

ORDINANCE NO. 209

AN ORDINANCE AMENDING ORDINANCE NO. 38 OF THE CODE OF ORDINANCES OF THE CITY OF BEVIL OAKS, REGULATING THE DRILLING AND PRODUCTION OF OIL AND GAS WELLS WITHIN THE CITY LIMITS OF THE CITY OF BEVIL OAKS, TEXAS.

DEFINITION OF TERMS: APPOINTMENT OF OIL AND GAS INSPECTOR; COMPLIANCE WITH STATE LAW OR REGULATIONS; LOCATION RESTRICTIONS; PERMIT REQUIREMENTS; DRILLING PERMITS; DERRICKS AND RIGS; PITSL DRILLING OPERATIONS AND EQUIPMENT; CONDITION OF PREMISES; MUFFLERS REQUIRED; STORAGE TANKS AND SEPARATORS; NOISE AND OTHER NUISANCES; FLARING OR GBURNING GAS; FIRE PREVENTION; ABANDONMENT AND PLUGGING; DISPOSAL OF SALT WATER; INSURANCE AND BOND; PENALTY; SEVERABILITY.

WHEREAS, the drilling and production of oil and gas wells is important to the area and to the City; and

WHEREAS, in order to protect the health, life, welfare and property of citizens, it is deemed necessary that drilling permits should be issued and that regulations for the drilling and production of oil and gas wells should be established in such a manner that the economy can be enhanced; and that the health life, and general welfare of the citizens can be protected; now, therefore.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BEVIL OAKS, TEXAS:

SECTION 1: DEFINITION OF TERMS. For the purpose of this Ordinance, the following words and phrases shall have the meanings respectively ascribed to them:

a. Lease. Any tract of land subject to an oil, gas and/or mineral lease or other oil and gas development contract, or any unit composed of several tracts and/or leases but operated as one lease, and any tract of land in which the minerals are owned by an operator or someone holding under its or his administrators, executors, heirs, successors, and/or assigns; but which, due to the free royalty ownership, is developed and operated as a separate tract.

b. Permittee. The person to whom a permit is issued for the dripping and operation of a well under this Ordinance and his or its administrators, executors, heirs, successors, and assigns shall be designated as the permittee.

c. Well. Any hole or holes, bore or bores, to any sand, formation, strata, or depth for the purpose of producing and recovering any oil, gas, liquid hydrocarbons, or any combination of these shall be designated as well.

d. Technical Words or Phrases. All technical or oil and gas industry words or phrases used herein and not specifically defined herein shall have that meaning customarily attributable thereto by prudent operators in the oil and gas industry.

SECTION 2. OIL AND GAS INSPECTION. The City Council may appoint oil and gas inspector if, and when, the Council deems it advisable and compensation for the inspector shall be set by the Council. The inspector may, with the approval of the Council, engage persons qualified in petroleum engineering, petroleum geology, or the oil industry as necessary to determine whether to issue or deny a permit and to assist the inspector in the administration and enforcement of this Ordinance.

SECTION 3. COMPLIANCE WITH STATE LAW OR REGULATIONS. Any violation of State law or any rules, regulations, or requirements of any State or Federal regulatory body having

jurisdiction in reference to drilling, completing, equipping, operating, producing, maintaining, or abandoning an oil or gas well or related appurtenances, equipment or facilities; or in reference to fire walls, fire protection, blowout protection, safety protection, or convenience of persons or property shall also be deemed a violation of this Ordinance.

