

**PLANNING AND DEVELOPMENT MEMORANDUM**  
**#10-33**

September 9, 2010

**TO:** Honorable Mayor Joyce Downing and City Council members

**FROM:** William Simmons, City Manager *WMS*  
James Hayes, Director of Planning and Development *JH*

**SUBJECT:** Discussion Item: Oil and Gas Regulations

The Department of Planning and Development has prepared this memorandum as supplemental information for the discussion item on oil and gas regulations, scheduled before the City Council in a regular meeting on September 9, 2010.

In 2009, staff received an inquiry from Anadarko Petroleum about additional drilling sites in the Weld County portion of Northglenn (Section 36). The Company proposed to construct a drilling pad site in the northeast quarter section and directionally drill oil and gas wells. The current Municipal Code and the Zoning Ordinances do not address additional permitting requirements for oil and gas exploration within the City. The only method to address some of the impacts from the proposal was through a right-of-way (ROW) permit since the drilling trucks would access a public road. ROW permit #R10-000026 was issued to Kerr McGee Oil and Gas OnShore LP as a subsidiary of Anadarko for drilling in the NE ¼ of Section 36. The total permit fee was \$2,234.00 and did not include any details about the surface use agreement with the property owner (not the City) nor any requirements for private property land restoration. In addition, there were no requirements for fencing, hours of operation, or mitigating impacts from the operation.

After the initial ROW permit was issued, Anadarko stated their intentions to proceed with additional drilling on the south half of Section 36. In this case, the City is either the owner or has a controlling interest in the land, but the mineral rights have been severed. Although Anadarko will be required to negotiate a lease with the mineral interest owner and surface use agreement with the City, staff believes an additional level of regulation is required to mitigate the impacts from these operations.

The current proposal is for a centralized drilling location just northeast of the wastewater treatment plant building. The single pad site will be used for directional drilling of up to 13 additional well sites. Rather than simply negotiate a surface use agreement and issue another ROW permit, staff consulted with the City Attorney about creating a new section of the Zoning Ordinance to regulate oil and gas operations. The City Attorney agreed this regulation is best placed in the Zoning Ordinance since a Permitted Use Permit (PUP) process is proposed as the method for regulating the use of land. The Department of Planning and Development reviews and accepts PUP applications and schedules them for public hearing before the Planning Commission. In this case, the formal referral process will allow affected Departments and external agencies an opportunity to comment and recommend conditions for the PUP. In addition, the final PUP decision usually rests with the Planning Commission. In the draft ordinance, an additional step requiring City Council approval has been included to provide an additional level of oversight.

Another major reason to consider adopting this new ordinance is due to the increased activity of oil and gas exploration in Weld County. Specifically, increased resources in the Wattenberg field of natural gas

and the Niobrara field of oil have been discovered in recent years. Most of the cities, towns, and unincorporated areas of Weld County and northern Adams County have seen increase in proposed exploration sites. The Town of Frederick recently adopted new oil and gas regulations and worked closely with the industry in developing the standards. The City Attorney has used these regulations as a model for our draft ordinance. The Colorado Municipal League (CML) is getting involved as well by hosting an educational session on August 25 about the impacts from drilling and limits on local land use control. Staff attended the session, which was presented by attorneys, engineers, and land use specialists affiliated with Anadarko.

In conclusion, staff is requesting discussion and direction to proceed with the formal process for amending the City Zoning Ordinance to add Article 56, Oil and Gas Regulation. If this is acceptable to the City Council, staff will process the ordinance amendment through the Planning Commission for a recommendation and a final decision from City Council.

**BUDGET IMPLICATION:**

Staff does not anticipate any major impacts to the City of Northglenn budget. Staff will be required to spend additional time reviewing Permitted Use Permit applications, but this will be offset by the collection of application and annual administrative fees.

**STAFF REFERENCE:**

If Council members have any questions they may contact James Hayes, Director of Planning and Development at 303-450-8937 or by e-mail at [jhayes@northglenn.org](mailto:jhayes@northglenn.org).