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STATE OF CALIFORNIA

NATURAL RESOURCES AGENCY

DEPARTMENT OF CONSERVATION

GEOLOGIC ENERGY MANAGEMENT DIVISION

FIRST AMENDED EMERGENCY ORDER TO PERFORM REMEDIAL WORK, PLUG AND ABANDON WELLS, AND DECOMMISSION FACILITIES AND NON-EMERGENCY ORDER TO PLUG AND ABANDON WELLS AND DECOMMISSION FACILITIES NO. 1267A

Operator: Griffin Resources, LLC (G3583)

This First Amended Order No. 1267A rescinds, supersedes, and replaces Order No. 1267, issued on May 16, 2022.

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 title 14 of the California Code of Regulations (**Regulations**), may order remedial work as in his judgment is necessary to prevent damage to life, health, property, and natural resources. (PRC, § 3224) Additionally, the Supervisor 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, subd. (a).) In determining whether a well and facility are deserted, the Supervisor may consider the operational history of the well or production facility. (PRC, § 3237 subd. (a)(2)).

Based on CalGEM's records, Griffin Resources, LLC (**Operator**) is or was an "operator" (as defined in PRC, § 3009) and is responsible for 25 wells (the **Wells**) and associated production facilities at the Fruitvale Oil Field (the **Facilities**). CalGEM detected elevated pressure levels at three of these wells during a recent inspection, including shut-in casing pressures which constitute a danger to the surrounding area. The surrounding area is comprised of a residential development, parks, commercial centers, and an elementary school. CalGEM also detected a methane leak from a corroded pressure gauge at one of the Wells, and upon further inspection detected methane leaks and missing pressure gauges at several of the Wells. **Attachment A**, incorporated herein, contains a list of the Wells subject to this order. All 25 of the Wells are idle, are critical wells (as defined in Regulations section 1720, subdivision (a)), and are located in an environmentally sensitive area (as defined in Regulations section 1760, subdivision (f)).

CalGEM believes that the elevated pressure presents an immediate danger to the surrounding area. The Supervisor has determined that an emergency exists, and that emergency remedial work is necessary to prevent damage to life, health, property, and

natural resources. Therefore, pursuant to PRC sections 3237, 3013, 3106, 3224, 3226, and 3270, the Supervisor is ordering Operator to take immediate action.

Furthermore, 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 sites, 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 or 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.

CalGEM issued Emergency Order No. 1267 to Operator on May 16, 2022, ordering remedial action and plugging and abandonment at all 25 of the Wells. Order No. 1267 is incorporated herein as **Attachment B**. On June 1, 2022, the Supervisor received a Notice of Acknowledgement of Appeal related to Order No. 1267 from the Director's Office of Appeals. The Notice of Acknowledgement of Appeal is incorporated herein as **Attachment C**. The Supervisor is now amending Order No. 1267 to:

1. Separate the remedial actions which CalGEM deems to be an emergency from actions which are not sought per CalGEM's emergency authority, including the plugging and abandonment of 22 of the Wells which CalGEM has determined are not directly impacted by the emergency; and
2. Add new facts to further support the Supervisor's finding of desertion.

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."

PRC section 3010 defines "production facility" to mean "any equipment attendant to oil and gas production or injection operations including, but not limited to, tanks, flowlines, headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

Regulations section 1720, subdivision (a), defines "Critical well" to mean "a well within… 300 feet of… any building intended for human occupancy that is not necessary to the operation of the well" or within "100 feet of… any dedicated public street, highway, or nearest rail of an operating railway that is in general use…" or "any public recreational facility such as a golf course, amusement park, picnic ground, campground, or any other area of periodic high-density population…"

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

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."

III. State Oil and Gas Supervisor Authority

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

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 3206, subdivision (a), requires "[t]he operator of any idle well shall do either of the following:

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:
    A. One hundred fifty dollars ($150) for each idle well that has been an idle well for three years or longer, but less than eight years.
    B. Three hundred dollars ($300) for each idle well that has been an idle well for eight years or longer, but less than 15 years.
    C. Seven hundred fifty dollars ($750) for each idle well that has been an idle well for 15 years or longer, but less than 20 years.
    D. One thousand five hundred dollars ($1,500) for each idle well that has been an idle well for 20 years or longer.
2. File a plan with the supervisor to provide for the management and elimination of all long-term idle wells."

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

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 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 constitutes a lien against the operator's real or personal property according to **PRC section 3423**. Notwithstanding any other provisions of Section 3224, 3225, or 3237, if the supervisor determines that an emergency exists, the supervisor may order or undertake the actions he or she deems necessary to protect life, health, property, or natural resources."

