

**SLAUGHTERVILLE
OIL AND GAS ORDINANCE**

SECTION 1 - INTENT AND PURPOSE.

Whereas the imprudent operation of an oil and gas facility can constitute a menace to the public health, safety and welfare of the Town of Slaughterville, it is the intent and purpose of this Ordinance that oil and gas operations be reasonably regulated for the public good.

SECTION 2 - DEFINITIONS.

For the purpose of this Chapter, the following definitions shall apply:

"Abandoned Well" shall mean: (1) each well in which no production casing has been run, and for which drilling or testing operations have ceased for thirty (30) consecutive days, or: (2) any other well for which there is no current Town permit.

"Artificial Production" shall mean the raising to the surface of the earth, by means other than natural flow, petroleum or natural gas.

"Board of Trustees" shall mean the governing body of the Town.

"Commercial", when referring to deleterious substance disposal sites, shall be defined as any disposal site where deleterious substances disposed of are produced off the lease or transported over lease lines.

"Corporation Commission" shall mean the Oklahoma Corporation Commission.

"Deleterious Substance" shall mean any chemical, saltwater, oil field brine, waste oil, waste emulsified oil, basic sediment, mud or any injurious substances produced or used in the drilling, development, producing, transportation, refining and process of oil, gas or condensate; or any other injurious substances.

"Dwelling" a walled and roofed building that can be lived in or occupied by inhabitants.

"Enhanced Recovery" shall mean an operation by which fluid or energy is introduced into a source of supply for the purpose of facilitating recovery therefrom.

"Lease Owners" the name of the mineral owners.

"Mayor" shall mean the chief elected official of the Town.

"Natural Production" shall mean the raising to the surface of the earth, by natural flow, petroleum or natural gas.

"Natural Resources" shall mean any water, air, land, trees, animals, or any other matter provided by nature.

"Oil and Gas Inspector" shall mean that person, firm, or corporation qualified and employed by the Town of Slaughterville to enforce the provisions of this Ordinance, or by his/her authorized representatives.

"Permittee" shall mean the person to whom is issued a permit or permits under the terms of this Chapter.

"Person" shall mean and include any person, firm, partnership, association, corporation, trust, cooperative, or other type of organization.

"Pollution" shall mean any contamination or other alteration of the physical, chemical, or biological properties of any water, air, land, or any other natural resource located in the Town; or such discharge of any liquid, gaseous, or solid substance into any water, land, or air in the Town as will or is likely to create a nuisance or render such uses harmful or detrimental or injurious to domestic, commercial, industrial, agricultural, recreational, or other beneficial uses of such resource, or to livestock, animals or aquatic life, or to the public health, safety or welfare.

"Pressure Maintenance" shall mean an operation by which gas, water or other fluids are injected into a supply of oil or gas to maintain pressure or retard pressure decline therein for the purpose of facilitating recovery.

"State" shall mean the State of Oklahoma, its branches, departments, agencies, boards or the officers thereof.

"Town" shall mean the Municipality of Slaughterville, Oklahoma.

"Town Administrator" shall mean the chief administrative officer of the Town.

"Treatable Water" shall mean surface and subsurface water in its natural state which may or may not require treatment to be useful for human consumption, and contains less than 10,000 ppm total dissolved solids and/or 5,000 ppm chlorides.

"Water", "Waters of the Town" or "Town Water" shall mean all streams, lakes, ponds, marshes, watercourses, waterways, wells, springs, irrigation systems, drainage systems, and all other bodies or accumulations of water, surface and underground, natural or artificial, public or private, which are contained within, flow through or border upon the Town or any portion thereof.

"Well" shall mean, unless specifically stated otherwise, any hole or holes, bore or bores, to any depth for the purpose of producing and recovering any oil, gas or liquified petroleum matter or deleterious substances, or for the injection or disposal of any of the foregoing.

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 3 - PERMITS.

It shall be unlawful and an offense for any person acting for himself or acting as agent, servant, employee, subcontractor, or independent contractor or any other person, to drill a well, or operate a producing or deleterious substance disposal well, within this Town, or to work upon or assist in any way in the production or operation of any such well, without a permit having first been issued by the authority of the Board of Trustees in accordance with this Chapter.

SECTION 4 - APPLICATION AND FILING FEE.

A. Every application for a permit to drill an original well or to re-enter an abandoned well shall be in writing, signed by the applicant or by some person duly authorized to sign same on the applicant's behalf, and it shall be filed with the Town Administrator and be accompanied by a filing fee in an amount established by the Board of Trustees and shall be accompanied by a deposit in an amount established by the Board of Trustees. Said application shall state:

1. The name and address of applicant and date of application.

2. Where applying for a proposed original well:
 - (a) A block map of the forty (40) acres surrounding the drill site, including thereon topographical contour lines, the location of the proposed access road, tank battery and any other surface facilities, the location of the proposed well, and distance therefrom to all existing platted subdivisions, dwelling-houses, buildings, or other structures designed for the occupancy of human beings or animals, within six hundred sixty (660) feet of any such well, the location of all public roads, right-of-ways, and the location of all existing oil, gas or fresh water wells within said forty (40) acre tract.
 - (b) The names of the surface, lease owners, life tenants, if any, remaindermen, if any, Lessee or tenant, and the name of the mortgagee, if any.
 3. A drilling prognosis, to specify in detail the amount, weight, and size of conductor pipe and surface pipe and the procedures to be used for cementing such. Plugging procedures to be used in the event production is not established shall also be specified.
 4. A statement of the provisions for water for the drilling rig.
 5. The name and address of the person within the State of Oklahoma upon whom service of process upon applicant may be made within this State; and in the case of any non-resident person who has no such service agent within this state, there shall be attached to the application the designation of the Secretary of State for the state of Oklahoma as service agent and a consent that service of summons may be made upon such person in any action to enforce any of the obligations of the applicant hereunder.
 6. A verification of the above information by the applicant hereunder.
 7. A copy of the approved Drilling Permit from the Corporation Commission, any orders issued by the Corporation Commission, and a copy of the staking plat shall be filed with the Town prior to issuance of the municipal permit.
- B. The permittee for any type of well shall maintain records regarding the amount of saltwater and other deleterious substances produced, along with receipts for disposal of same, and shall allow the Oil and Gas Inspector to inspect such records upon request.
- C. Where the application is one for the re-entry of an abandoned well, said application shall contain all the information required by Section 4(A) above, with the exception that the Oil and Gas Inspector may vary the requirements thereof to suit the application before him. Provided, that such an application for a permit to re-enter an abandoned well shall provide the following information in addition to all other required information:
1. A statement of:
 - (a) The then condition of the well.
 - (b) The depth to which it is proposed such well shall be deepened.
 - (c) The proposed casing program to be used in connection with the proposed deepening; and
 2. Evidence of adequate current tests showing that the casing strings currently passed the same tests that are required in the case of the drilling of an original well.

