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STATE OF CALIFORNIA

NATURAL RESOURCES AGENCY

DEPARTMENT OF CONSERVATION

GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PLUG AND ABANDON WELLS, DECOMMISSION ATTENDANT FACILITIES, AND RESTORE
WELL SITE, NO. 1195

Operator: Rincon Island Limited Partnership (R2805)

Field: Rincon

Lease: Hobson

Wells: Hobson 5 (API 111-01527) located at approx. 34.344321; -119.418237

Unknown well located at approx. 34.349733, -119.423578

I. Introduction

The State Oil and Gas Supervisor (Supervisor), acting through the California Geologic Energy Management Division (CalGEM), 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), is generally required to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tank and facilities attendant to oil and gas production so as to prevent, as far as possible damage to life, health, property and natural resources. (PRC section 3106). The Supervisor may order the plugging and abandonment of a well or the decommissioning of a

1 production facility that has been deserted, whether any damage is occurring, or threatened,
2 by reason of that deserted well. (Pub. Resources Code [PRC], §3237, subd. (a).) Failure to file,
3 for any well, the fee required for idle wells shall be conclusive evidence of desertion,
4 permitting the supervisor to order the well abandoned pursuant to Section 3237. (PRC
5 §3206(c)). Credible evidence of desertion includes the extent of compliance by the operator
6 with the requirements of the PRC, the operational history, the response or lack of response of
7 the operator to inquiries and requests from the supervisor or district deputy, and other actions
8 of the operator regarding the well or production facility. (PRC §3237(a)(2)). A rebuttable
9 presumption of desertion arises when a well's production facilities or equipment has been
10 removed from the well site for at least two years or the operator has failed to comply with an
11 order of the Supervisor within the time provided by the order or has failed to challenge the
12 order on a timely basis. (PRC, §3237 subd. (a)(3)(B) and (C)).

13 At all times relevant to this Order, Rincon Island Limited Partnership (RILP), Inc. has been
14 identified as the "operator" (Operator), as defined in PRC section 3009, of the "well(s)" as
15 defined in PRC section 3008, subdivision (a), and is conducting "operations" as defined in
16 Regulations section 1720, subdivision (f). For the reasons described in this Order, the supervisor
17 has determined that RILP has deserted the well(s) and facilities based on conclusive and
18 credible evidence of desertion, as well as, a rebuttable presumption of desertion.

19 Therefore, pursuant to PRC sections 3208, 3228, 3229, 3230, and 3237, Regulations
20 sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776 and the
21 conditions included in any permit CalGEM may issue pursuant to PRC section 3229, the
22 Supervisor hereby orders RILP to plug and abandon the above referenced well(s),
23 decommission the facilities, and restore the well site.

24 **II. Definitions**

25 **PRC section 3008, subdivision (a)**, defines "Well" to mean, among other things, "any oil
26 or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably
27 presumed to contain oil or gas," and "any well drilled for the purpose of injecting fluids or gas
28 for stimulating oil or gas recovery[.]"

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

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

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

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

14 **III. Statutory and Related Authority**

15 **PRC section 3013** states that the oil and gas conservation laws (Division 3 of the PRC,
16 commencing with §3000) “shall be liberally construed to meet its purposes” and grants the
17 Supervisor “all powers” that may be necessary to carry out those purposes.

18 **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling,
19 operation, maintenance, and abandonment of wells and the operation, maintenance, and
20 removal or abandonment of tanks and facilities attendant to oil and gas production ... so as
21 to prevent, as far as possible, damage to life, health, property, and natural resources;
22 damage to underground oil and gas deposits from infiltrating water and other causes; losses
23 of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for
24 irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances.

25 **PRC section 3206, subdivision (c)**, states that “Failure to file, for any well, the fee
26 required under this section shall be conclusive evidence of desertion of the well, permitting the
27 supervisor to order the well abandoned pursuant to section 3237.”

