

1 Department of Conservation, Geologic Energy Management Division
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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, DECOMMISSION ATTENDANT FACILITIES, AND RESTORE**
15 **WELL SITES**
16 **NO. 1258**
17

18 **Operator: Underground Energy, Inc. (U0075)**
19 **Oil Fields: N/A**
20 **Kern and Merced Counties, Inland and Northern Districts**
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I. Introduction

The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy Management Division (**CalGEM**), and under the authority of Division 3 of the Public Resources Code (**PRC**; commencing with PRC section 3000) and California Code of Regulations, title 14 (**Regulations**), 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. (PRC, § 3237, subd. (a).) An operator's failure to timely pay required annual fees for any idle well is conclusive evidence of desertion. (PRC, § 3206, subds. (a) and (c).)

Based on CalGEM's records, Underground Energy, Inc. (**Operator**) is the "operator" (as defined in PRC section 3009) of the wells identified on **Attachment A**, incorporated herein (**the Wells**), and is responsible (as specified in PRC section 3237, subdivision (c)(1)) for the plugging and abandonment of the Wells, the decommissioning of the production facilities attendant to the Wells (**the Facilities**), and the restoration of the well sites for the Wells. CalGEM's records indicate that, under applicable provisions of PRC section 3206, Operator was required to timely pay idle well fees for the Wells idle in 2018 through 2020, and that Operator has not done so. This failure to timely pay idle well fees is conclusive evidence of desertion, based upon which the Supervisor has determined that the Wells and the Facilities are deserted. 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, to decommission the Facilities, and to restore the well site for the Wells, consistent with all applicable requirements, including PRC sections 3208, 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776; and the conditions included in any permit/approval CalGEM may issue pursuant to PRC section 3229; and until that work is complete, perform remedial work and testing as necessary to prevent damage to life, health, property, and natural resources.

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1 II. Definitions

2 **PRC section 3008, subdivision (a)**, defines "well" to mean, among other things, "any oil
3 or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably
4 presumed to contain oil or gas."

5 **PRC section 3008, subdivision (d)**, defines "idle well" as any well that for a period of 24
6 consecutive months has not either produced oil or natural gas, produced water to be used in
7 production stimulation, or been used for enhanced oil recovery, reservoir pressure
8 management, or injection. For the purpose of determining whether a well is an idle well,
9 production or injection is subject to verification by the division. An idle well continues to be an
10 idle well until it has been properly abandoned in accordance with Section 3208 or it has been
11 shown to the division's satisfaction that, since the well became an idle well, the well has for a
12 continuous six-month period either maintained production of oil or natural gas, maintained
13 production of water used in production stimulation, or been used for enhanced oil recovery,
14 reservoir pressure management, or injection. An idle well does not include an active
15 observation well."

16 **PRC section 3009**, defines "operator" to mean "a person who, by virtue of ownership, or
17 under the authority of a lease or any other agreement, has the right to drill, operate, maintain,
18 or control a well or production facility."

19 **Regulations section 1760, subdivision (r)**, defines "production facility" to mean "any
20 equipment attendant to oil and gas production...including, but not limited to, tanks, flowlines,
21 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
22 equipment, production safety systems, separators, manifolds, and pipelines that are not under
23 the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code,
24 excluding fire suppressant equipment."

25 III. State Oil and Gas Supervisor Authority

26 **PRC section 3013** states that the oil and gas conservation laws (commencing with PRC
27 section 3000) "shall be liberally construed to meet its purposes" and grants the Supervisor "all
28 powers" that may be necessary to carry out those purposes.

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

5 **PRC section 3206, subdivision (a)**, requires “[t]he operator of any idle well shall do either
6 of the following:

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

10 A. One hundred fifty dollars (\$150) for each idle well that has been an idle well
11 for three years or longer, but less than eight years.

12 B. Three hundred dollars (\$300) for each idle well that has been an idle well for
13 eight years or longer, but less than 15 years.

14 C. Seven hundred fifty dollars (\$750) for each idle well that has been an idle well
15 for 15 years or longer, but less than 20 years.

16 D. One thousand five hundred dollars (\$1,500) for each idle well that has been
17 an idle well for 20 years or longer.

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

20 **PRC section 3206, subdivision (c)**, provides “Failure to file, for any well, the fee required
21 under this section shall be conclusive evidence of desertion of the well, permitting the
22 supervisor to order the abandoned pursuant to Section 3237.”

23 **PRC section 3224** mandates that the Supervisor “order such tests or remedial work as in
24 his judgment are necessary to prevent damage to life, health, property, and natural resources;
25 to protect oil and gas deposits from damage by underground water; or to prevent the escape
26 of water into underground formations, or to prevent the infiltration of detrimental substances
27 into underground or surface water suitable for irrigation or domestic purposes, to the best
28 interests of the neighboring property owners and the public.”

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

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

17 **IV. Conclusive Evidence of Desertion**

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

21 As the operator of the Wells, following the process for idle well management set forth in
22 PRC section 3206, subdivision (a), Operator did not submit an Idle Well Management Plan in
23 lieu of paying idle well fees. Operator was therefore required to pay an idle well fee for each
24 of its idle wells: that were idle in 2018 by May 1, 2019, as provided in the 2019 Idle Well Fee
25 Invoice prepared by CalGEM; idle in 2019 by May 1, 2020, as provided in the 2020 Idle Well Fee
26 Invoice prepared by CalGEM; and idle in 2020 by May 1, 2021, as provided in the 2021 Idle
27 Well Fee Invoice prepared by CalGEM. (PRC, § 3206, subds. (a) & (a)(2)(B)(v).) (**Attachments B,**
28 **C, and D** incorporated herein.) As of the date of this order, Operator has not paid its idle well

1 fees for its Wells idle in 2018, 2019, and 2020. Operator's failure to pay the required idle well
2 fees for the Wells is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

3 **V. Operator's Required Actions**

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

13 **VI. Operator's Appeal Rights**

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

20 Department of Conservation
21 Director's Office of Appeals
22 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
23 Sacramento, California 95814

24 Or via electronic mail:

25 CalGEMAppeals@conservation.ca.gov

26 If Operator files a timely written notice of appeal, Operator will be informed of the
27 appeal hearing date, time, and place. Following the hearing, Operator will receive a written
28 decision that affirms, sets aside, or modifies the appealed order.

1 If Operator does not file a timely written notice of appeal, or if the order is affirmed
2 following an appeal, this order will become a final order and CalGEM may contract for
3 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
4 Operator has not, in good faith, commenced the work ordered. Any costs incurred by
5 CalGEM to obtain compliance with this order (which may include penalties and interest) will
6 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
7 3356.)

8 **VII. Consequences of Non-Compliance**

9 Failure to comply with Section V (Operator's Required Actions) of this order could
10 subject Operator to further enforcement action, including additional civil penalties, as
11 appropriate. PRC section 3236 makes it a misdemeanor for any person who violates, fails,
12 neglects, or refuses to comply with any of the provisions of the oil and gas conservation laws
13 commencing at PRC section 3000. PRC section 3359 makes it a misdemeanor to fail or
14 neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or
15 neglect is a separate and distinct offense. (PRC, §3359).

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18 DATED: March 17, 2022



Uduak-Joe Ntuk
State Oil and Gas Supervisor

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