

1 Department of Conservation, Geologic Energy Management Division
2 Uduak-Joe Ntuk
3 STATE OIL AND GAS SUPERVISOR
4 715 P Street, MS 19-06 (Legal Office)
5 Sacramento, California 95814
6 Telephone (916) 323-6733
7

8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **GEOLOGIC ENERGY MANAGEMENT DIVISION**
12

13 **ORDER TO PLUG AND ABANDON WELLS, DECOMMISSION ATTENDANT FACILITIES,**
14 **AND RESTORE WELL SITES**
15 **NO. 1284**
16

17
18 **Operator: Citadel Exploration, Inc. (C5845)**

19 **Field: Kern Bluff, N/A***

20 **Inland District, Kern County**

21 **Northern (Coastal) District, San Benito County**
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28 * Not located within the administrative boundaries of an oil field.

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, Citadel Exploration, Inc. (**Operator**) is the "operator" (as defined in PRC section 3009) of the wells identified on **Attachment A**, incorporated herein (**the Wells**), and is responsible (as specified in PRC section 3237, subdivision (c)(1)) for the plugging and abandonment of the Wells, the decommissioning of the production facilities attendant to the Wells (**the Facilities**), and the restoration of the well sites for the Wells. CalGEM's records indicate that, under applicable provisions of PRC section 3206, Operator was required to timely pay idle well fees for the Wells idle in years 2018, 2019 and 2021, and that Operator has not done so. This failure to timely pay idle well fees is conclusive evidence of desertion. In addition, Operator has failed to provide and maintain on file with CalGEM an agent, has failed to comply with an order of the Supervisor, and has not maintained compliance with applicable requirements for operation of the Wells and the Facilities. Based upon conclusive evidence of desertion, rebuttable presumption of desertion, and credible evidence described below, the Supervisor has determined that the Wells and the Facilities are deserted. 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, to decommission the Facilities, and to restore the well site for the Wells, 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.

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 (r), 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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III. State Oil and Gas Supervisor Authority

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

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:

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

- A. 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.
- B. Three hundred dollars (\$300) for each idle well that has been an idle well for eight years or longer, but less than 15 years.
- C. 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.
- D. One thousand five hundred dollars (\$1,500) for each idle well that has been an idle well for 20 years or longer.

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

PRC section 3206, subdivision (c), provides "Failure to file, for any well, the fee required under this section shall be conclusive evidence of desertion of the well, permitting the supervisor to order the 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;

1 to protect oil and gas deposits from damage by underground water; or to prevent the escape
2 of water into underground formations, or to prevent the infiltration of detrimental substances
3 into underground or surface water suitable for irrigation or domestic purposes, to the best
4 interests of the neighboring property owners and the public."

5 **PRC section 3226, subdivision (a)**, provides that "within 30 days after service of an order
6 pursuant to Sections 3224 and 3225, or Section 3237, or if there has been an appeal from the
7 order to the director, within 30 days after service of the decision of the director, or if a review
8 has been taken of the order of the director, within 10 days after affirmance of the order, the
9 owner or operator shall commence in good faith the work ordered and continue it until
10 completion. If the work has not been commenced and continued to completion, the
11 supervisor may appoint necessary agents to enter the premises and perform the work. An
12 accurate account of the expenditures shall be kept. Any amount so expended shall constitute
13 a lien against real or personal property of the operator pursuant to the provisions of Section
14 3423. Before performing such work, the division may impose a lien against the real or personal
15 property of the operator pursuant to Section 3423 in an amount equal to an estimate of the
16 cost of the work based on a bid from a contractor or previous costs to perform comparable
17 work."

18 **PRC section 3226, subdivision (b)**, provides that "notwithstanding any other provisions of
19 Section 3224, 3225, or 3237, if the supervisor determines that an emergency exists, the
20 supervisor may order or undertake the actions he or she deems necessary to protect life,
21 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 with the requirements of this chapter, and other actions
2 of the operator with regard to the well or production facility.

3 **PRC section 3237, subdivision (a)(3)**, states that a rebuttable presumption of desertion
4 arises in any of the following situations: ... "(C) If an operator has failed to comply with an
5 order of the supervisor within the time provided by the order or has failed to challenge the
6 order on a timely basis; (D) If an operator has fails to designate an agent as required by
7 Section 3200," and ... "(F) If an operator has failed to maintain the access road to a well or
8 production facility site passable to oilfield and emergency vehicles."

