ORDER TO:
PLUG AND ABANDON WELL,
DECOMMISSION ATTENDANT FACILITIES, AND
RESTORE WELL SITE

NO. 1120

Dated: March 23, 2018

Operator: Green Earth Resources, Inc. (G3425)

BY
Kenneth A. Harris Jr.
STATE OIL AND GAS SUPERVISOR
I. Introduction

The Division of Oil, Gas, and Geothermal Resources (Division) may order the plugging and abandonment of a well that it has determined, upon credible evidence, to be deserted whether or not any damage is occurring, or threatened, by reason of that deserted well. (Pub. Resources Code, § 3237.) Based on the Division’s records, Green Earth Resources, Inc. (Division operator code G3425; Operator) is the current operator (as defined in Public Resources Code [PRC] section 3237, subdivision (c)(1)) responsible for the plugging and abandonment of the well (and all associated conductors) (the Well), the decommissioning of the attendant production facilities (the Facilities), and restoration of the well site located at, or near, the city of Arvin (API 02914681) (the Well and Facilities). And, herein, the State Oil and Gas Supervisor (Supervisor) is ordering Operator to do so. This is because the Division has determined, based on information and belief and the rebuttable presumption evidence detailed below, that Operator has deserted the Well and Facilities.

Therefore, pursuant to PRC sections 3106, 3224, 3226, and 3237, and as set forth below, Supervisor is ordering Operator to plug and abandon the Well and decommission the Facilities according to PRC sections 3208, 3228, 3229, and 3230, California Code of Regulations, title 14, (Regulations) sections 1722 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit the Division may issue pursuant to PRC section 3229 for the Well.

II. Definitions

PRC section 3008, subdivision (a), defines “Well” to mean “any oil or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas,” among others.

PRC section 3009 defines “Operator” to mean “a person who, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control a well or production facility.”

Regulations section 1760, subdivision (k), defines “Production facility” to mean “any equipment attendant to oil and gas production . . . including, but not limited to, tanks, flowlines, headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
equipment, production safety systems, separators, manifolds, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code, excluding fire suppressant equipment.”

III. State Oil and Gas Supervisor Authority

PRC section 3106 authorizes the Supervisor to supervise the drilling, operation, maintenance, and abandonment of oil and gas wells to “prevent, as far as possible, damage to life, health, property, and natural resources; damage to underground oil and gas deposits from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances.”

PRC section 3224 mandates that the Supervisor “order such tests or remedial work as in his judgment are necessary to prevent damage to life, health, property, and natural resources; to protect oil and gas deposits from damage by underground water; or to prevent the escape of water into underground formations, or to prevent the infiltration of detrimental substances into underground or surface water suitable for irrigation or domestic purposes, to the best interests of the neighboring property owners and the public.”

PRC section 3226 authorizes the Supervisor, based on the Supervisor’s final or affirmed order, to appoint agents who may enter the well premises and perform necessary remedial work if the operator did not complete the remedial work as ordered. Any amount the Supervisor expends to complete the necessary remedial work constitutes a lien against the operator’s real or personal property according to PRC section 3423.

PRC section 3237 authorizes the Supervisor to “order the plugging and abandonment of a well that has been deserted whether or not any damage is occurring or threatened by reason of that deserted well.” The Supervisor or district deputy “shall determine from credible evidence whether a well is deserted.”

IV. Rebuttable Presumption of Desertion

The Supervisor has determined that Operator failed to challenge Supervisor’s Order No. 1052 on a timely basis and failed to comply with that Order within the time provided, thereby
creating a rebuttable presumption of desertion. (See Pub. Resources Code, § 3237, subd. (a)(3)(C).) In addition, the Supervisor has determined that “So Cal Oil & Gas, LLC” (Mr. Les Cafaude) represented to the Division that it was to acquire a well or production facility subject to a purchase, transfer, assignment, conveyance, exchange, or other disposition yet failed to comply with Public Resources Code section 3202. Mr. Les Cafaude’s failure to comply with PRC section 3202 further creates a rebuttable presumption of Operator’s desertion of the Well and Facilities. (See Pub. Resources Code, § 3237, subd. (a)(3)(E).) (See Attachment B, collectively 19 pages, incorporated herein.)

V. Operator’s Required Actions

For the reasons stated above, the Division has determined that the Well and Facilities are deserted. Therefore, IT IS HEREBY ORDERED, that Operator plug and abandon the Well and decommission the Facilities according to PRC sections 3208, 3228, 3229, and 3230, Regulations sections 1722 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit the Division may issue pursuant to PRC section 3229 for the Well.

VI. Operator’s Appeal Rights

PRC section 3237, subdivision (b), entitles an operator to appeal a Supervisor’s order to plug and abandon wells. A notice of appeal must be timely made, in writing, and filed with the Director. (See Public Resources Code beginning at PRC section 3350.) To file an appeal, a written notice of appeal may be mailed to the following address:

Department of Conservation
Director’s Office of Appeals
801 K Street, MS 24-03 (Legal Office)
Sacramento, California 95814-3530

If Operator does not submit a timely written notice of appeal, this Order will become a final order and the Division may contract for performance of the work, pursuant to PRC section 3226, if, within 30 days of this Order, Operator has not, in good faith, commenced the work ordered. Any costs incurred by the Supervisor to obtain compliance with this Order will constitute a lien against Operator’s real or personal property per PRC section 3423.

