

ORDINANCE NUMBER 311

AN ORDINANCE OF THE CITY OF SEVEN POINTS, TEXAS, REPEALING ORDINANCE NO. 120, REGARDING THE REGULATION OF GAS AND OIL PRODUCTION IN THE CITY OF SEVEN POINTS; REGARDING GAS AND OIL WELLS PERMITS FOR DRILLING GAS AND OIL WELLS IN THE CITY; PROVIDING THAT THIS ORDINANCE SHALL BE CUMULATIVE OF ALL ORDINANCES; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A PENALTY CLAUSE; PROVIDING FOR PUBLICATION; AND NAMING AN EFFECTIVE DATE.

WHEREAS, the City Council deems it in the best interest of the public health and safety to enact the following;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SEVEN POINTS, TEXAS:

Section One

PURPOSE

The exploration, development, and production of gas and oil in the City are activities which necessitate reasonable regulation to ensure that all property owners, mineral and otherwise, have the right to peaceably enjoy their property and its benefits and revenues. It is hereby declared to be the purpose of this Ordinance to establish reasonable and uniform limitations, safeguards and regulations for present and future operations related to the exploring, drilling, developing, producing, transporting and storing of gas and oil and other substances produced in association with gas and oil within the City to protect the health, safety and general welfare of the public; minimize the potential impact to property and mineral rights

Section Two

Definitions.

All technical industry words or phrases related to the drilling and production of gas/oil wells not specifically defined in this Ordinance shall have the meanings customarily attributable thereto by prudent and reasonable gas/oil industry Operators. The following words, terms and phrases, when used in this Ordinance, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Building means any structure intended or designed to be used for human occupancy or use.

Drilling means any digging or boring of a new well to develop or produce gas/oil or to inject gas, water or any other fluid or substance into the earth. Drilling means and includes the re-entry of an abandoned well. Drilling does not mean or include the re-entry of a well that has not been abandoned.

Gas/Oil Well Permit or *Permit* shall mean the Gas/Oil Well Permit required to be issued under this Ordinance, authorizing the drilling of a gas well or other operations as herein defined.

Permit shall mean the Gas/Oil Well Permit required to be issued under this Ordinance, authorizing the drilling of a gas/oil well or other operations as herein defined.

Person shall mean the singular and the plural and means a natural person, a corporation, association, guardian, partnership, receiver, trustee, administrator, executor, and fiduciary or representative of any kind."

Section Three

Gas Well Permit Administration

A. Any person or corporation wanting to engage in and operate gas/oil production activities shall apply for and obtain a Gas/Oil Well Permit. It shall be unlawful for any person acting either for himself or acting as agent, employee, independent contractor, or servant for any person to drill any well, to assist in any way in the site preparation or operation of any such well, or to conduct any activity related to the production of gas without first obtaining a Gas/Oil Well Permit issued by the City. Such activities include, but are not limited to initial site preparation, drilling, re-drilling deepening, re-working, re-entering, activating, converting, operating, constructing rigs or tank batteries, fracturing and pressurizing.

B. A Gas/Oil Well Permit shall not be required for the sole purpose of conducting seismic surveys.

C. A Gas/Oil Well Permit shall not constitute authority for the re-entering and drilling of an abandoned well. An Operator shall obtain a new Gas/Oil Well Permit in accordance with the provisions of this Ordinance if the Operator is re-entering and drilling an abandoned well.

D. When a Gas/Oil Well Permit has been issued to the Operator, such Gas/Oil Well Permit shall constitute sufficient authority for drilling, operation, production gathering or production maintenance, repair, re-working, testing, plugging and abandonment of the well and/or any other activity associated with mineral exploration at the site of such well. However, a new or supplemental Gas/Oil Well Permit shall be obtained before such Permitted well may be reworked for purposes of re-drilling, deepening or converting such well to a depth or use other than that set forth in the then current Gas/Oil Well Permit for such well.

E. Any person who intends to re-work a well with a Gas/Oil Well Permit using a drilling rig, to fracture stimulate a Gas/Oil Well Permitted well after initial completion or to conduct seismic surveys or other exploration activities shall give written notice to the City no less than ten (10) days before the activities begin. The notice must identify where the activities will be conducted and must describe the activities in detail, including whether explosive charges will be used, the duration of the activities and the time the activities will be conducted. The notice must also provide the address and 24-hour phone number of the person conducting the activities. If requested by the City, the person conducting the activities will post a sign on the property giving the public notice of the activities, including the name, address and 24-hour phone number of the person conducting the activities. If the City determines that an inspection by an independent gas/oil inspector is necessary, the Operator will pay the City for the inspection. The following requirements shall apply to all fracture stimulation operations performed on a well within five

hundred (500) feet of an occupied residence: 1) at least 48 hours before operations are commenced, the operator shall post a sign at the entrance of the well site advising the public of the date the operations will commence; 2) "flow back" operations to recover fluids used during fracture stimulation shall be performed during daylight hours only unless the City approves such operations during non-daylight hours; 3) a watchman shall be required at all times during such operations; and 4) at no time shall the well be allowed to flow or vent directly to the atmosphere without first directing the flow through separation equipment or into a portable tank.

