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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 **DECOMMISSION ATTENDANT FACILITIES,**
16 **AND RESTORE WELL SITES**
17 **NO. 1297**
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20 **Operators: Sunray Petroleum, Inc. and Blackstone Oil and Gas, LLC.**
21 **Fruitvale and Mountain View Fields**
22 **Central District, Kern County**
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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 title 14 of the California Code of
5 Regulations (**Regulations**), may order the plugging and abandonment of a well or the
6 decommissioning of a production facility that has been deserted, whether or not any damage
7 is occurring, or threatened, by reason of that deserted well. (PRC, § 3237, subd. (a).)

8 Based on CalGEM's records, Sunray Petroleum, Inc. and Blackstone Oil and Gas, LLC.
9 (**Operators**) are or were "operators" (as defined in PRC, § 3009) and are responsible (as
10 specified in PRC, § 3237, subd. (c)(1)), for the plugging and abandonment of the wells
11 identified on **Attachment A**, incorporated herein (**the Wells**), the decommissioning of the
12 production facilities attendant to the Wells (**the Facilities**), including those identified on
13 **Attachment B**, incorporated herein, and the restoration of the well sites. Based on information,
14 belief, and the evidence described below, the Supervisor has determined that the Wells and
15 the Facilities have been deserted. Therefore, pursuant to PRC sections 3106, 3206.1, 3224, 3226,
16 and 3237, and as set forth below, the Supervisor is ordering Operators to plug and abandon
17 the Wells, decommission the Facilities, and restore the well sites, consistent with all applicable
18 requirements, including PRC sections 3208, 3228, 3229, and 3230; Regulations sections 1722,
19 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776, and the conditions included in
20 any permit or approval CalGEM may issue pursuant to PRC section 3229; and, until that work is
21 complete, perform remedial work and testing as necessary to prevent damage to life, health,
22 property, and natural resources.

23 II. Definitions

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

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1 **PRC section 3008, subdivision (d)**, defines "idle well" to mean "any well that for a period
2 of 24 consecutive months has not either produced oil or natural gas, produced water to be
3 used in production stimulation, or been used for enhanced oil recovery, reservoir pressure
4 management, or injection."

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

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

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

14 **PRC section 3106** authorizes the Supervisor to supervise the drilling, operation,
15 maintenance, and abandonment of oil and gas wells to "prevent, as far as possible, damage
16 to life, health, property, and natural resources; damage to underground oil and gas deposits
17 from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to
18 underground and surface waters suitable for irrigation or domestic purposes by the infiltration
19 of, or the addition of, detrimental substances."

20 **PRC section 3206.1, subdivisions (a) and (e)**, provide that failure to comply with the
21 requirements of CalGEM regulations implementing PRC section 3206.1, which include CalGEM
22 regulations governing the testing of idle wells, "shall be conclusive evidence of desertion of
23 the well, permitting the supervisor to order the well abandoned pursuant to Section 3237."

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

1 interests of the neighboring property owners and the public."

2 **PRC section 3226, subdivision (a)**, provides that "within 30 days after service of an order
3 pursuant to Sections 3224 and 3225, or Section 3237, or if there has been an appeal from the
4 order to the director, within 30 days after service of the decision of the director, or if a review
5 has been taken of the order of the director, within 10 days after affirmance of the order, the
6 owner or operator shall commence in good faith the work ordered and continue it until
7 completion. If the work has not been commenced and continued to completion, the
8 supervisor may appoint necessary agents to enter the premises and perform the work. An
9 accurate account of the expenditures shall be kept. Any amount so expended shall constitute
10 a lien against real or personal property of the operator pursuant to the provisions of Section
11 3423. Before performing such work, the division may impose a lien against the real or personal
12 property of the operator pursuant to Section 3423 in an amount equal to an estimate of the
13 cost of the work based on a bid from a contractor or previous costs to perform comparable
14 work."

15 **PRC section 3226, subdivision (b)**, provides that "notwithstanding any other provisions of
16 Section 3224, 3225, or 3237, if the supervisor determines that an emergency exists, the
17 supervisor may order or undertake the actions he or she deems necessary to protect life,
18 health, property, or natural resources."

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

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

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1 **PRC section 3237, subdivision (a)(3)**, states that a rebuttable presumption of desertion
2 arises in any of the following situations: "... (E) If a person who is to acquire a well or production
3 facility that is subject to a purchase, transfer, assignment, conveyance, exchange, or other
4 disposition fails to comply with Section 3202; and (F) If an operator has failed to maintain the
5 access road to a well or production facility site passable to oilfield and emergency vehicles."

6 **Regulations section 1722, subdivision (a)**, requires "All operations shall be conducted in
7 accordance with good oilfield practice."

8 **Regulations section 1722.1.1, subdivision (a)** requires "(e)ach well location shall have
9 posted in a conspicuous place a clearly visible, legible, permanently affixed sign with the
10 name of the operator, name or number of the lease, and number of the well. These signs shall
11 be maintained on the premises from the time drilling operations cease until the well is plugged
12 and abandoned."

13 **Regulations section 1722.9** identifies the items that must, at a minimum, be in a spill
14 contingency plan for all production facilities.

15 **Regulations section 1772, subdivision (c)(1)** provides that maintenance of production
16 facilities shall include, but not be limited to the following: "(1) Operators shall conduct external
17 visual inspections at least once a month of aboveground production facilities, excluding
18 pipelines, for leaks and corrosion. Facilities that are not operating properly or are leaking shall
19 be repaired or replaced."

20 **Regulations, section 1772.1.4**, requires by June 1, 2019, operators to provide CalGEM a
21 Testing Compliance Work Plan that schedules completion of required testing over the six-year
22 period in accordance with the requirements in section 1772.1.4.

23 **Regulations section 1773.3, subdivision (a)** requires all tanks to be properly identified
24 with the operator's tank identification number, tank type (production, stock, water, etc.), and
25 with appropriate materials hazard placards or labels.

