

Department of Conservation, Geologic Energy Management Division
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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PLUG AND ABANDON WELLS, DECOMMISSION
ATTENDANT FACILITIES, AND RESTORE WELL SITE
NO. 1660

Operator: SMG Oil, LLC (\$0255)
Field: Eureka Canyon
Northern District, Ventura County

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 or production facility. (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, subd. (c).) An operator's failure to submit an idle well Testing Compliance Work Plan (**TCWP**), failure to meet the testing benchmarks of an idle well TCWP, conduct idle well casing pressure testing, idle well fluid level testing, or failure to remediate any idle well in accordance with Regulations section 1772.1, subdivision (b), is conclusive evidence of desertion. (PRC, § 3206.1, subd. (e).) A rebuttable presumption of desertion arises if an operator fails to comply with an order (PRC, § 3359) and designate an agent (PRC, § 3200), which the Operator (as defined below) failed to do. Based upon conclusive evidence of desertion and rebuttable presumption of desertion, described below, the Supervisor has determined that the Wells and the Facilities are deserted.

At all relevant times, SMG Oil, LLC (**Operator**) has been the "operator" (as defined in PRC section 3009) of the idle wells (**Wells**) and the production facilities attendant to the Wells (**Facilities**) described in **Attachment A**, incorporated herein. CalGEM has determined, based on conclusive and rebuttable evidence, that Operator has deserted the Wells and Facilities. As a result, Operator is responsible (as specified in PRC section 3237, subdivision (c)(1)) for the plugging and abandonment of the Wells, the decommissioning of the Facilities, and the restoration of the well site for the Wells.

CalGEM records indicate that, under applicable provisions of PRC section 3206, Operator was required to timely pay idle well fees for the Wells for the years May 1, 2026 (covering wells idle in calendar year 2025), May 1, 2025 (covering wells idle in calendar year 2024), and May 1, 2024 (covering wells idle in calendar year 2023), and that Operator has not

done so. Operator was required to submit an Idle Well TCWP, meet the testing benchmarks outlined in the Idle Well TCWP, and remediate the Wells, pursuant to Regulations sections 1772.1 and 1772.1.4; however, Operator has failed to fulfill these requirements. These failures provide conclusive evidence of desertion, leading the Supervisor to determine that the Wells are deserted.

Therefore, pursuant to PRC sections 3106, 3206, 3206.1, 3224, 3226, and 3237, the Supervisor is ordering Operator to plug and abandon the Wells, decommission the Facilities, and restore the well site for the Wells, consistent with all applicable requirements, including 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 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.

Attachment B, incorporated herein, contains a list of definitions and authorities that are applicable to this Order.

II. There is Evidence of Desertion of the Wells

A. Conclusive Evidence of Desertion

PRC section 3206.1, subdivision (e), provides that failure to comply with any requirements of the regulations implementing this section (e.g., Regulations, §§ 1772.1, subds. (a) and (b) and 1772.1.4, subd. (b)), shall be conclusive evidence of desertion of the Wells, permitting the Supervisor to order the Wells abandoned pursuant to PRC section 3237.

Operator failed to comply with these requirements, and this failure constitutes conclusive evidence that the Wells and Facilities are deserted. At all times relevant to this Order, the Wells were each an "idle well" as defined in PRC section 3008, subdivision (d).

As the operator of the Wells, following the process for idle well management set forth in PRC section 3206, subdivision (a), Operator did not submit an Idle Well Management Plan in lieu of paying idle well fees. Operator was therefore required to pay an idle well fee for each

of its idle wells that were idle in 2023 by May 1, 2024, as provided in the 2024 Idle Well Fee Invoice prepared by CalGEM; 2024 by May 1, 2025, as provided in the 2025 Idle Well Fee Invoice prepared by CalGEM; and 2025 by May 1, 2026, as provided in the 2026 Idle Well Fee Invoice prepared by CalGEM. (PRC, § 3206, subds. (a) and (a)(2)(B)(v).) (**Attachments C, D, and E**, incorporated herein.) As of the date of this order, Operator has not paid its idle well fees for its Wells idle in 2023, 2024, and 2025. Operator's failure to pay the required idle well fees for the Wells is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

Failure to submit an Idle Well TCWP (Regulations, § 1772.1.4, subd. (a))

Regulations section 1772.1.4, subdivision (a), provides that operators shall submit a TCWP by June 1, 2019, for all wells that are idle as of April 1, 2019. To date, CalGEM has not received a TCWP from Operator for the Well. Operator has failed to comply with the requirements of Regulations section 1772.1.4, subdivision (a).

1. Failure to Meet Idle Well TCWP Benchmarks Due to Failure to Conduct Casing Pressure Test and Perform Clean Out Tag (Regulations, § 1772.1.4, subd. (b)).