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1 **PRC section 3270** requires the Division, by regulation, to prescribe minimum facility
2 maintenance standards for all product facilities in the state. The regulations shall include
3 "other facility or equipment maintenance that the supervisor deems important for the proper
4 operation of production facilities and that the supervisor determines are necessary to prevent
5 damage to life, health, property, and natural resources[.]"

6 **PRC section 3224** authorizes the Supervisor to order "remedial work as in his judgment
7 are necessary to prevent damage to life, health, property, and natural resources[.]"

8 **PRC section 3226** states: "[I]f the supervisor determines that an emergency exists, the
9 supervisor may order or undertake the actions he or she deems necessary to protect life,
10 health, property, or natural resources." PRC section 3226 also allows the Supervisor, based the
11 Supervisor's final or affirmed order, to appoint agents to enter the premises and perform
12 necessary remedial work if the operator did not complete the remedial work as ordered. Any
13 amount the Supervisor expends to complete the necessary remedial work constitutes a lien
14 against the operator's real or personal property according to PRC section 3423.

15 **PRC section 3237, subdivision (a)(1)**, authorizes the Supervisor to "order the plugging
16 and abandonment of a well...that has been deserted whether or not any damage is
17 occurring or threatened by reason of that deserted well." The Supervisor or district deputy
18 "shall determine from credible evidence whether a well...is deserted."

19 **PRC section 3237, subdivision (a)(2)**, states that "credible evidence" includes, but is not
20 limited to, the operational history of the well or production facility, the response or lack of
21 response of the operator to inquiries and requests from the Supervisor or district deputy, the
22 extent of compliance by the operator with the requirements of this chapter, and other actions
23 of the operator with regard to the well or production facility.

24 **PRC section 3237, subdivision (a)(3)**, states that a rebuttable presumption of desertion
25 arises in any of the following situations: (C) If an operator has failed to comply with an order of
26 the Supervisor within the time provided by the order or has failed to challenge the order on a
27 timely basis[.]

28 / / /

Regulations section 1777, subdivision (a), requires, among other things, that Operators maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources.

Regulations section 1779 authorizes the Supervisor in individual cases to set forth other requirements where justified or called for.

IV. Alleged Acts/Omissions

RILP is the last known operator of the Hobson 5 well (API 111-01527) located at approx. 34.344321; -119.418237 and an unknown well located at approx. 34.349733; -119.423578 . Attachment A is a Report of Well Transfer for the Hobson 5 well. There is no reported production for this well since September 1989. Any well that has not produced for a period of 24 consecutive months is an idle well, therefore Hobson 5 became an idle well on October 1, 1991. PRC section 3008, subdivision (d). Operators of idle wells are required to pay idle well fees. CalGEM has no record of RILP paying idle well fees for 2018, 2019, or 2020.

Additionally, the well cellar attendant to Hobson 5 has fluid in it and is leaking gas. The deteriorating well and attendant equipment due to lack of maintenance creates a potential threat to life, health, safety and/or natural resources. The well was inspected by CalGEM staff on August 14, 2018, February 15, 2019, May 1, 2019, November 22, 2019, and December 30, 2019.

On January 8, 2018, RILP declared bankruptcy in Texas (In re Rincon Island Limited Partnership, N. Dist. Texas, No. 16-33174-HDH-y). Attachment B is the Trustee's Final Report In re: Rincon Island Limited Partnership. On January 8, 2018, Ms. Diane G. Reed was appointed to be the trustee charge with fulfilling duties as outlined in 11 U.S.C. section 704, which includes being accountable for all property of the estate.

V. Conclusive Evidence of Desertion

CalGEM staff notified the Operator of the Operator's idle well fee obligations, by U.S. mail on April 15, 2020. Attachment C, hereby incorporated, is written notification of idle well fee obligations. Operator has not paid the annual fees required for the Well(s) under PRC section 3206. Attachment D is a Declaration of James Donnelly, Associate Oil and Gas Engineer. RILP has an outstanding balance of approximately \$4,500 (Four Thousand Five

1 Hundred Dollars) in idle well fees. (See Attachment D) Operator's failure to pay the required
2 idle well fees for the Well(s) is conclusive evidence of desertion. (PRC, §3206, subd. (c).)

