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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, DECOMMISSION ATTENDANT FACILITIES,**
15 **AND RESTORE WELL SITE**
16 **NO. 1273**
17

18 **Operator: Rex Oil Company**
19 **Field: Huntington Beach Field**
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I. Introduction

The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy Management Division (**CalGEM**), and under the authority of Division 3 of the Public Resources Code (**PRC**; commencing with PRC section 3000) and California Code of Regulations, title 14 (**Regulations**), 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. (PRC, § 3237, subd. (a).) An operator's failure to timely pay required annual fees for any idle well is conclusive evidence of desertion. (PRC, § 3206, subds. (a) and (c).)

Based on CalGEM's records, Rex Oil Company (**Operator**) is the "operator" (as defined in PRC section 3009) of the well identified on **Attachment A**, incorporated herein (**the Well**), and is responsible (as specified in PRC section 3237, subdivision (c)(1)) for the plugging and abandonment of the Well, the decommissioning of the production facility attendant to the Well (**the Facility**), and the restoration of the well sites for the Well. CalGEM's records indicate that, under applicable provisions of PRC section 3206, Operator was required to timely pay idle well fees for the Well for years 2019 through 2021, and that Operator has not done so. This failure to timely pay idle well fees is conclusive evidence of desertion, based upon which the Supervisor has determined that the Well and the Facility are 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 Well, to decommission the Facility, and to restore the well site for the Well, 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/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.

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1 II. Definitions

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

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

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

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

25 III. State Oil and Gas Supervisor Authority

26 **PRC section 3013** states that the oil and gas conservation laws (commencing with PRC
27 section 3000) "shall be liberally construed to meet its purposes" and grants the Supervisor "all
28 powers" that may be necessary to carry out those purposes.

1 **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling,
2 operation, maintenance, and abandonment of wells and the operation, maintenance, and
3 removal or abandonment of tanks and facilities attendant to oil and gas production ... so as
4 to prevent, as far as possible, damage to life, health, property, and natural resources[.]”

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

- 7 1. No later than May 1 of each year, for each idle well that was an idle well at any time in
8 the last calendar year, file with the supervisor an annual fee equal to the sum of the
9 following amounts:

- 10 A. One hundred fifty dollars (\$150) for each idle well that has been an idle well
11 for three years or longer, but less than eight years.
12 B. Three hundred dollars (\$300) for each idle well that has been an idle well for
13 eight years or longer, but less than 15 years.
14 C. Seven hundred fifty dollars (\$750) for each idle well that has been an idle well
15 for 15 years or longer, but less than 20 years.
16 D. One thousand five hundred dollars (\$1,500) for each idle well that has been
17 an idle well for 20 years or longer.

- 18 2. File a plan with the supervisor to provide for the management and elimination of all
19 long-term idle wells.”

20 **PRC section 3206, subdivision (c)**, provides “Failure to file, for any well, the fee required
21 under this section shall be conclusive evidence of desertion of the well, permitting the
22 supervisor to order the abandoned pursuant to Section 3237.”

23 **PRC section 3206.1, subdivision (a)**, provides “By June 1, 2018, the division shall review,
24 evaluate, and update its regulations pertaining to idle wells. The update shall include idle well
25 testing and management requirements that, at minimum, include all of the following:

- 26 1. Appropriate testing, as determined by the supervisor, to determine whether the fluid
27 level is above the base of an underground source of drinking water.

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2. Appropriate testing, as determined by the supervisor, to verify mechanical integrity of the well.
3. Appropriate remediation, as determined by the supervisor, of idle wells if there is an indication of a lack of mechanical integrity.
4. For a well that has been idle for 15 years or more, an engineering analysis demonstrating to the division's satisfaction that it is viable to return the idle well to operation in the future."

PRC section 3206.1, subdivision (e), provides "Failure to file to comply with the requirements of the regulations implementing this section shall be conclusive evidence of desertions 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, subdivision (a), provides that "within 30 days after service of an order pursuant to Sections 3224 and 3225, or Section 3237, or if there has been an appeal from the order to the director, within 30 days after service of the decision of the director, or if a review has been taken of the order of the director, within 10 days after affirmance of the order, the owner or operator shall commence in good faith the work ordered and continue it until completion. If the work has not been commenced and continued to completion, the supervisor may appoint necessary agents to enter the premises and perform the work. An accurate account of the expenditures shall be kept. Any amount so expended shall constitute a lien against real or personal property of the operator pursuant to the provisions of Section 3423. Before performing such work, the division may impose a lien against the real or personal property of the operator pursuant to Section 3423 in an amount equal to an estimate of the

1 cost of the work based on a bid from a contractor or previous costs to perform comparable
2 work."

3 **PRC section 3226, subdivision (b)**, provides that "notwithstanding any other provisions of
4 Section 3224, 3225, or 3237, if the supervisor determines that an emergency exists, the
5 supervisor may order or undertake the actions he or she deems necessary to protect life,
6 health, property, or natural resources."