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If Operator submits a timely written notice of appeal, it, and interested parties, will receive notice of the appeal hearing date, time, and place. Following the hearing, will receive a written decision that affirms, sets aside, or modifies the appealed order.

DATED: March 23, 2018

Kenneth A. Harris Jr.
State Oil and Gas Supervisor

Original: Ms. Rosalie Morgan
Cert. mail rec. no.: 7016 0750 0000 3520 2477

Copy: Mr. Lester Cafaude
Cert. mail rec. no.: 7016 0750 0000 3520 2491
Attachment A
DEPARTMENT OF CONSERVATION
Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 18-05
Sacramento, California 95814
Telephone (916) 323-6733
Facsimile (916) 445-9916

STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

ORDER FOR OPERATOR TO
TAKE REMEDIAL ACTION AND
PAY A CIVIL PENALTY

No. 1052
Dated: June 17, 2014
Operator: Green Earth Resources, Inc. (G3425)

BY
Steven R. Bohlen
STATE OIL AND GAS SUPERVISOR

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I. Introduction

Acting through the State Oil and Gas Supervisor ("Supervisor"), the Division of Oil, Gas, and Geothermal Resources ("Division") in the Department of Conservation may order an operator to perform such tests or remedial work that, in the judgment of the Supervisor, are necessary to prevent damage to life, health, property, and natural resources. (Pub. Resources Code, § 3224.) Additionally, the Supervisor may impose a civil penalty on operators who violate Chapter 1 of Division 3 of the California Public Resources Code or the regulations implementing that chapter ("State oil and gas laws"). (Pub. Resources Code, § 3236.5.)

At all times relevant to this Order, Green Earth Resources, Inc.¹ ("Operator") was the "operator," as defined in Public Resources Code, section 3009 of the following idle wells: Well No. 77-34 at the "Union-Signal- Ancora-Tipton-Stockton" lease (API # 029-14681), in the Mountain View field (Section 34, T 31S, R 29E) (Kern County), and Well No. 1-3 at the "Cauzza et al Pool" lease (API # 029-72992), in the Mountain View field (Section 3, T 32S, R 29E) (Kern County) (collectively, the "Wells").

For the reasons described in this Order, the Division hereby determines that Operator violated numerous sections of the State oil and gas laws. Therefore, pursuant to Public Resources Code sections 3013, 3106, 3224, 3225, 3226 and 3236.5, the Supervisor hereby orders Operator to take remedial action to correct the violations and pay a civil penalty of $27,500 (twenty-seven thousand five-hundred dollars).

II. Definitions

"Idle well" means "any well that has not produced oil or natural gas or has not been used for injection for six consecutive months of continuous operation during the last five or more years. An idle well does not include an active observation well." (Pub. Resources Code, § 3008, subd. (d).)

"Long-term idle well" means "any well that has not produced oil or natural gas or has not been used for injection for six consecutive months of continuous operation during the last

¹ The Operator Code for Green Earth Resources, Inc. is G3425.
10 or more years. A long-term idle well does not include an active observation well.” (Pub. Resources Code, § 3008, subd. (e).)

“Operator” means “a person who, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control a well or production facility.” (Pub. Resources Code, § 3009.)

“Production facility” means: (1) “any equipment attendant to oil and gas production or injection operations including, but not limited to, tanks, flowlines, headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code.” (Pub. Resources Code, § 3010.)

III. State Oil and Gas Supervisor Authority

Public Resources Code section 3013 states that the oil and gas statute (Division 3 of the Public Resources Code, commencing with section 3000) “shall be liberally construed to meet its purposes, and the director and the supervisor, acting with the approval of the director, shall have all powers, including the authority to adopt rules and regulations, which may be necessary to carry out the purposes of this division.”

Public Resources Code section 3106, subdivision (a), authorizes the Supervisor to supervise the drilling, operation, maintenance, and abandonment of oil and gas wells to “prevent, as far as possible, damage to life, health, property, and natural resources; damage to underground oil and gas deposits from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances.”

Public Resources Code section 3224 requires the Supervisor to “order such tests or remedial work as in his judgment are necessary to prevent damage to life, health, property, and natural resources; to protect oil and gas deposits from damage by underground water; or to prevent the escape of water into underground formations, or to prevent the infiltration of detrimental substances into underground or surface water suitable for irrigation or domestic purposes, to the best interests of the neighboring property owners and the public.”

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Public Resources Code section 3225, subdivision (a), directs that enforcement orders issued by the Supervisor recite the acts or omissions with which the operator is charged and state all penalties and requirements imposed on the operator in connection with those acts or omissions.

Public Resources Code section 3226 provides: “Within 30 days after service of an order pursuant to Sections 3224 and 3225, ... or if there has been an appeal from the order to the director, within 30 days after service of the decision of the director, or if a review has been taken of the order of the director, within 10 days after affirmance of the order, the owner or operator shall commence in good faith the work ordered and continue it until completion.”