A Gas/Oil Well Permit shall automatically terminate, unless extended with permission from the City, if drilling is not commenced within one hundred eighty (180) days from the date of the Permit issuance. A Gas/Oil Well Permit may be extended by the City for an additional one hundred eighty (180) days upon request by the Operator and proof that the classification of the requested Gas/Oil Well Permit for such location has not changed.

The Gas/Oil Well Permit required by this Ordinance is in addition to and is not in lieu of any Gas/Oil Well Permit which may be required by any other provision of this Code or by any other governmental agency.

Any existing wells, previously permitted or approved by the City, within the corporate limits of the City on the effective date of this Ordinance; or any wells which drilling has commenced on the effective date of this Ordinance; or any wells in existence or on any wells on which drilling has commenced on land annexed into the City after the effective date of this Ordinance; or any well that was planned for the land before the 90th day before the effective date of its annexation and for which the Operator can provide documentation of a completed application for an authorization from a governmental entity for one or more licenses, certificates, gas/oil well permits, approvals, or other forms of authorization required by law for gas/oil well drilling, filed before the date of the institution of City annexation proceedings.

A person shall have forty-five (45) days after the enactment of this Ordinance or annexation into the City to designate a gas/oil operation as a pre-existing operation by filing a site plan drawn to scale that shows the proposed location of the well with respect to survey lines and the proposed associated production facilities, if any, with the City.

By acceptance of any Gas/Oil Well Permit issued pursuant to this Ordinance, the Operator expressly stipulates and agrees to be bound by and comply with the provisions of this Ordinance. The terms of this Ordinance shall be deemed to be incorporated in any Gas/Oil Well Permit issued pursuant to this:

Section Four

Application and Filing Fees.

A. Every application for a Gas/Oil Well Permit shall be in writing signed by the Operator or a person duly authorized to sign on his behalf and filed with the City Secretary.

B. Every application shall be accompanied by a Gas/Oil Well Permit fee of Two Thousand (\$2,000.00) dollars. No Gas/Oil Well Permit shall be accepted by City Staff in the absence of the entire Gas/Oil Well Permit fee.

C. The application shall include the following information:

The date of the application and type of Gas/Oil Well Permit requested.

An accurate legal description of the property to be used for the gas/oil operation, the parcel and the production unit and name of the geologic formation as used by the Commission. Property recorded by plat should reference subdivision, block and lot numbers.

A map showing the proposed transportation route and road for equipment, chemicals or waste products used or produced by the gas/oil operation.

Proposed well name.

Surface owner names(s) and address(es).

Mineral Lessee name and address.

Operator/Applicant name and address and if the Operator is a corporation, the state of incorporation, and if the Operator is a partnership, the names and addresses of the general partners. Name and address of an individual designated to receive notice. Name of representative with supervisory authority over all gas/oil operation site activities and a 24-hour phone number.

A Site Plan of the proposed Operation Site showing the location of all improvements, equipment and other facilities, including but not limited to tanks, pipelines, compressors, separators and storage sheds. The Site Plan shall also depict the proposed location(s) of any well(s), and all structures within three hundred feet (300') of the Operation Site.

The location of all fresh water wells within one thousand feet (1000') of the Operation Site.

Copies of all reports required by the Railroad Commission and the approved permit from the Railroad Commission.

A signed Road Maintenance Agreement supplied by the City that provides that the Operator shall repair, at his own expense, any damage to roads, streets, or highways caused by the use of heavy vehicles for any activity associated with the preparation, drilling, production, and operation of gas wells.

A description of public utilities required during drilling and operation. A description of the water source to be used during drilling.

A copy of the Storm Water Pollution Prevention Plan as required by the Environmental Protection Agency.

A copy of the determination by the Texas Commission on Environmental Quality of the depth of useable quality ground water. Evidence of insurance and security requirements under this Ordinance.

A statement, signed under oath by the Operator or designated representative, that the information submitted with the application is, to the best knowledge and belief of the Operator or designated representative, true and correct.

All required application and Gas/Oil Well Permit fees."