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

11 **Regulations section 1723.9**, requires operators to "comply with all of the requirements of
12 Section 1772.1 for the testing of idle wells."

13 **Regulations section 1772.1, subdivision (a)**, requires that operators shall, within 24
14 months of a well becoming idle, conduct fluid-level tests for all idle wells using acoustical,
15 mechanical, or other reliable methods, or other diagnostic tests approved by the Supervisor to
16 determine whether the fluid is above the base of the underground source of drinking water.
17 Operators shall, within 24 months of a well becoming idle, conduct casing pressure tests. Within
18 eight years of a well becoming an idle well, operators shall perform clean out tag on the well
19 to determine if the ability to reach the current CalGEM-approved depth of the well using
20 either open-ended tubing or a gauge ring demonstrated to CalGEM to be the minimum
21 diameter of the tubing necessary to properly plug and abandon the well.

22 **Regulations section 1772.1.1**, mandates the pressure testing requirements for
23 Regulations sections 1752, 1772.1, and 1772.5.

24 **Regulations section 1772.1.2**, mandates operators to submit to CalGEM an engineering
25 analysis that demonstrates, to CalGEM's satisfaction, that an idle well that has been idle for 15
26 years is "viable to return the well to operation in the future." Operators shall comply with the
27 various substantive requirements of the engineering analysis.

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1 **Regulations section 1772.1.3**, requires casing diagram information to be included in the
2 engineering analysis for an idle well that has been idle for 15 years. Operators shall ensure the
3 casing diagram submitted to CalGEM is accompanied by the documentation of all cement
4 yield and cement calculations performed; all information used to calculate cement slurry for
5 each cement job completed in each well; and the wellbore path, providing measured depth
6 and both inclination and azimuth measurements.

7 **Regulations section 1772.1.4, subdivision (a)**, requires operators to conduct all pressure
8 testing and clean out tag on idle wells by April 1, 2025. Operators are required to have
9 submitted, but June 1, 2019, a "Testing Compliance Work Plan that schedules the completion
10 of this this testing ..." from 2019 through 2025.

11 **IV. Conclusive Evidence of Desertion**

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

15 Operator did not submit an Idle Well Management Plan as set forth in PRC section 3206,
16 subdivision (a). Operator was therefore required to pay an idle well fee for each of its idle wells
17 that were idle in 2019 by May 1, 2020, as provided in the 2020 Idle Well Fee Invoice prepared
18 by CalGEM; and idle in 2020 by May 1, 2021, as provided in the 2021 Idle Well Fee Invoice
19 prepared by CalGEM. (PRC, § 3206, subds. (a) & (a)(2)(B)(v).) (**Attachments B and C**
20 incorporated herein.) As of the date of this order, Operator has not paid its idle well fees for its
21 Well idle in 2019, and 2020. Operator's failure to pay the required idle well fees for the Well is
22 conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

23 Furthermore, Operator did not submit evidence that idle well testing of the Well was
24 conducted prior to April 1, 2021 as set forth in PRC section 3206.1, subdivision (a) and
25 Regulations sections 1723.9, 1772.1, and 1772.1.2 through 1772.1.4. (**Attachment D**
26 incorporated herein.) Operator's failure to submit evidence that it conducted the required idle
27 well testing of the Well is conclusive evidence of desertion. (PRC, § 3206.1, subd. (e).)

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V. Operator's Required Actions

For the reasons stated herein, CalGEM has determined that the Well and the Facility are deserted. Therefore, pursuant to PRC sections 3013, 3106, 3206, 3206.1, 3224, 3226, and 3237, **IT IS HEREBY ORDERED** that Operator plug and abandon the Well, decommission the Facility, 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 Facility as necessary to prevent damage to life, health, property, and natural resources.

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VI. 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, §§ 3225, subd. (d); 3236.5, subd. (c); 3237, subd. (b).) 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
715 P Street, MS 19-06 (Legal Office, Chief Counsel)
Sacramento, California 95814

Or via electronic mail:

CalGEMAppeals@conservation.ca.gov

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

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If Operator does not file a timely written notice of appeal, or if the order is affirmed following an appeal, this order will become a final order and CalGEM may contract for

1 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
2 Operator has not, in good faith, commenced the work ordered. Any costs incurred by
3 CalGEM to obtain compliance with this order (which may include penalties and interest) will
4 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
5 3356.)

6 **VII. Consequences of Non-Compliance**

7 Failure to comply with Section V (Operator's Required Actions) of this order could
8 subject Operator to further enforcement action.

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11 DATED: July 8, 2022



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13 Uduak-Joe Ntuk
14 State Oil and Gas Supervisor
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Service List:

Rex Oil Company
5225 Wilshire Blvd #618
Los Angeles, CA 90036

Rex Oil Company
c/o Weaver Production Service
19061 Crystal Street
Huntington Beach, CA 92646

Rex Oil Company
Agent for Service, Robert J. Dunn
800 E. Fairmount Road
Burbank, CA 91501