Public Resources Code section 3236.5 authorizes the Supervisor to assess a civil penalty against any person who violates the oil and gas statute or any Regulation implementing the oil and gas statute. (See Regulations, § 1712 et seq.) The Supervisor is to assess any civil penalty pursuant to Public Resources Code section 3225 after determining that the person charged committed the violation. The total civil penalty amount assessed may not exceed twenty-five thousand dollars ($25,000) for each violation. (Pub. Resources Code, § 3236.5, subd. (a).)

Section 3270 of the Public Resources Code states: “(a) The division shall, by regulation, prescribe minimum facility maintenance standards for all production facilities in the state. ... (b) An operator who constructs, acquires, maintains, or alters an oil well or a production facility shall comply with the standards prescribed pursuant to subdivision (a).”

IV. Operator’s Violations

A. Failure to Designate an Agent

Public Resources Code section 3200 requires that an operator of any well or production facility designate an agent, giving his or her address, to receive and accept service of all orders, notices, and processes of the Division or a court of law. When an agency is terminated, the operator must “within five days . . . notify the supervisor, in writing, of the termination, and unless operations are discontinued, shall appoint a new agent.” (Pub. Resources Code, § 3200.)

The designated agent must reside in California. Failure to designate an agent is a serious
violation that the Supervisor may treat as raising a rebuttable presumption that the wells have been deserted. (Pub. Resources Code, § 3237, subd. (a)(3)(D).)

By letter dated January 10, 2014, Operator’s former agent, Robert P. Rodriguez, notified the Division of his resignation as Operator’s agent “[e]ffective January 10, 2014.” Mr. Rodriguez copied Operator on his letter of resignation. That same day, the Division mailed a letter to Operator’s Sparks, Nevada address, confirming receipt of Mr. Rodriguez’s resignation and requesting that Operator designate a new agent. Operator did not respond. On March 27, 2014, the Division issued a Notice of Violation (“NOV”) to Operator, which notified Operator of its failure to designate an agent and requested that the violation be corrected no later than May 1, 2014. Operator returned a designation of agent form on May 1 – nearly four months after the former agent’s resignation.

Based on the foregoing, the Supervisor finds that Operator violated Public Resources Code section 3200 by failing to designate a new agent within the five-day deadline.

B. Failure to Comply with Idle Well Requirements (Applies to Both Leases)

Under Public Resources Code, section 3206, operators of idle wells must either, (1) pay annual idle well fees; (2) fund an escrow account; (3) file indemnity bonds for each idle well; or (4) file and comply with an Idle Well Management Plan (“IWMP”). If an operator elects to file an IWMP, but fails to comply with its provisions, the Division may terminate the operator’s IWMP. (Pub. Resources Code, § 3206, subd. (a)(4)(B)(vi).) In such cases where an operator’s

1 The Division is not required to warn or notify Operator of its violations before issuing an order for remedial action and/or assessing a civil penalty. Accordingly, Operator’s receipt of the Division’s correspondence – or lack thereof – is irrelevant to whether Operator violated the law and is subject to a civil penalty not to exceed $25,000 per violation. Nevertheless, this Order identifies those instances where the Division sent Operator notices in attempts to encourage Operator’s compliance outside of an enforcement order. This Order also identifies instances where the Division used certified or registered mail to send such correspondence.

2 The March 27, 2014 NOV was sent by certified mail (7009-2820-0001-6380-4637) to the Sparks, Nevada address that Operator listed on records provided to the Division. A copy of the NOV was also e-mailed to the e-mail address of Ms. Rosalie Morgan. Ms. Morgan is not Operator’s designated agent, and the Sparks, Nevada address is not an acceptable address for Operator to receive notices and other correspondence from the Division. The Division mailed the most recent NOV to Nevada, and emailed the NOV to Ms. Morgan, solely as a good faith courtesy to encourage immediate correction of the violations listed in the NOV. In any event, U.S. Postal Service tracking information shows that there was no authorized recipient at the Nevada address, and that the package went unclaimed at the post office for more than two weeks (despite a notice left at the Nevada address) before the Postal Service returned the package to the Division’s District 4 office in Bakersfield, California.
IWMP is terminated, that operator must immediately provide idle well fees, fund an escrow account, or file indemnity bonds to maintain compliance with section 3206. (Ibid.)

Based on the production reports for the Wells, the Division considers the well at “Union-Signal-Ancora-Tipton-Stockton” to be a long-term idle well, as defined in Public Resources Code section 3008, subdivision (e), and the well at “Cauzza et al Pool” to be an idle well as defined in Public Resources Code section 3008, subdivision (d). The production reports establish that the Wells have failed to produce oil in quantities sufficient for the Wells to be considered active production wells. Accordingly, Operator is subject to the idle well requirements of Public Resources Code section 3206.

Operator elected to file an IWMP, yet failed to comply with its requirements, including the requirement derived from the statute that Operator reactivate or plug and abandon at least one of its idle wells. (See Pub. Resources Code, § 3206, subd. (a)(4)(B)(iv) (an IWMP must require Operators with ten or fewer idle wells to eliminate at least one idle well every two years).) As a result of Operator’s failure to comply with its IWMP, the Division terminated Operator’s IWMP in a letter dated June 6, 2013. The letter also advised Operator of the alternative methods for complying with section 3206 (e.g., idle well fees, bonds, or escrow account). Operator did not respond. On March 27, 2014, the Division issued Operator a NOV, which notified Operator of its failure to comply with idle well requirements and requested that the violation be corrected no later than May 1, 2014. Operator did not respond.