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."

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

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

IV. Factual and Procedural Summary

On February 23, 2022, while conducting an environmental lease inspection, CalGEM observed significantly elevated pressure readings at the well Kernland-14 (API No. 029-06773), belonging to operator E & B Natural Resources Management Corporation (E & B). Kernland-14 had shut-in casing pressure (SICP) of 1,320 psi and shut-in tubing pressure (SITP) of 220 psi. The well is both a critical well and located in an environmentally sensitive area, in an empty lot between two houses. Kernland-14 has been idle since May 2016. CalGEM notified E & B of the high pressure readings.

On February 24, 2022, E & B's representative notified CalGEM that E & B bled accumulating gas from the wells to reduce the SICP down to 600 psi, and no liquid flowed to the surface except gas. CalGEM returned to inspect Kernland-14 the next day, February 25, 2022. A reinspection revealed that the SICP was 1,180 psi and SITP was 120 psi. From these pressure readings, CalGEM confirmed that the annulus was actively being charged from a permeable zone, possibly a shallower permeable zone. A sustained high SICP is considered a hazard, especially if there is reason to suspect that the source of the pressure is one of the penetrated zones above the targeted production intervals.

On April 20, 2022, CalGEM inspected Kernland-14 again, along with all other idle wells located in a quarter mile radius, including the 25 idle wells in the area belonging to Operator which are the subject of this order (the Wells). CalGEM detected abnormally elevated SICP and SITP readings at some of the Wells. On April 27, 2022, during another inspection of Operator's well K.C.L. A84 (API No. 029-08241; well **A84**), CalGEM detected a SICP of 1,250 psi and SITP of 800 psi. CalGEM also discovered that the well K.C.L. D76 (API No. 029-08253; well **D76**) was leaking methane at 100% LEL[1] via the stem of a corroded casing pressure gauge. CalGEM observed that the casing valves on both sides of K.C.L. D76 exhibited a strong

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[1] One hundred percent lower explosive limit (100% LEL) denotes an atmosphere in which gas is at its lower flammable limit.

continuous flow of gas when cracked open. The gas flow and the continuous nature of the leak suggests that this is not accumulated casing pressure gas, and that a significant high pressure supply of gas is present in the well. CalGEM notified Operator of the broken gauge, and Operator replaced it the next day; the casing pressure stabilized near 350 psi.

According to CalGEM's records, all 25 of the Wells have been inactive for approximately five years and idle for approximately three years, last producing in October 2017, and the water disposal well was last injected in March 2017. The Wells are critical wells due to their close proximity residential development, parks, commercial centers, and an elementary school and are located in an environmentally sensitive area. The well D76 is located 86' away from a commercial building, and A84 is located 50' away from a commercial building; both wells are sited within public parking lots.

CalGEM has not determined with certainty the cause of the elevated pressure readings. However, based on the age of the casings and the calculated top of cement in the wells, it is possible that portions of the production casings are not isolated from gaseous formations located above the target production intervals. Furthermore, the Wells are not equipped with safety/emergency devices to prevent the release of the pressurized gas in the casing if existing containment should fail.

CalGEM issued Emergency Order No. 1267 to Operator on May 16, 2022. CalGEM staff continued routine inspections of the Wells while waiting for Operator to begin remediation efforts. On May 29, 2022 at well K.C.L. D87 (API No. 029-08257; well **D87**), CalGEM inspectors observed hissing at the wellhead, bubbling crude oil in the cellar, and elevated downhole pressure readings of approximately 1,200 psi. CalGEM contacted the Bakersfield Fire Department, who cut the locks off the main access gate to access the well site. CalGEM's contractor performed depressurization work on D87 on May 29 and 30, and returned on June 1 and 2 to perform depressurization work on A84, which also exhibited elevated tubing and casing pressures. CalGEM observed increases in pressure at both D87 and A84 following depressurization work.

Once Operator granted CalGEM access to the other 23 wells, CalGEM inspectors identified missing pressure gauges and methane leaks at several wells. 14 of the Wells were missing at least one pressure gauge, and 15 of the Wells were leaking methane, four of these at 100% LEL. Griffin performed repair work on several of the Wells leaking methane; remediation work is ongoing to address remaining leaks and missing and nonfunctional pressure gauges. On June 22, 2022, Operator bled accumulating gas from the well K.C.L. B52 (API No. 029-06740; well **B52**) to reduce the SICP down to 80 psi, and repaired a gas leak at the well. The 400-psi-rated pressure gauge at B52 failed because the pressure exceeded the capability of the gauge; Operator replaced it with a 1000-psi pressure gauge. Following this remediation work, CalGEM observed that the SICP at B52 immediately began increasing, growing from 80 psi to 100 psi within the first 10 minutes of observation. On June 27, 2022, CalGEM observed the SICP at B52 was 290 psi.

