

ORDINANCE NO. 134

AN ORDINANCE REGULATING SUBSURFACE PETROLEUM AND NATURAL GAS DRILLING WITHIN THE TERRITORIAL LIMITS OF THE TOWN ORIGINATING OUTSIDE THE TERRITORIAL LIMITS OF THE TOWN; ESTABLISHING PROCEDURES FOR THE ISSUANCE OF SUBSURFACE DRILLING PERMITS; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A CUMULATIVE CLAUSE; PROVIDING A PENALTY FOR VIOLATIONS HEREOF; PROVIDING A PUBLICATION CLAUSE; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Annetta, Texas is a Type A general law municipality located in Parker County, created in accordance with the provisions of Chapter 6 of the Local Government Code and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, the Town Council has previously adopted comprehensive regulations governing petroleum and natural gas drilling operations within the territorial limits of the Town; and

WHEREAS, the Town Council desires to supplement such regulations to protect the health, safety and welfare of the Municipality by ensuring that directional or horizontal well drilling operations originating outside the territorial limits of the Town and continuing into the territorial limits of the Town to exploit the subsurface natural gas and/or petroleum reservoirs within the Town are subject to reasonable review and supervision by the Town; and

WHEREAS, the regulations imposed on directional or horizontal well drilling within the territorial limits of the Town shall be administrative in nature and shall not subject such operators to any greater amount of regulation than operators conducting drilling operations within the territorial limits of the Town.

NOW THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF ANNETTA, TEXAS:

SECTION 1.

Section 1.1. Purpose

The Town Council declares that the enactment of this ordinance shall serve to regulate subsurface natural gas and petroleum drilling originating outside the territorial limits of the Town and continuing into the territorial limits of the Town. The Council desires to regulate such activity taking place within the territorial limits of the Town only to protect the health, safety and welfare of the Town of Annetta. The regulations imposed by this Ordinance shall not be more stringent than those imposed on

petroleum and natural gas exploration originating entirely within the territorial limits of the Town.

Section 1.2. Definitions

A. The Definitions contained in Ordinance No. 28A, as it may be amended, of the Town of Annetta are hereby incorporated herein as if copied in full.

B. The following definitions shall apply to the provisions of this Ordinance:

"Directional or Horizontal Well Drilling" means the controlled directional drilling when the bottom of the well bore is directed away from the vertical position.

Section 1.3. Application Required.

Every proposal for subsurface extraction of petroleum or natural gas within the territorial limits of the Town through directional or horizontal well drilling commencing outside the territorial limits of the Town shall be filed with the office of the Town Secretary. An application may be filed by the owner of the property, the owner of the mineral rights, the well operator, or his authorized agent.

Section 1.4. Fee required.

Every application shall be accompanied by a non-refundable application fee in the amount of Five Hundred (\$500.00) Dollars.

Section 1.5 Application Procedure.

A. An application for a Subsurface Drilling Permit ("Permit") shall be accompanied by a site plan which, along with the application, will become a part of the Permit, if approved. The accompanying site plan shall provide the following information:

1. Data describing all processes and activities involved with the proposed directional or horizontal well drilling operation;
2. The location, depth and distance of the proposed directional or horizontal well drilling operation; and
3. The location of all municipal public rights-of-way beneath which such directional or horizontal well drilling operation is proposed.

B. An application for a Permit under this Ordinance shall include the following information:

1. The date of the application.
2. The name and signature of the applicant.
3. The address of the applicant.
4. The name, address, and phone number of persons to be notified in case of an emergency.
5. The names of all mineral rights owners within the territorial limits of the Town through which subsurface directional or horizontal well drilling operations may take place.
6. An accurate legal description of the property, the lease area, and the drill site.
7. A copy of approved Texas Railroad Commission Form 1 for the well shall be furnished to the Town Secretary prior to the beginning of actual directional or horizontal well drilling operations.

Section 1.6. Time Limit

A Permit issued under this Ordinance shall be valid for a period of eighteen (18) months from the date of issuance and shall expire unless drilling operations or extraction of petroleum or natural gas is substantially underway.

Section 1.7. Revocation

A permit issued pursuant to this Ordinance may be revoked for either of the following reasons:

1. The Permit was obtained by fraud or deception; or
2. One or more the conditions of the Permit has been violated since the date of issuance.

Section 1.8. Transfer of Permit

Permits granted pursuant to this Ordinance are non-transferrable.

