1	Department of Conservation, Division of Oil, Gas, and Geothermal Resources STATE OIL AND GAS SUPERVISOR
2	801 K Street, MS 24-03 (Legal Office)
3	Sacramento, California 95814-3530
4	Telephone (916) 323-6733 Facsimile (916) 445-9916
5	
6	
7	
8	STATE OF CALIFORNIA
9	NATURAL RESOURCES AGENCY
10	DEPARTMENT OF CONSERVATION
11	DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES
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14	ORDER TO:
15	PLUG AND ABANDON WELLS,
16	DECOMMISSION ATTENDANT FACILITIES, ANI
17	RESTORE WELL SITE
18	
19	NO. 1137
20	Dated: December 7, 2018
21	Operator: Polaris Production, Inc., P3985
22	
23	
	\mathbf{BY}
24	Kenneth A. Harris Jr.
25	STATE OIL AND GAS SUPERVISOR
26	
27	

I. Introduction

The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and Geothermal Resources (Division), may order the plugging and abandonment of a well or the decommissioning of a production facility that has been deserted, whether or not any damage is occurring, or threatened, by reason of that deserted well. (**Pub. Resources Code [PRC]**, § 3237, subdivision (a).) When the operator of an idle well has not filed a long-term idle well management plan with the Supervisor, the operator's failure to pay annual fees for the idle well is *conclusive evidence* of desertion. (**PRC**, § 3206, subds. (a) and (c); emphasis added).

Based on the Division's records, Polaris Production, Inc. is a responsible "operator" (Operator) (as defined in PRC section 3009) and is responsible (as specified in PRC section 3237, subdivision (c)(1)), for the plugging and abandonment of the well(s) on Exhibit A (incorporated herein; the Well(s), the decommissioning of the attendant production facilities (the Facilities), and the restoration of the well site (the Wells and Facilities). Herein, the Supervisor is ordering Operator to do so because the Supervisor has determined, based on information, belief, and the conclusive evidence detailed below, that Operator has deserted the Wells and Facilities.

Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, and as set forth below, the Supervisor is ordering Operator to plug and abandon the Wells and decommission the Facilities according to PRC sections 3208, 3228, 3229, and 3230, California Code of Regulations, title 14, (Regulations) sections 1722, 1723 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit/approval the Division may issue pursuant to PRC section 3229.

II. Definitions

PRC section 3008, subdivision (a), defines "Well" to mean "any oil or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas," among others.

PRC section 3008, subdivision (d), defines "Idle well" to mean "any well that for a period of 24 consecutive months has not either produced oil or natural gas, produced water to be

used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection."

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

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

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

III. State Oil and Gas Supervisor Authority

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

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

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

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

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

IV. Conclusive Evidence of Desertion

The Division's records show that the Division notified Operator of Operator's idle well fee obligations, twice, by U.S. mail. First, the Division sent a revised idle well fee invoice ("Revised Invoice") dated June 22, 2018. (See Exhibit B; incorporated herein.) Second, the Division sent a subsequent, related "Past Due" notice dated August 17, 2018. (See Exhibit C; incorporated herein.)

Notwithstanding the above notices, Operator has not paid the annual fees required for **the Well(s)** under **PRC section 3206** (former or current), and has an outstanding balance of approximately \$1,500.00 in idle well fees. Operator's failure to pay the required idle well fees for **the Well(s)** is conclusive evidence of desertion. (**PRC**, § 3206, subd. (c).)

V. Operator's Required Actions

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

VI. Operator's Appeal Rights

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

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

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

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

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

VII. Other Potential Actions to Enforce This Order

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

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

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

(\$100) nor more than one thousand dollars (\$1,000), or by imprisonment not exceeding six months, or by both the fine and imprisonment for each separate offense. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct offense. (PRC, § 3359.) DATED: December 7, 2018 Kenneth A. Harris Jr. State Oil and Gas Supervisor

Api Number	District Name	Field Name	Operator Code	Operator Name	Lease Name	Well Number	Corrected Idle Start Date	Years Idle	Fee Amount
07720100	Northern	River Island Gas	P3985	Polaris	Gianelli	1	12/1/1996	21.10	\$1,500.00

