

1 Department of Conservation, Division of Oil, Gas, and Geothermal Resources
2 STATE OIL AND GAS SUPERVISOR
3 801 K Street, MS 24-03 (Legal Office)
4 Sacramento, California 95814-3530
5 Telephone (916) 323-6733
6 Facsimile (916) 445-9916

7
8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**

12
13 **ORDER TO:**
14 **PLUG AND ABANDON WELLS,**
15 **DECOMMISSION ATTENDANT FACILITIES, AND**
16 **RESTORE WELL SITE**

17
18 **NO. 1134**
19 **Dated: December 7, 2018**
20 **Operator: Laymac Corporation, L0800**

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22
23 **BY**
24 **Kenneth A. Harris Jr.**
25 **STATE OIL AND GAS SUPERVISOR**
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1 used in production stimulation, or been used for enhanced oil recovery, reservoir pressure
2 management, or injection.”

3 **PRC section 3008, subdivision (e)**, defines “Long-term idle well” to mean “any well
4 that has been an idle well for eight or more years.”

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, or
7 control a well or production facility.”

8 **Regulations section 1760, subdivision (k)**, defines “Production facility” to mean “any
9 equipment attendant to oil and gas production...including, but not limited to, tanks, flowlines,
10 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
11 equipment, production safety systems, separators, manifolds, and pipelines that are not under the
12 jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code,
13 excluding fire suppressant equipment.”

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

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

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

27 **PRC section 3226** authorizes the Supervisor, based on the Supervisor’s final or affirmed
28 order, to appoint agents who may enter the well premises and perform necessary remedial work

1 if the operator did not complete the remedial work as ordered. Any amount the Supervisor
2 expends to complete the necessary remedial work (which may include penalties and interest)
3 constitutes a lien against the operator's real or personal property according to **PRC section**
4 **3423**.

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

9 **IV. Conclusive Evidence of Desertion**

10 The Division's records show that the Division notified Operator of Operator's idle well
11 fee obligations, three times, by U.S. mail. First, the Division sent an idle well fee "Invoice"
12 dated January 31, 2018. (See Exhibit B; incorporated herein.) Second, the Division sent a
13 subsequent, related revised idle well fee invoice ("Revised Invoice") dated June 22, 2018. (See
14 Exhibit C; incorporated herein.) Third, the Division sent a related "Past Due" notice dated
15 August 17, 2018. (See Exhibit D; incorporated herein.)

16 Notwithstanding the above notices, Operator has not paid the annual fees required for **the**
17 **Well(s)** under **PRC section 3206** (former or current), and has an outstanding balance of
18 approximately \$3,750.00 in idle well fees. Operator's failure to pay the required idle well fees
19 for **the Well(s)** is conclusive evidence of desertion. (**PRC, § 3206, subd. (c).**)

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

21 For the reasons stated above, the Division has determined that Operator has deserted **the**
22 **Well(s) and Facilities**. Therefore, **IT IS HEREBY ORDERED** that Operator plug and
23 abandon **the Well(s)** and decommission **the Facilities** according to **PRC sections 3208, 3228,**
24 **3229, and 3230, Regulations sections 1722, 1723 through 1724.1, 1760, 1775, and 1776,** and
25 the conditions included in any permit the Division may issue pursuant to **PRC section 3229**.

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

27 **PRC section 3237, subdivision (b)**, entitles an operator to appeal a Supervisor's order to
28 plug and abandon a deserted well. A notice of appeal must be timely made, in writing, and filed

1 with the Director. (See **PRC beginning at PRC section 3350.**) To file an appeal, a written
2 notice of appeal may be mailed to the following address:

3
4 Department of Conservation
5 Director's Office of Appeals
6 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
7 Sacramento, California 95814-3530

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

14 If Operator submits a timely written notice of appeal, it, and interested parties, will
15 receive notice of the appeal hearing date, time, and place. Following the hearing, Operator, and
16 interested parties, will receive a written decision that affirms, sets aside, or modifies the
17 appealed order.

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

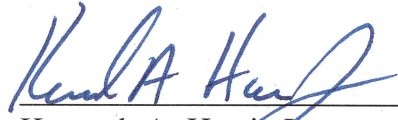
19 Failing to comply with **Section V** (Operator's Required Actions) of this Order could
20 subject Operator to further enforcement action. For example, the Supervisor could deny
21 approval of proposed well operations until compliance is achieved. (**PRC, § 3203, subd. (c).**)

22 In addition, **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a
23 person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that
24 implements those statutes, and the Supervisor may in the future impose a civil penalty based on
25 the acts and omissions underlying this Order.