9 **Regulations, section 1722, subdivision (a)**, requires "All operations shall be conducted in
10 accordance with good oilfield practice."

11 **Regulations, section 1722.1.1, subdivision (a)**, requires "(e)ach well location shall have
12 posted in a conspicuous place a clearly visible, legible, permanently affixed sign with the
13 name of the operator, name or number of the lease, and number of the well. These signs shall
14 be maintained on the premises from the time drilling operations cease until the well is plugged
15 and abandoned."

16 **Regulations, section 1722.9**, identifies the items that must, at a minimum, be in a spill
17 contingency plan for all production facilities.

18 **Regulation, section 1724.10, subdivision (i)**, requires Operators to perform mechanical
19 integrity testing on all injection wells to ensure the injected fluid is confined to the approved
20 injection zone. Mechanical integrity testing shall consist of a two-part demonstration in
21 accordance with Sections 1724.10.1 and 1724.10.2. Regulation, section 1724.10, subdivision
22 (i)(2) requires digital copies of surveys and test results to be submitted to CalGEM within 60
23 days of the tests.

24 **Regulation, section 1724.10.2, subdivision (b)**, specifies the requirements for Mechanical
25 Integrity Testing Part Two testing.

26 **Regulations, section 1773.1, subdivision (b)**, requires the secondary containment for
27 production facilities must be capable of containing the equivalent volume of liquids from the
28 single piece of equipment with the largest gross capacity within the secondary containment.

1 **Regulations, section 1773.1, subdivision (e)**, requires all damage to secondary
2 containment to be repaired immediately.

3 **Regulations, section 1773.3, subdivision (a)**, requires all tanks to be properly identified
4 with the operator's tank identification number, tank type (production, stock, water, etc.), and
5 with appropriate materials hazard placards or labels.

6 **Regulations, section 1773.3, subdivision (b)(1)**, requires operators to inspect in-service
7 tanks at least once a month for the following: Leakage at the base, seams, associated piping,
8 tank shell plugs, or any other fitting that could leak.

9 **Regulations, section 1773.5, subdivision (a)** provides as follows:

10 “(a) Within six months after the determination that a production facility is Out-of-
11 Service, the following shall be required: (1) Out-of-Service production facilities shall
12 have fluids, sludge, hydrocarbons, and solids removed and shall be disconnected
13 from any pipelines and other in-service equipment. (2) Out-of-Service production
14 facilities shall be properly degassed in accordance with local air district
15 requirements. (3) Clean-out doors or hatches on Out-of-Service tanks shall be
16 removed and a heavy gauge steel mesh grating (less than 1" spacing) shall be
17 secured over the opening to allow for visual inspection and prevent unauthorized
18 access. (4) Out-of-Service tanks and vessels shall be labeled with Out-of-Service or
19 OOS. “Out-of-Service” or “OOS” shall be painted in bold letters at least one foot
20 high, if possible, on the side of the tank or vessel at least five feet from the ground
21 surface, or as high as possible, along with the date it was taken out of service. (5)
22 Out-of-Service production facilities shall have valves and fittings removed or secured
23 to prevent unauthorized use.”

24 **Regulations, section 1774.1, subdivision (e)**, prohibits pipe clamps, wooden plugs or
25 screw-in plugs from being used for permanent repair of pipeline leaks.

26 **Regulations, section 1775, subdivision (a)**, requires oilfield wastes, including but not
27 limited to oil, water, chemicals, mud, and cement, to be disposed of in such a manner as not
28 to cause damage to life, health, property, freshwater aquifers or surface waters, or natural

resources, or be a menace to public safety. Disposal sites for oilfield wastes shall also conform to State Water Resources Control Board and appropriate California Regional Water Quality Control Board regulations.

Regulations, section 1775, subdivision (c) requires as follows:

"Unused equipment and scrap attendant to oilfield operations shall be removed from a production or injection operations area and/or stored in such a manner as to not cause damage to life, health, or property, health, or become a public nuisance or a menace to public safety. Trash and other waste materials attendant to oilfield operations shall be removed and disposed of properly."