Section Five

Gas/Oil Well Permit

Gas/Oil Well Permit Issuance

Staff Procedure. All completed applications for a Gas/Oil Well Permit shall be submitted to the City Secretary for review and shall forward the application to the City Council. Staff may issue a Gas/Oil Well Permit provided (i) the application meets the technical requirements of this

Ordinance; (ii) no waivers are being requested to the technical requirements; and (iii) Staff has been given the authority by the City Council to issue the Gas/Oil Well Permit without Council action. In any case, however, Staff shall have the option of deferring the approval of any complete Gas/Oil Well Permit application to the City Council. Should City Council approval be required for Gas/Oil Well Permit issuance as set forth herein, the City Secretary shall place the completed Gas/Oil Well Permit application on the City Council Agenda for approval.

Well Set Backs

It shall be unlawful to drill any well in the thickly settled part of the City, in the sole determination of the City Council, or within three hundred feet (300') from any residence, religious institution, building, hospital building, school or public park.

b. It shall be unlawful to drill any Well within five hundred feet (500') of any fresh water well.

3. Floodways. No Gas/Oil Well Permit shall be issued for any well to be drilled within any floodway. Gas/Oil drilling companies are encouraged to develop wells within the floodplain, but wells so located shall be developed in accordance with the City's current Floodplain Ordinance.

4. City Property. No Gas/Oil Well Permit may be issued by Staff for any well proposed to be drilled on City property. Proposed wells on City property require the approval of the City Council. The City Council shall review the insurance and security requirements on an individual basis prior to issuing the Gas/Oil Well Permit.

5. Platted Property. No Gas/Oil Well Permit may be issued by Staff for any well proposed to be drilled on property that has had a final plat approved by the City Council. Proposed wells on property with an approved final plat require the approval of the City Council. The City Council shall review the insurance and security requirements on an individual basis prior to issuing the Gas/Oil Well Permit.

6. Existing Wells. A property owner may petition the City Council to locate a building within three hundred feet (300') feet from an existing gas well and such petition shall be considered at a public hearing called on the matter; however, no person shall be allowed to locate a building closer than two hundred feet (200') from any existing gas/oil well. For the protection of the health, safety and welfare of the public, the Council may impose additional requirements on such property owner for a reduction of the 300' distance.

Section Six

AMENDED GAS/OIL WELL PERMITS

A. An Operator may submit an application to the City Secretary to amend an existing Gas/Oil Well Permit in order to (i) commence drilling from a new drill site that is not shown on (or incorporated by reference as part of) the

B. Existing Gas/Oil Well Permit; (ii) relocate a drill site or operation site that is shown on (or incorporated by reference as part of the existing Gas/Oil Well Permit; or (iii) otherwise amend the existing Gas/Oil Well Permit.

Applications for amended Gas/Oil Well Permits shall be in writing, shall be signed by the Operator, and shall include the following:

A description of the proposed amendments;
Any changes to the information submitted with the application for the existing Gas/Oil Well Permit (if such information has not previously been provided to the City);
Such additional information as is reasonably required by the City to demonstrate compliance;
and
Such additional information as is reasonably required by the City to prevent imminent destruction of property or injury to persons.

C. All applications for amended Gas/Oil Well Permits shall be filed with the City Secretary for review. Incomplete applications may be returned to the applicant, in which case the City Staff shall provide a written explanation of the deficiencies; however, the City shall retain the application fee. The City Staff may return any application as incomplete if there is a dispute pending before the Commission regarding the determination of the Operator.

D. If the activities proposed by the amendment are not materially different from the activities covered by the existing Gas/Oil Well Permit, and if the proposed activities are in conformance with the applicable Gas/Oil Well Permit, then the City Staff shall approve the amendment after the application is filed. If, however, the activities proposed by the amendment are materially different and, in the judgment of the City Staff, might create a risk of imminent destruction of property or injury to persons that was not associated with the activities covered by the existing Gas/Oil Well Permit or that was not otherwise taken into consideration by the existing Gas/Oil Well Permit, the City Staff may require the amendment to be processed as a new Gas/Oil Well Permit application.

E. The failure of the City Staff to review and issue an amended Gas/Oil Well Permit shall not cause the application for the amended Gas/Oil Well Permit to be deemed approved.

F. The decision of the City Staff to deny an amendment to a Gas/Oil Well Permit shall be provided to the Operator in writing within 10 days after the decision, including an explanation of the basis for the decision. The Operator may appeal any such denial to the City Council."