D. The drilling permit applicant shall deposit the drilling permit deposit and filing fee with the Town Treasurer which is to be held in a special drilling permit account and earmarked for each specific drilling permit application except as otherwise provided in Section 4(D)(2) herein. Out of the deposit will be paid all the direct and indirect fees and costs incurred by the Town of Slaughterville in administering, regulating, and enforcing this ordinance, including all costs associated with litigation and attorney fees, as to that specific well for which the drilling permit was issued. If the costs to Slaughterville in administering, regulating, and enforcing the ordinance exceed the amount of the deposit, then the permittee must pay into said account an amount equal the original deposit.

1. All fees and costs including but not limited to administration, technical, accounting, legal, annual inspections, and any other inspections which may from time to time be required, shall be billed or directly debited to the account of each specific permitted well.
2. Following the final inspections, obtainment by the operator of an affidavit from the surface owners and lessees stating said surface owners and lessees are satisfied with the restoration, after payment of all required assessments, and following the approval of plugging and abandonment procedures by the Oil and Gas Inspector, any remaining balance of said account shall be returned to the permittee as provided herein and in Section 6 (B). However, in the event the permittee owes any fees whatsoever on any of the permittee's drilling or operational locations, whether permitted or otherwise, the Town of Slaughterville shall not deliver the remaining balance owed to the Permittee until such time as all assessments on all of the permittee's drilling and operation locations are paid in full.

In the event the permittee fails to pay all assessments due on all locations within ninety (90) days, then the Town of Slaughterville may offset the amounts owed to permittee by the amount owed to the Town and refund the difference, if any, to the permittee. Before the Town offsets the amounts due, the Town shall:

- (a). Notify the permittee in writing the amounts owed to each party.
 - (b). Notify the permittee in writing that the Town will offset the amounts owed to the Town by the amount owed to the permittee unless the permittee appeals to the Town Board within thirty (30) days from the date of the letter.
 - (c). Provide for an appeal by the permittee to the Town Board, wherein the permittee can object and present evidence to the Board in opposition of the offset.
3. When a well is placed into production and approved by the Oil and Gas Inspector, the remainder of the account balance shall be returned to the permittee, subject to the requirements contained in paragraph (2) above, less the amount of the annual deposit to operate which shall be established by the Board of Trustees, as provided for in Section 9 of this Chapter.
 4. Upon permittee's request, said permit accounts shall be open to audit at any reasonable time during Slaughterville's regular business hours.
 5. Permittee shall be sent a copy of all invoices or statements if any, of directly billed administration, regulation or legal costs by whomever such work is performed or completed upon request. All such invoices or statements shall be itemized on a time basis, if billing is done on a time basis.
 6. Any earned interest on returned deposits shall be paid to the permittee.

E. If the permittee objects to the reasonableness of any or all items in a billing or claim, the permittee may protest to the Town Board within thirty (30) days from review of the account ledger.

1. During said period of protest, the permittee may submit to arbitration the issue of whether the amount of said bill or claim is reasonable. The permittee shall pay the arbitrator's fees in all cases. The parties to such arbitration will be the permittee and the person or organization presenting the bill or claim.
2. The arbitrator's decision shall be presented to the Board of Trustees for the Town at the next regularly scheduled Board meeting for said Board's consideration as to whether or not said billing or claim or any amount thereof is reasonable. Only the arbitrator's decision shall be considered by the Board at this Town meeting. The Board shall decide which party is responsible for the bill.
3. If the parties to arbitration cannot agree on an arbitrator, the method of appointment set forth in 15 O.S. Section 801 et. seq. shall be used.

SECTION 5 - ISSUANCE OR REFUSAL OF PERMIT.

A. The Oil and Gas Inspector within thirty (30) business days after the filing of an application for a permit under this ordinance shall determine whether or not said application complies in all respects with the provisions of this Ordinance and applicable Federal and State law, and, if it does, shall recommend to the Mayor and Board of Trustees that the permit, with an accompanying number thereon, be issued. Each permit issued under the terms of this Ordinance shall:

1. By reference have incorporated therein all the provisions of this Ordinance with the same force and effect as if this Ordinance were copied verbatim therein;
2. By reference have incorporated therein all the provisions of applicable Federal and State law, and the rules, regulations and standards adopted in accordance therewith relating to the protection of human beings, animals, and natural resources;
3. Specify that the term of said permit shall be for a period of six (6) months from the date of approval unless drilling operations have commenced, and for like periods thereafter upon the successful inspection of the permittee's well and operations, as provided for in Section 34 of this Chapter.
4. Specify such conditions imposed by the Oil and Gas Inspector as are authorized by this Ordinance.
5. Specify that no actual operations shall be commenced until the permittee shall file and have approved the required bonds and certificate of insurance in the appropriate amounts as provided for in Section 6 of this Chapter.