Regulations, section 1777, subdivision (a) requires operators to "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 1777, subdivision (b), requires operators to establish and comply with a written preventative maintenance program plan for prevention of corrosion and leakage and shall maintain documentation of steps taken to follow the plan. Such a preventative maintenance plan shall include, but not be limited to, the following factors:

- (1) The level of usage and wear to which the production facilities are exposed.
- (2) The age of the production facilities.
- (3) Climate conditions where the production facilities are located.
- (4) Industry standards for maintenance and corrosion prevention.
- (5) Maintenance recommendations or guidelines from the manufacturers of the production facilities.

Regulations, section 1777, subdivision (c)(1), requires maintenance of production facilities to include, but not be limited to the following: (1) Operators shall conduct external visual inspections at least once a month of aboveground production facilities, excluding pipelines, for leaks and corrosion. Facilities that are not operating properly or are leaking shall be repaired or replaced.

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1 **Regulations, section 1777, subdivision (c)(2)** requires maintenance of production
2 facilities to include, but not be limited to the following: ... (2) Weeds and debris shall be
3 removed from secondary containment areas or catch basins, and the integrity of all berms
4 shall be inspected monthly. Fluids, including rainwater, shall be removed.

5 **Regulations, section 1777, subdivision (c)(3)** requires maintenance of production
6 facilities to include, but not be limited to the following: ... (3) Well cellars shall be covered and
7 kept drained. Grating or flooring shall be installed and maintained in good condition so as to
8 exclude people and animals. Cellars should be protected from as much runoff water as
9 practical.

10 **Regulations, section 1777, subdivision (d)** requires:

11 "[a]ll equipment and facilities in urban areas shall be enclosed individually or
12 with perimeter fencing in accordance with Section 1778(a) or Section 1778(e)
13 where it is necessary to protect life and property. Enclosures in nonurban areas
14 shall be constructed in accordance with Section 1778(a) or Section 1778(b)
15 where necessary to protect life and property."

16 **Regulations, section 1777, subdivision (f)**, requires "Vehicle access routes to all
17 production facilities must be maintained in a safe and passable condition."

18 **IV. Conclusive Evidence of Desertion**

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

22 As the operator of the Wells, following the process for idle well management set forth in
23 PRC section 3206, subdivision (a), Operator did not submit an Idle Well Management Plan in
24 lieu of paying idle well fees. Operator was therefore required to pay an idle well fee for each
25 of its idle wells that were idle in 2018 by May 1, 2019, as provided in the 2019 Idle Well Fee
26 Invoice prepared by CalGEM; idle in 2019 by May 1, 2020, as provided in the 2020 Idle Well Fee
27 Invoice prepared by CalGEM; and idle in 2021 by May 1, 2022, as provided in the 2022 Idle
28 Well Fee Invoice prepared by CalGEM. (PRC, § 3206, subds. (a) & (a)(2)(B)(v).) (**Attachments B,**

1 **C, and D** incorporated herein.) As of the date of this order, Operator has not paid its idle well
2 fees for its Wells idle in 2018, 2019, and 2021. Operator's failure to pay the required idle well
3 fees for the Wells is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

4 **V. Rebuttable Presumption of Desertion**

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

11 A rebuttable presumption of desertion arises if an operator has failed to comply with an
12 order of the supervisor within the time provided by the order within the time provided by the
13 order or has failed to challenge the order on a timely basis. (PRC, § 3237, subd. (a)(3)(C).)
14 CalGEM Order No. 1170 issued on April 10, 2020, was not appealed by Operator and became
15 final on April 27, 2020 (**Attachment E**, incorporated herein.) To date, Operator has not
16 complied with the terms of the Order. Operator's failure to comply with Order No. 1170 is
17 rebuttable evidence of desertion. (PRC, § 3237, subd. (a)(3)(C)).)