SECTION 4. LOCATION RESTRICTIONS.

a. Streets and Alleys. No oil and/or gas wells shall be drilled and no permit shall be issued for any well to be drilled, at any location which is within any of the streets or alleys of the City. No street or alley shall be blocked or encumbered or closed by any drilling or production operation except by special permit by order of the City Council, and then only temporarily.

b. Residences and Commercial Buildings. No oil and. Or gas wells shall be drilled and no permit shall be issued for any wells to be drilled at any location which is within one thousand five hundred (1500') feet of any residence, commercial building, school, hospital, nursing home or other occupied structure without the applicant having first secured the written permission of the owner or owners thereof.

c. Other Wells and Oil Storage Facilities. No oil and/or gas well shall be drilled and no permit shall be issued for any wells to be drilled at any location which is within one thousand five hundred (1500') feet of any oil storage or production tank or battery of tanks within the City or within one thousand five hundred (1500') feet of any other drilling or producing well for which a permit has been granted and is in full force and effect at the time of application or within one thousand five hundred (1500') feet of any residence, commercial building, school, hospital, nursing home or other occupied structure unless prior written consent has been obtained from the Council.

SECTION 5: PERMIT REQUIREMENTS.

a. Conduits on Streets and Alleys. No permittee shall make any excavation or construct any lines for the conveyance of fuel, water or minerals on, under, or through the streets and alleys of the City without express permission of the City Council in writing, and then only in strict compliance with the applicable provisions of this Ordinance, State law, or other City Ordinances, rules and regulations.

b. Deeper Drilling.

(1) Once any well has either been completed as a producer or abandoned as a dry hole, it shall be unlawful and deemed an offense for any person to drill such well to a deeper depth than that reached in the prior drilling operation without the permittee, as to such well, obtaining a supplemental permit after filing a supplemental application with the City specifying the following:

- (a) the present condition of the well and the casing therein;
- (b) the depth to which such well is proposed to be deepened;
- (c) the proposed casing program to be used in connection with the proposed deepening operation;
- (d) an evidence of adequate current tests showing that the casing strings in said well meet the requirements of the Ordinance, as provided for in the case of drilling of the original well.

- (2) In the event the City Council is satisfied that said well may be deepened with the same degree of safety as existed in the original well, a supplemental permit may be issued without additional filing fee to the permittee, authorizing the deepening and operation of the well to such specified depth as applied for. In any drilling or any completion of any deeper production operations, the permittee shall comply with all the provisions contained in this Ordinance, and applicable to the drilling, completion, and operation of a well or wells.

SECTION 6. DRILLING PERMITS. It shall be unlawful and deemed an offense for any person, acting either for himself or as agent, employee, independent contractor, or servant of any other person, to commence to drill, drill, or operate any well within the City, or to work upon or assist in any way in the prosecution or operation of any such well without a permit for the drilling and operation of such well having first been issued by the authority of the City.

a. Limitation. A separate permit shall be issued for the drilling of each oil and gas well.

b. Application and filing Fee. Every application for a permit to drill and operate a well shall be in writing, signed by the applicant or by some person duly authorized to sign same on his behalf, and shall be filed with the City and be accompanied by a filing fee of Two Thousand Five Hundred and no/100 (\$2,500.00) Dollars in cash. Application shall include full information, including the following:

- (1) name and address of applicant;
- (2) the date of the application;
- (3) proposed site, including:
 - (a) name of mineral owner;
 - (b) name of lease owner;
 - (c) legal description of land and copy of map or plat of the drilling site;
- (4) type of derrick to be used;
- (5) proposed depth of the well;
- (6) copy of the lease or drilling contract held by the applicant; (a statement of what property the applicant has the right by reason of ownership or permission of the owner to pass through and enter for drilling purposes and a further statement that the applicant agrees, in finally locating the well, not to pass through or enter any property where he does not have such right);
- (7) abstract of title for the property contained in the drilling unit or in lieu thereof an opinion on the title by an attorney or abstractor satisfactory to the City showing a good and merchantable title in the oil, gas and mineral leasehold estate vested in applicant;
- (8) drilling permit from the Texas Railroad Commission:

The City Council may at their discretion, waive the filing fee of the Two Thousand Five Hundred and no/100 (\$2,500.00) Dollars provided for herein.