26 Further, **PRC section 3236** makes it a misdemeanor for any person who violates, fails,
27 neglects, or refuses to comply with any of the provisions of the oil and gas law (statutes and
28 regulations). The misdemeanor is punishable by a fine of not less than one hundred dollars

1 (\$100) nor more than one thousand dollars (\$1,000), or by imprisonment not exceeding six
2 months, or by both the fine and imprisonment for each separate offense. **PRC section 3359**
3 makes it a misdemeanor to fail or neglect to comply with an order of the Supervisor. Each day's
4 further failure, refusal, or neglect is a separate and distinct offense. (**PRC, § 3359.**)
5

6 DATED: December 7, 2018
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Kenneth A. Harris Jr.
State Oil and Gas Supervisor

EXHIBIT A

Well List

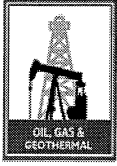
Api Number	District Name	Field Name	Operator Code	Operator Name	Lease Name	Well Number	Corrected Idle Start Date	Years Idle	Fee Amount
02946566	Inland	McDonald Anticline	L0800	Laymac Corporation	San Joaquin	11	2/1/1976	41.94	\$1,500.00
07720003	Northern	French Camp Gas	L0800	Laymac Corporation	Reynolds & Carver-West	1	3/1/2001	16.85	\$750.00
07720033	Northern	French Camp Gas	L0800	Laymac Corporation	Reynolds & Carver-Long	1	2/1/1992	25.93	\$1,500.00

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Exhibit B

Idle Well Fee Invoice

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State of California • Natural Resources Agency
Department of Conservation
Division of Oil, Gas, and Geothermal Resources
801 K Street • MS 18-05
Sacramento, CA 95814
(916) 445-9686 • FAX (916) 319-9633

Edmund G. Brown Jr., Governor
Kenneth A. Harris Jr., State Oil and Gas Supervisor

January 31, 2018

Laymac Corp. L0800
1601 H Street Suite 200
Bakersfield CA 93301

IDLE WELL FEE INVOICE

INVOICE NUMBER: L0800-2018-1968

Due to the delay in generating the 2018 Idle Well Fee letters, operators will be given 30 days from the date on this fee letter to respond by either paying the idle well fees due or submitting an Idle Well Management Plan.

Section 3206 of the Public Resources Code (PRC) specifies requirements for operators to manage their idle wells. No later than February 19, 2018, operators must choose one of the following two options for all idle wells in order to satisfy Section 3206:

1. Pay an annual fee for each idle well, or
2. File an Idle Well Management Plan for the management and elimination of long-term idle wells, which is subject to approval by the supervisor.

Information on your inventory of idle wells is available from the appropriate Division office or via the internet (http://www.conservation.ca.gov/dog/idle_well). If you disagree with any of the listed information, contact the Headquarters Idle Well Program at (916) 445-9686 or DOGGRIdleWells@conservation.ca.gov.

The idle-well fee in Option 1 is based on the length of time a well has been idle, as follows:

- One hundred fifty dollars (\$150) for each idle well that has been an idle well for three years or longer, but less than eight years.
- Three hundred dollars (\$300) for each idle well that has been an idle well for eight years or longer, but less than 15 years.
- Seven hundred fifty dollars (\$750) for each idle well that has been an idle well for 15 years or longer, but less than 20 years.
- One thousand five hundred dollars (\$1,500) for each idle well that has been an idle well for 20 years or longer.

If you are considering an Idle Well Management Plan, please download the appropriate form from the Idle Well webpage (http://www.conservation.ca.gov/dog/idle_well) or contact any district office. Follow the instructions on the form for submission by February 19, 2018. If you choose Option 1, Division records indicate the following:

For wells idle 3 years, but less than 8 years:	0	\$0
For wells idle 8 years, but less than 15 years:	0	\$0
For wells idle 15 years, but less than 20 years:	2	\$1500
For wells idle 20 years or longer:	1	\$1500
Total Fees Due by February 19, 2018:		\$3000

You must file any fees or an Idle Well Management Plan by February 19, 2018. If you do not file your selected option by this date, the idle well fee option will be in effect and the amount due will be assessed. Send your payment to:

**Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 18-00
Sacramento, CA 95814**

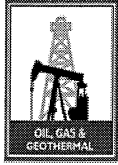
Please make idle well fee check(s) payable to: Department of Conservation and indicate the invoice number and "For idle well fees".