Exhibit B

Revised Idle Well Fee Invoice





Department of Conservation
Division of Oil, Gas, and Geothermal Resources
S01 K Street • MS 18-05
Secremento, CA 95814
(916) 445-9686 • FAX (916) 319-9533

June 22, 2018

Polaris Production, Inc. P3985 236 S. Coronado St., No. 409 Los Angeles CA 900571456

REVISED IDLE WELL FEE INVOICE

INVOICE NUMBER: P3985-2018-3036

Fee letters are being re-issed 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:	0	\$ 0
For wells idle 20 years or longer:	1	\$ 1500

Total Fees Due 30 days from the date of this letter: \$ 1500

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

P3985 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 C

Past Due Idle Well Fee

9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |

Kanneth A. Harris Ir., State Oil and Gae Supervisor



Department of Conservation
Division of Oil, Gas, and Geothermal Resources
801 K Street • MS 18-05
Secremento, CA 95814
(919) 445-9688 • FAX (916) 319-9533

Date: August 17, 2018

To: Polaris Production, Inc.

236 S. Coronado St., No. 409 Los Angeles CA 900571456

Re: PAST DUE IDLE WELL FEES for Operator Code: P3985

On June 22, 2018 the Division of Oil, Gas, and Geothermal Resources sent you a 2018 Idle Well Invoice, **INVOICE NUMBER: P3985-2018-3036**, 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.

P3985

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: \$ 1500.00

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.

PROOF OF SERVICE BY CERTIFIED U.S. MAIL

I declare that I am employed in the County of Sacramento, California. I am over the age of 18 and not a party to the within captioned cause. My business address is 801 K Street, MS 18-05, Sacramento, California 95814. On December 7, 2018, I served the following document(s):

ORDER TO: PLUG AND ABANDON WELLS, DECOMMISSION ATTENDANT FACILITIES, AND RESTORE WELL SITE and ORDER NO. 1137

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

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

John F. Hertz Esq.
Polaris Production, Inc. P3985
236 S. Coronado Street, No. 409
Los Angeles, CA 90057
Certified Mail Receipt Number:
7016 1370 0000 0837 9279

Polaris Production, Inc. P3985 123 E 9th Street, No. 321 Upland, CA 91786 Certified Mail Receipt Number: 7016 1370 0000 0837 9286

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 <u>December 7, 2018</u>, at Sacramento, CA.

Rachael Tadlock

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 1137" where 1137 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 Polaris Production, Inc., P3985 hereby appeals from State Oil and Gas Supervisor Order Number 1137.

Box 2: Basis						
The reasons fo	r this appeal	are as foll	ows:			
			- 1			

(Attach additional i	nanes as neces	eary)				
(Attach additional _I	pages as neces	sary.)				
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Box 3: Contact Name: Physical Mail: (Address) (City, State, Zip)	et Informatio	on for Ope				
Name:	et Informatio	on for Ope				
Box 3: Contact Name: Physical Mail: (Address) (City, State, Zip)	et Informatio	on for Ope				

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: _____
Printed Name:

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 Date:

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. Article Addressed to: 	A. Signature Agent Addressee B. Received by (Printed Name) C. Date of Delivery Link C. Date of Delivery Link Fig. 12 If YES, enter delivery address below:
John F Hertz Esq Polaris Production, Inc., P3985 236 S. Coronado St., No. 409 Los Angeles, CA 90057	
9590 9402 3981 8079 6968 60 2. Article Number (Transfer from service label)	3. Service Type
7016 1370 0000 0837 9279	☐ Insured Mail ☐ Insured Mail Restricted Delivery (over \$500)
PS Form 3811, July 2015 PSN 7530-02-000-9053	//37 Domestic Return Receipt

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Department of Conservation Division of Oil, Gas, and Geothermal Resources

Attn: Rachael Tadlock

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Complete items 1, 2, and 3.	A. Signature				
Print your name and address on the reverse so that we can return the card to you.	X Agent				
Attach this card to the back of the mailpiece, or on the front if space permits.	B. Received by (Printed Name) C. Date of Delivery				
Article Addressed to:	D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No				
Polaris Production, Inc., P3985 123 E 9th St., No 321	DEC 1 4 2018				
Upland, CA 91786	DIVISION OF OIL, GAS,				
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