26 **Regulations section 1773.3, subdivision (b)(3)** requires operators to inspect in-service
27 tanks at least once a month for: "(3) The general condition of the foundation, including any
28 signs of settling or erosion that may undermine the foundation."

1 **Regulations section 1773.5, subdivision (a)**, provides as follows:

2 “(a) Within six months after the determination that a production facility is Out-of-
3 Service, the following shall be required: (1) Out-of-Service production facilities shall
4 have fluids, sludge, hydrocarbons, and solids removed and shall be disconnected
5 from any pipelines and other in-service equipment. (2) Out-of-Service production
6 facilities shall be properly degassed in accordance with local air district
7 requirements. (3) Clean-out doors or hatches on Out-of-Service tanks shall be
8 removed and a heavy gauge steel mesh grating (less than 1" spacing) shall be
9 secured over the opening to allow for visual inspection and prevent unauthorized
10 access. (4) Out-of-Service tanks and vessels shall be labeled with Out-of-Service or
11 OOS. “Out-of-Service” or “OOS” shall be painted in bold letters at least one foot
12 high, if possible, on the side of the tank or vessel at least five feet from the ground
13 surface, or as high as possible, along with the date it was taken out of service. (5)
14 Out-of-Service production facilities shall have valves and fittings removed or secured
15 to prevent unauthorized use.”

16 **Regulations, section 1774.1**, prohibits pipe clamps, wooden plugs or screw-in plugs to
17 be used for permanent repair of pipeline leaks.

18 **Regulations, section 1775, subdivision (a)**, which states:

19 “Oilfield wastes, including but not limited to oil, water, chemicals, mud, and
20 cement, shall be disposed of in such a manner as not to cause damage to life,
21 health, property, freshwater aquifers or surface waters, or natural resources, or
22 be a menace to public safety. Disposal sites for oilfield wastes shall also
23 conform to State Water Resources Control Board and appropriate California
24 Regional Water Quality Control Board regulations.”

25 **Regulations, section 1775, subdivision (c)**, requires unused equipment and scrap
26 attendant to oilfield operations to be removed from a production or injection operations area
27 and/or stored in such a manner as to not cause damage to life, health, or property, health, or
28 become a public nuisance or a menace to public safety. Trash and other waste materials

attendant to oilfield operations is also required to be removed and disposed of properly.

Regulations, section 1777, subdivision (a) requires operators to "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 1777, subdivision (c)(2) requires weeds and debris to be "removed from secondary containment areas or catch basins, and the integrity of all berms shall be inspected monthly. Fluids, including rainwater, shall be removed."

Regulations, section 1777, subdivision (c)(3) requires well cellars to be covered and kept drained. Grating or flooring shall be installed and maintained in good condition so as to exclude people and animals. Cellars should be protected from as much runoff water as practical.

Regulations, section 1777, subdivision (d), requires:

"[a]ll equipment and facilities in urban areas shall be enclosed individually or with perimeter fencing in accordance with Section 1778(a) or Section 1778(e) where it is necessary to protect life and property. Enclosures in nonurban areas shall be constructed in accordance with Section 1778(a) or Section 1778(b) where necessary to protect life and property."

Regulations, section 1777, subdivision (f), requires vehicle access routes to all production facilities to be maintained in a safe and passable condition.

IV. Alleged Acts/Omissions

Sunray Petroleum, Inc. and Blackstone Oil and Gas, LLC. are the last known operators of the Wells and Facilities. Blackstone Oil and Gas, LLC is an operator under PRC section 3009 by virtue of ownership, and has the right to drill, operate, maintain, or control a well or production facility. CalGEM records show that Operator Blackstone Oil and Gas, LLC. acquired Sunray Petroleum, Inc.'s interest and obligations for the Wells and Facilities in the Sunray Petroleum, Inc. bankruptcy (Trustee's Report of Sale, *In re Sunray Petroleum, Inc.*, Dist. Nevada, No. BK-S-11-19196-BTB; **Attachment C**, incorporated herein)).

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1 Sunray Petroleum, Inc. is also responsible as an operator of the Wells and Facilities under
2 PRC sections 3009 and 3201. PRC 3201 requires the operator of a well or production facility to
3 notify the Supervisor or district deputy in writing of the sale, assignment, transfer, conveyance,
4 exchange or other disposition of the well or production facility by the operator as soon as
5 reasonably possible but in no event later than the date that the sale, assignment transfer,
6 conveyance, exchange, or other disposition becomes final. (PRC, § 3201, subd (a)). However,
7 the operator is not relieved of responsibility for the well or production facility until the Supervisor
8 or district deputy acknowledges the sale, assignment, transfer, conveyance, exchange, or
9 other disposition, in writing, and the person acquiring the well or production facility is in
10 compliance with PRC section 3202. (PRC, § 3201, subd. (a)). Blackstone Oil and Gas, LLC failed
11 to submit required information and obtain indemnity bonds for idle wells required under PRC
12 3202; therefore, under PRC section 3201, subdivision (a), Sunray Petroleum, Inc. remains
13 responsible for the Wells and Facilities. (**Attachment D**; Declaration of Jasmine Bronson
14 incorporated herein.).

15 CalGEM's records show that the Wells are idle wells, as that term is defined in PRC
16 section 3008, subdivision (d) and deserted. CalGEM does not have any records of Operators
17 paying idle well fees for Wells idle in 2018, 2019, 2020, or 2021 or providing CalGEM with a plan
18 for the management and elimination of long-term idle wells, and a Testing Compliance Work
19 Plan as required in Regulations section 1772.1.4. Additionally, there is ongoing failure to
20 address cited violations. For purposes of this Order, CalGEM has identified violations observed
21 since 2017. Finally, CalGEM records show the Wells and Facilities are deteriorating due to lack
22 of maintenance creates a potential threat to life, health, safety and/or natural resources.

23 **V. Conclusive Evidence of Desertion**

24 Based on CalGEM's records, at all times relevant to this order, Operators were or are
25 "operator(s)," as defined in PRC section 3009, of the Wells. At all times relevant to this order,
26 the Wells were or are "idle well" as defined in PRC section 3008, subdivision (d).