Regulations section 1772.1.4, subdivision (b), provides that operators shall comply with annual testing benchmarks of a TCWP for all wells idle as of April 1, 2019. The casing pressure testing and performance of a clean out tag on was due on the Wells, no later than April 1, 2020. To date, CalGEM has not received evidence of casing pressure testing nor performance of clean out tag for any of the Wells. Therefore, Operator has failed to comply with the requirements of Regulations section 1772.1.4, subdivision (b). (**Attachment F**, incorporated herein.)

API	Well Designation	Casing Pressure Test Due	Cleanout Tag Due Date
0411120960	Sloan 2X	4/1/2020	4/1/2020
0411120576	Hol-Har 4	4/1/2021	N/A
0411121147	Sloan 4X	4/1/202	N/A

2. Failure to Perform Casing Pressure Test (Regulations, § 1772.1, subd. (a)(2)).

Regulations section 1772.1, subdivision (a)(2), provides that within 24 months of a well becoming an idle well, the Operator shall conduct a casing pressure test on the well according to the parameters of the Regulation. The casing pressure test on each well was due as indicated in the table below. (Regulations § 1772.1, subd. (a)(2)), (**Attachment G**, incorporated herein.) To date, CalGEM has not received evidence of casing pressure testing for any of the Wells. Therefore, Operator has failed to comply with the requirements of Regulations section 1772.1, subd. (a)(2).

API	Well Designation	Casing Pressure Test Due
0411120331	A. E. Sloan 103	07/01/2023
0411121177	Sloan 7X	06/01/2023
0411120489	Hol-Har 3	06/01/2023
0411120713	Hol-Har 7A	06/01/2023
0411120689	Hol-Har 7	06/01/2023
0411120411	Hol-Har 1	06/01/2023

3. Failure To Remediate After Failing to Successfully Complete Idle Well Testing (Regulations, § 1772.1, subd. (b)).

Within 12 months of failing to conduct a successful casing pressure test pursuant to Regulations section 1772.1, subdivision (a)(2), or a successful cleanout tag pursuant to Regulations section 1772.1, subdivision (a)(3), Operator was required to do one of the following: (1) bring the Wells into compliance, (2) partially plug and abandon the Wells in accordance with Regulations section 1752, (3) plug and abandon the Wells in accordance with PRC section 3208, or (4) schedule the Wells for plugging and abandonment under an approved Idle Well Management Plan or an approved Testing Waiver Plan. (Regulations, § 1772.1, subd. (b).)

API	Designation	Test Type	Test Due Date	Remediation Due Date
0411120960	Sloan 2X	Cleanout tag	4/1/2020	4/1/2021
0411120960	Sloan 2X	Casing Pressure Test	4/1/2020	4/1/2021
0411120576	Hol-Har 4	Casing Pressure Test	4/1/2021	4/1/2022
0411121147	Sloan 4X	Casing Pressure Test	4/1/2022	4/1/2023
0411120331	A. E. Sloan 103	Casing Pressure Test	07/01/2023	07/01/2024
0411121177	Sloan 7X	Casing Pressure Test	06/01/2023	06/01/2024
0411120489	Hol-Har 3	Casing Pressure Test	06/01/2023	06/01/2024
0411120713	Hol-Har 7A	Casing Pressure Test	06/01/2023	06/01/2024
0411120689	Hol-Har 7	Casing Pressure Test	06/01/2023	06/01/2024
0411120411	Hol-Har 1	Casing Pressure Test	06/01/2023	06/01/2024

Regulations section 1772.1, subdivision (b), provides that operators shall remediate idle wells after failing to successfully perform casing pressure test or cleanout tag consistent with Regulations section 1772.1, subdivisions (a)(1) and (a)(2), (**Attachments H and I**, incorporated herein). The remediation for each of the Wells was due as indicated in the table above. To date, Operator has not remediated any of the Wells. As a result, Operator has failed to comply with the requirements of Regulations section 1772.1, subdivision (b).

4. Failure To Conduct Fluid Level Testing (Regulations, § 1772.1, subd. (a)(1))

Within 24 months of a well becoming an idle well, Operator shall conduct a fluid-level test for all idle wells, pursuant to Regulations section 1772.1, subdivision (a)(1). The fluid level testing for the Wells were due starting April 1, 2021, as indicated in the table below (**Attachment J**, incorporated herein.) To date, CalGEM has not received any evidence indicating that Operator conducted the fluid level testing. As a result, Operator has failed to comply with the requirements of Regulations section 1772.1, subdivision (a)(1).

