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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 WELL,**
15 **DECOMMISSION ATTENDANT FACILITIES, AND RESTORE WELL SITE**
16 **NO. 1269**
17

18 **Operator: Santa Ana Canyon Development Corp.**
19 **Field: Esperanza**
20 **Southern District, Orange County**
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1 I. Introduction

2 The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy
3 Management Division (**CalGEM**), and under the authority of Division 3 of the Public Resources
4 Code (**PRC**; commencing with PRC section 3000) and California Code of Regulations, title 14
5 (**Regulations**), may order the plugging and abandonment of a well or the decommissioning of
6 a production facility that has been deserted, whether or not any damage is occurring, or
7 threatened, by reason of that deserted well. (PRC, § 3237, subd. (a).) An operator's failure to
8 timely pay required annual fees for any idle well is conclusive evidence of desertion. (PRC, §
9 3206, subds. (a) and (c).)

10 Based on CalGEM's records, Santa Ana Canyon Development Corp. (**Operator**) is the
11 "operator" (as defined in PRC section 3009) of the well identified on **Attachment A**,
12 incorporated herein (**the Well**), and is responsible (as specified in PRC section 3237, subdivision
13 (c)(1)) for the plugging and abandonment of the Well, the decommissioning of the production
14 facilities attendant to the Well (**the Facilities**), and the restoration of the well site for the Well.
15 CalGEM's records indicate that, under applicable provisions of PRC section 3206, Operator
16 was required to timely pay idle well fees for the Well idle in 2020, and that Operator has not
17 done so. This failure to timely pay idle well fees is conclusive evidence of desertion. Also,
18 Operator has not provided and maintained on file with CalGEM accurate contact information
19 for a designated person who resides in California to accept service of notices, orders, and
20 other important communications (i.e., an "agent"), as required by PRC section 3200. which is a
21 rebuttable presumption that the Well is deserted. In addition, Operator has not maintained
22 compliance with applicable requirements for operation of the Well and the Facilities, which is
23 credible evidence of desertion. Based upon both conclusive and credible evidence and
24 rebuttable presumption, the Supervisor has determined that the Well and the Facilities are
25 deserted. Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, and as set forth
26 below, the Supervisor is ordering Operator to plug and abandon the Well, to decommission
27 the Facilities, and to restore the well site for the Well, consistent with all applicable
28 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, 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."

PRC section 3008, subdivision (d), defines "idle well" as 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. For the purpose of determining whether a well is an idle well, production or injection is subject to verification by the division. An idle well continues to be an idle well until it has been properly abandoned in accordance with Section 3208 or it has been shown to the division's satisfaction that, since the well became an idle well, the well has for a continuous six-month period either maintained production of oil or natural gas, maintained production of water used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection. An idle well does not include an active observation well."

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."

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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[.]”

PRC section 3206, subdivision (a), requires “[t]he operator of any idle well shall do either of the following:

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1 **PRC section 3206, subdivision (c)**, provides "Failure to file, for any well, the fee required
2 under this section shall be conclusive evidence of desertion of the well, permitting the
3 supervisor to order the abandoned pursuant to Section 3237."

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

10 **PRC section 3226**, provides that "within 30 days after service of an order pursuant to
11 Sections 3224 and 3225, or Section 3237, or if there has been an appeal from the order to the
12 director, within 30 days after service of the decision of the director, or if a review has been
13 taken of the order of the director, within 10 days after affirmance of the order, the owner or
14 operator shall commence in good faith the work ordered and continue it until completion. If
15 the work has not been commenced and continued to completion, the supervisor may
16 appoint necessary agents to enter the premises and perform the work. An accurate account
17 of the expenditures shall be kept. Any amount so expended shall constitute a lien against real
18 or personal property of the operator pursuant to the provisions of Section 3423.
19 Notwithstanding any other provisions of Section 3224, 3225, or 3237, if the supervisor determines
20 that an emergency exists, the supervisor may order or undertake the actions he or she deems
21 necessary to protect life, health, property, or natural resources."

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

26 **PRC section 3237, subdivision (a)(2)**, states that "credible evidence" includes, but is not
27 limited to, the operational history of the well or production facility, the response or lack of
28 response of the operator to inquiries and requests from the Supervisor or district deputy, the

1 extent of compliance by the operator PRC section 3237, subdivision (a)(2), states that
2 "credible evidence" includes, but is not limited with the requirements of this chapter, and other
3 actions of the operator with regard to the well or production facility.

4 **PRC section 3237, subdivision (a)(3)**, states that a rebuttable presumption of desertion
5 arises in any of the following situations: (D) If an operator has fails to designate an agent as
6 required by Section 3200.

7 **Regulations section 1722, subdivision (a)**, requires operations to be conducted in
8 accordance with good oilfield practice.