As stated in Notice to Operators (NTO) 2017-02, Assembly Bill 2729 (AB 2729) became operative on January 1, 2017. The statute was passed in response to the continued growth of idle well liability in California. These recent amendments to law contain new idle well management, idle well fee, and well bonding requirements that directly impact Section 3206 of the Public Resources Code. Please review NTO 2017-02 for details regarding these changes, a copy of which can be found on the Division's website. The key to successful compliance is planning your strategy early and communication that strategy with the Division. If you need additional information, please contact the Idle Well Program at (916) 445-9686 or DOGGRIdleWells@conservation.ca.gov.

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Exhibit C

Revised Idle Well Fee Invoice



State of California • Natural Resources Agency
Department of Conservation
Division of Oil, Gas, and Geothermal Resources
801 K Street • MS 18-05
Sacramento, CA 95814
(916) 445-9686 • FAX (916) 319-9633

Edmund G. Brown Jr., Governor
Kenneth A. Harris Jr., State Oil and Gas Supervisor

June 22, 2018

Laymac Corporation L0800
1601 H Street, Suite 200
Bakersfield CA 93301

REVISED IDLE WELL FEE INVOICE

INVOICE NUMBER: L0800-2018-1968

Fee letters are being re-issued due to the error in the 2018 Idle Well Fee letters, dated January 19, 2018. Although idle well payment is due by January 31 each year, the Division is allowing Operators until 30 days from the date on this fee letter to respond by either paying the idle well fees due or submitting an Idle Well Management Plan.

Public Resources Code (PRC) section 3206 specifies requirements for operators to manage their idle wells. No later than **July 23, 2018**, operators must choose one of the following two options for all idle wells in order to satisfy these requirements:

1. Pay an annual fee for each idle well, or
2. File an Idle Well Management Plan for the management and elimination of long-term idle wells, which is subject to approval by the supervisor.

Your idle-well fee calculation is below, and further information on your inventory of idle wells is available from the appropriate Division office or via the internet (http://www.conservation.ca.gov/dog/idle_well). If you believe this information is in error, please complete and submit the "Inventory Error" form found at http://www.conservation.ca.gov/dog/idle_well or contact the Headquarters Idle Well Program at (916) 445-9686 or DOGGRIdleWells@conservation.ca.gov.

Idle-Well Fee Calculation

The idle-well fees imposed under PRC section 3206, subdivision (a)(1), are based on the length of time a well has been idle, as follows:

- One hundred fifty dollars (\$150) for each idle well that has been an idle well for three years or longer, but less than eight years.
- Three hundred dollars (\$300) for each idle well that has been an idle well for eight years or longer, but less than 15 years.
- Seven hundred fifty dollars (\$750) for each idle well that has been an idle well for 15 years or longer, but less than 20 years.
- One thousand five hundred dollars (\$1,500) for each idle well that has been an idle well for 20 years or longer.

If you choose to comply with PRC section 3206 by paying idle fees, then Division records indicate that your total idle-well fees for 2018 are as follows:

For wells idle 3 years, but less than 8 years:	0	\$ 0
For wells idle 8 years, but less than 15 years:	0	\$ 0
For wells idle 15 years, but less than 20 years:	1	\$ 750
For wells idle 20 years or longer:	2	\$ 3000
Total Fees Due 30 days from the date of this letter:		\$ 3750

Idle Well Management Plan

If you are considering an Idle Well Management Plan, please download the appropriate form from the Idle Well webpage (http://www.conservation.ca.gov/dog/idle_well) or contact any district office. Follow the instructions on the form for submission no later than July 23, 2018.

You must file the total amount of idle-well fees due or an Idle Well Management Plan no later than July 23, 2018. As of the date of this letter, neither fees nor an Idle Well Management Plan have been filed with the Division. If you elect to pay idle-well fees, please send your payment to:

**Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 18-00
Sacramento, CA 95814**

Please make idle well fee check(s) payable to: Department of Conservation and indicate the invoice number and "For idle well fees".

Failure to comply with PRC section 3206 by filing either the total amount of idle-well fees due or an Idle Well Management Plan within 30 days may result in enforcement action. Pursuant to PRC sections 3236.5 and 3237, such enforcement action can include issuance of a civil penalty or an order to plug and abandon wells.