27 As the operators of the Wells, following the process for idle well management set forth in
28 PRC section 3206, subdivision (a), Operators did not submit Idle Well Management Plan in lieu

1 of paying idle well fees. Operators were therefore required to pay an idle well fee for each of
2 its idle wells that were idle in 2018 by May 1, 2019, as provided in the 2019 Idle Well Fee Invoice
3 prepared by CalGEM; idle in 2019 by May 1, 2020, as provided in the 2020 Idle Well Fee Invoice
4 prepared by CalGEM; idle in 2020 by May 1, 2021, as provided in the 2021 Idle Well Fee Invoice
5 prepared by CalGEM; and idle in 2021 by May 1, 2022, as provided in the 2022 Idle Well Fee
6 Invoice prepared by CalGEM. (PRC, § 3206, subds. (a) & (a)(2)(B)(v).) As of the date of this
7 order, Operators have not paid the annual fees required for the Wells under PRC section 3206
8 (**Attachment E**; Declaration of James Donnelly incorporated herein). Failure to pay fees
9 required for idle wells under PRC 3206 is conclusive evidence of desertion of the well,
10 permitting the supervisor to order the well abandoned pursuant to Section 3237. (PRC, § 3206,
11 subd. (c).)

12 Additionally, failure to comply with the requirements of CalGEM regulations
13 implementing PRC section 3206.1, which include CalGEM regulations governing the testing of
14 idle wells, "shall be conclusive evidence of desertion of the well, permitting the supervisor to
15 order the well abandoned pursuant to Section 3237." (PRC, § 3206.1, subd. (e).) Regulations
16 section 1772.1.4, which describe requirements for operators to test idle wells and to prepare
17 work plans for ensuring timely compliance with those testing requirements, is one of the
18 regulations implementing PRC section 3206.1. For any well that was an idle well as of April 1,
19 2019, unless the well was properly plugged and abandoned, partially plugged and
20 abandoned, or is scheduled for abandonment as part of a CalGEM-approved Idle Well
21 Management Plan or Testing Waiver Plan, Regulations section 1772.1.4, subdivision (a),
22 required the operator of the well, by no later than June 1, 2019, to provide CalGEM with a
23 Testing Compliance Work Plan that schedules completion of necessary idle well testing for the
24 well, including a pressure test and clean out tag, within the time allotted by regulation.
25 (Regulations, § 1772.1.4, subd. (a).) By email dated January 14, 2022, CalGEM notified
26 Operator Sunray Petroleum, Inc. that Sunray had failed to submit requested idle well testing
27 records required under Regulations, 1772.1.4. As of the date of this Order, CalGEM has not
28 received a Testing Compliance Work Plan for the Wells. (**Attachment F**; Declaration of Grant

Obenshain incorporated herein.) This failure to provide the required Testing Compliance Work Plan for the Wells is also conclusive evidence that the Wells are deserted. (PRC, § 3206.1, subd. (e).)

VI. Rebuttable Presumption of Desertion

A. Failure to maintain an access road to the well and the production facilities passable to oilfield and emergency vehicles.

A rebuttable presumption of desertion arises if the operator has failed to maintain the access road to a well or production facility site passable to oilfield and emergency vehicles. (PRC, § 3237, subd. (a)(3)(F).) During inspections conducted by CalGEM on or about March 6, 2020, February 26, 2020, January 4, 2019, and September 15, 2017, CalGEM staff observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulation, section 1777, subdivision (f).

1. Portman Lease, Mountain View Field: Access route is not safe or passable, limiting vehicle access to wells at or near Portman Well 2 (API: 0402914552), Portman Well 3 (API: 0402914553), and unnamed setting (ID# 90294259). CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 and to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachments G and H**, incorporated herein).
2. Red Ribbon Lease 2, Fruitvale Field: Weeds and debris limiting vehicle access to wells at lease. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about January 4, 2019 (**Attachment I**, incorporated herein).

CalGEM does not have any records from Operators demonstrating that the violations have been corrected. Operators' failure to maintain access roads to the Wells and Facilities passable to oilfield and emergency vehicles creates a rebuttable presumption that the Well and the Facilities are deserted.

A rebuttable presumption of desertion also arises if a person who is to acquire a well or production facility that is subject to a purchase, transfer, assignment, conveyance, exchange, or other disposition fails to comply with PRC section 3202. (PRC, § 3237, subd. (a)(3)(E).)

Blackstone Oil and Gas, LLC. failed to submit required information and obtain indemnity bonds for idle wells required under PRC 3202, which is a rebuttable presumption that the Wells and the Facilities are deserted. (**Attachment D**; Declaration of Jasmine Bronson incorporated herein.).

VII. Credible Evidence of Desertion

Credible evidence of desertion 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, § 3237, subd. (a)(2).)

A. The operational history of the Wells and Facilities.

CalGEM records reflect that the Wells and Facilities appears to have remained non-operational since May 1, 2017, and perhaps many years longer. (**Attachment A**, incorporated herein). In addition, the bankruptcy history of the Operator Sunray Petroleum, Inc. indicates that the Wells and Facilities are deserted.

On June 10, 2011, Sunray Petroleum, Inc. filed for bankruptcy in Nevada (*In re Sunray Petroleum, Inc.*, Dist. Nevada, No. BK-S-11-19196-BTB). On October 13, 2012, the bankruptcy court appointed a chapter 11 trustee to oversee Sunray Petroleum, Inc.'s estate. The bankruptcy process provides the court and trustees with the power to dispose or assign asserts for the benefit of the estate. (28 U.S.C. § 959.) On August 14, 2014, the bankruptcy court approved a motion by the trustee to sell various assets of the debtor and abandon unproductive assets (*In re Sunray Petroleum, Inc.*, Dist. Nevada, No. BK-S-11-19196-BTB- Chapter 11, Order Granting Motion for Order (A) Approving Sale and Bid Procedures; (B) Approving Form and Manner of Notices; (C) Approving Form of Purchase Agreement; and (D) Granting Related Relief, **Attachment J** incorporated herein). On January 12, 2016, the bankruptcy court approved a sale of assets in the George Lease, Arvin Waterflood Unit Lease, Kundert Lease, Kane-Bloemer Lease, Portman Lease, Red Ribbon 2 Lease, Kirkorian Lease, and Kane-Ross Lease to Lewis Brandon or his nominee. (*In re Sunray Petroleum, Inc.*, Dist. Nevada, No. BK-S-11-