18 A rebuttable presumption of desertion also arises if the operator has failed to maintain
19 the access road to a well or production facility site passable to oilfield and emergency
20 vehicles. (PRC, § 3237, subd. (a)(3)(F).) During inspections conducted by CalGEM on or about
21 March 30, 2022, and CalGEM observed the following conditions during one and/or all
22 inspections at the Operator's facilities, in violation of Regulations, section 1777, subdivision (f):

- 23 • Needham-Bloemer 1 Well access route is not safe and/or passable;
- 24 • Needham-Bloemer 2 Well access route is not safe and/or passable;
- 25 • Needham-Bloemer 30 Well access route is not safe and/or passable;
- 26 • Needham-Bloemer 36 Well access route is not safe and/or passable (could not
27 access well);
- 28 • Needham-Bloemer 38 Well access route is not safe and/or passable; and

1 • Needham-Bloemer Point Break #5 Well access route is not safe and/or passable.
2 CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment F**,
3 incorporated herein). Operator's failure to maintain access roads to the Wells and Facilities
4 passable to oilfield and emergency vehicles creates a rebuttable presumption that the Well
5 and the Facilities are deserted. (PRC, § 3237, subd. (a)(3)(F).)

6 **VI. Credible Evidence of Desertion**

7 Credible evidence of desertion includes, but is not limited to, the operational history of
8 the well or production facility, the response or lack of response of the operator to inquiries and
9 requests from the supervisor or district deputy, the extent of compliance by the operator with
10 the requirements of PRC and Regulations, and other actions of the operator with regard to the
11 well or production facility. (PRC, § 3237, subd. (a)(2).)

12 **A. Operational History**

13 CalGEM records reflect Operator's creditors sought and obtained a court appointed
14 receiver to oversee operation of Operator's Wells and Facilities. C3 Energy, LLC. and C3KR
15 Energy, LLC filed a civil complaint in Superior Court of California, Kern County seeking
16 injunctive and judicial relief in the form of judicial foreclosure of a deed of trust from Operator.
17 (First Amended Verified Complaint, Case No. BCV-19-102342, **Attachment G**, incorporated
18 herein). On September 11, 2019, the Superior Court of Kern County appointed a permanent
19 Receiver to take possession and control over all collateral and property in Kern Bluff Oil Field in
20 portions of Sections 7 and 18, Township 29 South, Range 29 East Mount Diablo Meridian Kern
21 County, California. On January 30, 2020, the Superior Court approved an Interlocutory
22 Judgment for Foreclosure and Order of Sale Pursuant to Stipulation, allowing C3 Energy, LLC.
23 and C3KR Energy, LLC to start the foreclosure sale process. (**Attachment H**, incorporated
24 herein). On June 23, 2022, the Superior Court granted Plaintiff's Motion for Entry of Judgment,
25 Termination of Receivership and Excoriation of Bond. (**Attachment I**, incorporated herein),
26 terminating the receivership. The operational history presents credible evidence that the Wells
27 and Facilities are deserted.

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B. Extent of compliance with PRC and Regulations

Operator has not maintained compliance with applicable requirements for operation of the Wells and the Facilities. In addition, the Wells and Facilities are deteriorating due to lack of maintenance and are a potential threat to life, health, safety and/or natural resources.

Recent violations are identified below:

1. Failure to conduct operations in accordance with good oil field practices (Regulations, § 1722, subdivision (a))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1722, subdivision (a):

- Weeds around Needham-Bloemer 17 well posed a fire hazard;
- Weeds around Needham-Bloemer 52 Well posed a fire hazard;
- Weeds around Needham-Bloemer 6 Well posed a fire hazard; and
- Needham-Bloemer 6 Well is open to the surface.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment F**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1722, subdivision (a) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

2. Failure to maintain Well and Operator Identification (Regulations, § 1722.1.1, subdivision (a))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1722.1.1 subdivision (a):

- Needham-Bloemer 13 Well did not have identifying well sign;
- Needham-Bloemer 25 Well had an illegible well sign;
- Needham-Bloemer 34 Well did not have identifying well sign;
- Needham-Bloemer 38 Well had the incorrect operator name on the well sign;
- Needham-Bloemer 4 Well had the incorrect operator name on the well sign;
- Needham-Bloemer 52 had the incorrect operator name on the well sign;

- Needham-Bloemer 58 had the incorrect operator name on the well sign;
- Needham-Bloemer American B#1 Well did not have identifying well sign; and
- Needham-Bloemer COB #6 Well did not have identifying well sign.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment F**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1722.1.1, subdivision (a) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

3. Failure to update Spill Contingency Plan (Regulations, § 1722.9)

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1722.9:

- Spill Contingency Plan was not updated.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1722.9 is credible evidence of desertion. (PRC, § 3237, subd. (a).)

