 – 6  
(as of 3-17-10)

### Legend



### City of Arlington (2005 - 2010) Specific Use Permits & Zoning Applications

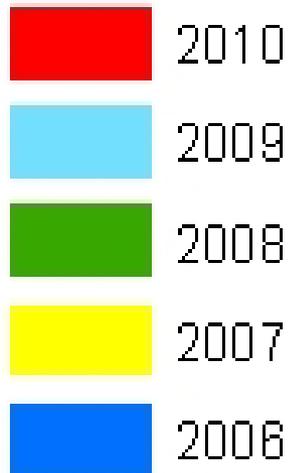


# Gas Well (GW) Permits

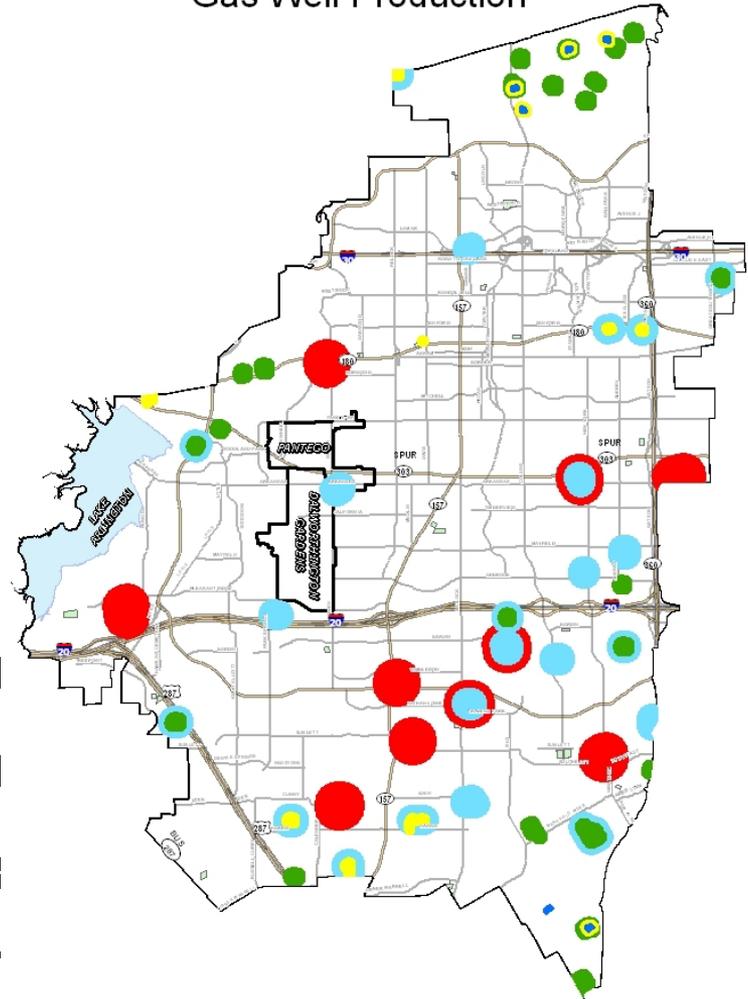
## GW Applications

- 2006 – 7
- 2007 – 40
- 2008 – 55
- 2009 – 68
- 2010 – 30  
(as of 3-19-10)

### Legend



City of Arlington (2006 - 2010)  
Gas Well Production

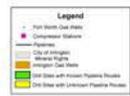
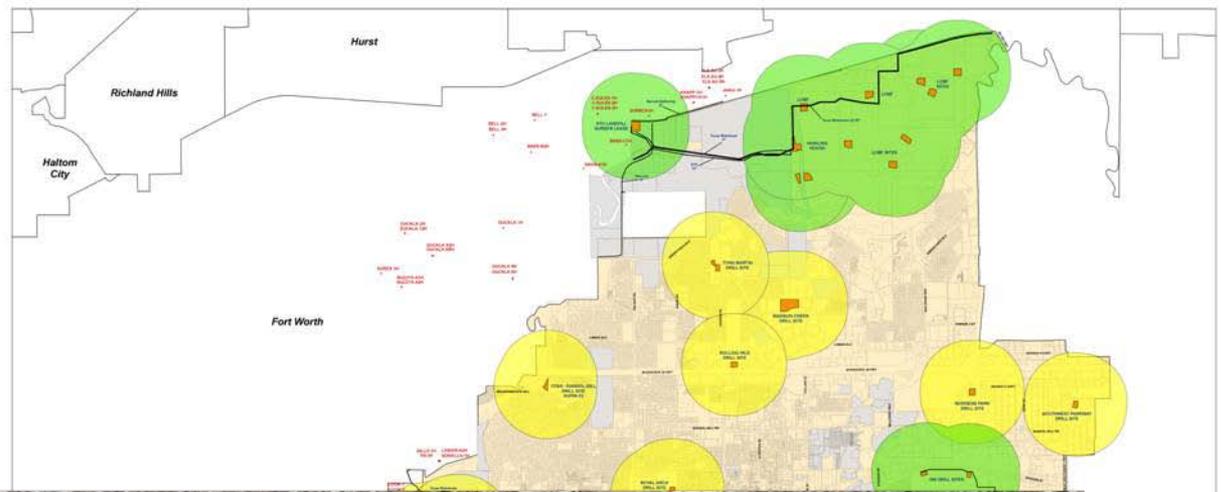