1 19196-BTB- Chapter 11, Order (A) Approving Sale and Bid Procedures; (B) Approving Form and
2 Manner of Notices; (C) Approving Form of Purchase Agreement; and (D) Granting Related
3 Relief, **Attachment K**, incorporated herein and Trustee's Report of Sale, *In re Sunray Petroleum,*
4 *Inc.*, Dist. Nevada, No. BK-S-11-19196-BTB; **Attachment C**, incorporated herein). Lewis W.
5 Brandon transferred and assigned all rights, title, interest and obligations on the leases, wells
6 and personal property to Operator Blackstone Oil and Gas, LLC. (**Attachment L**, incorporated
7 herein.) On February 24, 2016, the bankruptcy court converted the case from Chapter 11 to
8 Chapter 7 and appointed a chapter 7 trustee to oversee Sunray Petroleum, Inc.'s business
9 operations. On November 7, 2017, the trustee administered the estate and discharged the
10 bankruptcy, **Attachment M**, incorporated herein.

11 **B. The Extent of Compliance by the Operators with CalGEM Requirements.**

12 Operators have not maintained compliance with applicable requirements for operation of
13 the Wells and the Facilities. CalGEM records reflect ongoing failure to address cited violations
14 by the Operators. In addition, the Wells and Facilities are deteriorating due to lack of
15 maintenance and are a potential threat to life, health, safety and/or natural resources.
16 Recent violations are identified below:

17 **1. Failure to conduct operations in accordance with good oilfield practice**
18 **(Regulations, section 1722, subdivision (a))**

19 CalGEM conducted inspections on or about February 15, 2022, August 3, 2021, March 6,
20 2020, and February 26, 2020, observed the following conditions during one and/or all
21 inspections at the Operators' facilities, in violation of Regulations section 1722, subdivision (a):

- 22 i. Arvin Waterflood Unit Lease, Mountain View Field: Arvin Waterflood Unit G5 (API:
23 0402914577) and Arvin Waterflood Unit G10 (API: 0402914581) were open to the
24 surface. CalGEM issued Notices of Violations to Operator Sunray Petroleum, Inc. on
25 or about March 6, 2020, and February 15, 2022 (**Attachments N and O** incorporated
26 herein). CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on
27 or about November 23, 2021, and February 18, 2022.

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- 1 ii. George Lease, Mountain View Field: Weeds that pose a fire hazard around wells
2 George 19 (API: 0402914595), George 18 (API: 0402914594), George 20X (API:
3 0402946852), and George 14 (API: 0402914590). CalGEM issued Notices of Violations
4 to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and
5 February 15, 2022. (**Attachments P and Q**, incorporated herein). CalGEM provided
6 the notices to Operator Blackstone Oil and Gas LLC on or about November 23,
7 2021 and February 18, 2022.
- 8 iii. Portman Lease, Mountain View Field: Weeds that pose a fire hazard around
9 Portman Well 2 (API: 0402914552) and Portman Well 3 (API: 0402914553). CalGEM
10 issued a Notice of Violations to Operator Sunray Petroleum, Inc. on or about
11 February 26, 2020 (**Attachment G**, incorporated herein). CalGEM provided the
12 notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.
- 13 iv. Red Ribbon 2 Lease, Fruitvale Field: Weeds that pose a fire hazard around Well 4
14 (API: 0402908188). CalGEM issued a Notice of Violations to Operator Sunray
15 Petroleum, Inc. on or about August 3, 2021 (**Attachment R**, incorporated herein).
16 CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about
17 November 23, 2021.

18 CalGEM does not have any records from Operators demonstrating that the violations
19 have been corrected.

20 **2. Failure to post an adequate well sign (Regulations, section 1722.1.1, subdivision (a))**

21 CalGEM conducted inspections on or about February 15, 2022, August 3, 2021,
22 February 26, 2020, March 6, 2020, January 3, 2019, January 4, 2019, November 21, 2018,
23 September 14, 2017, September 15, 2017, and observed the following conditions during one
24 and/or all inspections at the Operators' facilities, in violation of Regulations section 1722.1.1,
25 subdivision (a):

26 i. Red Ribbon 2 Lease, Fruitvale Field:

- 27 a. Red Ribbon 2 Well 1 (API: 0402908185), did not have an identifying well sign.
28 b. Red Ribbon 2 Well 2 (API: 0402908186), and Red Ribbon 2 Well 4 (API:

0402908188), have illegible well signs.

CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about August 3, 2021 and January 4, 2019 and Notices of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachments R, I, and S**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

ii. Arvin Water Flood Lease, Mountain View Field:

- a. Arvin Waterflood Unit G5 (API: 0402914577) and Arvin Waterflood Unit G8 (API: 0402914579) had no identifying signs.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020 (**Attachment N**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

iii. Kane-Bloemer Lease, Mountain View Field:

- a. Kane-Bloemer Well 4 (API: 0402942167) did not have a sign.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020 (**Attachment T**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

iv. Kane-Ross Lease, Mountain View Field: Kane-Ross Well 1 (API: 0402900653) has an

illegible well sign. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 (**Attachment U**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

- v. Kirkorian Lease, Mountain View Field: Kirkorian 14x-23 Well (API: 0402947968) has an illegible well sign. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachments V and W**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

vi. George Lease, Mountain View Field:

a. George 16 Well (API: 0402914592), George 18 Well (API: 0402914594), George 4 Well (API: 0402914587), and George 19 Well (API: 0402914595) do not have well signs.

b. George 15 Well (API: 0402914591) well sign does not identify the operator.