c. Issuance of Permit. The City Council, within thirty (30) days after the filing of the application for a permit to drill and operate an oil and/or gas well, shall determine whether or not said application complies in all respects with the provisions of this Ordinance and State law, and if so, the City Council shall then fix the amount of the principal of the required bond and insurance. After such determination, the City Council shall issue a permit for the drilling and operation of the proposed well.

d. Content of Permit. Each permit issued under this Ordinance shall:

(1) specify the well location with particularity to lot number, block number, name of addition or subdivision, or other available direct legal descriptions;

(2) contain and specify that terms of each permit shall be for a period of one (1) year from the date of such permit, and as long thereafter as the permittee is engaged in drilling operations with no cessation of such operations for more than ninety (90) days; or oil or gas is produced in commercial quantities from the well drilled pursuant to such permit, provided that, if at any time after the discovery of oil or gas, the production thereof in commercial quantities shall cease, the permit shall not terminate if the permittee shall commence additional reworking operations resulting in the production of oil or gas within ninety (90) days thereafter, for so long thereafter as oil or gas is produced in commercial quantities from said well;

(3) contain and specify such conditions as are authorized by this Ordinance;

(4) specify the total depth to which the well may be drilled, not exceeding the projected depth;

(5) contain and specify that no actual operation shall be commenced until the permittee shall file and have approved an indemnity bond in the designated principal amount as so determined by the City Council and conditioned as specified by Section 19 of this Ordinance.

e. Refusal or Withdrawal of Permit. If the permit for an oil and/or gas well be refused, or if the applicant notifies the City Council in writing that he does not elect to accept the permit as tendered and wishes to withdraw his application, or if the bond of the applicant be not approved and the applicant shall notify the City Council that he wishes to withdraw his application, then, upon the happening of said events, the cash deposit provided for and filed with the application shall be returned to the applicant.

f. Termination of Permit. When a permit shall have been issued under the provisions of this Ordinance, the same shall terminate and become inoperative without any action on the part of the City unless actual drilling of the well shall have commenced within ninety (90) days. The cessation of the drilling operation or the cessation of the production of oil or gas from the well after production shall have commenced for a like period shall operate to terminate and cancel the permit. The well shall be considered as abandoned for all purposes of this Ordinance, and it shall be unlawful thereafter to continue the operation or drilling of such well without the issuance of another permit.

g. Revocation of Permit. The City Council, at any regular or special session or meeting thereof, may, providing ten (10) days' notice has been given

to the permittee that the revocation is to be considered at such meeting, revoke or suspend any permit under this Ordinance under which drilling or producing operations are being conducted in the event that the permittee thereof has violated any provision of said permit, said bond, or applicable provision of this Ordinance, State law, or City Ordinance, rules, or regulations. In the event that the permit is revoked, the permittee may make application to the City Council for a re-issuance of such permit, and the action of the City Council thereon shall be final.

SECTION 7: VEHICULAR ACCESS ROUTE TO SITE AND REQUIRED PERMIT.

A vehicular access route to the site may be established by the Council, which vehicular access route shall be in accordance with any truck or trailer ordinance of the City. The vehicular access route shall consider, but not be limited to the existing width, load-bearing capacity, and composition of all streets, residential densities, potential interference with pedestrian and bicycle traffic, the presence of effective traffic control, and the general character of the areas through which the proposed access route would pass.

Because of significant damage which can be caused to the vehicular access route by the truck and trailer traffic and the movement of other materials and equipment to the drilling site, permittee agrees that an inspection of the vehicular access route shall be made prior to the issuance of any permit. The permittee agrees to bear the costs of any and all repairs deemed necessary by the City to the vehicular access route during or after the period encompassed by the drilling permit and damages associated with the movements of vehicular traffic across the vehicular access route to the drilling site of permittee. Permittee agrees to indemnify and save harmless the City, its officers, agents, and employees from any and all damages, causes of action, and damages of every kind for injury to any person or damages to any property arising from the condition of the vehicular access route attributable to the condition of the vehicular access route caused by permittee or any of its agents or employees, subcontractors or other persons upon the vehicular access route, directly or indirectly associated with the drilling operations of permittee.