4. Failure to submit Part 2 Mechanical Integrity Testing (Regulations, §§ 1724.10 and 1724.10.2, subdivision (b))

Operator has not submitted Mechanical Integrity Testing, Part 2, required in Regulations, sections 1724.10 and 1724.10.2 for the following injection well: API 02960538, Needham-Bloemer 58.

Regulations, section 1724.10 requires mechanical integrity testing to be performed on all injection wells to ensure the injected fluid is confined to the approved injection zone and digital copies of the surveys and results submitted to CalGEM within 60 days of testing (Regulations, § 1724.10, subd. (i)(2).) CalGEM identified this violation in a Notice of Violation issued on or about August 20, 2021 (**Attachment K**, incorporated herein). Operator's failure to comply with the requirements of Regulations, sections 1724.10 and 1724.10.2 is credible evidence of desertion. (PRC, § 3237, subd. (a).)

5. Failure to have adequate secondary containment (Regulations, § 1773.1, subdivision (b))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1773.1 subdivision (b):

- Needham-Bloemer Facility had inadequate storage capacity; and
- Setting had inadequate storage capacity.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1773.1, subdivision (b) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

6. Failure to repair secondary containment (Regulations, § 1773.1, subdivision (e))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1773.1 subdivision (e):

- Secondary containment for Needham-Bloemer Facility is damaged or inadequately maintained.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1773.1, subdivision (e) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

7. Failure to properly label tanks (Regulations, § 1773.3, subdivision (a))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1773.3, subdivision (a):

- Tank NB-13 tank hazard label is inadequate;
- Tank 2(A) tank hazard label is inadequate;
- Tank 400 (8, H) tank hazard label is inadequate;
- Light Green Tank hazard label is inadequate;
- Tank NB-12 hazard label is inadequate;
- Tank T-1000 tank hazard label is inadequate; and
- Tank T-1003 tank hazard label is inadequate.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1773.3, subdivision (a) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

8. Failure to properly label tanks (Regulations, § 1773.3, subdivision (b)(1))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1773.3, subdivision (b)(1):

- Tank 400 (8, H) has evidence of leakage;
- Tank NB-12 tank has evidence of leakage; and
- Tank NB-13 in-service tank is leaking.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1773.3, subdivision (b)(1) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

9. Failure to comply with Out-Service Production Facility Requirements (Regulations, § 1773.5, subdivision (a))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1773.5, subdivision (a):

- Baker Tank is not properly identified;
- Tank NB-15 fluids, sludge, hydrocarbons and/or solids have not been removed from the tank, tank has inadequate mesh on door/hatchways openings of tank facility, and is not properly labeled for an Out-Of-Service facility, pipelines and/or pressure valves associated with facility have not been properly removed or flushed and blinded;
- Tank 6(J) has inadequate mesh on door or hatchways of tank facility, tank is not properly labeled with tank name or number, valves and/or fittings were not secured properly or adequately covered; and
- Tank 1 is not properly labeled with tank name or number.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1773.3, subdivision (b)(1) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

10. Failure to properly repair pipeline leaks (Regulations, § 1774.1, subdivision (e))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1774.1, subdivision (e):

- Pipeline at Needham-Bloemer was improperly repaired.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1774.1, subdivision (e) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

11. Failure to properly dispose oilfield waste (Regulations, § 1775, subdivision (a))

CalGEM conducted inspections on or about November 2, 2021, and March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1775, subdivision (a):

- Oil field reuse observed around NB-14 Tank (cement pad, pipes, oil parts, electrical equipment);
- Oil field wastes not properly disposed, oil-stained dirt and oil on ground near or around Needham-Bloemer lease;
- Oil field wastes not properly disposed, oil on ground and oilfield refuse observed near or around Needham-Bloemer 16 Well;
- Oil field wastes not properly disposed, oil on ground and oilfield refuse observed near or around Needham-Bloemer 29 Well;
- Oil field wastes not properly disposed, embedded oil, and oilfield refuse (pipes and wires) observed near or around Needham-Bloemer 32 Well;
- Oil field wastes not properly disposed (bucket of oil, oil on ground), and oilfield refuse (wood) observed near or around Needham-Bloemer 34A Well;
- Oil field wastes not properly disposed (embedded oil) near or around Needham-

