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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 PAY A CIVIL PENALTY**
15 **NO. 1356**

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18 **Operator: Jaco Production Company (J0700)**
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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 impose a civil penalty on a person who violates any statutory
6 provision of the PRC, or any regulation that implements those statutory provisions. (PRC, §
7 3236.5)

8 Based on CalGEM's records, Jaco Production Company (**Operator**) is or was an
9 "operator" (as defined in PRC, § 3009) and is responsible for the 21 wells identified on
10 **Attachment A**, incorporated herein (the **Wells**). Each of the Wells is an idle well as of April 1,
11 2019. Under applicable provisions of Regulations section 1772.1.4, Operator was required to file
12 an Idle Well Testing Compliance Work Plan by June 1, 2019, and to timely comply with annual
13 testing benchmarks for the Wells according to that Plan, and Operator has not done so.
14 Operator's failure to timely submit an Idle Well Testing Compliance Work Plan and to comply
15 with annual testing benchmarks according to that Plan constitute violations of Regulations
16 sections 1772.1 and 1772.1.4. Therefore, pursuant to PRC sections 3013, 3106, 3206.1, 3224,
17 3236.5, 3270, and Regulations sections 1772.1 and 1772.1.4, the Supervisor is ordering Operator
18 to bring the Wells into compliance with idle well requirements and to pay a civil penalty for
19 each violation.

20 **Attachment B**, incorporated herein, contains a list of definitions and authorities that are
21 applicable to this order.

22 **II. Failure to Submit an Idle Well Testing Compliance Work Plan**

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

26 As the operator of the Wells, Operator was required to submit an Idle Well Testing
27 Compliance Work Plan for the Wells by June 1, 2019, as required by Regulations section
28 1772.1.4, subdivision (a), and Operator failed to do so. CalGEM issued a Notice of Violation to

1 Operator on June 24, 2022 regarding the outstanding Plan. (**Attachment C**, incorporated
2 herein.) As of the date of this order, Operator has not submitted an Idle Well Testing
3 Compliance Work Plan for the Wells.

4 As the operator of the Wells, Operator was required to comply with annual testing
5 benchmarks of the Wells under an Idle Well Testing Compliance Work Plan, as required by
6 Regulations section 1772.1.4, subdivision (b), and operator failed to do so. CalGEM issued a
7 Notice of Violation to Operator on July 28, 2022, regarding the failure to meet testing
8 benchmarks. (**Attachment D**, incorporated herein.) Operator was required to complete testing
9 on at least 30 percent of the Wells by April 1, 2022, which includes a pressure test and a clean
10 out tag on each well. (Regulations, § 1772.1.4, subd. (b).) Operator was required to complete
11 testing on at least 50 percent of the Wells by April 1, 2023. Operator is required to complete
12 testing on at least 75 percent of the Wells by April 1, 2024, and to complete testing on all the
13 Wells by April 1, 2025. As of the date of this order, Operator has not remedied the outstanding
14 violations for the 11 Wells which are overdue for testing.

15 III. Civil Penalty

16 Operator's failure to timely submit an Idle Well Testing Compliance Work Plan for the
17 Wells by June 1, 2019 is a violation of Regulations section 1772.1.4, subdivision (a). Operator's
18 failure to comply with required annual testing benchmarks is a violation of Regulations section
19 1772.1.4, subdivision (b). Operator's failure to submit the required Idle Well Testing Compliance
20 Work Plan constitutes one violation. Operator's failure to complete the required testing on the
21 Wells to meet the annual benchmarks for the Idle Well Testing Compliance Work Plan
22 constitutes 11 separate violations, one for each well Operator failed to test.

23 Because of these violations, and based on consideration of relevant circumstances,
24 consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator civil
25 penalties totaling \$28,850. Following is an explanation of how the civil penalty amount was
26 determined.

27 For purposes of this order, the Supervisor considered relevant circumstances, including:
28 characterizing the violations as "major," "minor," or "well stimulation" (as defined in PRC

1 section 3236.5, subdivision (b)) and setting a penalty amount proportionate to the
2 circumstantial importance of all relevant factors, including the eight factors identified in PRC
3 section 3236.5, subdivision (a). (PRC, § 3236.5, subd. (a).)