V. Conclusive Evidence of Desertion

Based on CalGEM's records, at all times relevant to this order, Operator was the operator, as defined in PRC section 3009, of the Wells and Facilities. At all times relevant to this order, the Wells were idle wells as defined in PRC section 3008, subdivision (d).

As the operator of the Wells, following the process for idle well management set forth in PRC section 3206, subdivision (a), Operator did not submit an Idle Well Management Plan in lieu of paying idle well fees. Operator was therefore required to pay an idle well fee for each of its idle wells that were idle in calendar years 2017 through 2021 by the following May 1 of each year, invoiced annually by CalGEM in an Idle Well Fee Notice. (PRC, § 3206, subds. (a) & (a)(2)(B)(v).) The Wells became idle in 2019, and therefore were subject to idle well fees in 2020, 2021, and 2022. Operator paid its 2020 idle well fees (for wells idle in calendar year 2019). However, as of the date of this order, Operator has not paid its idle well fees for 2021 or 2022 (for wells idle in calendar years 2020 and 2021). The 2021 Idle Well Fee Notice and 2022 Idle Well Fee Notice are incorporated herein as **Attachments D** and **E**, respectively.

Operator's failure to pay the required idle well fees for the Wells is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

Furthermore, Operator has not paid 2019 idle well fees for its idle wells located in other parts of the state (for wells idle in calendar year 2018). The 2019 Idle Well Fee Notice is incorporated herein as **Attachment F**. In addition to the Wells which are the subject of this order, Operator is responsible for multiple idle wells in other locations; Operator's unpaid 2019 idle well fees included assessments for 15 idle wells in the McKittrick Oil Field and the Mountain View Oil Field. Operator's unpaid 2022 idle well fees include assessments for 105 idle wells throughout the state, located in five different oil fields. Operator's failure to pay idle well fees for its increasing number of idle wells is conclusive evidence of desertion of those wells, and it is credible evidence that Operator has deserted all of its wells in the state because it demonstrates Operator's ongoing noncompliance with the rules and regulations governing oil and gas production in the state of California.

VI. Credible Evidence of Desertion

The Supervisor has determined, based on information, belief, and credible evidence, that the Wells and Facilities are deserted. The Wells have been inactive since 2017 and idle since 2019 according to CalGEM's records. Operator alleges in its appeal of Order No. 1267 that the Wells were in use until 2019 but has not provided CalGEM with production records establishing production or injection after 2017. Operator was unresponsive to CalGEM's contact efforts following the issuance of Emergency Order No. 1267, and initially denied CalGEM access to A84 to perform remediation work. CalGEM gained access to A84 and Operator's other wells only after repeated efforts to contact Operator by phone and email over a 10-day period. Inspections of the Wells detected several operational concerns, including missing pressure gauges on 14 of the Wells and active methane leaks at 15 of the Wells.

Operator also has a poor compliance history. Since 2018, CalGEM has issued 16 Notices of Violation to Operator for a number of compliance issues. CalGEM issued two orders to Operator in 2019 to take remedial action at several wells, including an Emergency Order at A84 which is a subject of this order. (See Order No. 1161, incorporated herein as **Attachment G**.) CalGEM issued an order to Operator in 2021 which included a civil penalty, resulting from Operator's failure to timely submit a Pipeline Management Plan. (See Order No. 1204,

incorporated herein as **Attachment H**.) Operator did not appeal Orders No. 1161 or 1204; both orders are final orders.

The operational history of the Wells, Operator's lack of responsiveness to inquiries from CalGEM, and Operator's poor compliance history are credible evidence of desertion. (PRC, § 3237, subd. (a)(2).) Furthermore, since the Wells are critical wells, the cause of the reoccurring pressure on the wellheads is undetermined, and there is a potential threat to life, health, property, and natural resources if the Wells are not properly monitored, CalGEM is ordering Operator to plug and abandon the Wells and decommission the Facilities.