9 **Regulations section 1773.5**, identifies requirements Operators must follow after the
10 determination that a production facility is Out-of-Service (OOS). Within six months after the
11 determination that a production facility is OOS, the Operator must:

12 " (1) Out-of-Service production facilities shall have fluids, sludge, hydrocarbons,
13 and solids removed and shall be disconnected from any pipelines and other in-service
14 equipment.

15 (2) Out-of-Service production facilities shall be properly degassed in accordance
16 with local air district requirements.

17 (3) Clean-out doors or hatches on Out-of-Service tanks shall be removed and a
18 heavy gauge steel mesh grating (less than 1" spacing) shall be secured over the
19 opening to allow for visual inspection and prevent unauthorized access.

20 (4) Out-of-Service tanks and vessels shall be labeled with Out-of-Service or OOS.
21 "Out-of-Service" or "OOS" shall be painted in bold letters at least one foot high, if
22 possible, on the side of the tank or vessel at least five feet from the ground surface, or
23 as high as possible, along with the date it was taken out of service.

24 (5) Out-of-Service production facilities shall have valves and fittings removed or
25 secured to prevent unauthorized use.

26 (6) Pipelines associated with Out-of-Service tanks and pressure vessels shall be
27 removed or flushed, filled with an inert fluid, and blinded."

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1 **Regulations, section 1775, subdivision (a)**, requires oilfield wastes, including but not
2 limited to oil, water, chemicals, mud, and cement, to be disposed of in such a manner as not
3 to cause damage to life, health, property, freshwater aquifers or surface waters, or natural
4 resources, or be a menace to public safety.

5 **Regulations, section 1777, subdivision (a)**, requires Operators to "maintain production
6 facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard
7 life, health, property, and natural resources."

8 **Regulations, section 1777, subdivision (c)(3)**, identifies required maintenance of
9 production facilities and requires...well cellars to be "covered and kept drained. Grating or
10 flooring shall be installed and maintained in good condition so as to exclude people and
11 animals. Cellars should be protected from as much runoff water as practical."

12 **Regulations, section 1777, subdivision (d)**, requires all equipment and facilities in urban
13 areas to be enclosed individually or with perimeter fencing in accordance with Regulations,
14 section 1778, subdivision (a) or (e) where it is necessary to protect life and property. Enclosures
15 in nonurban areas shall be constructed in accordance with Regulations, section 1778,
16 subdivision (a) or (b) where necessary to protect life and property.

17 **IV. Conclusive Evidence of Desertion**

18 Based on CalGEM's records, at all times relevant to this order, Operator was the
19 "operator," as defined in PRC section 3009, of the Wells. At all times relevant to this order, the
20 Wells were an "idle well" as defined in PRC section 3008, subdivision (d).

21 As the operator of the Well, following the process for idle well management set forth in
22 PRC section 3206, subdivision (a), Operator did not submit an Idle Well Management Plan in
23 lieu of paying idle well fees. Operator was therefore required to pay idle well fees as follows:
24 Operator was required to pay idle well fees for each of its idle wells that were idle in 2020 by
25 May 1, 2021 as provided in the 2021 Idle Well Fee Invoice prepared by CalGEM. (PRC, § 3206,
26 subds. (a) & (a)(2)(B)(v).) (**Attachment B**, incorporated herein.) As of the date of this order,
27 Operator has not paid its idle well fees for its Well idle in 2020. Operator's failure to pay the
28 required idle well fees for the Well is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

1 **V. Rebuttable Presumption of Desertion**

2 A rebuttable presumption of desertion arises if an operator fails to designate an agent
3 as required by PRC section 3200. (PRC, § 3237, subd. (a)(3)(D).) CalGEM does not have an
4 agent, with a current mailing address on file for Operator. Operator's failure to provide and
5 maintain on file with CalGEM accurate contact information for a designated person who
6 resides in California to accept service of notices, orders, and other important communications
7 (i.e., an "agent"), as required by PRC section 3200, creates a rebuttable presumption that the
8 Well is deserted.

9 **VI. Credible Evidence of Desertion**

10 Credible evidence of desertion includes, but is not limited to, the operational history of
11 the well or production facility, the response or lack of response of the operator to inquiries and
12 requests from the supervisor or district deputy, the extent of compliance by the operator with
13 the requirements of PRC and Regulations, and other actions of the operator with regard to the
14 well or production facility. (PRC, § 3237, subd. (a)(2).) Operator has not maintained
15 compliance with applicable requirements for operation of the Well and the Facilities. In
16 addition, the Well and Facilities are deteriorating due to lack of maintenance and are a
17 potential threat to life, health, safety and/or natural resources. Recent violations are identified
18 below:

19 **1. Failure to properly dispose oilfield waste and refuse (Regulations, § 1722, subdivision**
20 **(a))**

21 CalGEM conducted inspections on or about September 22, 2021 and observed the
22 following conditions during one and/or all inspections at the Operator's facilities, in violation of
23 Regulations, section 1722, subdivision (a):

- 24 • Dry weeds present creating a potential fire hazard observed around Reeves 2 Well;
25 and
26 • Reeves 2 Well wellhead is offset from the casing and not secured. (**Attachment C**,
27 incorporated herein).