4 **a. Civil Penalty Calculation – Nonsubmittal of a Testing Compliance Work Plan**

5 In determining the civil penalty amount for Operator's first violation, the Supervisor
6 determined the violation to be "minor." The statutory penalty range for a minor violation is
7 between \$0 and \$2,500. After consideration of all relevant factors, the Supervisor determined
8 that a balanced and effective incentive for operator compliance would be a civil penalty
9 which includes an estimate of the cost of preparing a Testing Compliance Work Plan, with a
10 sliding scale to account for the pervasiveness of the violation, with an increasing penalty
11 based on the number of idle wells belonging to Operator. A careful analysis of the eight
12 factors identified in PRC section 3236.5, subdivision (a), did not affect the Supervisor's finding
13 that a sliding scale including the cost of compliance and increasing to reflect the number of
14 idle wells is an effective civil penalty formula. Therefore, the Supervisor determined that it is
15 reasonable to impose a civil penalty which is proportionate to the cost of preparing a Testing
16 Compliance Work Plan, with an increasing penalty based on the number of idle wells in the
17 Plan. (PRC, § 3236.5, subd. (a).)

18 CalGEM estimated the cost to prepare a Testing Compliance Work Plan is
19 approximately \$500. This cost includes the administrative task of assembling the Plan, with
20 historical operation, well status, and location information operators should already possess. To
21 account for the pervasiveness of the violation by operators with multiple idle wells, CalGEM
22 calculated an additional penalty that corresponds with the number of idle wells which should
23 be included in the Plan. Working within the \$0 and \$2,500 statutory penalty range for a minor
24 violation, CalGEM created a sliding scale that includes the cost of preparing a Plan, and
25 increases incrementally to assess civil penalties for each operator based on the number of idle
26 wells in the Plan. For an operator with 20 to 30 idle wells, CalGEM established a penalty of
27 \$1,250 for the first twenty wells, and an additional \$100 for each additional well up to the
28 thirtieth well.

1 Based on the 21 idle wells belonging to Operator, CalGEM estimates that Operator
2 gained an economic benefit of \$1,350 by not preparing a Testing Compliance Work Plan. As
3 such, based on the above allegations, and with appropriate consideration of relevant factors
4 as described in PRC section 3236.5, the Supervisor hereby imposes a civil penalty of one
5 thousand three hundred fifty dollars (\$1,350) for the first violation, failure to submit an Idle Well
6 Testing Compliance Work Plan.

7 **b. Civil Penalty Calculation – Failure to Complete Testing Required to Meet Annual**
8 **Testing Benchmarks Under a Testing Compliance Work Plan**

9 In determining the civil penalty amount for Operator's failure to complete the required
10 testing on the Wells to meet the annual benchmarks for the Idle Well Testing Compliance Work
11 Plan, the Supervisor determined each violation to be "minor." Each of the Wells that Operator
12 failed to test constitutes a separate violation. (Regulations, § 1772.1.4, subd. (f).) The statutory
13 penalty range for a minor violation is between \$0 and \$2,500. After consideration of all
14 relevant factors, the Supervisor determined that a civil penalty which is roughly proportionate
15 to the cost of performing the testing required is a balanced and effective incentive for
16 operator compliance. A careful analysis of the eight factors identified in PRC section 3236.5,
17 subdivision (a), did not affect the Supervisor's finding that the economic benefit from avoiding
18 the cost of compliance is the primary consideration for determining an effective civil penalty
19 amount. Idle wells that lack integrity have the potential to harm air quality and groundwater,
20 in light of which the Supervisor calculated a significant risk of harm. Additionally, an economic
21 analysis of the costs of performing a casing pressure test and clean out tag substantially
22 exceeded the upper limit of the statutory penalty range for a minor violation. CalGEM
23 estimated the cost to perform a casing pressure test and a clean out tag between \$2,871 and
24 \$15,946 per well, depending on the location and condition of the well. Avoidance or deferral
25 of this cost is a significant economic benefit to Operator. Therefore, the Supervisor determined
26 that it is reasonable to impose a civil penalty of \$2,500 per well which is overdue for testing.
27 (PRC, § 3236.5, subd. (a).)