As discussed in Notice to Operators (NTO) 2017-02, new legislation became operative on January 1, 2017, amending the requirements for idle well management, idle well fees, and

L0800

June 22, 2018

Page 3

well bonding. Please review NTO 2017-02 for details regarding these changes, a copy of which can be found on the Division's website. The key to successful compliance is planning your strategy early and communicating that strategy with the Division. If you need additional information, please contact the Idle Well Program at (916) 445-9686 or DOGGRIdleWells@conservation.ca.gov.

Exhibit D

Past Due Idle Well Fee

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State of California • Natural Resources Agency
Department of Conservation
Division of Oil, Gas, and Geothermal Resources
801 K Street • MS 18-05
Sacramento, CA 95814
(916) 445-9686 • FAX (916) 319-9633

Edmund G. Brown Jr., Governor
Kenneth A. Harris Jr., State Oil and Gas Supervisor

Date: August 17, 2018

To: Laymac Corporation L0800
1601 H Street, Suite 200
Bakersfield CA 93301

Re: PAST DUE IDLE WELL FEES for Operator Code: L0800

On June 22, 2018 the Division of Oil, Gas, and Geothermal Resources sent you a 2018 Idle Well Invoice, **INVOICE NUMBER: L0800-2018-1968**, with the required idle well fees due by July 23, 2018. To date, our records show that you have not paid your 2018 idle well fees.

Failure to comply with Public Resources Code (PRC) section 3206 by filing either the total amount of idle-well fees due will result in enforcement action. Pursuant to PRC sections 3236.5 and 3237, such enforcement action can include issuance of a civil penalty or an order to plug and abandon wells.

PAST DUE AMOUNT: \$ 3750.00

You must file the total amount of idle-well fees due no later than August 31, 2018.
Please send your payment to:

Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 18-00
Sacramento, CA 95814

Please make idle well fee check(s) payable to: Department of Conservation and indicate the invoice number and "For idle well fees". If you need additional information, please contact the Idle Well Program at (916) 445-9686 or DOGGRIdleWells@conservation.ca.gov.

Notice of Appeal

to the Director of the Department of Conservation

Instructions

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.

Box 1: Review the text in this box to confirm that the operator information and order number are accurate. Make any necessary corrections directly on the form.

Box 2: Here you may 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 1134" where 1134 is the number of the order you are appealing.

Box 3: Provide contact information for the preferred operator representative with whom the Appeals Officer and Supervisor's legal counsel may communicate regarding the appeal.

Box 4: Verify that all information on or attached to the form is correct, then sign and date the certification where indicated.

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

Box 1: Statement of Intent to Appeal

Operator Laymac Corporation, L0800 hereby appeals from State Oil and Gas Supervisor Order Number 1134.

Box 2: Basis of Appeal

The reasons for this appeal are as follows:

(Attach additional pages as necessary.)

Box 3: Contact Information for Operator Representative

Name: _____

Physical Mail:

(Address) _____

(City, State, Zip) _____

Phone: (_____) _____ - _____

Email: _____

Box 4: Certification of Authority

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 this notice of appeal to the following address:

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

Oil, Gas, and
Alternative Resources
Department of Conservation
Shovel, MS 18-05
Berkeley, CA 94704

7016 1071 0000 0007 0000

Refused

James Smith
Laymac Corporation, L0800
1601 H Street, Suite 200
Bakersfield, CA 93301

RECEIVED
DEC 11
DIVISION OF
LAND ACQUISITION

-R-T-N- 933015114-1N 12/13/10

RETURN TO SENDER
UNABLE TO FORWARD
RETURN TO SENDER



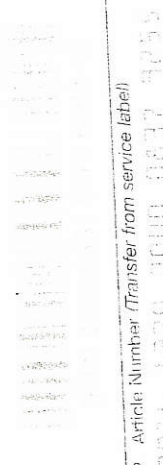
Refused

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:

James Smith
Laymac Corporation, L0800
1601 H Street, Suite 200
Bakersfield, CA 93301



2. Article Number (Transfer from service label)
7031 1370 1000 0837 4255

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee
B. Received by (Printed Name) C. Date of Delivery
D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Adult Signature Restricted Delivery
 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
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Domestic Return Receipt

PS Form 3811, July 2015 PSN 7530-02-000-9053