B. If the permit be issued, it shall, in two (2) originals, be signed by the Oil and Gas Inspector and the permittee, and when so signed shall constitute the permittee's license to drill and operate in the Town and the contractual obligation of the permittee to comply with the terms of such permit, such bonds as are required, and applicable State law, rules, regulations, standards and directives. One executed copy of said permit shall be retained by the Oil and Gas Inspector; one executed copy shall be retained by the permittee and shall be kept available for inspection by any Town or State law enforcement official who may demand to see the same; and one executed copy shall be retained by the Town.

C. If the permit be refused, or if the applicant notifies the Oil and Gas Inspector in writing that he does not elect to accept the permit as tendered and wishes to withdraw his application, or if the bonds of the applicant be not approved, or if the required insurance be cancelled for any reason, then upon the happening of any of said events the drilling permit deposit filed with the application shall be refunded to the applicant, in accordance with Section 4 (D) (2). There shall be retained therefrom by the Town the processing fee, as set by the Board of Trustees.

D. The drilling permit deposit as provided for in Section 4(D), shall be paid not later than sixty (60) days after approval by the Board of Trustees of the drilling application, or prior to commencement of any drilling operations, whichever event occurs first. If the permit deposit is not paid within such time, the permit shall not be issued and approval shall be automatically cancelled and a new drilling application shall be required and the permit shall in no event become effective until such time as all deposits and such fees are paid in full. The Board of Trustees may extend the time for payment beyond sixty (60) days for good cause shown.

SECTION 6 - PERMITTEE'S INSURANCE AND SURETY BOND.

A. Insurance and surety bonds shall be provided on all permits to drill, permit to reenter, enhanced recovery or unitization/and production wells. No actual operations shall be commenced until the permittee shall file with the Town bonds and certificates of insurance as follows:

- 1. Permit to drill an original well:
 - (a) \$25,000 bond
 - (b) \$1,000,000 insurance or bond
 - (c) \$100,000-\$300,000 liability insurance
- 2. Permit to operate well:
 - (a) \$10,000 bond
 - (b) \$1,000,000 insurance or bond
 - (c) \$100,000-\$300,000 liability insurance
- 3. Permit to drill or operate unitized wells/enhanced recovery:

(a)	1-9 wells in unit	\$30,000 blanket bond
	10-19 wells in unit	\$50,000 blanket bond
	20-29 wells in unit	\$70,000 blanket bond
	30 and up wells in unit	\$100,000 blanket bond

 - (b) \$1,000,000 insurance or bond
 - (c) \$100,000-\$300,000 liability insurance

B. The bond required herein shall be executed by a reliable insurance company authorized to do business in the State, as surety, and with the applicant as principal, running to the Town for the benefit of the Town and all persons concerned, conditioned that the permittee shall comply with the terms and conditions of this Chapter in the drilling and operation of the well for either natural or artificial production, or injection or disposal. Said bond shall become effective on or before the date the same is filed with the Town and remain in force and effect until the site is restored and an affidavit is provided to the town from the surface owners and lessees by the operator, stating said surface owners and lessees are satisfied with the restoration; and until at least twelve (12) months subsequent to final inspection; and in addition the bond shall provide:

- 1. That the permittee will promptly pay fines, penalties and other assessments imposed upon the permittee by reason of his breach of any of the terms, provisions of this Chapter; and

2. That the permittee will promptly restore the streets, sidewalks and other public property of the Town which may be disturbed or damaged in permittee's operations, to their former condition; and
3. That the permittee shall bear all the costs necessary and incidental to the correction of any pollution to said waters caused by the permittee or permittee's agents, servants, employees, subcontractors or independent contractors.
4. That the permittee will promptly clear all premises of all equipment, litter, trash, waste, and other substances, and will, within sixty (60) days after abandonment, grade, level and restore said property to the same surface condition, as practicable as is possible, as existed prior to commencing operation; and
5. That the permittee shall indemnify and hold harmless the Town from any and all liability attributable to granting the permit.

Other forms may be utilized by the permittee as a substitution for the Bond described above, provided that the Board of Trustees approves the substitution. Such substitutions include, but are not limited to the following: a Certificate of Deposit in the name of the Town of Slaughterville, or any other form deemed adequate by the Board of Trustees to fully compensate the Town in the event of a loss.

If, after the completion of a producing well, permittee has complied with all of the provisions of this Chapter, such as removing derrick and clearing the premises, he may apply to the Town to have said bond reduced to a sum of not less than Ten Thousand Dollars (\$10,000.00) for the remainder of the time said well produces without reworking. During reworking operations the amount of the bond shall be increased to the original amount.

C. The permittee shall obtain insurance or a bond as required herein, in the principal sum of at least one million dollars (\$1,000,000.00). Said insurance or bond shall be executed by a reliable insurer licensed to do business in the State, as surety, and with applicant as principal, all persons concerned and shall provide:

1. That the permittee will comply with every applicable Federal and State law, rule, regulation, standard or directive relating to the maintenance of the safe and beneficial physical, chemical and biological properties of any natural resources of the Town.
2. That the permittee shall obtain the necessary permits from the Town and State with regard to any operations which have the potential of rendering such waters harmful or detrimental or injurious to the public health, safety and welfare.
3. That the permittee shall bear all the costs necessary and incidental to the correction of any pollution to said waters caused by the permittee or permittee's agents, servants, employees, subcontractors or independent contractors.
4. That the permittee shall pay all fines, penalties, assessments or judgment resulting directly or incidentally from the permittee's activities and which result in pollution of Town waters;
5. That the permittee shall indemnify and hold harmless the Town from any and all liability resulting from the pollution of Town waters.

Other forms may be utilized by the permittee as a substitution for the bond described above, provided that the Board of Trustees approves the substitution. Such substitutions include, but are not limited to the following: a Certificate of Deposit in the name of the Town of Slaughterville, or any other form deemed adequate by the Board of Trustees to fully compensate the Town in the event of a loss.