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1 Based on Operator's 11 idle wells which are overdue for testing as of April 1, 2023, and
2 with appropriate consideration of relevant factors as described in PRC section 3236.5, the
3 Supervisor hereby imposes a civil penalty totaling twenty-seven thousand five hundred dollars
4 (\$27,500) for the 11 violations for failing to complete the required testing.

5 Taken together, the Supervisor imposes a total civil penalty of twenty-eight thousand
6 eight hundred fifty dollars (\$28,850).

7 **IV. Remediation of Violations**

8 Regulations section 1772.1.4, subdivision (f), provides that each well Operator failed to
9 test under a Testing Compliance Work Plan is subject to the requirements of Regulations
10 section 1772.1, subdivision (b). Regulations section 1772.1, subdivision (b), requires Operator to
11 do one of the following within 12 months of failing to successfully complete testing on a well:

- 12 1) Bring the well into compliance by performing and passing a casing pressure test
13 and, if the well has been idle for two or more years as of April 1, 2019, performing
14 and passing a clean out tag, as directed in Regulations section 1772.1.4;
- 15 2) Partially plug and abandon the well in accordance with Regulations section
16 1752;
- 17 3) Plug and abandon the well in accordance with PRC section 3208; or
- 18 4) Schedule the well for plugging and abandonment under an approved Idle Well
19 Management Plan or an approved Testing Waiver Plan.

20 Following the testing benchmarks listed in Regulations section 1772.1.4, subdivision (b),
21 30 percent of the Wells were due for testing by April 1, 2022, or earlier, and, as 12 months has
22 already passed since that date, those wells must be brought into compliance immediately. An
23 additional 20 percent of the Wells were due for testing by April 1, 2023; to fully comply with
24 Action 3, those wells must be brought into compliance by April 1, 2024. Therefore, by April 1,
25 2024, 50 percent of the Wells should be in full compliance with Regulations section 1772.1,
26 subdivision (b). Pursuant to PRC section 3224, the Supervisor hereby orders Operator to
27 complete this work to remedy these violations and come into compliance with Regulations
28 sections 1772.1.4, subdivision (f), and 1772.1, subdivision (b).

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

2 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3206, 3206.1, 3224,
3 and 3236.5, and Regulations sections 1772.1 and 1772.1.4, **IT IS HEREBY ORDERED** that Operator:

- 4 **1) Pay a civil penalty totaling twenty-eight thousand eight hundred fifty dollars**
5 **(\$28,850);**
- 6 **2) Submit an Idle Well Testing Compliance Work Plan, prepared as directed in**
7 **Regulations section 1772.1.4; and**
- 8 **3) In accordance with 1772.1.4, subdivision (b)(3), and 1772.1, subdivision (f), bring**
9 **six of the Wells (30%) into compliance by doing one of the following**
10 **immediately:**
- 11 **a. Bring the well into compliance by performing and passing a casing**
12 **pressure test and performing and passing a clean out tag if required, as**
13 **directed in Regulations section 1772.1.4;**
 - 14 **b. Partially plug and abandon the well in accordance with Regulations**
15 **section 1752;**
 - 16 **c. Plug and abandon the well in accordance with PRC section 3208; or**
 - 17 **d. Schedule the well for plugging and abandonment under an approved Idle**
18 **Well Management Plan or an approved Testing Waiver Plan.**
- 19 **4) In accordance with 1772.1.4, subdivision (b)(3), and 1772.1, subdivision (f), bring**
20 **five of the Wells (20%) into compliance by doing one of the following by April 1,**
21 **2024:**
- 22 **a. Bring the well into compliance by performing and passing a casing**
23 **pressure test and performing and passing a clean out tag if required, as**
24 **directed in Regulations section 1772.1.4;**
 - 25 **b. Partially plug and abandon the well in accordance with Regulations**
26 **section 1752;**
 - 27 **c. Plug and abandon the well in accordance with PRC section 3208; or**

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1 **d. Schedule the well for plugging and abandonment under an approved Idle**
2 **Well Management Plan or an approved Testing Waiver Plan.**

3 Operator is required to submit a Testing Compliance Work Plan and remedy the
4 violations immediately. A continuing failure to submit a Testing Compliance Work Plan and
5 bring the Wells into compliance with Regulations section 1772.1, subdivision (b), may subject
6 Operator to additional civil penalties even if this order is appealed.