Based on the foregoing, the Supervisor finds that Operator violated Public Resources Code section 3206 by failing to comply with its IWMP, and thereafter failing to maintain alternative compliance through idle well fees, an escrow account, or proper indemnity bonds.

C. Failure to Submit a Spill Contingency Plan (Applies to Both Leases)

Public Resources Code, section 3270.1 states: “Within three months of its acquisition of a production facility or at the time of the initial production at its production facility, the facility operator shall file with the division a spill contingency plan.” Regulations section 1722, subdivision (b), further states that the “plan(s) shall be filed with the appropriate Division district office within six months of the effective date of Section 1722.9 or within three months

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after initial production or acquisition of a facility.” Regulations section 1722.9 became effective on January 29, 2011, and specifies what a spill contingency plan must include.

By a Notice to Operators dated September 6, 2011, the Division informed facility operators throughout the state of the July 29, 2011 deadline provided by Regulations section 1722, subdivision (b), for submitting spill contingency plans. Because Operator had already acquired the production facilities associated with its two leases (i.e., “Union-Signal-Ancora-Tipton-Stockton” and “Cauzza et al Pool”) when Regulations section 1722.9 took effect, Operator was subject to the July 29, 2011 deadline. Operator did not submit spill contingency plans by the July 29, 2011 deadline.

By letter dated January 27, 2012, the Division notified Operator that its spill contingency plans for the production facilities associated with its leases were past due. The letter also warned Operator that a failure to immediately correct the violation could result in an enforcement action, including assessment of a civil penalty. Operator did not submit any spill contingency plan as requested.

The Division issued Operator a NOV dated July 27, 2012, informing Operator of its ongoing violation of the requirement to file spill contingency plans. The NOV again warned Operator that its failure to immediately correct the violations could result in an enforcement action, including a civil penalty. Operator did not correct the violation. Finally, the Division cited Operator’s failure to submit a spill contingency plan in the most recent NOV sent to Operator on March 27, 2014. Still, Operator has failed to submit any spill contingency plan.

Based on the foregoing, the Supervisor finds that Operator violated Public Resources Code section 3270.1 and Regulations section 1722, subdivision (b), by failing to submit spill contingency plans for the production facilities associated with Operator’s leases.

D. Failure to Perform Idle Well Tests and Supply Idle Well Information (Applies to Both Leases)

Regulations section 1723.9 requires that operators test their idle wells periodically to ensure the mechanical integrity of the wells. The regulation states in part that an operator must

Sent by certified mail (7011-0470-0002-9547-1295)
test “[a]ny well that has not produced oil or natural gas or been used for fluid injection for a
continuous six-month period during any consecutive five-year period[.]” The regulation further
provides that “[a]dditional well tests or remedial operations may be required . . . as specified by
the appropriate Division district deputy.” As authorized by Regulations section 1723.9, the
District 4 idle well testing program requires that idle wells undergo a fluid level test at least
every two years in areas of fresh water.

Both of Operator’s Wells are idle wells located in areas of fresh water, and both Wells
are subject to the idle well testing requirements of Regulations section 1723.9. According to
Division records, Operator has long exceeded the applicable time limits for conducting idle well
testing. Division records reflect that “Union-Signal-Ancora-Tipton-Stockton” 77-34 has been
overdue for testing since January 1, 2006, and that “Cauzza et al Pool” 1-3 has been overdue for
testing since September 15, 2012.

The Division has mailed numerous letters over the years and at least two NOVs (dated
March 10, 2011 and December 3, 2012) concerning Operator’s non-compliance with idle well
testing requirements. The letters and NOVs informed Operator of its “serious deficiency” in
complying with idle well planning and testing requirements. Through these documents, the
Division repeatedly requested that Operator complete certain idle well testing and submit the
results to the Division by specified deadlines. The letters also warned Operator that a failure to
correct the deficiencies could result in Operator’s Wells being declared deserted and/or Operator
being assessed a civil penalty. Indeed, in email correspondence between Division personnel and
Operator dated December 12, 2012, Division personnel warned Operator that the civil penalty
for failing to comply could be in the range of $3,000 to $4,000 per well. Operator did not
respond to the Division’s numerous letters and NOVs.

Most recently, the Division’s March 27, 2014 NOV to Operator notified Operator of its
failure to perform idle well tests and requested that the tests be performed and results submitted
to the Division no later than May 1, 2014. Operator has yet to provide a sufficient response to
the Division’s numerous requests.

3 Sent by certified mail (7011-0470-0002-9547-1707).
Based on the foregoing, the Supervisor finds that Operator violated Regulations section 1723.9 by failing to perform idle well tests and supply idle well information.

E. Failure to Post Well Signs (Applies to “Cauzza et al Pool” 1-3)

Regulations section 1722.1.1 specifies requirements for well signs, stating, “[e]ach well location shall have posted in a conspicuous place a clearly visible, legible, permanently affixed sign with the name of the operator, name or number of the lease, and number of the well. These signs shall be maintained on the premises from the time drilling operations cease until the well is plugged and abandoned.”

