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8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **GEOLOGIC ENERGY MANAGEMENT DIVISION**
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14 **ORDER TO PLUG AND ABANDON WELLS**
15 **NO. 1239**
16

17 **Operator: Reserve Petroleum California, Inc.**
18 **Fields: Mountain View and Lost Hills**
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1 I. Introduction

2 The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy
3 Management Division (**CalGEM**), and under the authority of Division 3 of the Public Resources
4 Code (**PRC**; commencing with PRC section 3000) and California Code of Regulations, title 14
5 (**Regulations**), may order the plugging and abandonment of a well or the decommissioning of
6 a production facility that has been deserted, whether or not any damage is occurring, or
7 threatened, by reason of that deserted well. (PRC, § 3237, subd. (a).) An operator's failure to
8 timely pay required annual fees for any idle well is conclusive evidence of desertion. (PRC, §
9 3206, subds. (a) and (c).) In addition, credible evidence of desertion includes, but is not limited
10 to, the extent of compliance by the operator with the requirements of PRC and Regulations.
11 (PRC, § 3237, subd. (a)(3)(D).)

12 Based on CalGEM's records, Reserve Petroleum (**Operator**) is the "operator" (as defined
13 in PRC section 3009) of the wells identified on **Attachment A**, incorporated herein (**the Wells**),
14 and is responsible (as specified in PRC section 3237, subdivision (c)(1)) for the plugging and
15 abandonment of the Wells, the decommissioning of the production facilities attendant to the
16 Wells (**the Facilities**), and the restoration of the well sites for the Wells. CalGEM's records
17 indicate that, under applicable provisions of PRC section 3206, Operator was required to
18 timely pay idle well fees for the Wells for years 2018 through 2021, and that Operator has not
19 done so. Failure to timely pay idle well fees is conclusive evidence of desertion, and
20 Operator's failure to comply with Regulations is credible evidence of desertion, based upon
21 which the Supervisor has determined that the Wells and the Facilities are deserted. Therefore,
22 pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, and as set forth below, the
23 Supervisor is ordering Operator to plug and abandon the Wells, to decommission the Facilities,
24 and to restore the well site for the Wells, consistent with all applicable requirements, including
25 PRC sections 3208, 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724
26 through 1724.1, 1760, 1775, and 1776; and the conditions included in any permit/approval
27 CalGEM may issue pursuant to PRC section 3229; and until that work is complete, perform
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remedial work and testing as necessary to prevent damage to life, health, property, and natural resources.

II. Definitions

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."

PRC section 3008, subdivision (d), defines "idle well" as 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. For the purpose of determining whether a well is an idle well, production or injection is subject to verification by the division. An idle well continues to be an idle well until it has been properly abandoned in accordance with Section 3208 or it has been shown to the division's satisfaction that, since the well became an idle well, the well has for a continuous six-month period either maintained production of oil or natural gas, maintained production of water used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection. An idle well does not include an active observation well."

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 (r), 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."

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

1. No later than May 1 of each year, for each idle well that was an idle well at any time in the last calendar year, file with the supervisor an annual fee equal to the sum of the following amounts:

2. File a plan with the supervisor to provide for the management and elimination of all long-term idle wells."

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;

1 to protect oil and gas deposits from damage by underground water; or to prevent the escape
2 of water into underground formations, or to prevent the infiltration of detrimental substances
3 into underground or surface water suitable for irrigation or domestic purposes, to the best
4 interests of the neighboring property owners and the public."

5 **PRC section 3226**, provides that "within 30 days after service of an order pursuant to
6 Sections 3224 and 3225, or Section 3237, or if there has been an appeal from the order to the
7 director, within 30 days after service of the decision of the director, or if a review has been
8 taken of the order of the director, within 10 days after affirmance of the order, the owner or
9 operator shall commence in good faith the work ordered and continue it until completion. If
10 the work has not been commenced and continued to completion, the supervisor may
11 appoint necessary agents to enter the premises and perform the work. An accurate account
12 of the expenditures shall be kept. Any amount so expended shall constitute a lien against real
13 or personal property of the operator pursuant to the provisions of Section 3423.
14 Notwithstanding any other provisions of Section 3224, 3225, or 3237, if the supervisor determines
15 that an emergency exists, the supervisor may order or undertake the actions he or she deems
16 necessary to protect life, health, property, or natural resources."

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

21 **PRC section 3270** mandates that CalGEM prescribe by regulation minimum facility
22 maintenance standards for all production facilities in the state.

23 **Regulations section 1774.2** requires operators to prepare a pipeline management plan
24 for all pipelines. Current operators as of October 1, 2018 are required to submit a copy of the
25 plan to the Supervisor no later than October 1, 2019. The operator is also required to maintain
26 an up-to-date copy and provide it to the Supervisor upon request. The plan shall be updated
27 within 90 days whenever pipelines are acquired, installed, altered, or at the request of the
28 Supervisor.