D. In addition to the bonds and insurance required in paragraphs (B) and (C) of this section, the permittee shall carry a policy or policies of standard comprehensive public liability insurance as required in paragraphs (A)(1)(c), (A)(2)(c), and (A)(3)(c) of this section. Said liability insurance shall include contractual liability covering bodily injuries and property damage, naming the permittee and the Town as the named insured, and shall be issued by an insurer authorized to do business within the State. Said policy or policies in the aggregate shall provide for the following minimum coverage:

1. Bodily injuries: One Hundred Thousand Dollars (\$100,000.00) per person; Three Hundred Thousand Dollars (\$300,000.00) per accident.
2. Property damage: Two Hundred Thousand Dollars (\$200,000.00).

E. Permittee shall file with the Town certificates of said insurance as above stated, and shall provide the actual insurance policy promptly upon request.

Said insurance policy or policies shall provide that it will not be cancelled without written notice to the Town at least twenty (20) days prior to the effective date of such cancellation. In the event said policy or policies are cancelled, the permit granted shall immediately thereupon terminate, and permittee's rights to operation under said permit shall cease until permittee files additional insurance as provided herein.

If, after completion of a producing well, the permittee has complied with all of the provisions of this Ordinance, such as removing derricks, clearing premises, and the like, he may apply to the Town to have said insurance policy or policies reduced as follows: Bodily injuries: Fifty Thousand Dollars (\$50,000.00) per person, One Hundred Thousand Dollars (\$100,000.00) per accident; and property damage: Fifty Thousand Dollars (\$50,000.00).

SECTION 7 - CHANGE OF OWNERSHIP.

The Town shall be notified immediately of any change of ownership of a producing well.

SECTION 8 - ENHANCED RECOVERY, UNITIZATION, SALTWATER INJECTION OR DELETERIOUS SUBSTANCES DISPOSAL WELLS.

A. No person shall re-enter any well or drill an original well to be used for enhanced recovery, injection, or disposal of saltwater or other deleterious substances without first obtaining the necessary permit therefore. Such permit shall consist of two (2) separate parts:

1. Permit to drill or re-enter, and
2. Permit to operate.

B. An application for the permit to drill or re-enter a well for enhanced recovery, injection, or substance disposal shall be in the same form as that required for a permit to drill an original well, as provided for in Section 4, and shall contain complete information as may be required by the Oil and Gas Inspector, as referred to in Section 4(C), including the following:

1. If the application is for a permit to drill or re-enter a well for substance disposal, applicant must provide certification that such well will not be used for commercial purposes.
2. A block map of the well site showing all equipment to be used thereon, location of pipelines, access roads, and distances from the well to any and all fences, public roadways, right-of-ways, platted subdivisions, dwelling-houses, buildings, or other structures, within a radius of six hundred sixty (660) feet.
3. A block map of the project, showing the location of:

- (a) All water supply wells within a 1/4-mile radius of each injection or disposal well.
 - (b) All public water supply wells, disposal wells, injection wells, producing wells and plugged and abandoned wells within the project area and those sections immediately adjacent.
 - (c) All conduits, and
 - (d) tank battery, pumping station and appurtenant equipment.
4. All wells within the project area and those sections immediately adjacent shall be indicated by status (e.g., plugged and abandoned, injection, saltwater, oil, etc.), and show the following additional information:
- (a) Footage location (surface casing).
 - (b) Derrick floor and ground level elevation.
 - (c) Drilled total depth.
 - (d) Packer body total depth.
 - (e) Size, depth and quality of surface and production casing, including zones from which casing has been removed.
 - (f) Location of all plugs, packers, cement plugs, tubing anchors, etc., with the well bore.
 - (g) Depth and nature of all cement squeeze jobs.
 - (h) Formation name and depth of all open perforations in a producing open hole.
 - (i) Volume and type of cement used on surface and production strings.
 - (j) Top of cement.
5. One copy of all electric, mechanical, sample and driller's logs, if available.
6. Fee and operation name for each well.
7. One copy of all cement bond logs and production logs.
8. One copy of all work performed on the well.
9. Copies of all information supplied to the Corporation Commission, and said Commission's approval of the project.
10. Proof of bonds and insurance as provided in Section 6.
- C. Upon the completion of the application required hereunder, the Oil and Gas Inspector shall have thirty (30) business days to review same and make a recommendation of approval or disapproval to the Mayor and The Board of Trustees.

D. Prior to placing any enhanced recovery, injection, or substance disposal well into operation, a permit to operate such well shall be obtained from the Town. Every application for a permit to operate such well shall contain the following information:

1. Depth to static water level (hydrostatic head). Such data shall be obtained by means of a method approved by the Oil and Gas Inspector. Such data shall be obtained not less than forty-eight (48) hours after openings have been made through the casing into the injection disposal zone or zones.
2. Based on the static water level identified in the previous paragraph, maximum operating pressures and rates of injection shall be established and maintained so as to prevent the hydraulic pressure level at a radius of ten (10) feet from the injection or disposal wells from rising above the hydrostatic head of the area's treatable water formation. Such maximum operating pressures and injection rates shall be noted on the permit. No injection or disposal well will be permitted to operate if the well's zone of influence will exceed the above referenced limits.

E. A deposit and filing fee in the amount established by the Board of Trustees shall be submitted along with every application for a permit to drill, re-enter, or operate an enhanced recovery, injection, or substance disposal well operate an injection or substance disposal well. The deposit shall be placed in a permit account and earmarked for each specific operating permit. The provisions of Section 4, subsections (D) and (E) and in Section 9 of this Chapter shall apply to the uses, administration, and protest procedures applicable to said operating permit account.

F. Copies of applicable Corporation Commission forms indicating successful pressure testing of each injection well or substance disposal well at a pressure greater than the maximum proposed for the project, or if no such forms have been filed and approved, then sufficient evidence of the successful pressure testing of each injection well shall be filed with the Oil and Gas Inspector.

