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

ORDER TO PLUG AND ABANDON WELLS,
DECOMMISSION ATTENDANT FACILITIES,
AND RESTORE WELL SITE, NO. 1149

Operator: Allied Energy Corporation (A1255)

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 or the decommissioning of a production facility that has been deserted, whether or not any damage is occurring, or threatened, by reason of that deserted well. (Pub. Resources Code [PRC], § 3237, subdivision (a).) When the operator of an idle well has not filed a long-term idle well management plan with the Supervisor, the operator’s failure to pay annual fees for the idle well is conclusive evidence of desertion. (PRC, § 3206, subds. (a) and (c); emphasis added).
Based on the Division’s records, Allied Energy Corporation is a responsible “operator” (as defined in PRC section 3009) and is responsible (as specified in PRC section 3237, subdivision (c)(1)), for the plugging and abandonment of the well(s) on Exhibit A (incorporated herein; the Well(s), the decommissioning of the attendant production facilities (the Facilities), and the restoration of the well site (the Wells and Facilities). Herein, the Supervisor is ordering Operator to do so because the Supervisor has determined, based on information, belief, and the conclusive evidence detailed below, that Operator has deserted the Wells and Facilities.

Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, and as set forth below, the Supervisor is ordering Operator to plug and abandon the Wells and decommission the Facilities according to PRC sections 3208, 3228, 3229, and 3230, California Code of Regulations, title 14, (Regulations) sections 1722, 1723 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit/approval 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 3008, subdivision (d), defines “Idle well” to mean “any well that for a period of 24 consecutive months has not either produced oil or natural gas, produced water to be used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection.”

PRC section 3008, subdivision (e), defines “Long-term idle well” to mean “any well that has been an idle well for eight or more years.”

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 (which may include penalties and interest) 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.”

IV. **Conclusive Evidence of Desertion**

The Division’s records show that the Division notified Operator of Operator’s idle well fee
obligations, three times, by U.S. mail. First, the Division sent an idle well fee “Invoice” dated January
31, 2018. (See Exhibit B; incorporated herein.) Second, the Division sent a subsequent, related revised
idle well fee invoice (“Revised Invoice”) dated June 22, 2018. (See Exhibit C; incorporated herein.)
Third, the Division sent a related “Past Due” notice dated August 17, 2018. (See Exhibit D; incorporated herein.)

Notwithstanding the above notices, Operator has not paid the annual fees required for the Well(s) under PRC section 3206 (former or current), and has an outstanding balance of approximately $1,500.00 in idle well fees. Operator’s failure to pay the required idle well fees for the Well(s) is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

V. Operator’s Required Actions

For the reasons stated above, the Division has determined that Operator has deserted the Well(s) and Facilities. Therefore, IT IS HEREBY ORDERED that Operator plug and abandon the Well(s) and decommission the Facilities according to PRC sections 3208, 3228, 3229, and 3230, Regulations sections 1722, 1723 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit the Division may issue pursuant to PRC section 3229.

VI. 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 PRC beginning at PRC section 3350.) If this Order is mailed to you, the Director must receive the appeal within (15) days from the date the Supervisor mails the Order. To file an appeal, a written notice of appeal may be sent via U.S. mail to:

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

Or via electronic mail:

Appeals.DOGGR@conservation.ca.gov

(Attached is a voluntary form for such a written appeal.)

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 (which may include penalties and interest) 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.

VII. **Other Potential Actions to Enforce This Order**

Failing to comply with Section V (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 implements those statutes, and the Supervisor may in the future impose a civil penalty based on the acts 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 (statutes and regulations). 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: __4/4/2019__

[Signature]

Kenneth A. Harris, Jr.
State Oil and Gas Supervisor