API	Well Designation	Fluid Level by Due Date
0411120576	Hol-Har 4	4/1/2021
0411121147	Sloan 4X	4/1/2021
0411120960	Sloan 2X	4/1/2021
0411121177	Sloan 7X	6/1/2023
0411120489	Hol-Har 3	6/1/2023
0411120713	Hol-Har 7A	6/1/2023
0411120689	Hol-Har 7	6/1/2023
0411120411	Hol-Har 1	6/1/2023
0411120331	A. E. Sloan 103	7/1/2023

In conclusion, the above idle well violations constitute conclusive evidence of desertion and permit the Supervisor to order the Wells be plugged and abandoned. Operator failed to submit a TCWP, comply with the testing benchmarks of the TCWP, conduct casing pressure testing, conduct fluid level testing, and remediate the Wells. (PRC, §§ 3206.1, subd. (e), 3237, subd. (a); Regulations, §§ 1772.1, subds. (a)(1), (a)(2), and (b), 1772.1.4, subds. (a) and (b).)

B. Rebuttable Evidence of Desertion

A rebuttable presumption of desertion arises if an operator fails to comply with an order (PRC, § 3359) and designate an agent (PRC, § 3200). Operator's failure to provide and maintain the aforementioned documentation on file with CalGEM, as required by PRC sections 3200 and 3359, creates a rebuttable presumption that the Wells are deserted.

1. Failure to Designate an Agent (PRC, § 3200)

An owner or operator of a well or production facility shall designate an agent, giving his or her address, who resides in this state, to receive and accept service of all orders, notices and processes of the supervisor or a court of law. Every person appointing an agent shall, within five days after the termination of the agency, notify the supervisor, in writing, of the termination, and unless operations are discontinued, shall appoint a new agent (PRC, § 3200.) The Operator's prior agent resigned with the Secretary of State on November 12, 2024. Furthermore, the organization agreed to dissolve as outlined in the dissolution and winding up

1 agreement as of November 1, 2020. As of the date of this order, Operator has not designated
2 an agent.

3 2. Failure to Comply with Orders 1385 and 1448 (PRC, § 3359)

4 CalGEM Order No. 1385 issued on April 30, 2024, was not appealed by Operator and
5 became final on May 15, 2024. (**Attachment K**, incorporated herein.) Order No. 1385 required
6 the Operator to:

7 1) Submit written notification verifying whether there have been any changes to its
8 right to operate each of the Wells, as directed in PRC section 3202, subdivision
9 (c); and

10 2) Pay a civil penalty in the amount of four hundred dollars (\$450.00).

11 To date, CalGEM has not received notification of Operator's right to operate nor
12 payment of the civil penalty. Operator's failure to comply with Order No. 1385 is a rebuttable
13 presumption of desertion. (PRC, § 3237, subd. (a)(3)(C)).)

14 CalGEM Order No. 1448 issued on October 2, 2024, was not appealed by Operator and
15 became final on October 17, 2024. (**Attachment L**, incorporated herein.) Order No. 1448
16 required the Operator to:

17 1) In accordance with 1772.1, subdivision (b), bring the Wells into compliance by
18 doing one of the following:

19 a. Bring the well into compliance by performing and passing a casing pressure
20 test, and performing a clean out tag

21 b. Partially plug and abandon the well

22 c. Plug and abandon the well; or

23 d. Schedule the well for plugging and abandonment under an approved Idle
24 Well Management Plan or an approved Testing Waiver Plan.

25 2) Pay a civil penalty in the amount of twenty-two thousand five hundred dollars
26 (\$22,500.00).

To date, Operator has not complied nor has CalGEM received payment of the civil penalty. Operator's failure to comply with Order No. 1448 is a rebuttable presumption of desertion. (PRC, § 3237, subd. (a)(3)(C)).)

III. Operator's Required Actions

For the reasons stated herein, CalGEM has determined that the Wells are deserted. Therefore, pursuant to PRC sections 3106, 3206, 3206.1, 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 Wells 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 as necessary to prevent damage to life, health, property, and natural resources.

IV. 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:

OfficeofAppeals@conservation.ca.gov

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.

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

7 **V. Consequences of Non-Compliance**

8 Failure to comply with Section III (Operator's Required Actions) of this Order could
9 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
10 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
11 oil and gas conservation laws commencing at PRC section 3000. PRC sections 3236.2 and
12 3236.3 authorizes the Supervisor to refer for civil penalties and injunctive relief for failure to
13 comply with an order or for violation of any provision in Chapter 1 of Division 3 of the PRC or
14 any regulation that implements those statutes. PRC section 3236.5 authorizes the Supervisor to
15 impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the
16 PRC or any regulation that implements those statutes, and the Supervisor may in the future
17 impose further civil penalties based on the facts and omissions underlying this Order. PRC
18 section 3237 authorizes the Supervisor to order the plugging and abandonment of a well or
19 the decommissioning of a production facility if an operator has failed to comply with an order
20 of the Supervisor within the time provided by the order or has failed to challenge the order on
21 a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an
22 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct
23 offense. (PRC, § 3359.) By issuance of this Order, the Supervisor does not waive the right to take
24 further enforcement actions. PRC sections 3236.2 and 3236.3 authorizes the Supervisor to seek
25 civil penalties and injunctive relief for failure to comply with an order or for violation of any
26 provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes.

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DATED: 7/20/2026

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