CalGEM issued Notices of Violations to Operator Sunray Petroleum, Inc. on or about February 26, 2020 and February 15, 2022 and a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about September 25, 2017 (**Attachments P, Q, and X** incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

vii. Portman Lease, Mountain View Field: Portman 2 (API: 0402914552) did not have any identifying sign posted. CalGEM issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachment H**, incorporated herein).

CalGEM does not have any records from Operators demonstrating that the violations were corrected.

3. Failure to comply with spill contingency plan requirements (Regulations, section 1722.9)

CalGEM conducted an inspection on or about March 6, 2020, February 26, 2020, November 21, 2018, and observed missing spill contingency plans for Arvin Waterflood Unit Lease, Kane-Ross Lease, Kundert Lease, Portman Lease, Mountain View Field in violation of Regulation, section 1722.9. CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, March 6, 2020, (**Attachments G, U, Y and G**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021. CalGEM does not have any records from Operators demonstrating that the violations were corrected.

4. Failure to properly identify tanks (Regulations, section 1773.3, subdivision (a))

CalGEM conducted inspections on or about March 6, 2020, September 14, 2017,

September 15, 2017, and June 5, 2013, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations section 1773.3, subdivision (a):

- i. Arvin Waterflood Unit Lease, Mountain View Field: Tank 283950 (ID# 5200), Tank 2838 (ID# 5199), and unknown tank were not properly labeled. CalGEM issued Notices of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017, and to Operator Sunray Petroleum, Inc. on or about March 6, 2020 (**Attachments Z and N**, incorporated herein.) CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.
- ii. Kane-Ross Lease, Mountain View Field: Tank 2002 (ID#: 1723), and Tank 2003 (ID#: 1724) were not properly labeled. CalGEM issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachment AA**, incorporated herein).
- iii. Red Ribbon Lease 2, Fruitvale Field: Tank 34601 (ID# 6900), Tank 251 (ID# 10511), Tank S012779 (ID# 6902), Tank S012778 (ID# 6901), Tank 34602 (ID# 6899) were not properly labeled. CalGEM issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachment S**, incorporated herein).
- iv. Kundert Lease, Mountain View Field: Tank 1987 (ID# 1727) and Tank 1986 (ID# 1728) were not properly labeled. CalGEM issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about September 25, 2017 (**Attachment BB**, incorporated herein).
- v. Portman Lease, Mountain View Field: tanks located adjacent to Well 1 were not properly labeled. CalGEM issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachment H**, incorporated herein).

CalGEM does not have any records from Operators demonstrating that the violation was corrected.

5. Failure to inspect tanks for condition of foundation (Regulations, section 1773.3, subdivision (b)(3))

CalGEM conducted inspections on or about March 6, 2020, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations section 1773.3, subdivision (b)(3):

- i. Arvin Waterflood Unit Lease, Mountain View Field: Unknown tank (ID#: 5216) poor tank foundation condition, tank has evidence of leakage, and presence of corrosion or shell distortions.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020 (**Attachment N**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021. CalGEM does not have any records from Operators demonstrating that the violation was corrected.

6. Failure to comply with Out-of-Service tank requirements (Regulations, section 1773.5)

CalGEM conducted an inspection on or about August 3, 2021, March 6, 2020, July 11, 2019, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations section 1773.5:

- i. Red Ribbon 2 Lease, Fruitvale Field: Tank 34601 (ID# 6900), Tank 251 (ID# 10511), Tank S012779 (ID# 6902), Tank S012778 (ID# 6901), Tank 34602 (ID# 6899), were not properly labeled for an Out of Service facility, valves or fittings were still attached to active facilities, missing mesh on door or hatchways, doors or hatchways have not been removed from Out of Service facilities, pipelines or pressure valves have not been properly removed or flushed and blinded, and tanks had evidence of leakage; and Tank S012778 (ID# 6901) had missing mesh on doorway or hatchways of tank facility. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about August 3, 2021 (**Attachment R**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.
- ii. Arvin Water Flood Unit Lease, Mountain View Field:
 - a. Tank 283950 (ID# 5299): pipelines or pressure valves have not been properly

1 removed or flushed and blinded, missing mesh on door or hatchways, valves
2 or fittings were still attached, the tank is not properly labeled for an Out of
3 Service facility and missing or inadequate caps on tank facility.

4 b. Tank 2838 (ID# 5100): missing mesh on door or hatchways of tank facility,
5 valves or fittings were still attached to active facilities, tank is not properly
6 labeled for an Out of Service facility, pipelines or pressure valves associated
7 with this facility have not been properly removed or flushed and blinded, tank
8 is not properly labeled for an Out of Service facility and missing or inadequate
9 caps on tank facility or valves.

10 c. Tank 520 (ID# 5208): pipelines or pressure valves associated with this facility
11 have not been properly removed or flushed and blinded, valves or fittings
12 were still attached to active facilities, tank is not properly labeled for an Out
13 of Service facility and missing or inadequate caps on tank facility or valves.

14 d. Tank 524 (ID# 5208): tank is not properly labeled for an Out of Service facility,
15 valves or fittings were still attached to active facilities and missing or
16 inadequate caps on tank facility or valves.

17 e. Tank 523 (OOS-8 - ID# 5208): valves or fittings were still attached to active
18 facilities, missing mesh on door or hatchways of tank facility, and tank is not
19 properly labeled for an Out of Service facility.

20 f. Tank 526 (OOS-4 - ID# 5213): valves and/or fittings were still attached to
21 active facilities, tank is not properly labeled for an Out of Service facility and
22 missing or inadequate caps on tank facility or valves.

23 g. Tank 528 (OOS-6 - ID# 5215): tank is not properly labeled for an Out of Service
24 facility, valves or fittings were still attached to active facilities, missing mesh on
25 door or hatchways of tank facility and missing or inadequate caps on tank
26 facility or valves.