28 **2. Failure to comply with Out-of-Service tank requirements (Regulations, § 1773.5,**

1 **subdivision (a))**

2 CalGEM conducted inspections on or about September 22, 2021, and March 29, 2022,
3 and observed the following conditions during one and/or all inspections at the Operator's
4 facilities, in violation of Regulations section 1773.5, subdivision (a):

- 5 • Clarifier Tank: Tank did not have OOS label posted; Tank is not cleaned out; no
6 secondary containment; valves and fitting not removed or secured; Tank did not
7 have OOS date posted; was not disconnected from associated pipelines;
- 8 • T1 Waste Water Tank: hatch not removed to verify tank cleaned out; no steel mesh
9 with less than 1 inch spacing installed; valves and fitting not removed or secured; no
10 tank number present; unable to verify tank cleaned out; tank was not disconnected
11 from associated pipelines;
- 12 • T2 Wash Tank: OOS label not adequate; tank was not disconnected from associated
13 pipelines; OOS date not adequate; no steel mesh with less than 1 inch spacing
14 installed; valves and fitting not removed or secured; and
- 15 • T3 Stock Tank: valves and fittings not removed or secured; OOS date label
16 inadequate; install mesh with less than 1 inch spacing installed; not disconnected
17 from associated pipeline; and OOS label inadequate. (**Attachment C**, incorporated
18 herein).

19 **3. Failure to properly dispose oilfield waste and refuse (Regulations, § 1775,**
20 **subdivision (a))**

21 CalGEM conducted inspections on or about September 22, 2021, and March 29, 2022
22 observed the following conditions during one and/or all inspections at the Operator's facilities,
23 in violation of Regulations, section 1775, subdivision (a):

- 24 • Dry weeds within enclosure are overgrown and present potential fire hazard; and
- 25 • Un-remediated oil spill next to Clarifier. (**Attachments C and D**, incorporated herein).

26 **4. Failure to maintain facilities in good condition (Regulations, § 1777, subdivision (a))**

27 CalGEM conducted inspections on or about March 29, 2022, and observed the
28 following conditions during one and/or all inspections at the Operator's facilities, in violation of

Regulations, section 1777, subdivision (a):

- Casing valve leaking gas at Well. (**Attachment D**, incorporated herein).

5. Failure to maintain cellar cover and/or drained (Regulations, § 1777, subdivision (c)(3))

CalGEM conducted inspections on or about September 22, 2021, and March 29, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1777, subdivision (c)(3):

- Well cellar was not covered to prevent unauthorized access; and
- Well cellar contains fluid. (**Attachments C and D**, incorporated herein).

6. Missing or inadequate perimeter fencing (Regulations, § 1777 (d))

CalGEM conducted an inspection on or about September 22, 2021, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1777, subdivision (d):

- Enclosure fencing around the Clarifier Tank does not prevent unauthorized access, the gate is open and barbed wire does not comply with specifications in regulations; and
- Barbed wire needs to be repaired to meet requirements around Reeves 2 Well. (**Attachment C**, incorporated herein).

VII. Operator's Required Actions

For the reasons stated herein, CalGEM has determined that the Wells and the Facilities are deserted. Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, **IT IS HEREBY ORDERED** that Operator plug and abandon the Wells, decommission the Facilities, and restore the well site for the Well consistent with all applicable requirements of PRC sections 3208, 3224, 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 CalGEM may issue pursuant to PRC section 3229. Until that work is complete, Operator is ordered to perform remedial work and testing on the Wells and the Facilities as necessary to prevent damage to life, health, property, and natural resources.

1 **VIII. Operator's Appeal Rights**

2 Operator may appeal this Order by filing a timely written notice of appeal with the
3 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
4 with PRC section 3350. (PRC, §§ 3225, subd. (d); 3236.5, subd. (c); 3237, subd. (b).) If this Order
5 is mailed to you, the Director must receive the appeal within (15) days from the date the
6 Supervisor mails the Order. To file an appeal, a written notice of appeal may be sent via U.S.
7 mail to:

8 Department of Conservation
9 Director's Office of Appeals
10 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
11 Sacramento, California 95814-3530

12 Or via electronic mail:

13 CalGEMAppeals@conservation.ca.gov

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

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

24 **IX. Consequences of Non-Compliance**

25 Failure to comply with Section VII (Operator's Required Actions) of this order could
26 subject Operator to further enforcement action, including additional civil penalties, as
27 appropriate. PRC section 3236 makes it a misdemeanor for any person who violates, fails,
28 neglects, or refuses to comply with any of the provisions of the oil and gas conservation laws

1 commencing at PRC section 3000. PRC section 3359 makes it a misdemeanor to fail or
2 neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or
3 neglect is a separate and distinct offense. (PRC, §3359).

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6 DATED: June 16, 2022



Uduak-Joe Ntuk
State Oil and Gas Supervisor

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