3 **VI. Credible Evidence of Desertion**

4 A. The Operational History of the Hobson 5 Well

5 Due to the facts that RILP has filed for bankruptcy, has failed to properly maintain the wells
6 consistent with CalGEM's regulations since they last produced in 1989, and has failed to
7 pay idle well fees, the operational history indicates that RILP has deserted the Hobson 5
8 well. The well has been idle for over 29 years since October 1, 1991.

9 B. The Response or Lack of Response of the Operator to Inquiries and Requests from the
10 Supervisor or District Deputy and the Extent of Compliance by the Operator with the
11 Requirements of this Chapter

- 12 1. Ongoing failure to address cited violations and pattern of recurring or repeated
13 violations by the operator

14 a. **Leaks**

- 15 i. A gas leak was evident by bubbles in cellar fluids on August 14, 2018.

16 Attachment E is a photo taken from the August 14, 2018 inspection showing the gas
17 leak bubbling at the surface of cellar fluids. Regulations section 1777 require
18 operators to maintain their wells and facilities in a manner to prevent leakage.

19 b. **Cellar contains fluids**

20 i. RILP has not drained the cellar and kept it free of fluids as required
21 pursuant to Regulations section 1777(c). Attachment E is a photo taken from an
22 inspection on August 14, 2018 showing fluid in the cellar.

23 c. **Broken pressure gauge**

24 i. RILP has not repaired the pressure gauge on the casing observed on
25 August 14, 2018 which is in violation of Regulation section 1777(a). Attachment F is a
26 photo taken during an inspection on August 14, 2018.

27 d. **Weeds**

- 28 i. Secondary containment areas and/or catch basins are to be free from

weeds and debris. Weeds were observed in secondary containment areas during inspections on August 14, 2018, February 15, 2019, May 1, 2019, December 30, 2019. Attachment G is a PowerPoint slide with photos of weeds in secondary containment areas taken during inspections on December 30, 2019 and May 1, 2019.

VII. Rebuttable Evidence of Desertion

- A. Well production equipment has been removed from the well site for at least two years

During inspections on August 14, 2018, February 15, 2019, May 1, 2019, and December 30, 2019 it was observed that well production facilities had been removed and this has been ongoing for at least two years. Attachment G is a photo depicting the absence of production equipment. A rebuttable presumption of desertion arises when well production facilities or equipment has been removed from the well site for at least two years. PRC section 3237, subdivision(a)(3)(B).

VIII. Operator's Required Actions

For the reasons stated above, CalGEM has determined that Operator has deserted the Hobson 5 well (34.344321; -119.418237), and unknown well located at approximately 34.349733, -119.423578 and attendant facilities. Therefore, **IT IS HEREBY ORDERED** that Operator plug and abandon the Hobson 5 well (34.344321; -119.418237) and an unknown well located at approximately 34.349733, -119.423578, decommission the facilities and restore the well site to address any auxiliary holes on the lease consistent with requirements in PRC sections 3208, 3228, 3229, 3230, and 3237, Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit CalGEM 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 Department of Conservation Director (Director). (See PRC beginning at PRC section 3350.) If this Order is mailed to you, the Director must receive the appeal within (15)

1 days from the date the Supervisor mails the Order. To file an appeal, a written notice of
2 appeal may be sent via U.S. mail to:

3 Department of Conservation
4 Director's Office of Appeals
5 801 K Street, MS 24-03 (Appeals Advisor)
Sacramento, California 95814-3530

6 Or via electronic mail to:

7 CalGEMAppeals@conservation.ca.gov

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

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

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19 DATED: March 18, 2021



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21 Uduak Joe Ntuk
22 State Oil and Gas Supervisor
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1 Service List:

2 Rincon Island Limited Partnership
3 5750 W. Pacific Coast Highway
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4 Rincon Island Limited Partnership
5 6527 Dominion Rd
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6 Diane G. Reed
7 501 N. College St.
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9 Lo Saechao, Agent for Service of Process
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