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8 **STATE OF CALIFORNIA**  
9 **NATURAL RESOURCES AGENCY**  
10 **DEPARTMENT OF CONSERVATION**  
11 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**

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15 **ORDER TO PLUG AND ABANDON WELL,**  
16 **DECOMMISSION ATTENDANT FACILITIES,**  
17 **AND RESTORE WELL SITE**  
18 **NO. 1164**

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23 **Operator: Liu, Cheng and Lin (L2150)**

24 **Field: Canoga Park Oil Field**  
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## I. Introduction

The Acting State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and Geothermal Resources (Division), and under the authority of Division 3 of the Public Resources Code (PRC; commencing with PRC section 3000) and title 14 of the California Code of Regulations (Regulations), 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. (PRC § 3237, subd. (a)(1).)

Based on the Division's records, Liu, Cheng and Lin (Liu or Operator, Division operator code L2150) is a responsible operator (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 "Lucky Star" 1 (formerly known as "Frank Knapp" 1; API No. 037-01167; Canoga Park 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 3013, 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, 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

The following definitions apply to the terms used in this Order:

**PRC section 3008, subdivision (a)** defines "Well" to mean, among other things, "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," and "any well drilled for the purpose of injecting fluids or gas for stimulating oil or gas recovery[.]"

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

4       **PRC section 3010** defines production facility to mean “any equipment attendant to oil and gas  
5 production or injection operations[.]”

6       **Regulations section 1720, subdivision (f)**, defines “Operations” to mean “any one or all of the  
7 activities of an Operator covered by Division 3 of the Public Resources Code.”

8                               **III.     State Oil and Gas Supervisor Authority**

9       **PRC section 3013** states that the oil and gas conservation laws (commencing with PRC section  
10 3000) “shall be liberally construed to meet its purposes” and grants the Supervisor “all powers” that may  
11 be necessary to carry out those purposes.

12       **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling,  
13 operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or  
14 abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as far as  
15 possible, damage to life, health, property, and natural resources[.]”

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

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

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**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. Idle Well Testing Requirements**

**Regulations section 1723.9** [Repealed and Amended 2019] required an operator to test any well that had not produced oil or natural gas or had not been used for fluid injection for a continuous six-month period during any consecutive five-year period. The operator was required to test the well to determine the fluid level using acoustical, mechanical, or other reliable methods, and perform other diagnostic tests that the Supervisor might require. The operator was also required to notify the appropriate Division district office before the tests were done so a Division inspector might witness the operations.

## V. Conclusive Evidence of Desertion

### **A. Failure to Pay Idle Well Fees**

The Division's records show that the Well is a long-term idle well that has been idle since at least 1979. (See, former, PRC § 3008, subd. (e).) Operator has not paid the fees required for idle wells under PRC section 3206 (former or current), nor does Operator have a valid idle well management plan on file with the Division. Operator has an outstanding balance of approximately \$3,500 in idle well fees. Operator's failure to pay the required idle well fees for the Well is conclusive evidence of desertion. (PRC § 3206, subd. (c).)

### B. Failure to Perform Required Idle Well Testing

The Division has no record of any idle well testing at the Well. The version of Regulations section 1723.9 which was in effect until 2019 required an operator to test any well that had not produced oil or natural gas or had not been used for fluid injection for a continuous six-month period during any consecutive five-year period. Operator was required to test the well to determine the fluid level, and to provide notice to the Division's district office before the test so a Division inspector might witness the operation. (See, former, Regulations § 1723.9 [Repealed and Amended 2019].) Operator's failure to

1 conduct idle well testing on the Well is conclusive evidence of desertion, permitting the Supervisor to  
2 order the well abandoned. (PRC § 3206.1, subd. (e).)

## 3 **VI. Rebuttable Presumption of Desertion**

### 4 **A. Removal of Production Facilities or Injection Equipment**

5 Production equipment was removed from the Well at an unknown date. The Division's records  
6 show that no production facility or injection equipment has been present at the location since February  
7 2015. Under PRC section 3237, subdivision (a), a rebuttable presumption of desertion arises if a well's  
8 production facilities or injection equipment has been removed from the well site for at least two years.  
9 Based on the Division's records, no equipment has been present at the Well for over four years. The  
10 Supervisor has determined that Operator's production facilities and injection equipment has been  
11 removed from the Well for over two years, and thereby creates a rebuttable presumption of desertion.  
12 (See PRC § 3237, subd. (a)(3).)