Section Seven

SUSPENSION OR REVOCATION OF GAS/OIL WELL PERMIT

A. If an Operator or its officers, employees, agents, contractors, or representatives fails to comply with any requirement of a Gas/Oil Well Permit (including any requirement incorporated by reference as part of the Gas/Oil Well Permit), the City Secretary shall give written notice to the Operator specifying the nature of the failure. The notice shall give the Operator a reasonable time to cure, taking into consideration the nature and extent of the failure, the extent of the efforts required to cure, and the potential impact on the health, safety, and welfare of the community. The cure period shall not be less than thirty (30) days unless the failure: involves a failure to obtain a Gas/Oil Well Permit as required by the City; presents a risk of imminent destruction of property or injury to persons; or involves the Operator's failure to provide periodic reports as required by this Ordinance.

In any of the foregoing instances, the cure shall be effected immediately.

B. If the Operator fails to correct the noncompliance within thirty (30) days from the date of the notice, the City Council may suspend the Gas/Oil Well Permit while the operator pursues a cure, or revoke the Gas/Oil Well Permit if the Operator fails to initiate and diligently pursue a cure. The City Council may also direct the City Secretary upon written notice to the Operator, to notify the Commission and request that the Commission take any appropriate action, and the City may pursue any other remedy available under this Article.

C. The City shall have all rights and remedies available under Chapter 54 of the Texas Local Government Code and any other applicable statute to ensure compliance with this Ordinance, including the right to enjoin an Operator from gas production activities during such time of noncompliance with the terms of this Ordinance.

D. No person shall carry on any operations performed under the terms of the Gas/Oil Well Permit issued under this Ordinance during any period of any Gas/Oil Well Permit suspension or revocation or pending a review of the decision or order of the City in suspending or revoking the Gas/Oil Well Permit. Nothing contained herein shall be construed to prevent the necessary, diligent and bona fide efforts to cure and remedy the default or violation for which the suspension or revocation of the Gas/Oil Well Permit was ordered for the safety of persons or as required by the Commission.

E. Operator may, within thirty (30) days of the date of the written decision of the City Secretary in writing to suspend or revoke a Gas/Oil Well Permit, file an appeal to the City Council under the provisions outlined in this Ordinance pursuant to "Appeals" of this Ordinance."

Section Eight

Bond, Letters of Credit, Indemnity, Insurance.

General Requirements.

The Operator shall be required to:

Comply with the terms and conditions of this Ordinance and the Gas/Oil Well Permit issued hereunder.

Promptly clear drill and operation sites of all litter, trash, waste and other substances used, allowed, or occurring in the operations, and after abandonment or completion grade, level and restore such property to the same surface conditions as nearly as possible as existed before operations.

Indemnify and hold harmless the City, its officers, agents, and employees from and against any and all claims, losses, damages, causes of action, suits and liability of every kind, including all expenses of litigation, court costs, and attorney's fees, for injury to or death of any person or for damage to any property arising out of or in connection with the work done by Operator under a Gas/Oil Well Permit:

a. where such injuries, death or damages are caused by

Operator's sole negligence or the joint negligence of Operator and any other person or entity; and regardless of whether such injuries, death or damages are caused in whole or in part by the negligence of Operator.

b. Promptly pay all fines, penalties and other assessments imposed due to breach of any terms of

the Gas/Oil Well Permit.

Promptly restore to its former condition any public or private property damaged by the gas/oil operation.

Section Nine

Bond, Irrevocable Letter of Credit

1) Prior to the issuance of a Gas/Oil Well Permit, the Operator shall provide the City Secretary with a security instrument in the form of a bond or an irrevocable letter of credit as follows:

a. Bond. A bond shall be executed by a reliable bonding or insurance institution authorized to do business in Texas, acceptable to the City. The bond shall become effective on or before the date the Gas/Oil Well Permit is issued and shall remain in force and effect for at least a period of six (6) months after the expiration of the Gas/Oil Well Permit term or until the well is plugged and abandoned and the site is restored, whichever occurs first. The Operator shall be listed as principal and the instrument shall run to the City, as obligee, and shall be conditioned that the Operator will comply with the terms and regulations of this Ordinance and the City. The original bond shall be submitted to the City Secretary.

b. Letter of Credit. A letter of credit shall be issued by a reliable bank authorized to do business in Texas and shall become effective on or before the date the Gas/Oil Well Permit is issued. The letter of credit shall remain in force and effect for at least a period of six (6) months after the expiration of the Gas/Oil Well Permit term. The City shall be authorized to draw upon such letter of credit to recover any fines or penalties assessed under this Ordinance. Evidence of the execution of a letter of credit shall be submitted to the City Secretary by submitting an original signed letter of credit from the banking institution.

c. The principal amount of any bond or letter of credit, hereinafter called a "security instrument," shall be Fifty Thousand Dollars (\$50,000.00) for any single well. If, after completion of a well, the Applicant/Operator, who initially posted a fifty thousand dollars (\$50,000.00) security instrument, has complied with all of the provisions of this Ordinance and whose well is in the producing stage and all drilling operations have ceased, may submit a request to the City Secretary to reduce the existing security instrument to ten thousand dollars (\$10,000.00) for the remainder of the time the well produces without reworking. During reworking operations, the amount of the security instrument shall be maintained at fifty thousand dollars (\$50,000.00).