VII. Operator's Required Actions (Emergency)

Based on information, belief, and a review of the above referenced facts, and in accord with the legal authorities described in this Order, the Supervisor has determined that an emergency exists, and immediate action is necessary to protect life, health, property, and natural resources. Therefore, **IT IS HEREBY ORDERED**, pursuant to PRC sections 3013, 3106, 3222, 3224, and 3226, 3237, and Regulations section 1722.5, among others, that Operator shall perform the work and acts identified below:

1. **Where necessary, take further action to bleed down casing and tubing pressure at all 25 of the Wells, removing gas into a container or contained system. Do not vent removed gas into the atmosphere unless explicitly approved to do so by the San Joaquin Air Pollution Control District.**
2. **Install permanent casing and tubing pressure gauges on all 25 of the Wells. Replace gauges which are not functional.**
3. **Obtain casing and tubing pressures for all 25 of the Wells and regularly monitor these values.**
4. **Inspect all 25 of the Wells and Facilities for leaks at least once per week.**
5. **Maintain records of casing and tubing pressures, well inspections, and leak inspections at all 25 of the Wells according to Regulations section 1777.3. Provide copies of this documentation to CalGEM once per week.** Documentation can be submitted to Jeff Kimber via email: Jeff.Kimber@conservation.ca.gov.

6. **Install blowout prevention and related well control equipment immediately at the wells D87, A84, and B52 to remain in place until Operator undertakes work to plug and abandon those three wells.**
7. **Plug and abandon the wells D87, A84, and B52 and decommission the production facilities attendant to those wells 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 CalGEM may issue pursuant to PRC section 3229.**

VIII. Operator's Required Actions (Non-Emergency)

For the reasons stated herein, CalGEM has determined that the Wells and the Facilities are deserted. Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, **IT IS HEREBY ORDERED** that Operator plug and abandon all wells listed in Attachment A which are not subject to Emergency Actions 6 and 7 in Section VII, decommission the Facilities, and restore the well sites consistent with all applicable requirements of PRC sections 3208, 3224, 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, an d 1776; and the conditions included in any permit CalGEM may issue pursuant to PRC section 3229.

Until that work is complete, Operator is ordered to perform remedial work and testing on the Wells and the Facilities as necessary to prevent damage to life, health, property, and natural resources.

IX. Operator's Appeal Rights

Operator appealed Order No. 1267 on May 28, 2022. On June 1, 2022, the Supervisor received a Notice of Acknowledgement of Appeal related to Order No. 1267 from the Director's Office of Appeals, incorporated herein as **Attachment C**. A hearing before the Office of Appeals is scheduled for July 14, 2022, at 9:00 am. This first hearing will consider the reasonableness of the Supervisor's determination that an emergency exists, pursuant to PRC section 3351, subdivision (d). CalGEM will coordinate with the Office of Administrative Hearings (OAH) to schedule a subsequent hearing on Operator's appeal following the Office of Appeals' emergency determination. Further hearings with OAH will consider the Supervisor's

finding that the Wells are deserted and should be plugged and abandoned, pursuant to PRC section 3351, subdivision (a)(1).

If the order is affirmed following Operator's appeal, 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, any civil penalties imposed will constitute a state tax lien against Operator's real or personal property per PRC section 3423. (PRC, § 3356).

Operator's filed appeal of Order No. 1267 will not operate as a stay of any remedial actions which are issued pursuant to the Supervisor's emergency order authority according to PRC section 3226. (PRC, § 3350, subd. (b)(1).) Therefore, **Operator must immediately perform the emergency work described herein**. If the work is not immediately commenced and continued to completion, the Supervisor may appoint necessary agents to enter the premises and perform the work. Any costs incurred by CalGEM to obtain compliance with this order will constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, § 3356.) If Operator believes it will be irretrievably injured by performing the work required by this Order pending the appeal's outcome, Operator may seek an order from the appropriate superior court restraining CalGEM from enforcing the Order pending the outcome of the appeal. (PRC, § 3350, subd. (b)(4).)

X. Other Potential Actions to Enforce This Order

Failure to comply with Sections VII and VIII (Operator's Required Actions – Emergency and Non-Emergency) of this order could subject Operator to further enforcement action. If an operator fails to comply with an order of the Supervisor, the Supervisor may deny approval of proposed well operations until the operator complies with the order, consistent with PRC section 3203, subdivision (c). The Supervisor may in the future impose civil penalties based on the facts and omissions underlying this order per PRC section 3236.5 which 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.

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 and each day's further failure, refusal, or neglect to comply with the order is a separate and distinct offense.

DATED: July 1, 2022

Uduak-Joe Ntuk
State Oil and Gas Supervisor