7 To remit payment of the civil penalty online, please visit
8 <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department
9 of Conservation Geologic Energy Management Division," then follow the instructions on the
10 screen.

11 To remit payment of the civil penalty by mail, please send a check payable to
12 "Department of Conservation" to the following address:

13 Department of Conservation
14 CalGEM, Attn: Operational Management Unit
15 715 P Street, MS 1803
16 Sacramento, California 95814

17 Please include the Operator name, Order number, and phrase "Oil and Gas
18 Environmental Remediation Account" on the check itself.

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

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

25 Department of Conservation
26 Director's Office of Appeals
27 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
28 Sacramento, California 95814

1 Or via electronic mail:

2 CalGEMAppeals@conservation.ca.gov

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

7 If Operator does not file a timely written notice of appeal, or if the order is affirmed
8 following an appeal, this order will become a final order and CalGEM may contract for
9 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
10 Operator has not, in good faith, commenced the work ordered. Any costs incurred by
11 CalGEM to obtain compliance with this order (which may include penalties and interest) will
12 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
13 3356.)

14 **VII. Other Potential Actions to Enforce This Order**

15 Failure to comply with Section V (Operator's Required Actions) of this order could
16 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
17 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
18 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
19 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
20 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
21 in the future impose further civil penalties based on the facts and omissions underlying this
22 order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of
23 a well or the decommissioning of a production facility if an operator has failed to comply with
24 an order of the Supervisor within the time provided by the order or has failed to challenge the
25 order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply
26 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
27 distinct offense. (PRC, § 3359.)

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DATED: December 21, 2023

Douglas Ito

Doug Ito
State Oil and Gas Supervisor

1 Service List

2 Jaco Production Company
3 3101 State Road
4 Bakersfield, CA 93303

5 Jaco Production Company
6 c/o Richard Woodall or Lee Jamieson
7 P.O. Box 82515
8 Bakersfield, CA 93303

9 *Via Email*

10 Richard Woodall
11 richardw@jaco.com

12 Thomas Jamieson
13 jayjamiesonlaw@gmail.com

Attachment A

List of Operator's Idle Wells

API Number	Well Name	Idle Start Date	Field	Outstanding Test	Due Date
0402969392	Southern Pacific 111	1/1/1986	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2020
0402960229	C. E. Houchin et al 203-9	5/1/1996	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2021
0402968891	Houchin 223	7/1/1997	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2021
0402960231	C. E. Houchin et al 204-9	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2022
0402958116	C. E. Houchin et al 201-9	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2022
0402958117	C. E. Houchin et al 202-9	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2022
0402954641	C. E. Houchin et al 122-9	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2023
0402954642	C. E. Houchin et al 112-9	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2023
0402965648	Southern Pacific 102	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2023
0402964359	Southern Pacific 101	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2023
0402971774	C. E. Houchin et al 216-9	6/1/2000	Midway-Sunset	Casing Pressure Test Clean Out Tag	4/1/2023
0402970885	C. E. Houchin et al 213-9	6/1/2000	Midway-Sunset		
0402968805	C. E. Houchin et al 212-9	6/1/2000	Midway-Sunset		
0402968807	C. E. Houchin et al 217-9	6/1/2000	Midway-Sunset		
0402983278	C. E. Houchin et al 301-9	6/1/2000	Midway-Sunset		
0402983279	C. E. Houchin et al 303-9	6/1/2000	Midway-Sunset		
0402960230	C. E. Houchin et al 205-9	6/1/2000	Midway-Sunset		
0402954643	C. E. Houchin et al 119-9	6/1/2000	Midway-Sunset		
0402983280	C. E. Houchin et al 302-9	6/1/2000	Midway-Sunset		
0402983281	C. E. Houchin et al 304-9	6/1/2000	Midway-Sunset		
0402983271	C. E. Houchin et al WDW 1-9	6/1/2000	Midway-Sunset		

1 **Attachment B**

2 Definitions and Authorities

3
4 **Definitions**

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

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

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

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

25 **State Oil and Gas Supervisor Authority**

26 **PRC section 3106** authorizes the Supervisor to supervise the drilling, operation,
27 maintenance, and abandonment of oil and gas wells to "prevent, as far as possible, damage
28 to life, health, property, and natural resources; damage to underground oil and gas deposits

1 from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to
2 underground and surface waters suitable for irrigation or domestic purposes by the infiltration
3 of, or the addition of, detrimental substances."