Section 1.9. Operator's Agent

Every Operator subject to the requirements of this Ordinance shall designate an agent, who is a resident of the State of Texas, upon whom all orders and notices may be served in person or by registered or certified mail. Every Operator so designating such agent shall within ten (10) days notify the Town Secretary in writing of any change in such agent or such mailing address unless operations within the Town are discontinued.

Section 1.10. Bonds and Insurance

If an application for a Permit is approved the following documents must be submitted to the Town prior to issuance of the Permit:

1. A surety bond, irrevocable letter of credit approved in the amount of \$50,000, or cash escrow shall be filed with the Town prior to the issuance of a Permit pursuant to this Ordinance. The bond shall be issued by an insurance company authorized to issue bonds in the State of Texas by the Texas State Board of Insurance. The bond, in favor of the Town, shall be surety that the applicant will comply with all of the terms, conditions, and requirements of this Ordinance and any permit issued pursuant to the application. Further, the bond is surety that the applicant will repair any damage to Town thoroughfares or public or private property caused by the directional or horizontal well drilling operations conducted within the territorial limits of the Town based on determination of damage by the Mayor or his designated representative. The bond or letter of credit must remain in force until 90 days after the well starts producing.
2. In addition, the applicant shall file with the Town a copy of a current standard comprehensive public liability insurance policy including contractual coverage for accidental death, bodily injury, and property damage. The policy will name both the applicant and the Town as insureds. The issuing company shall be an insurance company authorized by the State of Texas to issue policies in the state. The insurance policy shall be filed with the Town prior to the applicant receiving the approved Permit. In the event that the policy is canceled, the Town may cancel or suspend any permit issued in connection with the canceled policy and all directional or horizontal well drilling operations conducted within the territorial limits of the Town must cease immediately. The permit shall remain ineffective until a certification of current insurance coverage is received by the Town. The insurance coverage must remain in effect until the well has been plugged and abandoned. The minimum coverages shall be:

- i. Accidental death or bodily injury: \$5,000,000 per person and \$5,000,000 total for each accident.
- ii. Property damage: \$1,000,000 total for each accident.

Section 1.11. Protection of Ground Water

Each Permit holder shall take special care that no ground water supply of the Town of Annetta is contaminated by the directional or horizontal well drilling operations conducted within the territorial limits of the Town. All rules of the Federal Government, the State of Texas, and the Town of Annetta regarding protecting natural resources must be strictly followed.

Section 1.12. Abandonment of Wells

Upon abandonment of a well or well site outside the territorial limits of the Town from which well or well site directional or horizontal well drilling into the territorial limits of the Town has occurred, the Operator of such well or well site, within two months, shall plug such well in accordance with the Texas Railroad Commission standards to ensure the safety and stability of the subsurface area within the territorial limits of Town through which such drilling has occurred.

Section 1.13. Road Remediation Agreement Required

It shall be unlawful for any person acting either for himself or acting as agent, employee, independent contractor, or servant for any person wanting to engage in and operate in oil and gas production activities outside of the Town limits to utilize Town owned and/or maintained roadways for any portion of their haul route without first entering into a Road Damage Remediation Agreement with the Town, and paying the applicable Road Damage Fee as outlined in that agreement for the portion of roadways utilized for trucking activities associated with any oil and gas production activities.

SECTION 2.

It is hereby declared to be the intention of the Town Council that the phrases, clauses, sentences, paragraphs and sections of this ordinance are severable, and if any phrase, clause, sentence, paragraph or section of this ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this ordinance, since the same would have

been enacted by the Town Council without the incorporation in this ordinance of any such unconstitutional phrase, clause, sentence, paragraph or section.

SECTION 3.

This ordinance shall be cumulative of all provisions of existing ordinances of the Town of Annetta, except where the provisions of this ordinance are in direct conflict with the provisions of an existing ordinance, the conflicting provisions of the existing ordinance are repealed.

SECTION 4.

Any person found guilty of violating any of the provisions of this ordinance shall be fined not more than Five Hundred Dollars (\$500.00) and each and every violation of the various provisions of this Ordinance shall constitute a separate offense, as shall each day that such violation continues.

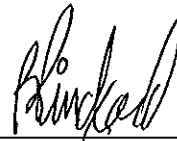
SECTION 5.

The Town Secretary is directed to publish this ordinance, or its caption, penalty clause and effective date, in one issue of the official Town newspaper as required by Section 52.011 of the Texas Local Government Code.

SECTION 6.

This Ordinance shall be in full force and effect from and after its passage and publication as required by law, and it is so ordained.

PASSED AND APPROVED on this 17 day of October, 2013.



Bruce Pinckard, Mayor

ATTEST:



Chad Roberts, Town Secretary