G. Every such injection or substance disposal well shall be constructed so as to seal the injection zone from the upper portion of the casing. The annulus between the injection tubing and the casing shall be filled with a noncorrosive fluid, then sealed and a one-fourth (1/4) inch male fitting. A pressure shall be maintained in the annulus sufficient to monitor the fluids in the annulus. Any significant deviation from the established pressure shall be cause to shut down the well, and may result in cancellation of the operating permit, until such time as the established pressure can once again be maintained.

H. Injection lines shall be buried in a trench of a depth no less than four (4) feet, and shall be pressure tested (static) annually or as requested by the Oil and Gas Inspector, at a minimum of One Hundred Fifty (150) percent of the pressure normally encountered at the injection pump discharge for a period of hours to be fixed by the Oil and Gas Inspector. Said Oil and Gas Inspector shall be notified five (5) days in advance of such test and may supervise same. Test results shall be filed with the town upon completion.

I. Domestic and public water supply wells located within a radius of one quarter (1/4) mile of any enhanced recovery, injection, or disposal well shall be tested prior to beginning injection or disposal and thereafter semi-annually for the presence of deleterious substances, such as chlorides, sulfates and dissolved solids. Such testing is the responsibility of the permittee and at permittee's expense, and shall be conducted by a person approved by the Oil and Gas Inspector. Said Oil and Gas Inspector shall be notified five (5) days in advance of such testing and may be present during testing. Test results shall be filed with the Oil and Gas Inspector upon completion.

J. The establishment or operation of a commercial deleterious substances disposal well is prohibited within the Town limits.

SECTION 9 - ANNUAL FEE AND DEPOSIT TO OPERATE.

An annual fee is hereby levied upon each well operated or maintained under any permit issued by the Board of Trustees, payable to the Town annually. In the event the well has not been maintained or operated for the entire year, the annual fee shall be prorated for that year. No permit for any well shall be considered valid for any year for which the annual fee has not been paid. The fee shall be deducted from the operating deposit as provided in Section 4(D) of this Chapter.

In addition to the annual fee as provided above, the permittee shall deposit an amount as established by the Board of Trustees as an operational deposit. The deposit to operate is to be held in a special operating permit account and earmarked for each specific operating permit. The provisions of Section 4, subsections (D) and (E) of this Chapter shall apply to the uses, administration, and protest procedures applicable to said operating permit account.

SECTION 10 - DISPOSAL OF SALTWATER

A. Every permittee under this Chapter shall be responsible for the safe disposal of saltwater or other substances which he may bring to the surface of the earth, or any deleterious substances and shall provide a plan for such disposal as required in Section 4(B) of this Chapter. Such disposal shall not result in pollution of the waters of the Town and shall not result in any other environmental hazard, and shall incorporate the best available techniques and equipment.

B. In the event of any leakage or spillage of any pollutant or deleterious substance, whatever the cause thereof, the permittee shall cause the Oil and Gas Inspector and the Town to be notified thereof promptly. If, in the judgment of the Oil and Gas Inspector, such leakage or spillage represents a potential environmental hazard, he may issue whatever corrective orders he deems appropriate, and additionally may require the appropriate testing of the surface and subsurface for pollutant incursion, the cost of such test or tests to be borne by the permittee.

C. No person shall dispose of saltwater or other deleterious substance in any lined or unlined pit within the Town limits except as allowed by the Board of Trustees in the interest of the health, welfare and safety of the citizens and resources of the Town.

D. No person shall inject any saltwater or other deleterious substance into the annulus between the inside of the surface casing string and the nest inside casing string.

E. No person shall use soil farming, or any other technique disposing of waste by integration into soil, for non-commercial or commercial purposes, within the Town limits.

SECTION 11 - COMPLIANCE WITH APPLICABLE LAWS.

No person shall drill an original well or re-enter an abandoned well for any purpose, or permit any well, structure, equipment, pipeline, machinery, tank or other appurtenance, in violation of any of the provisions of this Ordinance, or the laws, rules, regulations, operative standards or directives of the State.

SECTION 12 - SURFACE CASING.

A. Surface casing shall be installed to a depth of at least one thousand (1,000) feet below the surface of the earth, subject to approval by the Oil and Gas Inspector. The operator shall notify the Oil and Gas Inspector 24 hours in advance of setting the surface casing. Surface pipe shall have a centralizer on the shoe joint, and centralizers within fifty (50) feet apart above the second centralizer.

B. Surface pipe shall be cemented by attempting to circulate good cement to surface by normal displacement practices. If cement cannot be circulated to surface due to washed out hole or lost circulation, the existing cement shall not be over-displaced and a plug shall be left in the bottom of the casing string to be drilled out once the surface is set. The remaining open hole behind the surface pipe shall be cemented by running a tubing string between the conductor string and the surface pipe until the top of the cement is tagged. The remaining uncemented annular space will then be cemented until good cement is circulated to surface. No further drilling shall be accomplished until the cement has set for at least twenty-four (24) hours, or in the alternative, until samples of the cement have passed independent laboratory tests satisfactory to the Oil and Gas Inspector.

C. Where an existing well is to be used as an injection or disposal site, the existing casing and cement shall be of such integrity and depth as to adequately and safely isolate fresh water producing zones from the seepage or bleeding of injection fluids or disposants. Where additional protective operations are undertaken to comply with this paragraph, the Oil and Gas Inspector shall be notified thereof sufficiently in advance in order for him to be present for such operations.