4 **PRC section 3206.1, subdivision (e)** states that failure to file or comply with the idle well
5 testing and management requirements in CalGEM's regulations (implemented as directed by
6 Section 3206.1) "shall be conclusive evidence of desertion of the well, permitting the supervisor
7 to order the well abandoned pursuant to Section 3237."

8 **PRC section 3224** mandates that the Supervisor "order such tests or remedial work as in
9 his judgment are necessary to prevent damage to life, health, property, and natural resources;
10 to protect oil and gas deposits from damage by underground water; or to prevent the escape
11 of water into underground formations, or to prevent the infiltration of detrimental substances
12 into underground or surface water suitable for irrigation or domestic purposes, to the best
13 interests of the neighboring property owners and the public."

14 **PRC section 3226, subdivision (a)**, provides that "within 30 days after service of an order
15 pursuant to Sections 3224 and 3225, or Section 3237, or if there has been an appeal from the
16 order to the director, within 30 days after service of the decision of the director, or if a review
17 has been taken of the order of the director, within 10 days after affirmance of the order, the
18 owner or operator shall commence in good faith the work ordered and continue it until
19 completion. If the work has not been commenced and continued to completion, the
20 supervisor may appoint necessary agents to enter the premises and perform the work. An
21 accurate account of the expenditures shall be kept. Any amount so expended shall constitute
22 a lien against real or personal property of the operator pursuant to the provisions of Section
23 3423. Before performing such work, the division may impose a lien against the real or personal
24 property of the operator pursuant to Section 3423 in an amount equal to an estimate of the
25 cost of the work based on a bid from a contractor or previous costs to perform comparable
26 work."

27 **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a person who
28 violates any statutory provision in Chapter 1 of Division 3 of the PRC (PRC sections 3000 through

1 3473), or any regulation that implements those statutory provisions. Subject to the Supervisor's
2 discretion, the penalty amount may be up to \$25,000 per violation, per day.

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

5 **Regulations section 1772.1, subdivision (b)** provides, "In addition to any other penalty or
6 remedial requirement imposed by the Division, within 12 months of failing to successfully
7 complete testing under subdivisions (a)(2) or (3), or otherwise failing to comply with a
8 requirement of this section, the operator shall do one of the following:

9 (1) Bring the well into compliance;

10 (2) Partially plug and abandon the well in accordance with Section 1752;

11 (3) Plug and abandon the well in accordance with Public Resources Code section
12 3208; or

13 (4) Schedule the well for plugging and abandonment under an approved Idle Well
14 Management Plan or an approved Testing Waiver Plan.

15 **Regulations section 1772.1.4, subdivision (a)** provides, "Notwithstanding the timeframes
16 specified in Section 1772.1(a)(2) and (a)(3), for all wells that are idle wells as of April 1, 2019,
17 the operator shall conduct a pressure test and clean out tag as described under those
18 subdivisions by April 1, 2025, unless the well is plugged and abandoned, partially plugged and
19 abandoned, or scheduled for plugging and abandonment under an approved Idle Well
20 Management Plan or Testing Waiver Plan. By June 1, 2019, the operator shall provide the
21 Division with a Testing Compliance Work Plan that schedules completion of this testing over the
22 six-year period in accordance with the requirements of this section."

23 **Regulations section 1772.1.4, subdivision (b)** provides, "The operator's Testing
24 Compliance Work Plan shall schedule a pressure test and a clean out tag, as described in
25 Section 1772.1(a)(2) and (a)(3), for each well that is an idle well as of April 1, 2019, but the
26 Testing Compliance Work Plan shall exclude any well scheduled for plugging and
27 abandonment under an approved Idle Well Management Plan or Testing Waiver Plan. The
28 Testing Compliance Work Plan shall include the following required annual benchmarks:

1 (1) Testing shall be completed on at least 5 percent of all of the wells covered by the
2 Testing Compliance Work Plan by April 1, 2020.