Under no circumstances will dirt/or mud be allowed on paved City streets. Permittee agrees to have provisions in place to keep mud and dirt from being deposited on City streets.

The Council shall make an inspection of the vehicular access route during or within One Hundred Twenty (120) Days following the completion of drilling operations and shall provide permittee with a written estimate of all damages occasioned to the vehicular access route due to the drilling operations. Permittee shall immediately reimburse the City for all costs associated with the repair of the vehicular access route.

If permittee requires vehicular access to the drilling site, a Vehicular Access Permit shall be required in addition to the drilling permit. The cost of the Vehicular Access Permit shall be Two Thousand Five Hundred and no/100 (\$2,500.00) Dollars in cash payable to the City.

SECTION 8: DERRICKS AND RIGS. It shall be unlawful and an offense for any person to use or operate in connection with the drilling or reworking of any well within the City any wooden derrick or any steam-powered rig, and all engines used shall be equipped with adequate mufflers approved by the City Council; or to permit any drilling rig or derrick to remain on the premises or drilling site for a period longer than sixty (60) days after completion or abandonment of the well.

SECTION 9: PITS. Steel slush pits shall be used in connection with all drilling and reworking operations unless the City /council shall waive such requirements. Such pits and contents shall be removed from the premises and the drilling site within thirty (30) days after completion of the well. No earthen slush pits shall be used.

SECTION 10. DRILLING OPERATIONS AND EQUIPMENT. All drilling and operation of any well performed by a permittee under this Ordinance shall be conducted in accordance with the best practices of any reasonably prudent operator in the South Texas area. All casing, valves, and blowout preventers, drilling fluid, tubing, bradenhead, Christmas tree, and well head connections shall be of the type and quality consistent with the best practices of such reasonable and prudent operators. Setting and cementing casing and running drill-stem tests shall be performed in a manner and at a time consistent with the best practices of such reasonably prudent operation. Each permittee shall observe and follow the recommendations and/or regulations of the American Petroleum Institute and the Texas Railroad Commission.

SECTION 11. CONDITION OF PREMISES.

a. Sanitation and Cleanliness. Premises shall be kept in a clean and sanitary condition, free from rubbish of every character at all times while drilling operations or reworking operations are being conducted and as long thereafter as oil and/or gas is being produced there-from. It shall be unlawful for any permittee, his agents, or employees, to permit within the City limits any mud, water, waste oil, slush, or other waste matter from any slush pit, storage tank, or oil and/or gas well located within the City---or from any premises within the City developed or being developed for oil and/or gas purposes---in or on any alleys, streets, lots, land, or leases within the City.

b. Fencing. Any person who completes any well as a producer shall have the obligation to enclose said well, together with its surface facilities, with a substantial concrete-block fence sufficiently high and properly built so as to ordinarily keep persons and animals out of the enclosure, with all gates thereto to be kept locked when the permittee or his employees are not within the enclosures. The City Council may waive the requirements of any fence or may designate the type of fence to be erected.

SECTION 12. MUFFLERS REQUIRED Motive power for all operations after completion of drilling operations shall be electricity or properly muffled gas, gasoline, or diesel engines. Such mufflers are to be approved by the Oil and Gas Inspector prior to their use.

SECTION 13. STORAGE TANKS AND SEPARATORS. It shall be unlawful and an offense for any person to use, construct or operate in connection with any producing well within the City and crude oil storage tanks except to the extent of two (2) steel tanks not exceeding a five hundred (500) barrel capacity each and so constructed and maintained as to be vapor tight. A permittee may use, construct, and operate a steel conventional separator and such other steel tanks and appurtenances as are necessary for treating oil with each of such facilities to be so constructed and maintained as to be vapor tight. Each oil/gas separator shall be equipped with both a regulation pressure-relief safety valve and a bursting head. All such tanks and separators shall be placed underground. Any oil or gas produced maybe transported outside the City limits by underground pipelines.

