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

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

NO. 1123
Dated: May 25, 2018
Operator(s): Lynnhart Company, Inc. (10391)
Hampton Oil Corp. (03769)

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

ORDER TO: PLUG AND ABANDON WELL, NO. 1123
I. Introduction

The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and Geothermal Resources (Division), may order the plugging and abandonment of a well that he has determined, upon credible evidence, to be deserted, whether or not any damage is occurring, or threatened, by reason of that deserted well. (Public Resources Code [PRC], § 3237, subdivision (a)(1).) Based on the Division’s records, Lynnhart Company, Inc. (Lynnhart) and Hampton Oil Corp. (Hampton) are each a responsible “operator” (Operator) (as defined in PRC section 3009) and are responsible (as specified in PRC section 3237, subdivision (c)(1)), for the plugging and abandonment of the well “Goedhart” 2 (API No. 065-20011; Prado-Corona Oil Field) (the Well), the decommissioning of the attendant production facilities (the Facilities), and the restoration of the well site (the Well and Facilities). Herein, the Supervisor is ordering Operator to do so because the Supervisor has determined, based on information, belief, and the 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, the 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.

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 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, subdivision (a)(1), 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.”

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ORDER TO: PLUG AND ABANDON WELL, NO. 1123
IV. **Idle Well Testing Requirements**

Regulations section 1723.9 requires an operator to test any well that has not produced oil or natural gas, or has not been used for fluid injection for a continuous six-month period during any consecutive five-year period. The operator must test the well to determine the fluid level using acoustical, mechanical, or other reliable methods, and perform other diagnostic tests that the Supervisor may require. The operator must notify the appropriate Division district office before the tests are done so a Division inspector may witness the operations.

V. **Conclusive Evidence of Desertion**

The Division’s records show that the Well is a “long-term idle well” that went idle in or around April 1991. (See, former, Pub. Resources Code, § 3008, subd. (e).) Operator has not paid fees required for idle wells under PRC section 3206 (former or current) since 2009, and has an outstanding balance of approximately $9,500.00 in idle well fees. Operator’s failure to pay the required idle well fees for the Well is conclusive evidence of desertion. (Pub. Resources Code, § 3206, subd. (c).)

The Supervisor also determined that Operator Lynnhart does not have a bond on file for the Well, and Operator Hampton stopped paying the premium on its bond. A bond was required upon any transfer of the Well from Hampton to Lynnhart, under PRC section 3202. Operator Lynnhart’s failure to file a bond for the Well, upon and after transfer, is conclusive evidence of desertion. (See, former, Pub. Resources Code, § 3206, subd. (c) [Repealed January 1, 2018].)

VI. **Rebuttable Presumption of Desertion**

A. **Failure to Designate an Agent**

The Supervisor has determined that Operator Lynnhart failed to notify the Division to designate an agent, in violation of PRC section 3200. The Division attempted to contact Lynnhart by U.S. mail in May 2010 and March 2011, requesting the designation of an agent, in addition to other required information. Lynnhart remains unresponsive to these contact attempts. Operator Lynnhart’s violation of PRC section 3200 creates a rebuttable presumption of desertion. (See Pub. Resources Code, § 3237, subd. (a)(3)(D).)
B. Failure to Comply with PRC § 3202 regarding Acquisition of Property Interest

Based on Operator Lynnhart’s actions concerning the Well, including paying some idle well fees and installing identifying signage at the well, the Supervisor has determined that Operator Lynnhart failed to notify the Division of a change in ownership of the Well at the time of acquisition, in violation of PRC section 3202.

In 2005, Lynnhart paid an annual idle well fee for the Well. Lynnhart also replaced the signage on site, indicating Lynnhart’s operation of the Well. However, the Division never received written notice from Lynnhart of its acquisition of the Well. The Division attempted to contact Lynnhart by U.S. mail in May 2010 and March 2011, requesting written notice of Lynnhart’s acquisition and operation, in addition to other information required by PRC section 3202. Lynnhart remains unresponsive to these contact attempts. Operator Lynnhart’s violation of PRC section 3202 creates a rebuttable presumption of desertion. (See Pub. Resources Code, § 3237, subd. (a)(3)(E).)

VII. Credible Evidence of Desertion

The Supervisor has determined that Operator failed to submit the required well production data under PRC section 3227 for the Well, and failed to conduct the required idle well testing (see Regulations section 1723.9). Both failings are “credible evidence” of desertion since such evidence includes “the extent of compliance by the operator” with oil and gas conservation requirements. (Pub. Resources Code, § 3237, subd. (a)(1) & (2).)

PRC section 3227 requires monthly well production reports, including reporting “zero” production (an idle or potential idle well). Division records indicate that Operator has not submitted production records since August 2014, in violation of PRC section 3227. The lack of production records is credible evidence that Operator deserted well “Goedhart” 2.

Regulations section 1723.9 requires an operator to test any well that has not produced oil or natural gas, or has not been used for fluid injection for a continuous six-month period during any consecutive five-year period. The Division has no record of any idle well testing at the Well by Operator. Operator failed to comply with Regulations section 1723.9 because it did not

ORDER TO: PLUG AND ABANDON WELL, NO. 1123
not perform the required idle well tests for the Well. This is also credible evidence that Operator deserted well “Goedhart” 2.