### 13 **B. Failure to Designate an Agent**

14 The Supervisor has determined that Operator failed to notify the Division of its change of agent,  
15 and re-designate an agent, in violation of PRC section 3200, because Operator's initial agent (Warren S.  
16 Liu; 7500 Lilla Place, Canoga Park, CA 91304) is no longer a viable agent. Under PRC section 3237,  
17 subdivision (a), a rebuttable presumption of desertion arises if an operator fails to designate an agent as  
18 required by PRC section 3200. Operator's violation of PRC section 3200 thereby creates a rebuttable  
19 presumption of desertion. (See PRC § 3237, subd. (a)(3)(D).)

### 20 **C. Failure to Maintain Access Road to a Well or Production Facility**

21 The Supervisor has determined that Operator failed to maintain the access road to the Well and  
22 Facilities. Under PRC section 3237, subdivision (a), a rebuttable presumption of desertion arises if an  
23 operator fails to maintain the access road to a well or production facility site passable to oilfield and  
24 emergency vehicles. Based on the Division's records, the Well has been inaccessible since at least  
25 2002. The access road to the Well crosses through El Scorpion Canyon Park and is washed out near a  
26 seasonal creek. Well pads will require road grading and the road will require bulldozing for renewed  
27 access by oilfield vehicles. Operator's failure to maintain the access road in a condition passable to

oilfield and emergency vehicles creates a rebuttable presumption of desertion. (See PRC § 3237, subd. (a)(3)(F).)

## **VII. Credible Evidence of Desertion**

The Supervisor has determined that Operator failed to submit required well production data under PRC section 3227 for the Well and failed to respond to inquiries and requests from the Division. Both failings are credible evidence of desertion because such evidence demonstrates the extent of noncompliance by the operator with oil and gas conservation laws. (PRC § 3237, subd. (a)(1) and (2).)

PRC section 3227 requires operators to submit monthly well production reports, including reports of zero production (an idle or potential idle well). Division records indicate that no production records have been submitted for the Well since September 1978. Operator acquired the Well in October 1978 and notified the Division of its acquisition in January 1979. Operator has never submitted production records for the Well, in violation of PRC section 3227. The lack of production records is credible evidence that Operator deserted the Well.

The Division sent inquiries to Operator regarding the Well in 2018 regarding Operator's missing idle well testing data and outstanding idle well fees, to which Operator did not respond. Under PRC section 3237, subdivision (a), the response or lack of response of the operator to inquiries and requests from the Supervisor or district deputy is credible evidence of desertion. On November 19, 2018, the Division sent a letter via certified mail to the two addresses Operator last provided to the Division: 7500 Lilla Place, Canoga Park, CA 91304 (Delivered, no response) and 1250 Wilshire Blvd, Suite 100, Los Angeles, CA 90017 (Returned as undeliverable, "No Such Number, Unable to Forward"). Operator's failure to respond to this letter is credible evidence that Operator deserted the well.

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

## **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**

Operator may appeal this Order by filing a timely written notice of appeal with the Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing with PRC section 3350. (PRC § 3225, subd. (d).) 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 must be sent via U.S. mail to:

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

Or via electronic mail:

[Appeals.DOGGR@conservation.ca.gov](mailto:Appeals.DOGGR@conservation.ca.gov)

If Operator does not submit a timely written notice of appeal, Operator waives the right to challenge this Order and this Order will become a final order.

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 will receive a written decision that affirms, sets aside, or modifies the appealed order.

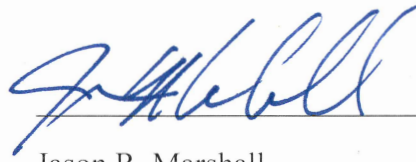
#### **X. Other Potential Actions to Enforce This Order**

Failure to comply with Section VIII (Operator's Required Actions) of this Order could subject Operator to further enforcement action. 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 conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes the Supervisor to impose a civil

1 penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation  
2 that implements those statutes, and the Supervisor may in the future impose a civil penalty based on the  
3 facts and omissions underlying this Order. PRC section 3359 makes it a misdemeanor to fail or neglect  
4 to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate  
5 and distinct offense. (PRC § 3359).

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8 DATED: \_\_\_\_\_

10/25/19



Jason R. Marshall

Acting State Oil and Gas Supervisor

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12 See attached PROOF OF SERVICE for distribution list  
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