SECTION 14. NOISE AND OTHER NUISANCES. All oil operations, drilling, and production operations shall be conducted in such a manner as to

drilling operation shall be commenced until the permittee shall file with the City, a bond and certificate of insurance as follows:

a. Bond Requirements. A bond in the principal sum of such number of dollars as has been determined by City Council, but not to be less than One Hundred Thousand and no/100 (\$100,000.00) Dollars shall be executed by a reliable insurance company authorized to do business in the State as surety, and with applicant as principal, running to the City for the benefit of the City and all persons concerned, conditioned that the permittee will comply with terms of the bond and of this Ordinance in the drilling and operation of the well. Said bond shall become effective on or before the date the same is filed with the City and remain in force and effect for at least a period of one (1) month subsequent to the expiration of the term of the permit issued; and, in addition, the bond will be conditioned that the permittee will promptly pay all fines, penalties, and other agreements imposed upon permittee by reason of his breach of any of the terms provisions, and conditions of this Ordinance; and that the permittee will promptly restore the streets and sidewalks and other public property of the City which may be disturbed or damaged in the operation, to their former condition; and that the permittee will promptly clear all premises of all litter trash, waste and other substances used, allowed, or occurring in the drilling or production operation; and will, after abandonment, grade, level, and restore said property to the same surface condition, as nearly as possible, as existed when operations for the drilling of the well or wells first commenced; and that the permittee will indemnify and hold the City harmless from any and all liability growing out of, or attributable to, the granting of such permit. It at any time the City Council shall deem any permittee's bond to be insufficient for any reason; it may require the permittee to file a new bond.

If after the completion of a well, the permittee has complied with all the provisions of this Ordinance, such as removing dirt, clearing premises, street repair, etc., he may apply to the City Council to have said bond reduced to the sum of not less than Twenty-five Thousand and no/100 Dollars for the remainder of the time said well produces without re-working. During re-working operations, the amount of the bond shall be increased to the original amount; provided, however, that the City Council may waive the requirement of the bond provided for in this Section.

b. Insurance. In addition to the bond required in sub-section (a) of this Section, the permittee shall carry a policy or policies of standard comprehensive public liability insurance, including contractual liability covering bodily injuries and property damage, naming the permittee and the City, with an insurance company authorized to do business within the State; said policy or policies in the aggregate shall provide for the following minimum coverage;

(1)	Bodily injury--	\$	1,000,000.00	per person
		\$	3,000,000.00	per accident
(2)	Property Damage---		\$ 1,000,000.00	

Permittee shall file with the City certificates of insurance as above stated and shall obtain the written approval thereof from the City, which shall act thereon with thirty (30) days from the date of such filing. Said insurance policy or policies shall not be cancelled without written notice to the City at least ten (10) days prior to the effective date of such cancellation. In the event said insurance policy or policies are cancelled, the permit granted shall terminate, and permittee's right to operate under said permit shall cease until permittee files additional insurance as provided herein.

eliminate—as far as practical—dust, noise, vibration, or noxious odors; and they shall be in accordance with the best accepted practices incident to exploration for, drilling for and production of oil, gas, and other hydrocarbon substances. Proven technological improvements in exploration, drilling, and production methods shall be adopted as they become available from time to time if capable of reducing factors of nuisance and annoyance.

SECTION 15. FLARING OR BURNING OF GAS. No permittee engaged in the drilling operation of an oil and/or gas well within the City shall permit gas to escape into the air or to flare or burn gas from a torch or any similar means within the City, except that gas may be burned for a limited time when completion or upon the re-completion of work-over jobs upon oil and/or gas wells so long as the same does not constitute a fire hazard to the property of others within the vicinity of such oil and/or gas well.