The Supervisor has also determined that Operator failed to properly abandon the Well, in violation of PRC section 3208. The Division received a Notice of Intention to Plug and Abandon the Well from Operator Hampton in September 2006, and issued a permit to complete the work. However, no plugging work was initiated and the Division revoked the permit in 2011. The wellhead and pump jack equipment at the site are heavily encrusted and appear inoperable, and the electrical box has fallen over. Operator failed to conduct the plugging and abandonment work required by PRC section 3208. This is credible evidence that Operator deserted well “Goedhart” 2. (See Pub. Resources Code, § 3237, subd. (a)(2).)

PRC section 3237, subdivision (a)(2), considers a lack of response by an operator to inquiries and requests from the Supervisor or district deputy to be credible evidence of desertion. Operator Lynnhart failed to respond to the Division’s contact attempts via U.S. mail in May 2010 and March 2011. Lynnhart also failed to claim the May 2010 letter at the address Lynnhart provided to the Bureau of Land Management (P.O. Box 3575, Newport Beach, CA 92659), and it was returned to the Division as unclaimed. Operator Hampton failed to respond to the Division’s annual contact attempts regarding idle well fees, sent via U.S. mail sent from 2012 through 2017. Lynnhart’s and Hampton’s lack of response to these inquiries from the Division is credible evidence that Operator deserted well “Goedhart” 2.

PRC section 3201 requires an operator to notify the Division of the disposition of a well or production facility by an operator before the transfer becomes final. Operator Hampton failed to notify the Division of a change in ownership of the Well at the time of disposition to Lynnhart. Operator’s failure to notify the Division of a disposition of the Well is credible evidence that Operator deserted well “Goedhart” 2. (See Pub. Resources Code, § 3201.)

Based on all of the allegations above, the Supervisor determined that credible evidence that Operator deserted the Well exists. The Supervisor is authorized to order Operator to plug and abandon the Well.

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VIII. Operator’s Required Actions

For the reasons stated above, the Division has determined that Operator has deserted the Well and Facilities. 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.

IX. Operator’s Appeal Rights

PRC section 3237, subdivision (b), entitles an operator to appeal a Supervisor’s order to plug and abandon a deserted well. 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 file 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. 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, Operator, and interested parties, will receive a written decision that affirms, sets aside, or modifies the appealed order.

X. Other Potential Actions to Enforce This Order

Failing to comply with Section VIII (Operator’s Required Actions) of this Order could subject Operator to further enforcement action. For example, the Supervisor could deny approval of proposed well operations until compliance is achieved. (PRC, § 3203, subd. (c).)

In addition, PRC section 3236.5 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that

ORDER TO: PLUG AND ABANDON WELL, NO. 1123
implements those statutes, and the Supervisor may in the future impose a civil penalty based on
the facts and omissions underlying this Order.

Further, **PRC section 3236** makes it a misdemeanor for any person who violates, fails,
neglects, or refuses to comply with any of the provisions of the oil and gas law. The
misdemeanor is punishable by a fine of not less than one hundred dollars ($100) nor more than
one thousand dollars ($1,000), or by imprisonment not exceeding six months, or by both the fine
and imprisonment for each separate offense. **PRC section 3359** makes it a misdemeanor to fail
or neglect to comply with an order of the Supervisor. Each day’s further failure, refusal, or
neglect is a separate and distinct offense. *(PRC, § 3359.)*

DATED: May 25, 2018

[Signature]

Kenneth A. Harris Jr.
State Oil and Gas Supervisor

Lynnhart Company, Inc.
P.O. Box 3575
Newport Beach, CA 92659
Attn: Ronald E. Jackson
Cert. mail rec. no.: 7016 1370 0000 0837 9644

Hampton Oil Corp.
2082 S.E. Bristol, Ste. 202
Santa Ana, CA 92707
Attn: George Brayton, Jr.
Cert. mail rec. no.: 7016 1370 0000 0837 9682

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ORDER TO: PLUG AND ABANDON WELL, NO. 1123
Copy to: Lynnhart Company, Inc.
266 Prospect Avenue
Long Beach, CA 90803
Attn: Peter Jackson
Cert. mail rec. no.: 7016 1370 0000 0837 9651

Copy to: Lynnhart Company, Inc.
3161 Michelson Drive, Ste. 1000
Irvine, CA 92612
Attn: Jeffrey Joy
Cert. mail rec. no.: 7016 1370 0000 0837 9668

Copy to: Lynnhart Company, Inc.
3316 Maryland Circle
Costa Mesa, CA 92626
Cert. mail rec. no.: 7016 1370 0000 0837 9675

Copy to: Hampton Oil Corp.
1507 Cornwall Lane
Newport Beach, CA 92660
Attn: George Brayton
Cert. mail rec. no.: 7016 1370 0000 0837 9699

Copy to: Hampton Oil Corporation
4063 Birch, Suite #200
Newport Beach, CA 92660
Attn: George Brayton
Cert. mail rec. no.: 7016 1370 0000 0837 9705

ORDER TO: PLUG AND ABANDON WELL, NO. 1123
Copy to: Hampton Oil Corporation
11551 Montlake Drive
Garden Grove, CA 92841
Attn: George Brayton
Cert. mail rec. no.: 7016 1370 0000 0837 9712

Copy to: Corona Auto Body
2425 Railroad St.
Corona, CA 92880
Attention: Mike Lopez
Cert. mail rec. no.: 7016 1370 0000 0837 9729

Copy to: San Bernardino County Fire Department
20 South E Street
San Bernardino, CA 92415-0153
Cert. mail rec. no.: 7016 1370 0000 0837 9743

Copy to: Riverside County Department of Environmental Health
065 County Circle Drive, Room 104
Riverside, CA 92503
Cert. mail rec. no.: 7016 1370 0000 0837 9736

ORDER TO: PLUG AND ABANDON WELL, NO. 1123