



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

August 25, 2009

OIL AND GAS DOCKET NO. 01-0262462

COMMISSION CALLED HEARING TO SUPERCEDE THE FINAL ORDER ISSUED JANUARY 28, 2008 IN OIL AND GAS DOCKET NO. 01-0252071 REQUIRING PLUGGING OF WELL NO. 1 ON THE DINGES, W.E. (12178) LEASE, BUCHANAN FIELD, CALDWELL COUNTY, AND TO RECOGNIZE R & S OIL PRODUCTION CO. AS THE OPERATOR OF RECORD

APPEARANCES FOR APPLICANT:

Robert Cheatham

PROPOSAL FOR DECISION PROCEDURAL HISTORY

DATE OF REQUEST FOR ACTION:	July 17, 2009
NOTICE OF HEARING:	July 24, 2009
DATE CASE HEARD:	August 21, 2009
HEARD BY:	Mark Helmueller, Hearings Examiner
PFD CIRCULATION DATE:	August 25, 2009

STATEMENT OF THE CASE

R & S Oil Production Co. (hereinafter "R & S") requests that the Commission supercede the provisions in the Final Order entered in Oil and Gas Docket No. 01-0252071 requiring plugging of Well No. 1 on the Dinges, W.E. (12178) Lease, Buchanan Field, Caldwell County, (hereinafter "Dinges well"). R & S also requests recognition as the operator of the well.

SUMMARY OF EVIDENCE

The examiner took official notice of records related to R & S' most recent Commission Form P-5 (Organization Report), and records identifying the wells it currently operates. The Organization Report is currently active. R & S has posted financial assurance with the Commission in the form of a \$50,000 bond. R & S is the operator of 68 wells with a total depth of 204,272 feet.

The prior operator of the Dinges well, Bedford Oil & Gas, Inc. ("Bedford") designated itself to the Commission as the operator by filing Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission, approved on July 1, 2003.

Bedford is a corporation, whose president is Edward A. Stam, President. Bedford last filed an Organization Report with the Commission on February 27, 2007.

The last reported production from the Dinges well was in February 2003. The Commission ordered Bedford to plug the well due to violations of Statewide Rules 3, 13 and 14 on January 28, 2008, in Oil & Gas Docket No. 01-0252071. Bedford was further ordered to pay an administrative penalty of \$5,500.00.

R & S obtained an assignment from Bedford and has confirmed with the mineral interest owner that the original lease is valid based on production from other wells. The mineral interest owner supports R & S designation as the operator of the lease.

R & S represented that Bedford and its principals possess no current interest in the Dinges well and are not affiliated with R & S. The Dinges well is currently included on the Commission's Orphan Well List.

R & S believes the Dinges well can be restored to active production. R & S equipped the well with a pumpjack, rods and tubing and set up electrical service before it learned of the order requiring Bedford to plug the well. Mr. Meacham notes that other wells in the immediate area completed in the same formation produce .5 to 1 barrels a day without any water production.

AUTHORITY

Texas Natural Resources Code §85.049(a) provides:

On a verified complaint of any person interested in the subject matter that waste of oil or gas is taking place in this state or is reasonably imminent, or on its own initiative, the commission after proper notice, may hold a hearing to determine whether or not waste is taking place or is reasonably imminent and if any rule or order should be adopted or if any other action should be taken to correct, prevent or lessen the waste.

Texas Natural Resources Code §91.107 requires that an operator file financial assurance in the form of a bond, letter of credit or cash deposit in the amount necessary for both existing wells operated and any wells being transferred, prior to Commission approval of the transfer.

Under Statewide Rules 14 and 58, the Commission may require an operator of a well to provide evidence of a good faith claim of a continuing right to operate.

EXAMINER'S OPINION

R & S claims it can meet the requirements to be recognized as the operator of the Dinges well. However, this claim is complicated by the Final Order requiring that Bedford plug the well. An order superceding a plug only requirement in a Commission Final Order may be warranted if the operator shows: 1) that it has a good faith claim of a continuing right to operate the well or lease; 2) that it has met the financial assurance requirements of Texas Natural Resources Code §91.107; and 3) that a superceding order is necessary to prevent waste. R & S satisfied these requirements.

