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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 SITE**  
17 **NO. 1217**

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19 **Operator: HVI Cat Canyon, Inc. (G3515)**

20 **Casmalia, Cat Canyon, and Santa Maria Valley Oil Fields**  
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**I. Introduction**

The State Oil and Gas Supervisor (Supervisor), acting through the California Geologic Energy Management Division (CalGEM) and under the authority of Division 3 of the Public Resources Code (Pub. Resources Code [PRC]; commencing with PRC section 3000) and title 14 of the California Code of Regulations (Regulations), supervises the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tank and facilities attendant to oil and gas production so as to prevent, as far as possible, damage to life, health, property and natural resources, (PRC section 3106). The Supervisor may order the plugging and abandonment of a well or the decommissioning of a production facility that has been deserted, whether any damage is occurring, or threatened, by reason of that deserted well or production facility, (PRC, § 3237, subd. (a).) Failure to file, for any well, the fee required for idle wells shall be conclusive evidence of desertion, permitting the Supervisor to order the well abandoned pursuant to Section 3237, (PRC, § 3206, subd.(c).) Credible evidence of desertion includes the operational history of the well or production facility, the 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 the PRC, and other actions of the operator regarding the well or production facility, (PRC, § 3237, subd. (a)(2).) A rebuttable presumption of desertion arises when the operator has failed to comply with an order of the Supervisor within the time provided by the order or has failed to challenge the order on a timely basis, (PRC, § 3237 subd. (a)(3)(C).)

At all times relevant to this Order, HVI Cat Canyon, Inc., has been identified as the "operator" (Operator), as defined in PRC section 3009, of the "wells" as defined in PRC section 3008, subdivision (a), and is responsible (as specified in PRC, § 3237, subd. (c)(1)), for the plugging and abandonment of the wells at Casmalia, Cat Canyon, and Santa Maria Valley Oil Fields, including but not limited to those identified in **Attachment A**, incorporated herein (**the Wells**), the decommissioning of the production facilities attendant to the Wells (**the Facilities**), including but not limited to those identified on **Attachment B**, incorporated herein, and the restoration of the well sites. Based on information, belief, and the evidence described

below, the Supervisor has determined that the Wells and the Facilities have been deserted. Therefore, pursuant to PRC sections 3106, 3206, 3206.1, 3224, 3226, and 3237, and as set forth below, the Supervisor is ordering Operator to plug and abandon the Wells, to decommission the Facilities, and to restore the well sites, consistent with all applicable requirements, including PRC sections 3208, 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776; and the conditions included in any permit or approval CalGEM may issue pursuant to PRC section 3229; and, until that work is complete, to perform remedial work and testing as necessary to prevent damage to life, health, property, and natural resources.

## **II. Definitions**

**PRC section 3008, subdivision (a)**, defines "Well" to mean, among other things, "any oil or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas," and "any well drilled for the purpose of injecting fluids or gas for stimulating oil or gas recovery[.]"

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

**PRC section 3010** defines production facility to mean "any equipment attendant to oil and gas production or injection operations[.]"

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

**Regulations section 1760, subdivision (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."

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**PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities attendant to oil and gas production ... so as 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; losses of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances.”

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

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

**PRC section 3226** sets default deadlines by which operators must comply with certain types of CalGEM orders requiring work, and authorizes the Supervisor, based on a final or affirmed CalGEM order, to appoint agents who may enter the premises and perform necessary work if the operator did not timely complete the work as ordered. Any amount

CalGEM expends to ensure completion of the necessary work (as well as potential 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)**, generally 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."

**Regulations section 1777, subdivision (a)**, requires, among other things, that Operators 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 1779** authorizes the Supervisor in individual cases to set forth other requirements where justified or called for.

#### **IV. Conclusive Evidence of Desertion**

Operator is obligated to comply with statutory requirements pertaining to idle wells pursuant to PRC section 3206 et seq. Failure to comply with the requirements of CalGEM regulations implementing PRC section 3206.1, which include CalGEM regulations governing the testing of idle wells, "shall be conclusive evidence of desertion of the well, permitting the supervisor to order the well abandoned pursuant to Section 3237." (PRC, § 3206.1, subd. (e).)

Compliance with the Division's idle well statutes and regulations can be accomplished by either the payment of fees or the fulfillment of an idle well management plan to systematically plug and abandon idle wells. Regulations section 1772.1.4, which describes requirements for operators to test idle wells and to prepare work plans for ensuring timely compliance with those testing requirements, is one of the regulations implementing PRC section 3206.1. For any well that was an idle well as of April 1, 2019, unless the well was properly plugged and abandoned, partially plugged and abandoned, or is scheduled for abandonment as part of a CalGEM-approved Idle Well Management Plan or Testing Waiver Plan, Regulations section 1772.1.4, subdivision (a), required the operator of the well, by no later than June 1, 2019, to provide CalGEM with a Testing Compliance Work Plan that schedules completion of necessary idle well testing for the well, including a pressure test and clean out

tag, within the time allotted by regulation. (Regulations, § 1772.1.4, subd. (a).) On or about January 2020, CalGEM determined that Operator's 2019 Idle Well Management Plan was deemed canceled after Operator failed to comply with the terms of its 2019 Idle Well Management Plan and with Terms of Settlement of Notice No.011 executed on May 13, 2019. **Attachment C**, hereby incorporated by reference, is CalGEM's letter dated February 25, 2020 notifying Operator of their Failure to Comply with Terms of Settlement of Notice No.0011. CalGEM staff notified the Operator of its idle well fee obligations by U.S. mail on April 5, 2019 May 6, 2020 and July 19, 2021. **Attachment D**, hereby incorporated by reference, **Attachment E**, hereby incorporated by reference, and **Attachment F**, hereby incorporated by reference, are Idle Well Fee Invoices sent to Operator.