Bloemer 52 Well;

- Oilfield refuse (oil on ground, oil stained dirt) and oil field wastes not properly disposed (pipes, old parts) observed at Needham-Bloemer setting;
- Trash, 5 trailers burned down observed at Needham-Bloemer Facility;
- Oilfield wastes have not been properly disposed of (oil on ground) near or around Needham-Bloemer Shakedown St.#2 Well;
- Oilfield wastes have not been properly disposed (oil on ground), oilfield refuse was observed (pipes, old parts, etc.) near or around Needham-Bloemer Thunderstruck #4 Well; and
- Tank Setting: Oilfield refuse was observed (pipes, old equipment, metal, old parts), oilfield wastes have not been properly disposed.

CalGEM issued Notices of Violation to Operator on or about November 2, 2021 and April 7, 2022 (**Attachments F, L and J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1775, subdivision (a) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

12. Failure to properly remove and dispose trash and waste materials (Regulations, § 1775, subdivision (c))

CalGEM conducted inspections on or about November 21, 2021, and March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1775, subdivision (c):

- Oilfield refuse was observed and oilfield wastes have not been properly disposed at or around NB-15 Tank;
- Oilfield refuse was observed (old rods, parts, pipe) near or around Needham-Bloemer 1 Well;
- Oilfield refuse was observed near or around Needham-Bloemer 13 Well;
- Oilfield refuse (old cement) was observed near or around Needham-Bloemer 14 Well;
- Oilfield refuse (fencing) was observed near or around Needham-Bloemer 17 Well;

- Oilfield refuse (old parts) was observed near or around Needham-Bloemer 18 Well;
- Oilfield refuse (rods, valves, parts, bucket, pvc pipes) was observed near or around Needham-Bloemer 2 Well;
- Oilfield refuse (pipe, cement) was observed near or around Needham-Bloemer 26 Well;
- Oilfield refuse (pipes, old parts, rods, cement) was near or observed around Needham-Bloemer 27 Well;
- Oilfield (pipes, wood) refuse was observed near or around Needham-Bloemer 28 Well and oil field wastes were not properly disposed (oil stained dirt);
- Oilfield refuse (pipe and cement) was observed near or around Needham-Bloemer 3 Well;
- Oilfield refuse (pipes, old parts) was observed near or around Needham-Bloemer 30 Well;
- Oilfield refuse (pipes, old parts) was observed near or around Needham-Bloemer 31 Well;
- Oilfield refuse (wood pieces, pallets) was observed near or around Needham-Bloemer 37 Well;
- Oilfield refuse (pipes, old parts, old cement) was observed near or around Needham-Bloemer 38 Well and oil field wastes were not properly disposed (embedded oil);
- Oilfield refuse (old parts, wood, cement) was observed near or around Needham-Bloemer 4 Well and oil field wastes were not properly disposed (embedded oil);
- Oilfield refuse (wood pieces, old parts, pipes) was observed around Needham-Bloemer 40 Well;
- Oilfield refuse (old parts, wires, cords, wood, injection components) was observed near or around Needham-Bloemer 6 Well;
- Oilfield refuse was observed near or around Needham-Bloemer A-324 Well
- Oilfield refuse (pipes, cement blocks, parts) was observed near or around

Needham-Bloemer American B#1 Well

- Oilfield refuse (rod, old parts) was observed near or around Needham-Bloemer COB #6 Well; and
- Oilfield refuse (pipes, old parts, wood) was observed near or around Needham-Bloemer Mississippi Q#3 Well.