R & S has met all requirements necessary for the entry of a Final Order superceding the provisions requiring plugging of the Dinges well. R & S has established a good faith claim to operate the Dinges well, and verified that Bedford does not possess any interest. R & S has sufficient financial security in place and demonstrated that the Dinges well may be restored to productive use. Accordingly the examiner concludes that an order superceding the plug only provision should be entered, and R & S should be recognized as the operator of the Dinges well.

FINDINGS OF FACT

1. R & S Oil Production Co. (hereinafter "R & S"), was given at least 10 days notice of this proceeding. R & S appeared at the hearing and presented evidence. R & S waived its opportunity to file exceptions to this Proposal for Decision.
2. R & S has an active Organization Report on file with the Commission. R & S has posted financial assurance with the Commission in the form of a \$50,000 bond. R & S is the operator of 68 wells with a total depth of 204,272 feet.
3. The prior operator of Well No. 1 on the Dinges, W.E. (12178) Lease, Buchanan Field, Caldwell County, (hereinafter "Dinges well"), Bedford Oil & Gas, Inc. ("Bedford") designated itself to the Commission as the operator by filing Form P-4 (Producer's Transportation Authority and Certificate of Compliance) approved on July 1, 2003.
4. Bedford is a corporation, whose president is Edward A. Stam, President. Bedford last filed an Organization Report with the Commission on February 27, 2007.
5. The last reported production from the Dinges well was in February 2003.
6. The Commission ordered Bedford to plug the well due to violations of Statewide Rules 3, 13 and 14 on January 28, 2008, in Oil & Gas Docket No. 01-0252071. Bedford was further ordered to pay an administrative penalty of \$5,500.00.
7. R & S has secured a current right to operate the subject property which has been confirmed by the mineral interest owners.

8. Bedford and its principals possess no current interest in the well and are not affiliated with R & S. The Dinges well is currently included on the Commission's Orphan Well List
9. R & S believes the Dinges well can be restored to active production.
 - a. R & S identified other wells in the immediate area completed in the same formation which produce .5 to 1 barrels a day without any water production..
 - b. R & S has cleaned up the lease and has equipped the well for pumping production.
10. Superceding the requirement in the Final Order entered in Oil and Gas Docket No. 01-0252071 requiring plugging of Well No. 1 on the Dinges, W.E. (12178) Lease, Buchanan Field, Caldwell County, will prevent waste of oil and gas resources that would not be produced if the well is plugged.

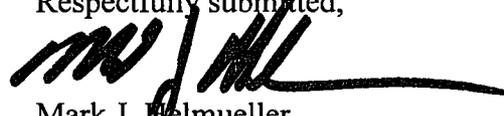
CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. R & S has a good faith claim of a continuing right to operate the Dinges well.
4. R & S has filed financial assurance in the type and amount required under Texas Natural Resources Code §91.107 to be approved as the operator of the Dinges well.
5. A Final Order superceding the provision in the Final Order entered in Oil and Gas Docket No.01-0252071 requiring plugging of Well No. 1 on the Dinges, W.E. (12178) Lease, Buchanan Field, Caldwell County, and recognizing R & S as the operator, will prevent waste of oil and gas resources.

RECOMMENDATION

The examiner recommends that the Commission grant the request to supercede the provisions in the Final Order entered in Oil and Gas Docket No. 01-0252071 requiring plugging of Well No. 1 on the Dinges, W.E. (12178) Lease, Buchanan Field, Caldwell County. Additionally, the examiner recommends that R & S be recognized as the operator of Well No. 1 on the Dinges, W.E. (12178) Lease, Buchanan Field, Caldwell County. All other provisions of the Final Order in Oil & Gas Docket No. 01-0252071 shall remain in force and effect.

Respectfully submitted,



Mark J. Helmueller
Hearings Examiner