On March 20, 2013, Division personnel inspected Operator’s “Cauzza et al Pool” lease and observed that well 1-3 did not have the required signage. The Division cited this violation in a March 21, 2013 “Environmental Deficiency” letter to Operator. The letter informed Operator that not having the proper well sign at well 1-3 violated Regulations section 1772.1.1, and warned Operator that failure to correct the violation could result in an enforcement action.

Approximately two months later on May 23, 2013, Division personnel inspected the “Cauzza et al Pool” lease and noted once again that well 1-3 did not have the required signage. The Division sent Operator a NOV dated May 29, 2013, requesting that Operator correct the violation of Regulations section 1772.1.1 by June 28, 2013 in order to avoid a potential enforcement order. Division personnel inspected the lease on August 15, 2013 and noted that the violation had not been corrected.

On March 5, 2014, Division personnel inspected the “Cauzza et al Pool” lease and noted that well 1-3 did not have the required signage. The Division’s March 27, 2014 NOV to Operator notified Operator of its ongoing failure to post the required well sign, and warned Operator that its failure to correct the violation by May 1, 2014 could result in an enforcement order. Operator has not provided a sufficient response, or otherwise indicated that this violation has been corrected.

Based on the foregoing, the Supervisor finds that Operator violated Regulations section 1722.1.1 by failing to post required well signs.

6 Sent by certified mail (7009-2820-0001-6380-3784).
F. Failure to Properly Label Tanks (Applies to Both Leases)

Regulations section 1773.3, subdivision (a), provides: “All tanks shall be properly identified with the operator’s tank identification number, tank type (production, stock, water, etc.), and with appropriate materials hazard placards or labels.”

On March 20, 2013, Division personnel inspected Operator’s leases and observed that none of the tanks on either lease were properly identified in accordance with Regulations section 1773.3, subdivision (a). The Division advised Operator of the need to correct these violations in the Environmental Deficiency letter dated March 21, 2013.

On May 23, 2013, Division personnel inspected the “Cauzza et al Pool” lease and noted once again that the tanks were not properly identified. The Division advised Operator of the need to correct these violations in the NOV dated May 29, 2013. Division personnel inspected the lease again on August 15, 2013 and noted that the violation had not been corrected.

On March 5, 2014, Division personnel inspected Operator’s leases and observed that the tanks were not properly identified. The Division cited these violations in the March 27, 2014 NOV to Operator. Operator has not provided a sufficient response, or otherwise indicated that these violations have been corrected.

Based on the foregoing, the Supervisor finds that Operator violated Regulations section 1773.3, subdivision (a), by failing to properly label tanks.

G. Failure to Maintain Production Facilities in Good Condition (Applies to Both Leases)

Regulations section 1777, subdivision (a), requires operators to “maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources.” According to Regulations section 1777, subdivision (c)(2), properly maintaining production facilities includes removing weeds and debris from secondary containment areas and catch basins. Additionally, Regulations section 1777, subdivision (c)(3), requires that “[w]ell cellars shall be covered and kept drained” and “protected from as much runoff water as practical.” The term “production facilities” as used in

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Regulations section 1777 includes tanks attendant to oil and gas production or injection operations. (Regulations, § 1760, subd. (k); see also Pub. Resources Code, § 3010.)

During the Division's March 20, 2013 inspection of the "Cauzza et al Pool" lease, Division personnel observed weeds and debris on or in the secondary containment structures. The Division cited this violation of Regulations section 1777, subdivisions (a) and (c)(2), in the Environmental Deficiency letter dated March 21, 2013. The Division observed the violation again during the Division's May 23, 2013 inspection of the "Cauzza et al Pool" lease. The Division cited the violation in the May 29, 2013 NOV issued to Operator. Division personnel inspected the lease again on August 15, 2013 and noted that the violation had not been corrected.

During the Division's March 20, 2013 inspection of the "Union-Signal-Ancora-Tipton-Stockton" lease, Division personnel observed fluid in the cellar of well 77-34. The Division cited this violation of Regulations section 1777, subdivisions (a) and (c)(3), in the Environmental Deficiency letter dated March 21, 2013.

On March 5, 2014, Division personnel inspected Operator's leases and observed that the conditions at the leases were still in violation of Regulations section 1777. The Division issued Operator a NOV on March 27, 2014, requesting that the violations be corrected by May 1, 2014, and warning that a failure to do so would subject Operator to an enforcement action. Operator has not provided a sufficient response, or otherwise indicated that these violations have been corrected.

Based on the foregoing, the Supervisor finds that Operator violated Regulations section 1777, subdivisions (a) and (c), by failing to maintain the production facilities in good condition.

H. Failure to Comply with Tank Maintenance and Testing Requirements (Applies to Both Leases)

Regulations section 1760 differentiates between "in-service" and "out-of-service" production facilities (including tanks). "In-service" facilities are those that are "capable of containing fluid safely and can be shown to operate as designated." (Regulations, § 1760,
subd. (m).) "Out-of-service" facilities are those that have "become incapable of containing fluid safely or cannot be shown to operate as designated." (Regulations, § 1760, subd. (l).) Operators are required to inspect their in-service tanks on a monthly basis (see Regulations, § 1773.3, subd. (b).) Additionally, operators must conduct sidewall and bottom plate thickness testing on all in-service tanks at intervals specified in Regulations section 1773.4.

