

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 01-0253871

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY BEDFORD OIL & GAS, INC. (061600), AS TO THE REED, FRANKIE (00539) LEASE, WELL NO. 1, DUNLAP (SERPENTINE) FIELD, AND THE KING (13971) LEASE, WELL NO. 3, DRUMMOND (AUSTIN 1400) FIELD, CALDWELL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on February 12, 2009, and that the respondent, Bedford Oil & Gas, Inc. (061600), failed to appear or respond to the Notice of Hearing. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Bedford Oil & Gas, Inc. (061600), ("Respondent") was given Notice of Hearing by certified mail, addressed to Respondent's Attorney, Skipper Lay, which was signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing mailed to Respondent's Attorney, Skipper Lay, was signed and returned to the Commission on December 18, 2008. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On February 27, 2007, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Edward A. Stam; President.
4. Edward A. Stam, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent
5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

6. Respondent designated itself to the Commission as the operator of Well No. 1 on the Reed, Frankie (00539) Lease and Well No. 3 on the King (13971) Lease (“subject wells”/“subject leases”) by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on July 1, 2003 for Well No. 1 on the Reed, Frankie (00539) Lease and September 1, 2003 for Well No. 3 on the King (13971) Lease.
7. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on March 1, 2008. Respondent had a \$50,000.00 Bond as its financial assurance at the time of its last P-5 renewal.
8. Production from Well No. 1 on the Reed, Frankie (00539) Lease ceased in December 2002.
9. Production from Well No. 3 on the King (13971) Lease ceased in September 1995.
10. The Statewide 14(b)(2) plugging extension for Well No. 1 on the Reed, Frankie (00539) Lease was denied on July 24, 2006, and the plugging extension for Well No. 3 on the King (13971) Lease was denied on September 5, 2003, based on Respondent's failure to file an H-15.
11. The subject wells were not properly plugged in accordance with, and were not otherwise in compliance with Statewide Rule 14.
12. Usable quality groundwater was likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the potential for pollution.
13. The estimated cost to the State of plugging Well No. 1 on the Reed, Frankie (00539) Lease is \$4,600.00.
14. The estimated cost to the State of plugging Well No. 3 on the King (13971) Lease is \$4,300.00.
15. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) had been filed and approved for the Reed, Frankie (00539) Lease, Well No. 1. Well No. 1 on the Reed, Frankie (00539) Lease was completed at least 25 years ago, an H-15 test was due in May 2006, the well has not been plugged.
16. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the King (13971) Lease, Well No. 3. Well No. 3 on the King (13971) Lease was completed on August 24, 1950, an H-15 test was due on October 4, 2003, the well has not been plugged.

17. The Respondent did not demonstrate good faith since it failed to timely plug or otherwise place the subject leases and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
18. The Commission approved a P-4 transfer for the Reed, Frankie (00539) Lease on April 30, 2008, effective on February 1, 2008 to R&S Oil Production Co. (687540).
19. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 01-0244135; Agreed Order Served: April 11, 2006; and
Docket No. 01-0245721; Agreed Order Served: August 22, 2006.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed or have occurred.
3. Respondent was in violation of Commission Statewide Rules 14(b)(2) and 14(b)(3).
4. Respondent was responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), which requires that the operator of any well more than 25 years old that becomes inactive shall plug or test such well to determine whether the well poses a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
5. Respondent was responsible for maintaining the subject lease and subject well in compliance with all applicable Commission rules according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
6. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531(c).
7. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Edward A. Stam, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Bedford Oil & Gas, Inc. (061600), shall plug the King (13971) Lease, Well No. 3, Drummond (Austin 1400) Field, Caldwell County, Texas in compliance with applicable Commission rules and regulations; and
2. Bedford Oil & Gas, Inc. (061600), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND DOLLARS (\$6,000.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Noncompliance with the provisions of this order is subject to enforcement by the Attorney General and subject to civil penalties of up to \$10,000.00 per day per violation.

Done this 14th day of April 2009.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated April 14, 2009)

JD/sa