SECTION 13 - ABANDONED 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 and one hundred (100) feet above the surface casing; and to 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 a well. During initial abandonment operations it will be the obligation of the permittee and operator to flood the well with mud-laden fluid weighing not less than nine (9) pounds per gallon, and to circulate this mud until stabilized, and the well shall be kept filled to the top with mud-laden fluid of the weight herein specified, 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 the Corporation Commission of the State in connection with the abandonment and plugging of a well shall be complied with by the permittee. The operator shall notify the oil & gas inspector 24 hours in advance of plugging a well. The operator shall furnish a completed copy of the Oklahoma Corporation Commission Plugging Record to the town.

Upon plugging or abandonment there shall be a final inspection by the Oil and Gas Inspector and full compliance with Section 6 (B).

SECTION 14 - LOCATION.

A. Well location. No permit shall be issued for the drilling of an original well or the re-entry of an abandoned well at any location which is:

1. nearer than six hundred sixty (660) feet of any permanent residence or commercial building, or
2. closer than three hundred thirty (330) feet of a public road right-of-way, or
3. closer than three hundred (300) feet of a producing fresh water well, or
4. within a platted subdivision or
5. within six hundred sixty (660) feet of the boundary of a platted subdivision.

B. Exceptions allowing well location closer than six hundred sixty (660) feet from a permanent residence or commercial building may be granted at the discretion of the Town Board of Trustees, only if written approvals and releases are obtained from the persons in the following enumerated paragraphs; and said approvals and releases are filed with the offices of the Oil and Gas Inspector for the Town of Slaughterville and the County Clerk of Cleveland County. Any costs associated with obtaining said approvals and releases or filing the approvals and releases of record shall be borne by the permittee. Approvals and releases shall be obtained from:

1. Any owner of said permanent residence or commercial building; and
2. Any life tenant or remainderman of said permanent residence or commercial building; and
3. Any lessee or tenant of said permanent residence or commercial building; and
4. Any mortgagee of said permanent residence or commercial building, and
5. Any person having an applicable power of attorney over any of the above stated individuals; provided that said attorney in fact shall provide a copy of the said power of attorney documentation authorizing the attorney in fact to act of his behalf, shall provide the address and telephone number of the person for whom he is acting, and provide his own address and telephone number before the approval and release shall become effective.

C. Access Road Location. The location of any access road necessary for the drilling of an original well or the re-entry of an abandoned well shall be subject to review by the Oil and Gas Inspector.

D. 100-Year Flood Plane. Application to drill an original well or re-enter an abandoned well within the 100-year floodplain shall be subject to special review by the Town Floodplain Board.

E. Exceptions allowing well locations closer than three hundred thirty (330) feet from a public road right-of-way may be granted at the discretion of the Town Board of Trustees.

F. Exceptions shall not be granted allowing a well location to be closer than;

1. three hundred (300) feet of a producing fresh water well, or
2. within a platted subdivision, or
3. six hundred sixty (660) feet of the boundary of a platted subdivision.

SECTION 15 - FENCES.

Any person who completes any well as a producer shall have the obligation to enclose said well, together with its surface facilities, by a 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 enclosure. Provided, that in nonplatted areas the Oil and Gas Inspector, at his discretion, may waive the requirement of any fence or may designate the type of fence to be erected. Fences must be kept locked at all times workers of permittee are not present; a duplicate set of keys to said lock shall be filed with the Oil and Gas Inspector.

SECTION 16 - NOISE AND OTHER NUISANCES.

All oil operations, drilling and production operations shall be conducted in such a manner as to eliminate, as far as practicable, dust, noise, vibration or noxious odors, and 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, from time to time, available, if capable of reducing factors of nuisance and annoyance.

A. Lighting of producing, injection, or deleterious substance disposal wells shall be limited to that necessary for security and shall be arranged and shielded so as to direct light away from nearby residents.

SECTION 17 - FACILITIES.

All lease equipment shall be painted and maintained in a good state of appearance. A sign will be posted at the entrance to the drilling site stating the operator's name, emergency telephone number and the Town permit number before spudding well. Within thirty (30) days after the completion of any producing oil or gas well, a sign shall be posted and maintained at the location showing the operator of the well, the operator's emergency telephone number, name of farm, number of the well, legal description of the well, and identifying number of the permit issued by the Town. Information supplied on the sign shall be kept current. The sign shall be no smaller than 2' x 2' and shall be no larger than 3' x 3'.

SECTION 18 - STORAGE TANKS AND SEPARATORS.

A. Crude oil storage tanks shall not be constructed, operated or used except to the extent of four (4) steel tanks for oil storage, not exceeding five hundred (500) barrels capacity each and so constructed and maintained as to be vapor tight. Provided, that additional tankage must be approved by the Oil and Gas Inspector.

B. 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 a regulation pressure-relief safety valve.

SECTION 19 - FIRE PREVENTION.

Adequate fire fighting equipment and supplies approved by the Town Fire Department shall be maintained on the site at all times during drilling, work-overs, and production operations. All machinery, equipment and installations on all sites within the Town limits shall conform with such requirements as may from time to time be issued by the Town Fire Department.

SECTION 20 - PITS.

Steel mud, or circulating, pits shall be used (Closed systems only). Such pits and contents shall be removed from the premises and the drilling site within fifteen (15) days after completion of the well. Earthen pits will be allowed only as temporary emergency pits and/or as catch basins. Catch basin pits shall be used only for the purpose of catching any deleterious substance runoff and shall be no greater than Three Hundred Twenty (320) cubic feet. Such catch basin will be equipped with a liquid level activated pump designed to keep fluids pumped out of such catch basin pit. All such earthen pits must be lined and approved by the Oil and Gas Inspector. Emergency pits shall be emptied as soon as the emergency is over and all such pits shall be emptied and then leveled within fifteen (15) days after completion of the well.

SECTION 21 - RETAINING WALLS.

Retaining wall is to hold one and one-half (1 1/2) times the amount of the largest tank.

Motive power for all pumping units or production equipment shall be electricity unless otherwise approved by the Oil and Gas Inspector.

SECTION 23 - DERRICK AND RIG.