3 (2) Testing shall be completed on at least 15 percent of all of the wells covered by the
4 Testing Compliance Work Plan by April 1, 2021.

5 (3) Testing shall be completed on at least 30 percent of all of the wells covered by the
6 Testing Compliance Work Plan by April 1, 2022.

7 (4) Testing shall be completed on at least 50 percent of all of the wells covered by the
8 Testing Compliance Work Plan by April 1, 2023.

9 (5) Testing shall be completed on at least 75 percent of all of the wells covered by the
10 Testing Compliance Work Plan by April 1, 2024.

11 (6) Testing shall be completed on all of the wells covered by the Testing Compliance
12 Work Plan by April 1, 2025.

13 (7) At least one well shall be scheduled for testing in each year until initial testing is
14 completed on all wells covered by the Testing Compliance Work Plan.

15 **Regulations section 1772.1.4, subdivision (f)** provides that "if the operator does not
16 complete testing on the number of wells required ..., then each well that the operator failed
17 to test constitutes a separate violation and is subject to the requirements of Section 1772.1(b)."
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Attachment C

Notice of Violation – Failure to Submit an Idle Well Testing Compliance Work Plan

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NOTICE OF VIOLATION

June 24, 2022

Agent
Jaco Production Company (J0700)
3101 State Road
Bakersfield CA, 93303

FAILURE TO SUBMIT AN IDLE WELL TESTING COMPLIANCE WORK PLAN

Dear Agent:

The California Geologic Energy Management Division (CalGEM) has reviewed its records and determined that **Jaco Production Company** is in violation of California Code of Regulations, title 14 (CCR), section 1772.1.4 by failing to submit an Idle Well Testing Compliance Work Plan.

In accordance with CCR section 1772.1.4, every operator of an idle well was required to submit a Testing Compliance Work Plan by June 1, 2019 or within 90 days of becoming the operator of any well required to be scheduled on a Testing Compliance Work Plan. (CCR, § 1772.1.4, subds. (a) and (d).) The Testing Compliance Work Plan schedules completion of a casing pressure test and a clean out tag for each of the operator's wells that was an idle well as of April 1, 2019.

Please submit your documentation demonstrating compliance with CCR section 1772.14 to CalGEM, preferably through WellSTAR using the "Idle Well Form" or by emailing a completed form to CalGEMIdleWells@conservation.ca.gov **by July 15, 2022**. If submitting through WellSTAR, please identify the "Idle Well Form" with a "Form Description" of either "TCWP" or "Testing Compliance Work Plan." If submitting by email, please include your operator code in the subject line.

For your convenience, CalGEM has created an Excel form for the completion of the Idle Well Testing Compliance Work Plan. This form is available by contacting the Idle Well Program at CalGEMIdleWells@conservation.ca.gov.

Agent, Agent
Jaco Production Company (J0700)
June 24, 2022

The most recent inventory of wells required to be scheduled on the Testing Compliance Work Plan is available on the CalGEM Idle Well Program webpage at https://www.conservation.ca.gov/calgem/idle_well/Pages/idle_well.aspx

If you believe you received this Notice of Violation in error, please email the Idle Well Program at CalGEMIdleWells@conservation.ca.gov, by July 8, 2022, and include the operator name and operator code in the subject line.

Failure to comply with CCR section 1772.1.4 is a violation of law, which may subject you to civil penalties. (Pub. Resources Code, § 3236.5.) In addition, failure to comply with CCR section 1772.1.4 is conclusive evidence of desertion of the well(s) for which the State Oil and Gas Supervisor may order the well(s) plugged and abandoned. (Pub. Resources Code, §§ 3206.1, subd. (e) and 3237.)

If you have any questions, please contact the Idle Well Program at CalGEMIdleWells@conservation.ca.gov.

Sincerely,

Dante Vianzon
Supervising Oil and Gas Engineer

cc:

Attachment D

Notice of Violation – Failure to Meet Annual Benchmarks
for Idle Well Testing Compliance Work Plan

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July 28, 2022

ATTN: Agent
Jaco Production Company, J0700
3101 State Road
Bakersfield CA, 93303

NOTICE OF VIOLATION

FAILURE TO MEET ANNUAL BENCHMARKS FOR IDLE WELL TESTING COMPLIANCE WORK PLAN

Dear Agent:

The California Geologic Energy Management Division (CalGEM) has reviewed its records and determined that Jaco Production Company is in violation of California Code of Regulations, title 14 (CCR), section 1772.1.4 for failing to meet the annual testing benchmarks required under its Idle Well Testing Compliance Work Plan (TCWP).