Tanks that fail the minimum thickness standards, are found to be leaking, or are otherwise incapable of containing fluid must be designated as "out-of-service." (Regulations, § 1773.4, subd. (g).) Out-of-service production facilities (including tanks) are subject to the requirements of Regulations section 1773.5, which include removal of all fluids, sludge and other materials, degassing in accordance with local air district rules, labeling requirements, and certain measures to prevent unauthorized use.

The Division does not have any records suggesting that Operator has complied with the inspection and maintenance requirements of Regulations sections 1773.3, subdivision (b), and 1773.4. Nor does the Division have information sufficient to establish that the tanks on Operator’s leases are in-service tanks. Accordingly, the Division’s most recent March 27, 2014 NOV to Operator formally requested that Operator explain the basis of its compliance with these regulations, submit test records, and demonstrate that its tanks are in fact in-service facilities capable of containing fluid safely. The Division has authority to request these test records. (See, e.g., Regulations, § 1777.3, subd. (e).) Operator has not responded to the Division’s request.

Based on the foregoing, the Supervisor finds that Operator violated Regulations sections 1773.3 and 1773.4 by failing to inspect in-service tanks and conduct sidewall and bottom plate thickness testing on in-service tanks, or, in the alternative, Regulations section 1773.5 by failing to comply with the requirements for out-of-service tanks.

V. Civil Penalty Assessment

The Supervisor may impose a civil penalty on any person who violates the requirements of the State oil and gas laws. (Public Resources Code, § 3236.5, subd. (a).) In establishing the civil penalty amount, the Supervisor “shall consider, in addition to any other relevant

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circumstances, all of the following:” (1) the extent of harm caused by the violation; (2) the
persistence of the violation; (3) the pervasiveness of the violation; and (4) the number of prior
violations by the same violator. (Pub. Resources Code, § 3236.5, subd. (a).)

The statute grants the Supervisor broad discretion to determine the amount of the civil
penalty once it is determined that an operator has violated a requirement. For each violation,
the Operator is “subject to” a civil penalty not to exceed $25,000. (Pub. Resources Code,
§ 3236.5, subd. (a).) The Supervisor’s decision to assess the maximum allowed penalty, or
some lesser amount, is a matter left to the Supervisor’s enforcement discretion. Here, the
Supervisor is assessing a total of $27,500.00 for all violations discussed in this Order. Table 1
(below) identifies the civil penalty assessment for each violation.

All civil penalties imposed in this Order take into consideration the factors set forth in
Public Resources Code, § 3236.5, subdivision (a). Although the Supervisor is not aware of
actual environmental or public health-related harm resulting from Operator’s violations at this
time, Operator’s violations have caused actual harm to the Division and the citizens of
California because the Division has been forced to expend considerable time and resources
attempting to obtain Operator’s compliance with the State oil and gas laws. Moreover, each of
Operator’s violations raises significant potential for harm. The statutory and regulatory
provisions Operator has violated serve to prevent harm to the environment and public health
and safety. Operator’s failure to comply with the requirements increases the threat of harm,
and is unacceptable. The Supervisor finds that civil penalties are appropriate to deter
noncompliance. All of Operator’s violations are persistent, with nearly all violations persisting
for more than one year. The violations are also pervasive because they apply to both of
Operator’s leases (with the exception of Operator’s violation of Regulations, § 1722.1.1, which
applies only to the “Cauzza et al Pool” lease). Finally, Operator has maintained a poor overall
compliance history, committing violations of several requirements of the State oil and gas law
despite numerous warnings from the Division.

ORDER NO. 1052
<table>
<thead>
<tr>
<th>Violation</th>
<th>Civil Penalty Assessed Against Green Earth Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to Designate an Agent (Pub. Resources Code, § 3200)</td>
<td>$2500</td>
</tr>
<tr>
<td>Failure to Comply with Idle Well Requirements (Pub. Resources Code, § 3206)</td>
<td>$4000</td>
</tr>
<tr>
<td>Failure to Submit Spill Contingency Plans</td>
<td>$5000</td>
</tr>
<tr>
<td>(Pub. Resources Code, § 3270.1; Regulations, § 1722, subd. (b))</td>
<td></td>
</tr>
<tr>
<td>Failure to Perform Idle Well Tests and Supply Information (Regulations, § 1723.9)</td>
<td>$8000</td>
</tr>
<tr>
<td>Failure to Post Well Signs (Regulations, § 1722.1.1)</td>
<td>$1000</td>
</tr>
<tr>
<td>Failure to Properly Label Tanks (Regulations, § 1773.3, subd. (a))</td>
<td>$5000</td>
</tr>
<tr>
<td>Failure to Maintain Production Facilities in Good Condition (Regulations, § 1777, subds. (a) and (c))</td>
<td>$2000</td>
</tr>
<tr>
<td>TOTAL: $ 27,500.00</td>
<td></td>
</tr>
</tbody>
</table>
VI. **Operator's Required Actions**

As detailed above, the Division finds that Operator has violated several requirements of the State oil and gas laws. Therefore, **IT IS HEREBY ORDERED**, pursuant to Public Resources Code sections 3013, 3106, 3224, 3225, 3226, and 3236.5, that, within 30 days of this Order becoming final as described in Section VII (Operator's Appeal Rights) of this Order, Operator shall commence in good faith the work ordered below and continue it until completion:

1. File with District 4 of the Division a properly completed Operator Questionnaire form (Form OGD7, 9/13). Although Operator filed a Designation of Agent form (Form OG134A, 8/13) on May 1, the Operator Questionnaire form was filled out incorrectly and needs to be resubmitted. Specifically, the Operator Questionnaire form must identify as "agent" the same individual that is listed on the Designation of Agent form.