# Known Drill Sites in Arlington

3,000-foot buffer around each drill site

➤ Green – pipeline identified

➤ Yellow – pipeline not identified



Rendon CDP

Mansfield

# Current Processes

## ➤ Notifications

- 200 feet for zoning
- 600 feet for permit

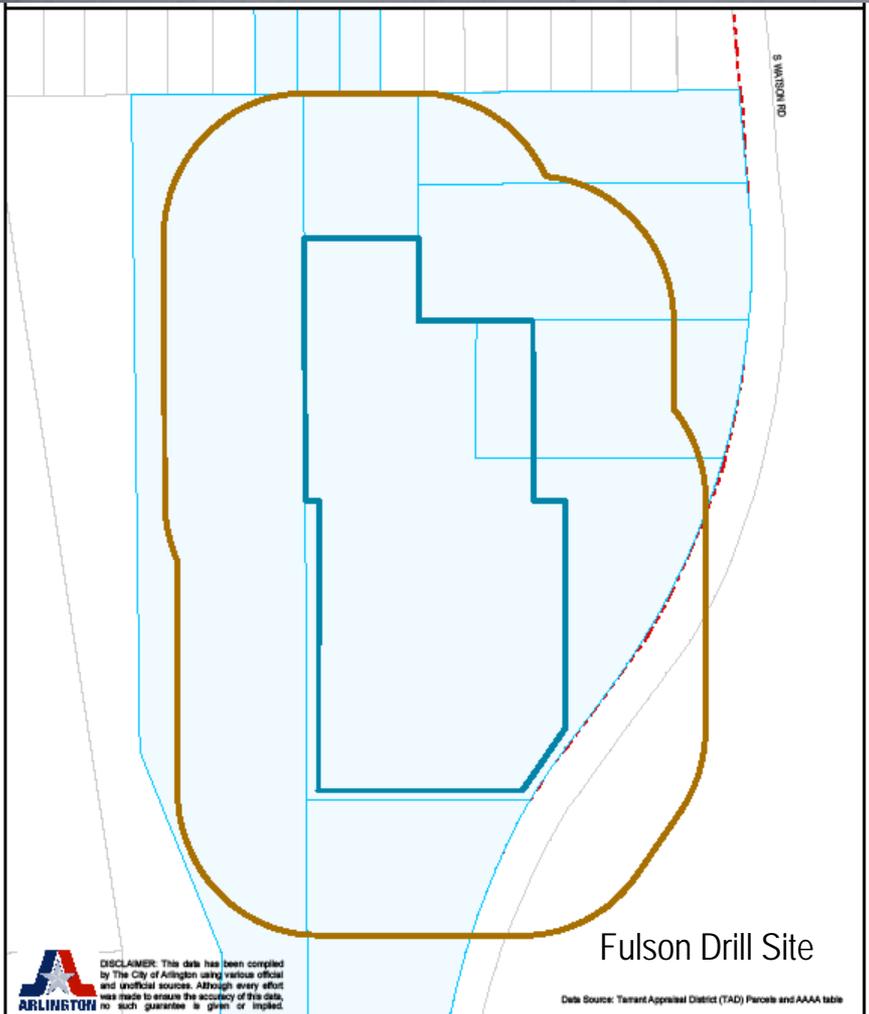
## ➤ Petitions

- SUP – 20% opposed
- GW – 60% support

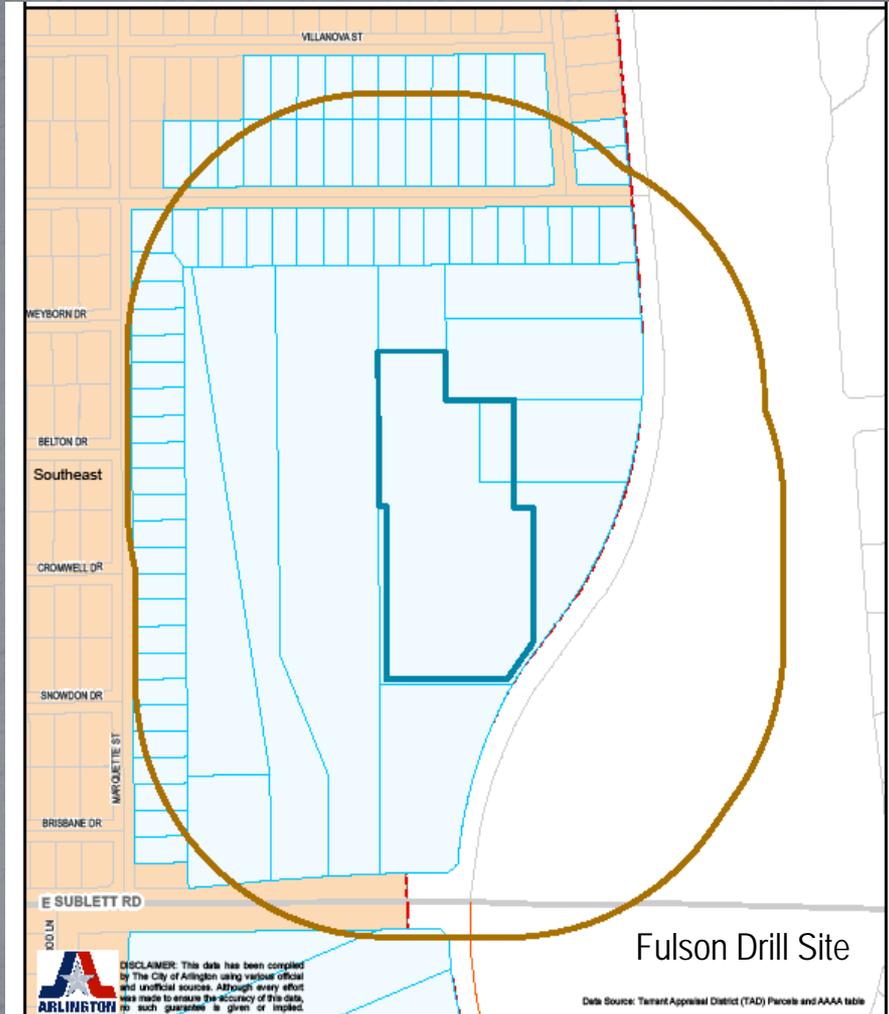
## ➤ SUP Time Periods

- Expire after 1 year – GW permit issued and drilled
- 1 year extension may be granted
- After 1<sup>st</sup> well drilled, no expiration

# Example Notifications



			 Community Development & Planning Created: 3/24/2009 by srtorres@b G:\JF06-4_20090324 105212.mxd



			 Community Development & Planning Created: 11/6/2009 by wlfac@j G:\06-61-43_20091106052136.mxd

Zoning Case: 9 notices  
 200 foot notice area (TLG § 211.007c)

Gas Well Permit: 83 notices  
 600 foot notice area (GDP § 5.03E)

# Proposed Changes

## ➤ Notifications

- 600 feet for zoning
- 600 feet for permit

## ➤ Petitions

- Setback reduction request submitted during SUP stage
- Same conditions and measurements
  - 20% opposed and 60% support

## ➤ SUP Time Periods

- Expire after set time period
- Operator goes before Council and updates site status

# Additional Concerns

## Property Boundaries

- **Entire property included in SUP**
  - Enforcement of landscaping standards outside drill site area
  - Streetscape landscaping installed in accordance with City Ordinance
- **Plat Requirement**
  - Ensures adequate infrastructure for adjacent development
  - Identifies access easements for future lots
  - Promotes orderly development in Arlington

# Municipal Comparisons

City	COA	Fort Worth	Grand Prairie	Mansfield	Flower Mound	Grapevine	Southlake
Zoning	Yes	No	No	Yes	Yes, only for centralized facility	Yes	Yes
Notice	-200 ft for SUP -600 ft for GWP	-1000 ft, multiple wells -none for subsequent	-1000 ft of proposed well	-600 ft	-1000 ft of proposed well	-1000 ft	-1000 ft from proposed site