In accordance with CCR section 1772.1.4, Operators with a TCWP are required to meet the following annual testing benchmarks under its TCWP for all wells that were idle wells as of April 1, 2019:

1. At least five percent (5%) of all the wells covered by the TCWP by April 1, 2020.
2. At least fifteen percent (15%) of all the wells covered by the TCWP by April 1, 2021.
3. At least thirty percent (30%) of all the wells covered by the TCWP by April 1, 2022.
4. At least fifty percent (50%) of all the wells covered by the TCWP by April 1, 2023.
5. At least seventy-five percent (75%) of all the wells covered by the TCWP by April 1, 2024.
6. One hundred percent (100%) of all the wells covered by the TCWP by April 1, 2025.
7. At least one well shall be scheduled for testing in each year until initial testing is completed on all wells covered by the TCWP.

Each well that failed to be tested constitutes a separate violation, (CCR, § 1772.1.4, subd. (f).) Please see enclosure for each well in violation of CCR section 1772.1.4.

Because of the failure to successfully complete the testing required under CCR section 1772.1.4, each well is now subject to the requirements of CCR section 1772.1, subdivision (b). Within 12 months of the date by which Operators are required to conduct the testing for each of the well(s) listed in the enclosure the Operator must:

1. Bring the well into compliance;
2. Partially plug and abandon the well in accordance with CCR section 1752;
3. Plug and abandon the well in accordance with Public Resources Code section 3208; or
4. Schedule the well for plugging and abandonment under an approved Idle Well Management Plan or an approved Testing Waiver Plan.

To avoid further enforcement action, ensure that the cumulative benchmarks of 50% of all wells listed on the TCWP are tested, partially plugged in accordance with CCR section 1752, or plugged and abandoned by April 1, 2023. Wells scheduled for plugging and abandonment on an approved Idle Well Management Plan or an approved Testing Waiver Plan are not required to be scheduled on a TCWP.

If you believe you received this Notice of Violation in error, please email the Idle Well Program at CalGEMIdleWells@conservation.ca.gov, within 10 days of receipt and include your operator name and operator code in the subject line.

Failure to comply with CCR section 1772.1.4 is a violation of law, which may subject you to civil penalties. (Pub. Resources Code, § 3236.5.) In addition, failure to comply with CCR section 1772.1.4 is conclusive evidence of desertion of the well(s) for which the State Oil and Gas Supervisor may order the well(s) plugged and abandoned. (Pub. Resources Code, §§ 3206.1, subd. (e) and 3237.)

If you have any questions, please contact the Idle Well Program at CalGEMIdleWells@conservation.ca.gov.

Sincerely,

Dante Vianzon
Supervising Oil and Gas Engineer

CC:

Enclosure: List of wells that are overdue for testing on the Testing Compliance Work Plan

Enclosure:

List of wells that are overdue for testing on the Testing Compliance Work Plan

Well API	Well Designation	Years Idle on April 1, 2019	Casing Pressure Test Overdue as of:	Cleanout tag Overdue as of:
0402969392	Southern Pacific 111	33.25	4/1/2020	4/1/2020
0402960229	C. E. Houchin et al 203-9	22.92	4/1/2021	4/1/2021
0402968891	Houchin 223	21.75	4/1/2021	4/1/2021
0402960231	C. E. Houchin et al 204-9	18.83	4/1/2022	4/1/2022
0402958116	C. E. Houchin et al 201-9	18.83	4/1/2022	4/1/2022
0402958117	C. E. Houchin et al 202-9	18.83	4/1/2022	4/1/2022

**NOTICE OF APPEAL TO THE
DIRECTOR OF THE DEPARTMENT OF CONSERVATION**

Use of this form is optional. You may use this form to prepare a Notice of Appeal from the enclosed Order. The style and content of this form are only suggestions. You may file a written notice of appeal in a different format.