27 h. Tank 521 (OOS-2 - ID# 5209): tank is not properly labeled for an Out of Service
28 facility, fluids, sludge, hydrocarbons and solids have not been removed from

the facility or disconnected from any pipelines and other in-service equipment, valves and/or fittings were still attached to active facilities, pipelines or pressure valves associated with this facility have not been properly removed or flushed and blinded, and missing or inadequate caps on tank facility or valves.

i. Tank 527 (OOS-5 - ID# 5214): valves or fittings were still attached to active facilities, tank is not properly labeled for an Out of Service facility and missing or inadequate caps on tank facility or valves.

j. Tank 3 (OOS - ID# 5210): tank is not properly labeled for an Out of Service facility and missing or inadequate caps on tank facility or valves.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020 (**Attachment N**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

iii. Kane-Ross Lease, Mountain View Field: Tank 2003 (ID#: 1724) and Tank 2002 (ID#: 1723) tanks were not properly labeled for an Out-of-Service facility, valves or fittings were still attached to active facilities, and pipelines or pressure valves were not properly removed or flushed and blinded. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 (**Attachment U**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

iv. Kundert Lease, Mountain View Field: Tank 1987 (ID#: 1727) was not properly labeled for an Out of Service facility, valves or fittings were still attached to active facilities, and pipelines or pressure valves have not been properly removed or flushed and blinded; and Tank 1986 (ID#: 1728) was not properly labeled for an Out-of-Service facility, pipelines or pressure valves have not been properly removed or flushed and blinded, valves or fittings were still attached to active facilities. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 (**Attachment Y**, incorporated herein). CalGEM provided the notice to Operator

Blackstone Oil and Gas LLC. on or about November 23, 2021.

CalGEM does not have any records from Operators demonstrating that the violations have been corrected.

7. Improper pipeline repairs (Regulations, section 1774.1)

CalGEM conducted inspections on or about March 6, 2020, January 3, 2019, and September 14, 2017, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations section 1774.1:

- i. Red Ribbon 2 Lease, Fruitvale Field: Pipe clamp on the pipeline associated with Well 3 (API: 0402908187). CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about January 4, 2019 (**Attachment I**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

CalGEM does not have any records from Operators demonstrating that the violations have been corrected.

8. Failure to properly dispose oilfield waste and refuse (Regulations, section 1775, subdivision (a))

CalGEM conducted inspections on or about February 15, 2022, August 3, 2021, March 6, 2020, February 26, 2020, and September 15, 2017, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations, section 1775, subdivision (a):

- i. Red Ribbon Lease 2, Fruitvale Field: Oilfield refuse and oilfield waste at or near Well 3 (API: 0402908187), Tank 34601 (ID# 6900), Tank 251 (ID# 10511), Tank S012778 (ID# 6901), Tank 34602 (ID# 6899), unnamed tank setting (ID# 90294031), and throughout the lease. CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about August 3, 2021, and to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachments R and S**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

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- 1 ii. Portman Lease, Mountain View Field: Oilfield refuse at or near Portman Well 2 (API:
2 0402914552) and Portman Well 3 (API: 0402914553). CalGEM issued a Notice of
3 Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020
4 (**Attachment G**, incorporated herein). CalGEM provided the notice to Operator
5 Blackstone Oil and Gas, LLC. on or about November 23, 2021.
- 6 iii. Arvin Waterflood Unit Lease, Mountain View Field: Oilfield waste at or near Tank 522
7 (OOS-3 - ID# 5210) and Arvin Waterflood Unit G9 Well (API: 0402914580). CalGEM
8 issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about
9 March 6, 2020, and February 15, 2022 (**Attachments N and O**, incorporated herein).
10 CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about
11 November 23, 2021, and February 18, 2022.
- 12 iv. Kundert Lease, Mountain View Field: Oilfield waste at or near Kundert Well 1 (API:
13 0402914333). CalGEM issued a Notice of Violation to Operator Sunray Petroleum,
14 Inc. on or about February 15, 2022 (**Attachment CC**, incorporated herein). CalGEM
15 provided the notice to Operator Blackstone Oil and Gas, LLC. on or about February
16 18, 2022.

17 CalGEM does not have any records from Operators demonstrating that the violations
18 have been corrected.

19 **9. Failure to properly dispose oilfield waste and refuse (Regulations, section 1775,**
20 **subdivision (c))**

21 CalGEM conducted inspections on or about February 15, 2022, February 18, 2022,
22 August 3, 2021, March 6, 2020, February 26, 2020, and January 4, 2019, and observed the
23 following conditions during one and/or all inspections at the Operators' facilities, in violation of
24 Regulations section 1775, subdivision (c):

- 25 i. Red Ribbon Lease 2, Fruitvale Field: Oilfield refuse (rods) and oilfield wastes at or
26 near Well 2 (API: 0402908186), oilfield refuse was observed at or near Well 4 (API:
27 0402908188). CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc.
28 on or about August 3, 2021, and January 4, 2019 (**Attachments R and I**, incorporated

- herein). CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about November 23, 2021.
- ii. Arvin Waterflood Unit Lease, Mountain View Field: Oilfield refuse at an unknown tank setting, Arvin Waterflood Units G8 (API: 0402914579), G1 (API: 0402914574), G10 (API: 0402914581), G13 (API: 0402914583), and Arvin Waterflood Unit D1 (API: 0402914540), Tank 2838 (ID# 5199), Tank 523 (OOS-8 - ID# 5210), Tank 527 (OOS-5 - ID# 5214), and two unidentified tank settings (ID# 90294262 and #90294258) and on the lease at or near the location: 35.219228, -118.829854. CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, and February 15, 2022 (**Attachments N and DD**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about November 23, 2021, and February 18, 2022.
- iii. Kane-Bloemer Lease, Mountain View Field: Oilfield refuse at Kane-Bloemer Well 4 (API: 0402942167), Well 2 (API: 0402914332), and Well 1 (API: 0402914331). CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, and February 18, 2022, (**Attachments T and EE**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about November 23, 2021, and February 18, 2022.
- iv. Kundert Lease, Mountain View Field: Oilfield refuse at Kundert Well 1 (API: 0402914333), Kundert Well 2 (API: 0402914334), Kundert Well 3 (API: 0402914335), and unnamed setting (ID# 90294240). CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and February 15, 2022 (**Attachments Y and CC**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about November 23, 2021, and February 18, 2022.
- v. George Lease, Mountain View Field: Oilfield refuse at George 18 Well (API: 0402914594), Well 20x (API: 0402946852), Well 14 (API: 0402914590), Well 15 (API: 0402914591), Well 16 (API: 0402914592), and Well 21 (API: 0402954044). CalGEM

issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about February 15, 2022, and February 26, 2020 (**Attachments P and Q**, incorporated herein).

CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about February 18, 2022.

- vi. Kane-Ross Lease, Mountain View Field: Oilfield refuse at Kane-Ross at two locations: (35.296924, -118.906490) and (35.297193, -118.906511) and generally throughout the lease. CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, and February 15, 2022 (**Attachments T and FF**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas, LLC. on or about February 18, 2022.

CalGEM does not have any records from Operators demonstrating that the violations have been corrected.

10. Failure to maintain facilities in good condition (Regulations, section 1777, subdivision

(a)

CalGEM conducted inspections on or about February 15, 2022, August 3, 2021, March 6, 2020, September 14, 2017, May 17, 2017, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations, section 1777, subdivision (a):

i. Red Ribbon 2 Lease, Fruitvale Field:

- a. Red Ribbon 2 Well 1 (API: 0402908185), Red Ribbon 2 Well 3 (API: 0402908187), and Red Ribbon 2 Well 4 (API: 0402908188) missing or inadequate bull plugs.
- b. Out of Service tanks Tank 34601 (ID# 6900) and Tank 34602 (ID# 6899) have evidence of leakage.
- c. Small tank east of Well 1 contained fluid and holes on top.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about August 3, 2021, and a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachments R and S**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about

November 23, 2021, and February 18, 2022.

ii. Arvin Waterflood Unit Lease, Mountain View Field:

- a. Arvin Waterflood Unit G13 (API: 0402914583) wellhead missing bolts.
- b. Arvin Waterflood Unit G5 (API: 0402914577) missing or inadequate bull plugs and missing bolts.
- c. Arvin Waterflood Unit G8 (API: 0402914579) missing bolts.
- d. Arvin Waterflood Unit G1 (API: 0402914574) missing bolts and missing or inadequate bull plugs.
- e. Arvin Waterflood Unit G9 (API: 0402914580)-missing bolts.
- f. Arvin Waterflood Unit G10 (API: 0402914580) missing or inadequate bull plugs and missing bolt.
- g. Pipe facility is uncovered in tank setting.
- h. Weeds growing around tanks located approximately one thousand one hundred feet west of well D1.

CalGEM issued Notices of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, and October 13, 2017, and February 15, 2022, (**Attachments N, Z, and O**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021, and February 18, 2022.

i. Kane-Bloemer Lease, Mountain View Field: Kane-Bloemer Well 3 (API: 0402942136) missing bolts on wellhead.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, (**Attachment T**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

i. Kane-Ross Lease, Mountain View Field: Kane-Ross Well 1 (API: 0402900653) inadequate bull plugs.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, (**Attachment U**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

i. George Lease, Mountain View Field:

- a. George Well 19 (API: 0402914595) missing bolts
- b. George Well 16 (API: 0402914592) missing bolts on wellhead.
- c. George Well 18 (API: 0402914594) inadequate bull plugs and missing belt guard.
- d. George Well 14 (API: 0402914590) and George Well 21 (API: 0402954044) missing bolts on wellhead,
- e. George Well 15, (API: 0402914591)-George Well 20x (API: 0402946852), George Well 14 (API: 0402914590) missing belt guards.

CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about September 25, 2017, and February 15, 2022 (**Attachments P and X, and Q** incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021, and February 18, 2022.

CalGEM does not have any records from Operators demonstrating that the violations have been corrected.

11. Failure to repair or replace leaking facilities (Regulations, section 1777, subdivision (c)(1))

CalGEM conducted an inspection on or about August 3, 2021, September 14, 2017, and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations section 1772, subdivision (c)(1):

- i. Red Ribbon 2 Lease, Fruitvale Field: Red Ribbon 2 Well 3 (API: 0402908187), was not operating properly and was leaking fluid. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, LLC. on or about August 3, 2021 (**Attachment R**, incorporated herein). CalGEM provided the notice to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

CalGEM does not have any records from Operators demonstrating that the violations were corrected.

1 **12. Failure to remove weeds or debris in secondary containment area (Regulations,**
2 **section 1777, subdivision (c)(2))**

3 CalGEM conducted an inspection on or about January 3, 2019, September 14, 2017,
4 and September 15, 2017, observed the following conditions during one and/or all inspections
5 at the Operators' facilities, in violation of Regulations section 1772, subdivision (c)(2):

- 6 i. Red Ribbon Lease 2, Fruitvale Field: weeds and debris throughout Red Ribbon Lease
7 2 and within Tank Farm Berm, limiting access to wells. CalGEM issued a Notice of
8 Violation to Operator Sunray Petroleum, Inc. on or about January 4, 2019
9 **(Attachment I, incorporated herein)**. CalGEM provided the notice to Operator
10 Blackstone Oil and Gas LLC. on or about November 23, 2021.
- 11 ii. Arvin Waterflood Unit Lease, Mountain View Field: weeds growing around tanks
12 located approximately one thousand one hundred feet west of well D1. CalGEM
13 issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about
14 October 13, 2017 **(Attachment Z, incorporated herein)**.
- 15 iii. Kane-Ross Lease, Mountain View Field: weeds growing in secondary containment of
16 tanks adjacent to Well 1. CalGEM issued a Notice of Violation to Operator
17 Blackstone Oil and Gas, LLC. on or about October 13, 2017 **(Attachment AA,**
18 **incorporated herein)**.
- 19 iv. Portman Lease, Mountain View Field: weeds growing in secondary containment of
20 tanks located adjacent to well 1. CalGEM issued a Notice of Violation to Operator
21 Blackstone Oil and Gas, LLC. on or about October 13, 2017 **(Attachment H,**
22 **incorporated herein)**.