2. Comply with idle well requirements under Public Resources Code section 3206 by paying annual fees (including any arrears), providing an escrow account, or filing indemnity bonds. Operator may contact District 4 of the Division to discuss these three compliance options.

3. File with District 4 of the Division a spill contingency plan for each lease that covers all production facilities associated with that lease. Operator shall perform the work so ordered according to applicable law, including Public Resources Code section 3270.1 and Regulations sections 1722, subdivision (b) and 1722.9.

4. Perform idle well tests on the Wells and submit the results to District 4 of the Division. Thereafter, idle well tests shall be performed at least once every two years, with all results submitted to District 4 of the Division. To the extent equipment or debris located in the well (e.g., hydrostatic separators) prevents the required testing, such equipment or debris must be removed. Operator may contact District 4 of the Division to discuss compliance with the Division's idle well planning and testing program.

5. Install a well sign on the "Cauzza et al Pool" lease that complies fully with Regulations section 1722.1.1.
6. Label all tanks on the leases in accordance with Regulations section 1773.3, subdivision (a).

7. Remove all weeds and debris from all secondary containment areas or catch basins, and ensure the integrity of all berms, as required by Regulations, § 1777.

8. Drain and cover all well cellars, as required by Regulations, § 1777.

9. For all tanks located on Operator’s leases, submit to District 4 of the Division: (1) the results of the most recent tank wall thickness testing, and (2) the results of the most recent internal tank inspection and bottom plate thickness testing. Such testing shall be conducted in accordance with the requirements of Regulations sections 1773.3 and 1773.4. If any of the tanks on Operator’s leases are “out-of-service” production facilities within the meaning of Regulations section 1760, subdivision (1), Operator shall comply with the requirements for out-of-service facilities under Regulations section 1773.5.

10. Pay the total civil penalty amount of $27,500.00 (twenty-seven thousand five hundred dollars).

VII. Operator’s Right to Appeal

Operator may appeal this Order by filing written notice of appeal with the Supervisor within a statutorily defined period as described in the oil and gas statute at Article 6 (Appeals and Review), commencing with Public Resources Code section 3350. (Public Resources Code, §§ 3225, subd. (d), 3236.5.) ⁷ (See footnote 7 below for more information on the deadline for filing a timely appeal.) Failure to file a timely notice of appeal waives Operator’s right to challenge this Order and makes the Order final and the total civil penalty due and payable to the Division. If Operator timely files a notice of appeal, the Division will inform Operator of the

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⁷ The notice of appeal must be filed within 10 days of the service of the order. If, however, the order is served by mail, the time for responding shall be determined as provided in section 1013 of the California Code of Civil Procedure. (See Pub. Resources Code, § 3350 and Code of Civ. Proc., § 1013.) Under Code of Civil Procedure section 1013, subdivision (a), the time for responding is extended five calendar days in the case of service by mail and the place of mailing is within the State of California, or ten calendar days in the case of service by mail and the place of mailing is outside the State of California but within the United States. Under Code of Civil Procedure section 1013, subdivision (c), the time for responding is extended two court days in the case of service by overnight express mail, regardless of whether the place of mailing is within the State of California.

ORDER NO. 1052

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appeal hearing date, time, and place. Following the hearing, Operator will receive a written
decision that affirms, sets aside, or modifies the Order.

VIII. Court Order and Other Potential Actions to Enforce This Order

Failure to comply with Section VI (Operator’s Required Actions) of this Order could
subject Operator to further enforcement action, including an order of the Supervisor directing
Operator to plug and abandon the wells associated with the leases. (Public Resources Code,
§ 3237, subd. (a)(3)(C).) The Supervisor may also seek a court order that requires Operator to
pay the civil penalty and/or discontinue production from the Wells until Operator remedies the
violations to the Supervisor’s satisfaction and pays the civil penalty. (Public Resources Code,
§ 3236.5, subd. (b).) The Supervisor may also deny approval of proposed Well operations until
Operator remedies the violations to the Supervisor’s satisfaction and pays the civil penalty.
(Public Resources Code, § 3203, subd. (c).)

DATED: June 17, 2014

Steven R. Bohlen
State Oil and Gas Supervisor

Certified mail receipt number: 7013 2250 0000 9010 1144
August 11, 2014

Mr. Les Cafaude
730 Marvin Way
Dixon, CA 95620

Dear Mr. Cafaude

UNION-SIGNAL-ANCORA-TIPTON STOCKTON WELL NO. 77-34 (API # 029-14681)
AND CAUZZA ET AL POOL WELL NO. 1-3 (API # 029-72992)

The Division of Oil, Gas & Geothermal Resources ("Division") understands that your company, So Cal Oil & Gas, LLC ("So Cal"), is the intended transferee of the two above-listed wells ("Wells"). As you know, the Division issued an enforcement order (Order No. 1052) to the intended transferor of the Wells, Green Earth Resources, which ordered Green Earth Resources to take remedial actions and pay a $27,500 civil penalty. This letter is to inform you that the Division will not hold So Cal liable for the civil penalty issued to Green Earth Resources on account of the transfer being completed.