It shall be unlawful and an offense for any person to use or operate in connection with the drilling, re-entry or reworking of any well within the Town, any wooden derrick or any steam-powered rig, and all engines shall be equipped with adequate mufflers approved by the Oil and Gas Inspector. Permitting any drilling rig or derrick to remain on the premises or drilling site for a period of longer than sixty (60) days after completion or abandonment of a well is hereby prohibited.

SECTION 24 - DRILLING OPERATIONS - EQUIPMENT.

All drilling, re-entry and operations at any well performed under this Ordinance shall be conducted in accordance with the best practices of the reasonably prudent operator. All casing, valves, and blowout preventers, drilling fluid, tubing, bradenhead, Christmas tree and well head connections shall be of a type and quality consistent with the best practices of such reasonably prudent operator. 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 operator. Any permittee under this Ordinance shall observe and follow the recommendations or regulations of the American Petroleum Institute and the Corporation Commission, except in those instances that are specifically addressed by this Ordinance. A copy of all logs associated with the surface casing shall be made available to the Oil and Gas Inspector upon request.

SECTION 25 - MOVING OR DRILLING RIG.

It shall be unlawful and an offense for any person to move or cause to be moved the drilling rig from a well until the hole has been cased or properly plugged unless written permission to do so is obtained from the Oil and Gas Inspector.

SECTION 26 - STREETS AND ALLEYS.

No well 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 Town; and no street or alley shall be blocked or encumbered or closed in any drilling or production operation except with the written approval of the Oil and Gas Inspector, and then only temporarily.

SECTION 27 - FLARING OF GAS.

All produced gas shall either be sold or flared with the flaring procedures being approved by the Oil and Gas Inspector and the Fire Chief.

SECTION 28 - FRACTURE AND ACIDIZING.

In the completion of oil and gas, injection, disposal or service well, where acidizing or fracturing processes are used, no oil, gas or other deleterious substances or pollutants shall be permitted to pollute any surface or subsurface fresh water.

SECTION 29 - SWABBING AND BAILING.

In swabbing, bailing or purging a well, all deleterious substances removed from the bore hole shall be placed in appropriate tanks and no substances shall be permitted to pollute any surface or subsurface fresh waters.

SECTION 30 - RUPTURE IN SURFACE CASING.

In the event a rupture, break or opening occurs in the surface or production casing, the permittee or the operator or drilling contractor shall take immediate action to repair it, and shall report the incident to the Town and to the Oil and Gas Inspector promptly.

SECTION 31 - DEPOSITING OIL PRODUCTS.

No person shall deposit, drain or divert into or upon any public highway, street or alley, drainage ditch, storm drain, sewer, gutter, paving, creek, river, lake or lagoon, any oil or oily liquid with petroleum content or any mud, rotary mud, sand, water or saltwater, or in any manner permit by seepage, overflow, deliberate release or otherwise, any of such substances to escape from any property owned, leased or controlled by such person and flow or be carried into or upon any public highway, street or alley, drainage ditch, storm drain, sewer, gutter, paving, creek, river, lake or lagoon, within the Town, unless that person complies with all rules and regulations of the Oklahoma Corporation Commission and the project is approved by the Oklahoma Corporation Commission.

SECTION 32 - SAFETY PRECAUTIONS.

Persons drilling, operating or maintaining any well shall use all necessary care and take all precautions which shall be reasonably necessary under the circumstances to be the minimum requirements for the preservation of the public health, safety and welfare, and compliance with the terms hereof shall not be deemed to relieve any persons of any additional duty imposed by law.

SECTION 33 - WATER FOR MUDS.

In the event a fresh water supply well is drilled to provide water for drilling muds, upon the completion of operations for which such well is required, such well shall be plugged by cementing top to bottom, after notice of intention to so plug is provided, the Oil and Gas Inspector, who may supervise the operation, unless other arrangements are made with the landowner.

SECTION 34 - OIL AND GAS INSPECTOR.

- A. The Town Board of Trustees shall employ a qualified person, persons, firm, or corporation as an Oil and Gas Inspector, whose duty it shall be to enforce the provisions of this Ordinance.
- B. The Oil and Gas inspector shall have the authority to issue such orders or directives as are required to carry out the intent and purpose of this Ordinance and its particular provisions. Failure to abide by any such order or directive shall be a violation of this Chapter.
- C. The Oil and Gas Inspector shall have the authority to go upon and inspect any equipment and any premises covered by the terms of this Ordinance to ascertain whether this Ordinance and the applicable laws, rules, regulations, standards or directives of the State are being complied with. Failure to permit access to the Oil and Gas Inspector shall be deemed a violation of this Chapter.
- D. The Oil and Gas Inspector shall have the authority to request and receive any records, specified in this Ordinance, relating to the status or condition of any well or project or the appurtenances thereof within the Town of Slaughterville. Failure to provide any such requested material shall be deemed a violation of this Chapter.
- E. The Oil and Gas Inspector, or a person, persons, or a firm duly appointed by the Oil and Gas Inspector, may assess such reasonable inspection fees, assessments, or other fees necessary in the performance of his duties. Such fees and assessments shall be collected from the permittee as provided for in Section 4(D) of this Chapter. Such fees shall be approved by the Board of Trustees prior to their assessment.

SECTION 35 - SERVICE COMPANIES.

Upon request of the Oil and Gas Inspector, service companies or other persons shall furnish and file reports and records showing perforating, hydraulic fracturing, cementing, shooting, chemical treatment and all other service operations on any site covered by this Chapter. Such furnished material shall remain confidential where such confidentiality is usually granted by the State. Failure to provide any such requested material shall be deemed a violation of this Chapter.

SECTION 36 - ACCUMULATION OF VAPOR.

The Oil and Gas Inspector shall have the authority to require the immediate shutting in or closing of any well if he finds that there exists, within a one hundred (100) foot radius of any well, any gas or gasoline vapor in a quantity sufficient to constitute, in his judgment, or in the judgment of the Town Fire Chief, a fire hazard. The well shall remain shut or closed in until the hazard and its cause are removed.