SECTION 16. FIRE PREVENTION> Adequate fire fighting apparatus and supplies as customarily utilized in prudent drilling operations shall be maintained on the drilling site at all times during the drilling and production operations. All machinery, equipment and installations on all drilling sites within the City shall conform to any requirements as may from time to time be issued by the City Council.

Permittee shall erect a dike or firewall around all permanent oil tanks or battery of tanks having a capacity of at least one and one-half ($1 \frac{1}{2}$) times that of the tank or battery of tanks. A firewall drain must be installed and kept closed. When rainfall accumulates, the drain may be opened and accumulated rainwater be discharged. At no time shall this water be discharged if contaminants are present.

SECTION 17. ABANDONMENT AND PLUGGING. Whenever any well is abandoned, it shall be the obligation of the permittee and the operator of the well to set a two hundred (200') foot cement plug in the bottom of the surface casing with the bottom of the plug one hundred (100') feet below the surface-casing section; and they shall set a fifty (50') foot cement plug in the top of the surface casing. No surface or conductor string of casing may be pulled or removed from the well. During the initial abandonment operation, it will be the obligation of the permittee and the operator of the well to flood the well with mud-laden fluid weighing not less than ten (10) pounds per gallon, and the well will be filled to the top with said mud-laden fluid at all times. Mud-laden fluid of the above specifications will be left in the well-bore below and between cement plugs. Any additional provisions or precautionary measures prescribed by the State or State Railroad Commission in connection with the abandonment and plugging of a well shall be complied with by the permittee.

SECTION 18. DISPOSAL OF SALT WATER. The permittee shall make adequate provision for the disposal of all salt water or other impurities, which he may bring to the surface, such disposal to be made in such manner as to not contaminate the water supply, present or prospective, or to injure surface vegetation.

Permittee shall set surface casing at not less than seven hundred fifty (750') feet depth in cement by circulation from top to bottom, and exercise other necessary precautions to protect the City water supply source from condemnation. Under no circumstances will salt water or other impurities be allowed to drain across land, ditches, etc. Applicable State and federal laws will be strictly followed and applied.

SECTION 19. INSURANCE AND BOND. In the event a permit shall be issued by the City Council under the terms of this Ordinance for the drilling and operation of an oil and/or gas well or for vehicular access to a drilling site, no actual

If, after completion of a well, permittee has complied with all provisions of the Ordinance, such as removing dirt, clearing premises, etc., he may apply to the City Council to have said insurance policies reduced as follows:

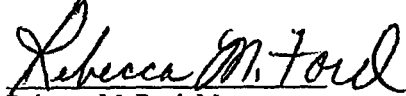
- | | | | | |
|-----|-----------------|----|--------------|----------------------|
| (1) | Bodily injury | \$ | 500,000.00 | one person |
| | | \$ | 1,500,000.00 | per accident |
| (2) | Property Damage | \$ | 500,000.00 | for the remainder of |
- the time said well produces without re-working. During re-working operations the amount of the insurance policy or policies shall be increased to the original amount.

SECTION 20. PENALTY. Any person violating any of the provisions of this Ordinance shall be deemed guilty of a misdemeanor, and upon conviction, shall be subject to a fine of not more than Two Hundred and no/100 (\$200.00) Dollars per day. Each transaction in violation of any of the provisions hereof shall be deemed a separate offense.

SECTION 21: SEVERABILITY. It is hereby declared to be the intention of the City Council that the sections, paragraphs, sentences, clauses, and phrases are separable, and, if any phrase, clause, sentence, paragraph, or section of this Ordinance shall be declared unconstitutional or invalid by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality or invalidity shall not affect any of the remaining phrases, clauses, sentences, paragraphs, or sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation in this Ordinance of unconstitutional or invalid phrases, clauses, sentences, paragraphs, or sections.

19th PASSED AND APPROVED BY THE CITY COUNCIL THIS
DAY OF February, 2008.

APPROVED:


Rebecca M. Ford, Mayor

ATTEST:


Michelle L. Nelson, Secretary