If at any time after not less than a fifteen (15) day written notice to the Operator and a public hearing, the City Council shall deem any Operator's security instrument to be insufficient, it may require the Operator to increase the amount of the security instrument up to a maximum of two hundred and fifty thousand dollars (\$250,000) per well.

d. Whenever the City Secretary or designee finds that a default has occurred in the performance of any requirement or condition imposed by this Ordinance, a written notice shall be given to the Operator. Such notice shall specify the work to be done, the estimated cost and the period of time deemed by the City Secretary to be reasonably necessary for the completion of such work. After receipt of such notice, the Operator shall, within the time therein specified, either cause or require the work to be performed, or failing to do so, shall pay over to the City one hundred twenty-five (125%) percent of the estimated cost of the work as set forth in the notice. The City shall be authorized to draw against any security instrument to recover such amount due from the Operator. Upon receipt of such monies, the City shall proceed by such mode as deemed convenient to cause the required work to be performed and completed, but no liability shall be incurred other than for the expenditure of said sum in hand. In the event that the well has not been properly abandoned under the regulations of the Commission, such additional money may be demanded from the Operator as is necessary to properly plug and abandon the well and restore

the Operations Site in conformity with the regulations of this Ordinance.

e. In the event the Operator does not perform or cause the work to be performed and fails or refuses to pay over to the City the estimated cost of the work to be done as set forth in the notice, or the issuer of the security instrument refuses to honor any draft by the City against the applicable security instrument, the City may proceed to obtain compliance and abate the default by way of civil action against the Operator, or by criminal action against the Operator, or by both such methods.

f. When the well or wells covered by said security instrument been properly abandoned in conformity with all regulations of this Ordinance, and in conformity with all regulations of the Commission and notice to that effect has been received by the City, or upon receipt of a satisfactory substitute, the security instrument issued in compliance with these regulations shall be terminated and cancelled six months from receipt of notice.

g. Insurance. In addition to the security instrument required pursuant to this Ordinance, the Operator shall carry a policy or policies of insurance issued by an insurance company or companies authorized to do business in Texas. In the event such insurance policy or policies are cancelled, the Gas/Oil Well Permit shall be suspended on such date of cancellation and the Operator's right to operate under such Gas/Oil Well Permit shall immediately cease until the Operator files additional insurance as provided herein.

1) General Requirements applicable to all policies.

The City, its officials, employees, agents and officers shall be endorsed as an "Additional Insured" to all policies except Employers Liability coverage under the Operator's Workers Compensation policy.

All policies shall be written on an occurrence basis except for Environmental Pollution Liability (Seepage and Pollution coverage) and Excess or Umbrella Liability, which may be on a claims-made basis.

All policies shall be written by an insurer with an A-: VIII or better rating by the most current version of the A. M. Best Key Rating Guide or with such other financially sound insurance carriers acceptable to the City.

Deductibles shall be listed on the Certificate of Insurance and shall be on a "per occurrence" basis unless otherwise stipulated herein.

Certificates of Insurance shall be delivered to the City of Seven Points, 428 E. Cedar Creek Pkwy. Seven Points, Texas evidencing all the required coverage, including endorsements, prior to the issuance of a Gas/Oil Well Permit.

All policies shall be endorsed with a waiver of subrogation providing rights of recovery in favor of the City.

Any failure on part of the City to request required insurance documentation shall not constitute a waiver of the insurance requirement specified herein.

Each policy shall be endorsed to provide the City a minimum thirty-day notice of cancellation, nonrenewable, and/or material change in policy terms or coverage. A ten days notice shall be acceptable in the event of non-payment of premium.

During the term of the Gas/Oil Well Permit, the Operator shall report, in a timely manner, to the City Secretary any known loss occurrence which could give rise to a liability claim or lawsuit or which could result in a property loss.

Upon request, certified copies of all insurance policies shall be furnished to the City.

2) Standard Commercial General Liability Policy.

This coverage must include premises, operations, blowout or explosion, products, completed operations, sudden and accidental pollution, blanket contractual liability, underground resources damage, broad form property damage, independent contractors protective liability and personal injury. This coverage shall be a minimum Combined Single Limit of \$1,000,000.00 per occurrence for Bodily Injury and Property Damage.