SECTION 37 - INGRESS AND EGRESS.

Lease roads shall be maintained in such a manner as to safely and comfortably allow for ingress and egress of Town or State personnel traveling in a common passenger motor vehicle.

SECTION 38 - ORDER TO CEASE OPERATIONS.

- A. If the Oil and Gas Inspector finds that, in his judgment, a hazard to life or natural resources exists, he shall order immediate rectification of the cause. If the Permittee takes no immediate measure to reduce the hazard, or if the situation be so perilous as to constitute an imminent threat to safety, then in either of these events he may order the prompt cessation of activity, and if necessary, the clearance of the premises.
- B. The Oil and Gas Inspector or permittee may apply to the Town Administrator for a hearing upon such order, which hearing shall be held not longer than twenty-four (24) hours after the issuance of said order by the Oil and Gas Inspector. The Town Administrator shall determine if proper cause existed, and, if

not, shall order the permittee's activity to resume without delay. If the Town Administrator determines that proper cause existed for the order to cease activity, then (s)he shall make whatever ruling is proper to assure rectification of the cause of the peril. Such ruling and compliance with it by the permittee shall not be construed to absolve the permittee of any liability for any violation of this Chapter or for any damage or injury caused thereby.

SECTION 39 - APPEALS.

Any permittee aggrieved by any order, directive or ruling issued by the Oil and Gas Inspector, or by any ruling by the Town Administrator may appeal the same to the Town Board of Trustees which shall hear the matter at its next scheduled meeting, or at a Special meeting. The lodging of such appeal shall not stay the enforcement of any of the provisions of this Chapter. The Board, upon hearing the matter, may issue whatever ruling or order is appropriate, provided that such ruling or order be in keeping with the spirit and purpose of this Ordinance.

SECTION 40 - TOWN BOARD REVIEW OF PERMIT RECOMMENDATIONS.

Upon the consideration of any application for a permit required by the terms of this Ordinance, the Oil and Gas Inspector shall recommend approval or disapproval thereof to the Mayor and Board of Trustees, who shall review the matter at a regularly scheduled meeting or special meeting, and thereupon uphold or reverse the recommendation with or without the addition of any conditions thereto.

This Ordinance shall apply to any person drilling an original well, re-entering an abandoned well, conducting natural or artificial production projects or operations, enhanced recovery, maintaining a producing well, injection well, a deleterious substance disposal well within the Town of Slaughterville, and every such person shall have no longer than ninety (90) days to come into compliance with this Chapter, provided that:

A. Any such well in operation prior to the date of this ordinance, or any well for which a plugging report has not been filed with the Oklahoma Corporation Commission, shall obtain a permit to operate. Such permits shall be issued by the Oil and Gas Inspector without the necessity of approval by the Board of Trustees. Said operating permits shall be issued only after payment of the annual operating fees and deposits as provided in Sections 4, 8, & 9 of this Chapter, after posting the required bonds and insurance as provided in Section 6, and after bringing the well into compliance with the provisions of this Ordinance. Failure to pay the applicable fees and deposits within thirty (30) days after receipt of notification, or failure to bring the operation into compliance within ninety (90) days after receipt of notification will be considered a rejection of the permit by the operator, and will constitute a violation of this Chapter.

SECTION 42 - INFORMAL COMPLAINTS.

If, upon information or inspection, it is found that a permittee is violating any portion of this Chapter or causing damage or pollution to any natural resources, the Oil and Gas Inspector shall file a written administrative complaint with the Town Administrator, a copy of which shall be delivered or mailed to the permittee or his agent. If upon subsequent inspection, it is determined that the permittee has taken the corrective actions specified, the complaint may be dismissed; otherwise, formal application will be made to the Board of Trustees for an order revoking the permit, and for any other appropriate remedy. Pending the outcome of the final determination of the Board of Trustees on the formal application, the Oil and Gas Inspector shall, after an on site inspection, have the authority to shut down, cease and terminate those operations where conditions appear obvious that surface or underground pollution is occurring.

SECTION 43 - PENALTIES.

It shall be unlawful and an offense for any person to violate or neglect to comply with any provisions hereof irrespective of whether or not the verbiage of each section hereof contains the specific language that such violation or neglect is unlawful and is an offense. Any person who shall violate any of the provisions of

this Chapter, or any of the provisions of a drilling and operating permit issued pursuant hereto, or any condition of the bond filed by the permittee pursuant to this Chapter, or who shall neglect to comply with the terms hereof, shall result in the Town taking any necessary actions deemed appropriate to cause the cessation of operations, including but not limited to, injunctive relief. In any event, the owner and/or operator shall be liable to the Town for all Attorney fees, Court costs, and any other costs associated with said unlawful conduct. The violation of each separate provision of this Chapter, and of said permit, and of said bond, shall be a separate offense, and each day's violation of each separate provision thereof shall be considered a separate offense. In addition to the foregoing remedies, it is further provided that the Board of Trustees at any regular or special meeting, may, provided that ten (10) days notice has been given to the permittee, revoke or suspend any permit issued under this Chapter and under which drilling or producing operations are being conducted in the event the permittee thereof has violated any provision of this Chapter. In the event the permit be revoked, the permittee may make application to the Oil and Gas Inspector for re-issuance of such permit as provided for in Section 4. The action of the Town of Slaughterville regarding re-issuance of the permit shall be final. Any continuing offense shall be considered a public nuisance, the remedies for which under law shall be in addition to those herein before enumerated.

SECTION 44 - SEVERABILITY.

If any section, subsection, sentence, clause, phrase 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 of this Ordinance.

PASSED AND APPROVED at Slaughterville, Oklahoma this 19th Day of November 1996.

Mayor

ATTEST (SEAL)

Town Clerk