Mail the completed form to the address at the bottom of this page.

Box 1: Statement of Intent to Appeal (Review the text in this box to confirm that the operator information Order No. 1356 are accurate. Make any necessary corrections directly on the form.)
Operator, Jaco Production Company, hereby appeals from State Oil and Gas Supervisor Order No. 1356
Box 2: Basis of Appeal (Explain the reasons why you are appealing the order. Make your explanation as clear and complete as you can. If you need more space to write your explanation, attach additional pages. Label any attached additional pages with "Notice of Appeal re: Order No. 1356")
The reasons for this appeal are as follows: _____ _____ _____ _____ <input type="checkbox"/> (Attach additional pages as necessary.)
Box 3: Contact Information for Operator Representative (Provide contact information for the preferred operator representative with whom the Appeals Officer and Supervisor's legal counsel may communicate regarding the appeal.)
Name: _____ Physical Mail: (Address) _____ (City, State, Zip) _____ Phone: (_____) _____ - _____ Email: _____ <input type="checkbox"/> I agree to document service using the email address above.
Box 4: Certification of Authority

Mail or E-mail this Notice of Appeal to the following the following address, as appropriate:

Department of Conservation, Director's Office of Appeals
715 P Street, MS 1906 (Legal Office, Chief Counsel)
Sacramento, CA 95814-3530
CalGEMAppeals@conservation.ca.gov

(Verify that all information on or attached to the form is correct, then sign and date the certification where indicated.)

I am the operator named in Box 1, above, or I have authority to act on behalf of that operator for purposes of preparing and filing this Notice of Appeal.

Signature: _____

Date: _____

Printed Name: _____

Affiliation with operator: _____

(e.g., self, owner, president, legal counsel, etc.)

Mail or E-mail this Notice of Appeal to the following the following address, as appropriate:

Department of Conservation, Director's Office of Appeals
715 P Street, MS 1906 (Legal Office, Chief Counsel)
Sacramento, CA 95814-3530
CalGEMAppeals@conservation.ca.gov

rev. 5/14/2020

1 **PROOF OF SERVICE BY CERTIFIED U.S. MAIL**

2 I declare that I am employed in the County of Sacramento, California. I am over the
3 age of 18 and not a party to the within captioned cause. My business address is 715 P Street,
4 MS 1803, Sacramento, California 95814. On December 21, 2023, I served the following
5 document(s):

6 **ORDER TO PAY A CIVIL PENALTY**
7 **ORDER NUMBER 1356**

8 by enclosing them in an envelope and placing the envelope for collection and mailing by
9 certified U.S. mail on the date and at the below listed address(es) following our ordinary
10 business practices. I am readily familiar with this business's practice for collecting and
11 processing correspondence for mailing. On the same day that correspondence is placed
12 for collection and mailing, it is deposited in the ordinary course of business with the United
13 States Postal Service in a sealed envelope with postage fully prepaid.

14 I served the documents on the person or persons below, as follows:

15 16 17 18 19 20 21 22 23 24 25 26 27 28	Jaco Production Company 3101 State Road Bakersfield, CA 93303 Certified Mail Receipt Number: 9589 0710 5270 1467 6681 06	Jaco Production Company c/o Richard Woodall or Lee Jamieson P.O. Box 82515 Bakersfield, CA 93303 Certified Mail Receipt Number: 9589 0710 5270 1467 6681 13
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I declare under penalty of perjury of the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on December 21, 2023, at Sacramento, CA.



Rachael A. Tadlock

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jaco Production Company
 3101 State Road
 Bakersfield, CA 93303

135e



9590 9402 8259 3094 9207 19

2. Article Number (Transfer from service label)

9589 0710 5270 1467 6681 06

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

- Agent
- Addressee

B. Received by (Printed Name)

C. Date of Delivery

12/2/13

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Insured Mail
- Insured Mail Restricted Delivery (over \$500)
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

USPS TRACKING#



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United States
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JAN - 3 2024

Geologic Energy
Management Division

• Sender: Please print your name, address, and ZIP+4® in this box•

Natural Resources Agency
Department of Conservation
Geologic Energy Management Division
715 P Street, MS 1803
Sacramento, CA 95814

Rachael Tadlock

1356

1-554-200