CalGEM issued Notices of Violation to Operator on or about November 2, 2021, and April 7, 2022 (**Attachments L, F and J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1775, subdivision (c) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

13. Failure to 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, § 1777, subdivision (a))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1777, subdivision (a):

- Tank 300 (4, C) facility covers or screens are inadequate or missing;
- Baker Tank facility covers or screens are inadequate or missing;
- Tank NB-12 Missing or inadequate caps on tank facility/valves;
- Needham-Bloemer 1 Well missing bolts on wellhead;
- Needham-Bloemer 13 Well missing bolts on wellhead;
- Needham-Bloemer 26 Well associated pipe facility is uncovered and Cable line on pumping unit is frayed;
- Needham-Bloemer 28 Well associated pipe facility is uncovered;
- Needham-Bloemer 31 Well associated pipe facility is uncovered;
- Needham-Bloemer 32 Well missing bolts on wellhead;
- Needham-Bloemer 34 Well missing bolts on wellhead;
- Needham-Bloemer 35 Well associated pipe facility is uncovered;
- Needham-Bloemer 37 Well missing bolts on wellhead;

- Needham-Bloemer 38 Well missing bolts on wellhead;
- Needham-Bloemer 4 Well missing bolts on wellhead and associated pipe facility is uncovered;
- Needham-Bloemer 5 Well missing bolts on wellhead and associated pipe facility is uncovered;
- Needham-Bloemer 52 Well missing bolts on wellhead and associated pipe facility is uncovered;
- Needham-Bloemer 6 Well missing belt guard and associated pipe facility is uncovered; and
- Needham-Bloemer A-324 Well missing bolts on wellhead and associated pipe facility is uncovered.

CalGEM issued Notices of Violation to Operator on or about April 7, 2022 (**Attachments F and J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1777, subdivision (a) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

14. Failure to comply with written preventative maintenance program to prevent leakage or corrosion (Regulations, § 1777, subdivision (b))

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1777, subdivision (b):

- Needham-Bloemer 34A is not operating properly and/or is leaking.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment F**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1777, subdivision (b) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

15. Failure to repair or replace facilities that are not operating properly or leaking (Regulations, § 1777, subdivision (c)(1))

CalGEM conducted inspections on or about March 30, 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)(1):

- Needham-Bloemer 29 cellar contains fluid or solids;
- Needham-Bloemer 16 is not operating properly or is leaking;
- Needham-Bloemer 35 Well is not operating properly or is leaking;
- Needham-Bloemer 6 Well is not operating properly or is leaking;
- Needham-Bloemer Shakedown St. #2 Well is not operating properly or is leaking;
- and
- Needham-Bloemer Thunderstruck #4 Well is not operating properly or is leaking.

CalGEM issued Notices of Violation to Operator on or about April 7, 2022 (**Attachments F and J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1777, subdivision (c)(1) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

**16. Failure to remove weeds and debris from secondary containment areas
(Regulations, § 1777, subdivision (c)(2))**

CalGEM conducted inspections on or about March 30, 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)(2):

- Weeds and/or debris were observed on or in the secondary containment at or around Tank NB-12.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1777, subdivision (c)(2) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

17. Failure to keep Well cellar covered and drained (Regulations, § 1777, subdivision (c)(3))

CalGEM conducted inspections on or about March 30, 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):

- Needham-Bloemer 17 Well cellar is not properly covered;
- Needham-Bloemer 18 Well cellar is not properly covered;
- Needham-Bloemer 2 Well cellar contains fluids or solids;

- Needham-Bloemer 29 Well cellar is not properly covered;
- Needham-Bloemer 40 Well cellar is not properly covered;
- Needham-Bloemer 52 Well cellar contains fluids or solids (weeds) and cellar is not properly covered; and
- Needham-Bloemer 6 Well cellar contains fluids or solids and cellar is not properly covered.

CalGEM issued Notices of Violation to Operator on or about April 7, 2022 (**Attachments F and J**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1777, subdivision (c)(3) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

**18. Failure to keep equipment and facilities enclosed with perimeter fencing
(Regulations, § 1777, subdivision (d))**

CalGEM conducted inspections on or about March 30, 2022, and observed the following conditions during one and/or all inspections at the Operator's facilities, in violation of Regulations, section 1777, subdivision (d):

- Needham-Bloemer 2 Well production facility is not properly enclosed with perimeter fencing;
- Needham-Bloemer 6 Well production facility is not properly enclosed with perimeter fencing;
- Needham-Bloemer Mississippi Q#3 Well production facility is not properly enclosed with perimeter fencing; and
- Needham-Bloemer Point Break #5 Well production facility is not properly enclosed with perimeter fencing. Needham-Bloemer Point Break #5 Well is considered a critical well and is close to roads.