23 CalGEM does not have any records from Operators demonstrating that the violations
24 were corrected.

25 **13. Missing cellar cover and/or fluid in cellar (Regulations, section 1777, subdivision**
26 **(c)(3))**

27 CalGEM conducted an inspection on or about March 6, 2020, September 15, 2017, and
28 September 14, 2017, and observed the following conditions during one and/or all inspections

at the Operators' facilities, in violation of Regulations section 1777, subdivision(c)(3):

- v. Kane-Ross Lease, Mountain View Field: Kane-Ross 1 Well (API: 0402900653) cellar was not properly covered. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 (**Attachment U**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.
- vi. George Lease, Mountain View Field: George Well 20X (API: 0402946852) cellar, and George Well 21 (API: 0402954044) cellar were not properly covered. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and a Notice of Violation to Operator Blackstone Oil & Gas, LLC. on or about September 25, 2017 (**Attachments P and X**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.
- vii. Red Ribbon Lease 2, Fruitvale Field: Well 1 (API: 0402908185) cellar contained fluid and Well 4 (API: 0402908188) cellar was not properly covered. CalGEM issued a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachment S**, incorporated herein).

CalGEM does not have any records from Operators demonstrating that the violations have been corrected.

14. Failure to enclose equipment and facilities with perimeter fencing (Regulations, section 1777, subdivision (d))

CalGEM conducted inspections on or about February 18, 2022, February 15, 2022, August 3, 2021, March 6, 2020, September 15, 2017, and September 14, 2017 and observed the following conditions during one and/or all inspections at the Operators' facilities, in violation of Regulations section 1777, subdivision (d):

- i. Red Ribbon 2 Lease, Fruitvale Field: Red Ribbon 2 Well 3 (API: 0402908187), Red Ribbon 2 Well 4 (API: 0402908188) production facilities were not properly enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray

Petroleum, Inc. on or about August 3, 2021, and a Notice of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017 (**Attachments R and S**, incorporated herein).

- ii. Arvin Waterflood Unit Lease, Mountain View Field: Arvin Waterflood Unit Wells G5 (API: 0402914577), G1 (API: 0402914574), G8 (API: 0402914579), G9 (API: 0402914580), G10 (API: 0402914581), and G13 (API: 0402914583) and production facilities were not enclosed with perimeter fencing and tanks located approximately one thousand one hundred feet west of Well D1 in were not enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, and Notices of Violation to Operator Blackstone Oil and Gas, LLC. on or about October 13, 2017, Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 15, 2022 (**Attachments N, Z, and O** incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC on or about November 23, 2021, and February 18, 2022.
- iii. Kane-Bloemer Lease, Mountain View Field: Kane-Bloemer Well 1 (API: 0402914331), Kane-Bloemer Well 2 (API: 0402914332), Kane-Bloemer Well 3 (API: 0402942136) and Kane-Bloemer Well 4 (API: 0402942167) production facilities were not properly enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about March 6, 2020, and February 18, 2022 (**Attachment T and EE**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC on or about November 23, 2021, and February 18, 2022.
- iv. Kane-Ross Lease, Mountain View Field: Kane-Ross Well 1 (API: 0402900653) production facility was not properly enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 (**Attachment U**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.

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- v. Kirkorian Lease, Mountain View Field: Kirkorian Well 14x-23 (API: 0402947968) production facility was not properly enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020 (**Attachment V**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021.
- vi. George Lease, Mountain View Field: George 18 (API: 0402914594), George 15 (API: 0402914591), George 14 (API: 0402914590), George 17 (API: 0402914593), George 21 (API: 0402954044), George 4 (API: 0402914590), George 19 (API: 0402914590), and George 20X (API: 0402946852) production facilities were not enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and February 15, 2022 (**Attachment P and Q**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC on or about November 23, 2021 and February 18, 2022.
- vii. Kundert Lease, Mountain View Field: Kundert Well 3 (API: 0402914335), Kundert Well 2 (API: 0402914334), and Kundert Well 1 (API: 0402914333) production facilities were not enclosed with perimeter fencing. CalGEM issued a Notice of Violation to Operator Sunray Petroleum, Inc. on or about February 26, 2020, and February 15, 2022 (**Attachments Y and CC**, incorporated herein). CalGEM provided the notices to Operator Blackstone Oil and Gas LLC. on or about November 23, 2021, and February 18, 2022.

CalGEM does not have any records from Operators demonstrating that the violations have been corrected.

VIII. Operator's Required Actions

For the reasons stated above, CalGEM has determined that the Well and the Facilities are deserted. Therefore, pursuant to PRC sections 3106, 3206.1, 3224, 3226, and 3237, **IT IS HEREBY ORDERED** that Operators plug and abandon the Well, decommission the Facilities, and restore the well site consistent with all applicable requirements of PRC sections 3208, 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776;

1 and the conditions included in any permit CalGEM may issue pursuant to PRC section 3229. Until
2 that work is complete, Operators are ordered to perform remedial work and testing on the Wells
3 and the Facilities as necessary to prevent damage to life, health, property, and natural
4 resources.

5 **IX. Operator's Appeal Rights**

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

11 Department of Conservation
12 Director's Office of Appeals
13 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
14 Sacramento, California 95814-3530

14 Or via electronic mail:

15 CalGEMAppeals@conservation.ca.gov
16

17 If an Operator files a timely written notice of appeal, Operators will be informed of the
18 appeal hearing date, time, and place. Following the hearing, Operators will receive a written
19 decision that affirms, sets aside, or modifies the appealed order.

20 If Operators do not file a timely written notice of appeal, or if the order is affirmed
21 following an appeal, this order will become a final order and CalGEM may contract for
22 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
23 Operators have not, in good faith, commenced the work ordered. Any costs incurred by the
24 CalGEM to obtain compliance with this order (which may include penalties and interest) will
25 constitute a lien against Operators' real or personal property per PRC section 3423. (PRC, §
26 3356.)

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- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
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DATED: December 1, 2022

Uduak-Joe Ntuk
State Oil and Gas Supervisor