3) Excess or Umbrella Liability \$5,000,000.00 Excess, if the Operator has a standalone Environmental Pollution Liability (EPL) policy. Excess, if the Operator does not have a stand-alone EPL policy. Coverage must include an endorsement for sudden or accidental pollution. If Seepage and Pollution coverage is written on a "claims made" basis, the Operator must maintain continuous coverage and purchase Extended Coverage Period Insurance when necessary of \$10,000,000.00.

4) Environmental Pollution Liability Coverage.

a. Operator shall purchase and maintain in force for the duration of the Gas/Oil Well Permit, insurance for environmental pollution liability applicable to bodily injury, property damage, including loss of use of damaged property or of property that has not been physically injured or destroyed; cleanup costs; and defense, including costs and expenses incurred in the investigation, defense or settlement of claims; all in connection with any loss arising from the insured site. Coverage shall be maintained in an amount of at least \$1,000,000.00 per loss, with an annual aggregate of at least \$10,000,000.00.

b. Coverage shall apply to sudden and accidental pollution conditions resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste material or other irritants, contaminants or pollutants.

c. Operator shall maintain continuous coverage and shall purchase Extended Coverage Period insurance when necessary. The Extended Coverage Period insurance must provide that any retroactive date applicable to coverage under the policy precedes the effective date of the issuance of the Gas/Oil Well Permit by the City.

5) Control of Well The policy should cover the cost of controlling a well that is out of control, re-drilling or restoration expenses, seepage and pollution damage as first party recovery for the Operator and related expenses, including, but not limited to, loss of equipment, experts and evacuation of residents. \$ 5,000,000.00 per occurrence/no aggregate, if available, otherwise an aggregate of ten(10) million dollars. \$ 500,000.00 Sub-limit endorsement may be added for damage to property for which the Operator has care, custody and control.

6) Workers Compensation and Employers Liability Insurance

a. Workers Compensation benefits shall be Texas Statutory Limits. Employers Liability shall be a minimum of \$500,000.00 per accident.

b. Such coverage shall include a waiver of subrogation in favor of the City and provide coverage in accordance with applicable State and Federal laws.

7) Automobile Liability Insurance

Combined Single Limit of \$1,000,000.00 per occurrence for bodily Injury and Property Damage.

Coverage must include all owned, hired and not owned automobiles.

8) Certificates of Insurance

a. The company must be admitted or approved to do business in the State of Texas, unless the

coverage is written by a Surplus Lines insurer.

b. The insurance set forth by the insurance company must be underwritten on forms that have been approved by the Texas State Board of Insurance or ISO, or an equivalent policy form acceptable to the City, with the exception of

c. Environmental Pollution Liability and Control of Well coverage. Sets forth all endorsements and insurance coverage according to requirements and instructions contained herein.

d. Shall specifically set forth the notice of cancellation, termination, or change in coverage provisions to the City. All policies shall be endorsed to read "THIS POLICY WILL NOT BE CANCELLED OR NON-RENEWED WITHOUT 30 DAYS ADVANCED WRITTEN NOTICE TO THE OWNER AND THE CITY EXCEPT WHEN THIS POLICY IS BEING CANCELLED FOR NONPAYMENT OF PREMIUM, IN WHICH CASE 10 DAYS ADVANCE WRITTEN NOTICE IS REQUIRED".

e. Original endorsements affecting coverage required by this section shall be furnished with the certificates of insurance.

Section Ten

Indemnification and Express Negligence Provisions

1. Each Gas/Oil Well Permit issued by the City shall include the following language: Operator does hereby expressly release and discharge, all claims, demands, actions, judgments, and executions which it ever had, or now has or may have, or assigns may have, or claim to have, against the City of Seven Points, and/or its departments, agents, officers, servants, successors, assigns, sponsors, volunteers, or employees, created by, or arising out of personal injuries, known or unknown, and injuries to property, real or personal, or in any way incidental to or in connection with the performance of the work performed by the Operator under a Gas/Oil Well Permit. The Operator shall fully defend, protect, indemnify, and hold harmless the City of Seven Points, Texas, its departments, agents, officers, servants, employees, successors, assigns, sponsors, or volunteers from and against each and every claim, demand, or cause of action and any and all liability, damages, obligations, judgments, losses, fines, penalties, costs, fees, and expenses incurred in defense of the City of Seven Points, Texas, its departments, agents, officers, servants, or employees, including, without limitation, personal injuries and death in connection therewith which may be made or asserted by Operator, its agents, assigns, or any third parties on account of, arising out of, or in any way incidental to or in connection with the performance of the work performed by the Operator under a Gas/Oil Well Permit. The Operator agrees to indemnify and hold harmless the City of Seven Points, Texas, its departments, its officers, agents, servants, employees, successors, assigns, sponsors, or volunteers from any liabilities or damages suffered as a result of claims, demands, costs, or judgments against the City, its departments, its officers, agents, servants, or employees, created by, or arising out of the acts or omissions of the City of Seven Points occurring on the drill site or operation site in the course and scope of inspecting and Gas/Oil Well Permitting the gas wells INCLUDING, BUT NOT LIMITED