CalGEM issued a Notice of Violation to Operator on or about April 7, 2022 (**Attachment F**, incorporated herein). Operator's failure to comply with the requirements of Regulations, section 1777, subdivision (d) is credible evidence of desertion. (PRC, § 3237, subd. (a).)

19. Methane Gas Sampling

CalGEM and California Air Resources Board conducted inspections on or about June 2,

2022, and California Air Resources Board observed the following conditions during one and/or all of the inspections at the Operator's facilities:

- Methane gas was detected at Well Shakedown St#2 (API No. 402904174) at more than 50,000 parts per million (ppm);
- Methane gas was detected at Well #14 (API No. 402908763) at more than 50,000 ppm;
- Methane gas was detected at Well #25 (API No. 402908770) at more than 50,000 ppm;
- Methane gas was detected at Well #26 (API No. 402908771) at approximately 2,000 ppm;
- Methane gas was detected at Well #27 (API No. 402908772) at approximately 11,000 ppm;
- Methane gas was detected at Well #28 (API No. 402908773) at approximately 200 ppm;
- Methane gas was detected at Well #31 (API No. 402908776) at more than 50,000 ppm;
- Methane gas was detected at Well #35 (API No. 402908779) at more than 50,000 ppm;
- Methane gas was detected at Well #38 (API No. 402908779) at more than 50,000 ppm; and
- Methane gas was detected at Well #72 (API No. 402988951) at approximately 200 ppm.

California Air Resources Board issued an Inspection Report (**Attachment M**, incorporated herein). In addition, due to the potential threat to life, health, safety and natural resources, CalGEM contracted to seal and repair the wells.

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**

1 **ORDERED** that Operator plug and abandon the Wells, decommission the Facilities, and restore
2 the well site for the Well consistent with all applicable requirements of PRC sections 3208, 3224,
3 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1,
4 1760, 1775, and 1776; and the conditions included in any permit CalGEM may issue pursuant
5 to PRC section 3229. Until that work is complete, Operator is ordered to perform remedial work
6 and testing on the Wells and the Facilities as necessary to prevent damage to life, health,
7 property, and natural resources.

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

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

15 Department of Conservation
16 Director's Office of Appeals
17 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
18 Sacramento, California 95814

18 Or via electronic mail:

19 CalGEMAppeals@conservation.ca.gov
20

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

24 If Operator does not file a timely written notice of appeal, or if the order is affirmed
25 following an appeal, this order will become a final order and CalGEM may contract for
26 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
27 Operator has not, in good faith, commenced the work ordered. Any costs incurred by
28 CalGEM to obtain compliance with this order (which may include penalties and interest) will

1 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
2 3356.)

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

4 Failure to comply with Section VII (Operator's Required Actions) of this order could
5 subject Operator to further enforcement action, including additional civil penalties, as
6 appropriate. PRC section 3236 makes it a misdemeanor for any person who violates, fails,
7 neglects, or refuses to comply with any of the provisions of the oil and gas conservation laws
8 commencing at PRC section 3000. PRC section 3359 makes it a misdemeanor to fail or neglect
9 to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a
10 separate and distinct offense. (PRC, §3359).

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12
13
14 DATED: August 17, 2022



15 Uduak-Joe Ntuk
16 State Oil and Gas Supervisor
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Service List:

Citadel Exploration Inc.
1400 Easton Dr. Suite 101
Bakersfield, CA 93309-9403

Phil McPherson
Citadel Exploration Inc.
417 31st Street Unit A
Newport Beach, CA 92663

C3KR Energy, LLC
50 S. Steele St., Ste. 430
Denver, CO 80209

Timothy L. Kleier
Law Office of Timothy L. Kleier
Attorney at Law
1128 Truxtun Avenue
Bakersfield, CA 93301

John B. Linford
A Professional Law Corporation
P.O. Box 12578
Bakersfield, CA 93389-2578

Jeffrey A. Coleman
Citadel Exploration Inc.
417 31st Street Unit B
Newport Beach, CA 92663