Once the transfer is complete, however, So Cal will have an ongoing obligation to maintain its own compliance with California's oil and gas laws. So Cal will be held responsible for any non-compliance of its own, and the Division may impose civil penalties the extent any violations occur while So Cal is the operator of the Wells.

Please call me at (916) 323-1780 if you have any questions.

Sincerely,

John Geroch
Chief Deputy

The Department of Conservation's mission is to balance today's needs with tomorrow's challenges and foster intelligent, sustainable, and efficient use of California's energy, land, and mineral resources.
PROOF OF SERVICE BY CERTIFIED U.S. MAIL

1) I am at least 18 years of age, not a party to this action, and I am a resident of or employed in the county where the mailing took place.

2) My business address is:

Department of Conservation
Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 18-05
Sacramento, CA 95814-3530

3) I served a copy of the following documents:
ORDER TO: PLUG AND ABANDON WELL, DECOMMISSION ATTENDANT FACILITIES, AND RESTORE WELL SITE and ORDER NUMBER 1120, OPERATOR: GREEN EARTH RESOURCES, INC. (G3425)
by enclosing them in an envelope and placing the envelope for collection and mailing by certified U.S. mail on the date and at the place shown in item 4 following our ordinary business practices. I am readily familiar with this business’s practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

4) The envelope was addressed and mailed as follows:
   a. Name of person(s) served:
      Original: Ms. Rosalie Morgan
      6869 Eagle Wing Circle
      Sparks, Nevada 89436
      Cert. mail rec. no.: 7016 0750 0000 3520 2477

      Copy: Mr. Lester Caftau
      790 Marvin Way
      Dixon, CA 95690
      Cert. mail rec. no.: 7016 0750 0000 3520 2491

   b. Date mailed: March 23, 2018
   c. Place of mailing: Sacramento, California

5) I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: March 23, 2018
Name: RACHAEL TADLOCK

Signature: [Signature]
<table>
<thead>
<tr>
<th>Complete Mail Fee</th>
<th>Extra Services &amp; Fees (check box, add fee as appropriate)</th>
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</thead>
<tbody>
<tr>
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<td>Return Receipt (handdrop) $</td>
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<tr>
<td></td>
<td>Certified Mail Restricted Delivery $</td>
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<td>Adult Signature Required $</td>
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<td>Adult Signature Restricted Delivery $</td>
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<tr>
<td></td>
<td>Postage $</td>
</tr>
<tr>
<td></td>
<td>Total Postage and Fees $</td>
</tr>
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</table>

Send To: Rosalie Morgan
Green Earth Resources, Inc.
Order #1120

**Complete This Section On Delivery**

<table>
<thead>
<tr>
<th>A. Signature</th>
<th>Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>Address</td>
</tr>
<tr>
<td>B. Received by (Printed Name)</td>
<td>C. Date of Delivery</td>
</tr>
</tbody>
</table>

D. Is delivery address different from item 1?
   - Yes
   - No

1. Article Addressed to:
   - Ms. Rosalie Morgan
   - 6869 Eagle Wing Circle
   - Sparks, Nevada 89436

2. Article Number (Transfer from service label)
   - 9590 9402 2617 6336 5747 61

3. Service Type
   - Adult Signature
   - Adult Signature Restricted Delivery
   - Certified Mail
   - Certified Mail Restricted Delivery
   - Collect on Delivery
   - Insured Mail
   - Insured Mail Restricted Delivery (over 8500)
   - Priority Mail Express®
   - Registered Mail™
   - Registered Mail Restricted Delivery
   - Return Receipt for Merchandise
   - Signature Confirmation™
   - Signature Confirmation Restricted Delivery
<table>
<thead>
<tr>
<th>SENDER: COMPLETE THIS SECTION</th>
<th>COMPLETE THIS SECTION ON DELIVERY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete items 1, 2, and 3.</td>
<td>A. Signature</td>
</tr>
<tr>
<td>Print your name and address on</td>
<td>X</td>
</tr>
<tr>
<td>the reverse so that we can</td>
<td>□ Agent</td>
</tr>
<tr>
<td>return the card to you.</td>
<td>□ Address</td>
</tr>
<tr>
<td>Attach this card to the back</td>
<td>B. Received by (Printed Name)</td>
</tr>
<tr>
<td>of the mailpiece,</td>
<td></td>
</tr>
<tr>
<td>or on the front if space</td>
<td>C. Date of Delivery</td>
</tr>
<tr>
<td>permits.</td>
<td></td>
</tr>
</tbody>
</table>

1. Article Addressed to:

Mr. Lester Cafaude  
790 Marvin Way  
Dixon, CA 95660

2. Article Number (Transfer from service label)

9590 9402 2617 6336 5748 60

PS Form 3811, July 2015 PSN 7530-02-000-9053
Ms. Rosalie Morgan
6869 Eagle Wing Circle
Sparks, Nevada 89436