1 **IV. Conclusive Evidence of Desertion**

2 Based on CalGEM's records, at all times relevant to this order, Operator was the
3 "operator," as defined in PRC section 3009, of the Wells. At all times relevant to this order, the
4 Wells were an "idle well" as defined in PRC section 3008, subdivision (d).

5 As the operator of the Wells, following the process for idle well management set forth in
6 PRC section 3206, subdivision (a), Operator did not submit an Idle Well Management Plan in
7 lieu of paying idle well fees. Operator was therefore required to pay an idle well fee: for each
8 of its idle wells that were idle in 2018 by July 23, 2018, as provided in the 2018 Idle Well Fee
9 Invoice prepared by CalGEM; for each of its idle wells that were idle in 2019 by May 1, 2019, as
10 provided in the 2019 Idle Well Fee Invoice prepared by CalGEM; for each of its idle wells that
11 were idle in 2020 by May 1, 2020, as provided in the 2020 Idle Well Fee Invoice prepared by
12 CalGEM; and for each of its idle wells that were idle in 2021 by May 1, 2021 as provided in the
13 2021 Idle Well Fee Invoice prepared by CalGEM. (PRC, § 3206, subds. (a) & (a)(2)(B)(v).)

14 **(Attachments B, C, D, and E** incorporated herein.) As of the date of this order, Operator has
15 not paid its idle well fees for its Wells idle in 2018, 2019, 2020 and 2021. Operator's failure to pay
16 the required idle well fees for the Wells is conclusive evidence of desertion. (PRC, § 3206, subd.
17 (c).)

18 **V. Credible Evidence of Desertion**

19 Credible evidence of desertion includes, but is not limited to, the operational history of
20 the well or production facility, the response or lack of response of the operator to inquiries and
21 requests from the supervisor or district deputy, the extent of compliance by the operator with
22 the requirements of PRC and Regulations, and other actions of the operator with regard to the
23 well or production facility. (PRC, § 3237, subd. (a)(2).)

24 Under applicable provisions of Regulations section 1774.2, Operator was required to
25 submit a copy of its pipeline management plan for all pipelines to CalGEM by October 1,
26 2019, and Operator has not done so. Operator's failure to timely submit the pipeline
27 management plan constitutes a violation of Regulations section 1774.2. CalGEM notified
28 Operator that its pipeline management plan consistent with Regulations section 1774.2 was

1 past due on November 18, 2019 and provided a new date for submission by December 18,
2 2019. **Attachment F**, incorporated herein, is a Notice of Violation that CalGEM sent
3 on November 18, 2019 with a deadline to submit the pipeline management plan
4 by December 18, 2019. To date, CalGEM has not received a pipeline management plan from
5 Operator. Operator's failure to comply with the requirements of Regulations section 1774.2 is
6 credible evidence of desertion. (PRC, § 3237, subd. (a).)

7 **VI. Operator's Required Actions**

8 For the reasons stated herein, CalGEM has determined that the Wells and the Facilities
9 are deserted. Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, **IT IS HEREBY**
10 **ORDERED** that Operator plug and abandon the Wells, decommission the Facilities, and restore
11 the well site for the Well consistent with all applicable requirements of PRC sections 3208, 3224,
12 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1,
13 1760, 1775, and 1776; and the conditions included in any permit CalGEM may issue pursuant
14 to PRC section 3229. Until that work is complete, Operator is ordered to perform remedial work
15 and testing on the Wells and the Facilities as necessary to prevent damage to life, health,
16 property, and natural resources.

17 **VII. Operator's Appeal Rights**

18 Operator may appeal this Order by filing a timely written notice of appeal with the
19 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
20 with PRC section 3350. (PRC, §§ 3225, subd. (d); 3236.5, subd. (c); 3237, subd. (b).) If this Order
21 is mailed to you, the Director must receive the appeal within (15) days from the date the
22 Supervisor mails the Order. To file an appeal, a written notice of appeal may be sent via U.S.
23 mail to:

24 Department of Conservation
25 Director's Office of Appeals
26 715 P Street, MS 1906 (Legal Office, Chief Counsel)
27 Sacramento, California 95814-3530
28

Or via electronic mail:

CalGEMAppeals@conservation.ca.gov

If Operator files a timely written notice of appeal, Operator will be informed 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.

If Operator does not file a timely written notice of appeal, or if the order is affirmed following an appeal, this order will become a final order and CalGEM 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 CalGEM 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. (PRC, § 3356.)

VIII. Consequences of Non-Compliance

Failure to comply with Section VI (Operator's Required Actions) of this order could subject Operator to further enforcement action, including additional civil penalties, as appropriate. 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 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: February 2, 2022



Uduak-Joe Ntuk
State Oil and Gas Supervisor

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