Operator has not paid the annual fees required for the Wells under PRC section 3206 in 2016, 2017, 2018, 2019, 2020, and 2021 and has an outstanding balance of approximately two million, six hundred eighty-one thousand, four hundred fifty dollars (\$ 2,681,450) in idle wells fees. **Attachment G** is a Declaration of James Donnelly, hereby incorporated by reference. Operator's failure to pay the required idle well fees for the Well(s) is conclusive evidence of desertion of the well, permitting the Supervisor to order the well abandoned pursuant to PRC section 3237, (PRC, § 3206, subd. (c).)

#### **V. Credible Evidence of Desertion**

Credible evidence of desertion includes, but is not limited to, the operational history of the wells 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).) Due to the facts that Operator filed for bankruptcy, the real property and personal property assets of the bankruptcy estate has been determined to be abandoned, and the Operator has failed to pay idle well fees, the operational history appears to indicate that Operator has deserted the Wells and the Facilities.

CalGEM records reflect on July 25, 2019, Operator filed for bankruptcy, under Chapter 11 of title 11 of the United States Code (Bankruptcy Code). On October 16, 2019, the United

1 States Bankruptcy Court for the Central District of California, Northern Division, appointed a  
2 Chapter 11 Trustee for the estate of HVI Cat Canyon, Inc. **Attachment H**, hereby incorporated  
3 by reference is an Agreed Order Granting Motion for Appointment of a Chapter 11 Trustee,  
4 United States Bankruptcy Court for the Central District of California, Northern Division, October  
5 16, 2019. The trustee must manage and operate the property in accordance with all laws in  
6 the same manner that an owner or possessor thereof would be bound. (28 U.S.C. § 959,  
7 subdivision (b)). Mr. Michael A. McConnell is identified as the Chapter 11 Trustee for the estate  
8 of HVI Cat Canyon, Inc. On November 13, 2020, the Trustee was authorized to abandon all  
9 operating real and personal property assets of the estate except for the (1) Adam, (2) Bettiga,  
10 (3) Laine, (4) Moretti, and (5) RB McFaddin leases, known as the "Battles Leases." **Attachment I**,  
11 hereby incorporated by reference, is an Order Granting Motion Authorizing Trustee to  
12 Abandon Unsold Leases and Executory Contracts, November 13, 2020. On or about February  
13 19, 2021, the Trustee was authorized to abandon all operating real and personal property  
14 assets for the (1) Adam, (2) Bettiga, (3) Laine, (4) Moretti, and (5) RB McFaddin leases, and any  
15 real property and personal property assets of the estate related thereto (collectively, referred  
16 to as the "Battles Leases"). **Attachment J**, hereby incorporated by reference, is an Order  
17 Granting Motion Authorizing Trustee to Abandon Unsold Leases and Executory Contracts  
18 related to (1) Adam, (2) Bettiga, (3) Laine, (4) Moretti, and (5) RB McFaddin leases, February  
19 19, 2021.

## 20 **VI. Operator's Required Actions**

21 For the reasons stated above, CalGEM has determined that Operator has deserted the  
22 Wells and the Facilities. Therefore, pursuant to PRC section 3237, **IT IS HEREBY ORDERED** that  
23 Operator plug and abandon the Wells, decommission the Facilities, and restore the well sites  
24 pursuant to all applicable laws, which include, but are not limited to, PRC sections 3208, 3228,  
25 3229, and 3230, Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760,  
26 1775, and 1776, and the conditions included in any permit CalGEM may issue pursuant to PRC  
27 section 3229. Until that work is complete, Operator is ordered to perform remedial work and  
28 testing on the Wells and the Facilities as necessary to prevent damage to life, health, property,



and natural resources.

## **VII. Operator's Appeal Rights**

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

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

Or via electronic mail to:  
[CalGEMAppeals@conservation.ca.gov](mailto:CalGEMAppeals@conservation.ca.gov)

If Operator does not file a timely written notice of appeal, this Order will become a final order and CalGEM may contract for performance of the work, pursuant to PRC section 3226, if, within 30 days of this Order, Operator has not, in good faith, commenced the work ordered and continued the work until completion. 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.

## **VIII. Other Potential Actions to Enforce This Order**

Failure to comply with Section VI (Operator's Required Actions) of this order could subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for



1 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the  
2 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes  
3 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of  
4 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may  
5 in the future impose a civil penalty based on the facts and omissions underlying this order. PRC  
6 section 3359 makes it a misdemeanor to fail or neglect to comply with an order of the  
7 Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct offense.  
8 (PRC, § 3359.)

9  
10 DATED: September 13, 2021



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Uduak-Joe Ntuk  
State Oil and Gas Supervisor

Service List:

HVI Cat Canyon, Inc. G3515  
2601 Skyway Drive Suite 1A  
Santa Maria, CA 93455

HVI Cat Canyon, Inc.  
PO BOX 5489  
Santa Maria, CA 93456

Agent for Service of Process:  
Aaron Bush  
2601 Skyway Drive  
Santa Maria, CA 93455