TO, CLAIMS AND DAMAGES ARISING IN WHOLE OR IN PART FROM THE NEGLIGENCE OF THE CITY OF SEVEN POINTS, OCCURRING ON THE DRILL SITE OR OPERATION SITE IN THE COURSE AND SCOPE OF INSPECTING AND GAS/OIL WELL PERMITTING THE GAS/OIL WELLS. IT IS UNDERSTOOD AND AGREED THAT THE INDEMNITY PROVIDED FOR IN THIS SECTION IS AN INDEMNITY EXTENDED BY THE OPERATOR TO INDEMNIFY AND PROTECT THE CITY OF SEVEN POINTS, TEXAS AND/OR ITS DEPARTMENTS, AGENTS, OFFICERS, SERVANTS, OR EMPLOYEES FROM THE CONSEQUENCES OF THE NEGLIGENCE OF THE CITY OF SEVEN POINTS, TEXAS AND/OR ITS DEPARTMENTS, AGENTS, OFFICERS, SERVANTS, OR EMPLOYEES, WHETHER THAT NEGLIGENCE IS THE SOLE OR CONTRIBUTING CAUSE OF THE RESULTANT INJURY, DEATH, AND/OR DAMAGE.

f. Notice. The individual designated to receive notice shall be a resident of Texas upon whom all orders and notices provided in this Ordinance may be served in person or by registered or certified mail. Every Operator shall within five (5) business days notify the City Secretary in writing of any change in such agent or mailing address unless operations in the City are discontinued and abandonment is complete.

g. Acceptance and Indemnity Agreement.

An Operator who has a net worth of not less than Twenty-Five Million Dollars (\$25,000,000.00), as shown in such Owner's or Operator's most recent audited financial statements, may substitute an acceptance and indemnity agreement in lieu of the bond or irrevocable letter of credit and insurance requirements set forth in this Ordinance, provided that such acceptance and indemnity agreement shall be in a form acceptable to and approved by the City Attorney. The City Secretary may request an annual review of the Operator's most recent audited financial statements to assure compliance with this section."

Section Eleven

Site Requirements

1. Fencing Requirements.

A chain link fence at least (8) feet but not to exceed ten (10) feet in height shall enclose all completed wells and tanks located within an Operation Site. Fences shall not be required on drill sites during initial drilling, completion or re-working operations as long as 24-hour on-site supervision is provided. A secured entrance gate shall be required. All gates are to be kept locked when the Operator or his employees are not within the enclosure.

2. Landscaping

Landscaping and irrigation shall be required along all street frontages of an Operation Site with suitable screening shrubs that complement the architectural character of the surrounding neighborhood. Opaque vinyl slats in chain link fencing may be an approved alternate. The vegetation or beams shall be kept in an attractive state and in good condition at all times by the applicant or Operator. All Landscape and irrigation plans shall be submitted to the Planning and

Zoning Director or City Council for approval.

3. Vehicle Routes

Drilling and/or production vehicles in excess of twenty-five (25) tons shall be restricted to such streets designated as truck routes by the City Code wherever capable of being used. Only when it is not possible to use a truck route to fulfill the purpose for which such vehicle is then being operated, said vehicles shall be operated on a commercial delivery route. Commercial delivery route means any street or highway so designated by the City Council for the use by any commercial motor vehicle, truck tractor, trailer, semi-trailer, or any combination thereof.

4. Work Hours

Truck deliveries of equipment and materials associated with drilling and/or production, well servicing, site preparation and other related work conducted on the well site shall be limited to between the hours of 6 a.m. to 7 p.m. except in cases of fires, blowouts, explosions and any other emergencies or where the delivery of equipment is necessary to prevent the cessation of drilling or production.

5. Noise Restrictions

- a. No drilling producing or other operations shall produce a sound level greater than 85 dB(a) when measured at a distance of three hundred (300) feet from the production equipment in question. A maximum sound level of 90 dB(a) shall apply to formation fracturing when measured at a distance of three hundred (300) feet from the production equipment in question.
- b. No person shall operate or Gas/Oil Well Permit to be operated in connection with the operation of a producing well any engine, compressor or motor-driven machinery of any type which creates a sound level greater than 65dB(a) when measured at a distance of three hundred (300) feet from the well site.
- c. If sound levels exceed the dB(a) levels cited in 1) and 2) of this subsection, the City may require sound reducing mufflers
- d. No air, gas or pneumatic drilling shall be allowed.
- e. Sound level measurements shall be made with a sound level meter conforming, at a minimum, to the requirements of the American National Standards Institute. The noise level shall be the average of sound level meter readings taken consecutively at any given time from four (4) or more diametrically opposed positions, four (4) feet above ground level, within an area of not more than 300 feet (300') from the production equipment in question.

