

A resolution granting variances from Sections 16-24, 16-30, 16-34, 16-40, 16-42, 16-44, 16-47, and 16-56 of the Victoria City Code which require a \$100,000 surety bond, require a security fence during drilling operations, prohibit excessive noise between the hours of 9:30 p.m. and 7:00 a.m., require all oil field wastes derived with the drilling to be discharged into a portable steel tank and be removed during the hours of 7:00 a.m. to 7:00 p.m., require three-ply board road be constructed from the public road to the drill site, prohibit delivery of oil and gas equipment between the hours of 7:00 p.m. to 7:00 a.m., prohibit utilization of earthen pits during the drilling phase, require material produced to be stored in metal containers and be collected during the hours of 7:00 a.m. to 7:00 p.m., require surface casing be run and set in full compliance with the applicable rules and regulations of the Texas Water Quality Board and be set to a depth of at least 100 feet below the deepest fresh water producing zone, and require the applicant to plat the production site within 90 days of commencement of the drilling activities in accordance with Chapter 21 of the City Code to a proposed oil & gas well in the area east of Larkspur Street, to be drilled by Hollimon Operating Corporation of San Antonio, Texas, and declaring an effective date.

Section 16-24 of the Victoria City Code provides: A surety bond shall be filed with the city in the amount of \$100,000.00 at the time a permit application is filed with the directors.

Section 16-30 of the Victoria City Code provides: Prior to the commencement of any activity on the oil and gas operation site, the site shall be completely enclosed by a temporary security fence meeting city requirements.

Section 16-34 of the Victoria City Code provides: The only activity permitted between the hours of 9:30 p.m. and 7:00 a.m. will be "on bottom" drilling with single joint connections.

Section 16-39 of the Victoria City Code provides: Drilling mud, drill cuttings, oil or other liquid hydrocarbons and all other field wastes derived or resulting from, or connected with the drilling, deepening or reworking of any well shall be discharged into a portable steel tank. Waste material shall be removed on a periodic basis as necessary during the hours of 7:00 a.m. to 7:00 p.m. All waste material shall be removed from the operation site within thirty (30) days of the completion of drilling.

Section 16-40 of the Victoria City Code provides: Prior to the commencement of any drilling operations, all private roads used for access to the drill site, and the drill site itself, shall be surfaced with minimum improvements of a three-ply board roadway, top ply to be solid, to public rights-of-way. After drilling is completed, permanent access shall be provided, consisting of all-weather surface sufficient to withstand the typical load requirements for service and maintenance of the oil and gas operations facility. Such permanent roadway shall be of a standard suitable to the site according to the decisions of the oil and gas board.

Section 16-42 of the Victoria City Code provides: no delivery of oil and gas equipment between the hours of 7:00 p.m. to 7:00 a.m. No vehicles with more than two (2) axles shall be permitted onto the drill site between the hours of 7:00 p.m. to 7:00 a.m. This restriction shall be waived in the event of any emergency conditions in accordance with section 16-6 of this chapter.

Section 16-44 of the Victoria City Code provides: surface casing shall be run and set in full compliance with the applicable rules and regulations of the Texas Water Quality Board and, in any event, shall be set to a depth of at least one hundred (100) feet below the deepest fresh water producing zone.

Section 16-47 of the Victoria City Code provides: no earthen pits shall be utilized during the drilling phase at any oil and gas operation site within city limits. All waste material produced shall be stored in metal containers, and collected as necessary during the hours of 7:00 a.m. to 7:00 p.m.

Section 16-56 of the Victoria City Code provides: within ninety (90) days of commencement of drilling production sites the property shall be platted in accordance with the procedures contained in Chapter 21 of the City Code.

Hollimon Operating Corporation of San Antonio, Texas, is requesting these variances for drilling purposes.