Setback	-600 feet to protected uses -100 feet from other buildings	-600 feet to protected uses	-500 feet to protected uses	-600 ft to subdivision; residence, public building, institution, school, day care or commercial building  -1000 ft to hospital, nursing home or Law Enforcement Center	-1000 ft to parks & residence w/o mineral interest; religious institution; public, hospital or school ; buildings  -500 ft to residence w/ mineral interest; buildings; ENV Areas	-1000 ft from a park or protected use  -300 from any building  -can only be approved in non-residential zoning districts	-1,000 ft from any habitable structure; school; hospital
Reduced Setback Process	-permit stage  - 60% of affected property owners consent (majority) -prove attempt to obtain 60% (super-majority)	-either 1)signed waiver, 100% required; or 2)City Council public hearing	-administrative approval of permits  -setback reduction requires Council approval of a variance	-SUP stage  -Council approval, operator provides waivers from owners of protected properties	-at Oil and Gas Board of Appeals (ZBA) discretion  -\$1,500 appeal fee to reduce setback distances	-City Council discretion at SUP stage  -only to properties within the City limits	-SUP stage  -P&Z recommends and City Council approve

# Recommendations

- Notify 600 feet for both Zoning and Permitting stage
- Reductions processed per site during SUP stage
- Keep SUP and GW petition processes the same
- Measure setback distance from identified drilling zone
- GW Permits expire after 1-year, plus 1-year extension
- Assess permit extension fee with longer timeframe

## Additional Considerations Required

- SUPs valid for 5 years
- SUP Operators of existing drill sites must update Council about on-site conditions after 5 years
- Plat or increase SUP area to specify property line