Section Twelve

Operational Requirements

All tanks and permanent structures shall conform to the American Petroleum Institute (A.P.I.) specifications unless other specifications are approved by the Director of Public Works. All storage tanks shall be equipped with a secondary containment system including lining with an impervious material. The secondary containment system shall be designed to hold one and one-half (1 %) times the contents of the largest tank in accordance with the Fire Code. Drip pots shall be provided at the pump out connection to contain the liquids from the storage tank.

All tanks shall be set back pursuant to the standards of the Commission and the National Fire Protection Association, but in all cases, shall be at least twenty-five (25) feet from any public right-of way or property line. Each storage tank shall be equipped with a level control device that will automatically activate a valve to close the well in the event of excess liquid accumulation in the tank.

No meters, storage tanks, separation facilities, or other aboveground facilities, other than the well head and flow lines, shall be placed in a floodway or the 1 00-year floodplain.

Tanks must be at least three hundred (300) feet from any residence, religious institution, building, hospital building, school or combustible structure."

Section Thirteen

Appeals

The City Council shall have and exercise the power to hear and determine appeals where it is alleged there is error or abuse of discretion regarding the issuance of a Gas/Oil Well Permit or the revocation or suspension of any Gas/Oil Well Permit issued as provided by this Ordinance. Any person or entity whose (I) application is denied by the City Staff; (ii) whose Gas/Oil Well Permit is suspended or revoked; or (iii) whose well or equipment is deemed by the City Staff to be abandoned, may within thirty (30) days of the date of the written decision of the City Staff file an appeal to the City Council in accordance with the following procedure:

1) An appeal shall be in writing and shall be filed with the City Secretary. The error alleged and grounds for appeal must be set forth specifically by the appellant. The appellant shall provide any documentation or records regarding the appeal to be used by Council in considering the appeal.

2) Within fifteen (15) days of receipt of the documentation, the City Secretary shall place the matter on the City Council agenda for hearing and transmit all documentation involved in the appeal to the Council. Notice shall be given by mail of the time, place and purpose of the meeting to appellant and any other party who has requested in writing to be so notified. No other notice need be given except as in accordance with the Texas Open Meetings Act.

B. Appeal fees shall be required for every appeal in the amount of Three Hundred Dollars (\$300.00)."

Section Fourteen

Right of Entry.

The City Councilor designee is authorized and directed to enforce this Article and the provisions of any Gas/Oil Well Permit. Whenever necessary to enforce any provision of this Article or a Gas/Oil Well Permit, or whenever there is reasonable cause to believe there has been a violation of this Article or a Gas/Oil Well Permit, the City may enter upon any property covered by this Article or a Gas/Oil Well Permit at any reasonable time to inspect or perform any duty imposed by this Article. If entry is refused, the City shall have recourse to every remedy provided by law and equity to gain entry."

Section Fifteen

CUMALATIVE CLAUSE

That this ordinance shall be cumulative of all other ordinances of the City of Seven Points and shall not repeal any of the provisions of such ordinances, except in those instances where provisions of such ordinances are in direct conflict with the provisions of this ordinance.

Section Sixteen

SAVINGS CLAUSE

That all rights or remedies of the City of Seven Points, Texas, are expressly saved as to any and all violations of the City Code, or any amendments thereto that have accrued at the time of the effective date of this Ordinance; and as to such accrued violations, and all pending litigation, both civil or criminal, same shall not be affected by this ordinance but may be prosecuted until final disposition by the courts.

Section Seventeen

SEVERABILITY CLAUSE

If any section, subsection, phrase, sentence, or portion of this ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holdings shall not affect the validity of the remaining portions thereof.

Section Eighteen

EFFECTIVE DATE

This ordinance will take effect immediately from and after its passage and approval and the publication of the caption as the law in such cases provides.

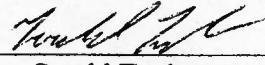
Passed this the 9th day of August, 2005, by the City Council of Seven Points, Texas

APPROVED:

Mayor

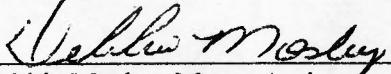
ATTEST:

Approved:



Mayor Gerald Taylor

ATTEST:



Debbie Mosley, Mayor Assistant