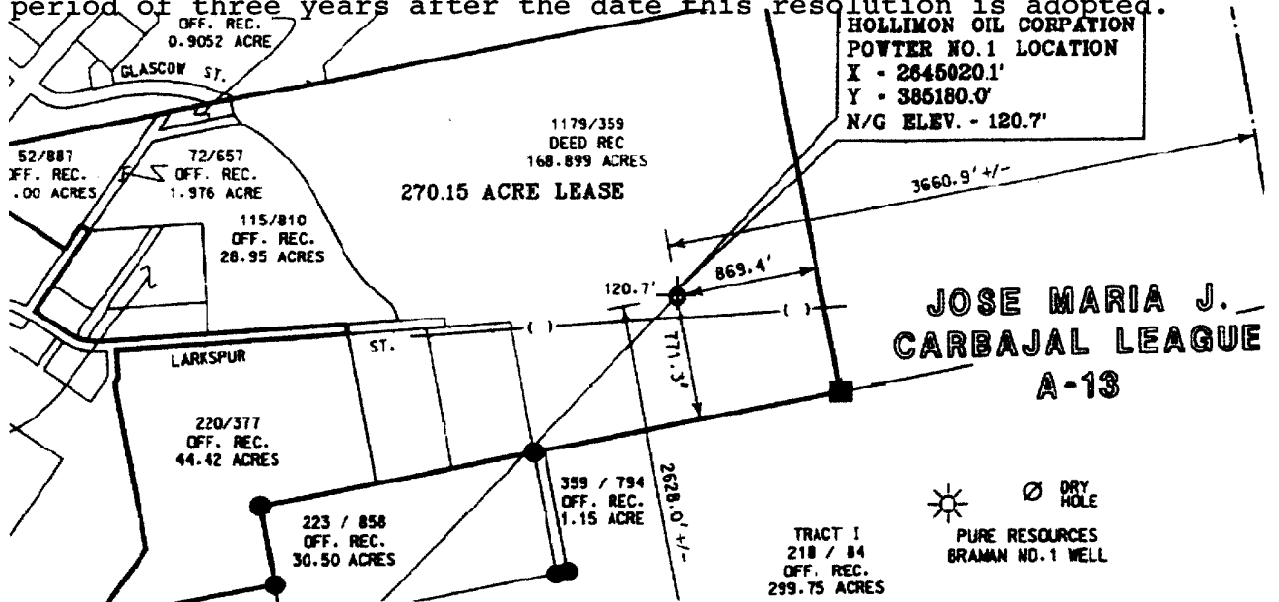
Section 2-95 of the Victoria City Code provides "the city council may authorize variances if they deem such action proper," and the City Council finds issuance of aforementioned variances is proper.

THEREFORE, IT IS RESOLVED BY THE CITY COUNCIL OF THE CITY OF VICTORIA, TEXAS:

1.

Variances from Sections 16-24, 16-30, 16-34, 16-40, 16-42, 16-44, 16-47, and 16-56 of the Victoria City Code which require a \$100,000 surety bond, require a security fence during drilling operations, prohibit excessive noise between the hours of 9:30 p.m. and 7:00 a.m., require all oil field wastes derived with the drilling to be discharged into a portable steel tank and be removed during the hours of 7:00 a.m. to 7:00 p.m., require three-ply board road be constructed from the public road to the drill site, prohibit delivery of oil and gas equipment between the hours of 7:00 p.m. to 7:00 a.m., surface casing shall be run and set in full compliance with the applicable rules and regulations of the Texas Water Quality Board and, in any event, shall be set to a depth of at least one hundred (100) feet below the deepest fresh water producing zone, prohibit utilization of earthen pits during the drilling phase,

and require the applicant to plat the production site within 90 days of commencement of the drilling activities in accordance with Chapter 21 of the City Code, are granted to one proposed oil & gas well in the area east of Larkspur Street in the area designated on the following map as "Hollimon Oil Corporation Powter No.1 Location", to be drilled by Hollimon Operating Corporation of San Antonio, Texas for a period of three years after the date this resolution is adopted.



2.

This resolution shall become effective immediately upon adoption.

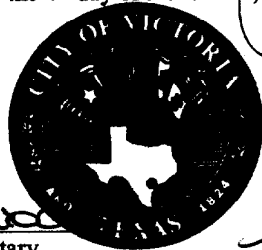
PASSED, this the 4th day of November, 2003.

AYES: 5

NAYS: 0

ABSTENTIONS: 0

APPROVED AND ADOPTED, this the 4th day of November, 2003.



ATTEST:

SCARLET SWOBODA, City Secretary

[Signature]
 GARY MIDDLETON, Mayor of the City of Victoria, Texas

[Signature]
 APPROVED AS TO LEGAL FORM:
 DAVID ATMAR SMITH, City Attorney

Distribution: Legal Department
Public Works Department

Copies Sent: November 10, 2003

limited to 3 years