

1 Department of Conservation, Division of Oil, Gas, and Geothermal Resources
2 STATE OIL AND GAS SUPERVISOR
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7

8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**
12

13
14 **ORDER TO:**
15 **PLUG AND ABANDON WELL,**
16 **DECOMMISSION ATTENDANT FACILITIES, AND**
17 **RESTORE WELL SITE**
18

19 **NO. 1123**
20 **Dated: May 25, 2018**
21 **Operator(s): Lynnhart Company, Inc. (10391)**
22 **Hampton Oil Corp. (03769)**
23

24
25 **BY**
26 **Kenneth A. Harris Jr.**
27 **STATE OIL AND GAS SUPERVISOR**
28

1 **I. Introduction**

2 The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas,
3 and Geothermal Resources (Division), may order the plugging and abandonment of a well that
4 he has determined, upon credible evidence, to be deserted, whether or not any damage is
5 occurring, or threatened, by reason of that deserted well. (**Public Resources Code [PRC], §**
6 **3237, subdivision (a)(1).**) Based on the Division’s records, **Lynnhart Company, Inc.**
7 (**Lynnhart**) and **Hampton Oil Corp.** (**Hampton**) are each a responsible “operator” (Operator) (as
8 defined in **PRC section 3009**) and are responsible (as specified in **PRC section 3237,**
9 **subdivision (c)(1)**), for the plugging and abandonment of the well “**Goedhart**” 2 (**API No. 065-**
10 **20011; Prado-Corona Oil Field**) (**the Well**), the decommissioning of the attendant production
11 facilities (**the Facilities**), and the restoration of the well site (**the Well and Facilities**). Herein,
12 the Supervisor is ordering Operator to do so because the Supervisor has determined, based on
13 information, belief, and the evidence detailed below, that Operator has deserted **the Well and**
14 **Facilities**.

15 Therefore, pursuant to **PRC sections 3106, 3224, 3226, and 3237**, and as set forth below,
16 the Supervisor is ordering Operator to plug and abandon **the Well** and decommission **the**
17 **Facilities** according to **PRC sections 3208, 3228, 3229, and 3230, California Code of**
18 **Regulations, Title 14, (Regulations) sections 1722 through 1724.1, 1760, 1775, and 1776,**
19 and the conditions included in any permit the Division may issue pursuant to **PRC section 3229.**

20 **II. Definitions**

21 **PRC section 3008, subdivision (a)**, defines “Well” to mean “any oil or gas well or well
22 for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain
23 oil or gas,” among others.

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

27 **Regulations section 1760, subdivision (k)**, defines “Production facility” to mean “any
28 equipment attendant to oil and gas production...including, but not limited to, tanks, flowlines,

1 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
2 equipment, production safety systems, separators, manifolds, and pipelines that are not under the
3 jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code,
4 excluding fire suppressant equipment.”

5 **III. State Oil and Gas Supervisor Authority**

6 **PRC section 3106** authorizes the Supervisor to supervise the drilling, operation,
7 maintenance, and abandonment of oil and gas wells to “prevent, as far as possible, damage to
8 life, health, property, and natural resources; damage to underground oil and gas deposits from
9 infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to
10 underground and surface waters suitable for irrigation or domestic purposes by the infiltration
11 of, or the addition of, detrimental substances.”

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

18 **PRC section 3226** authorizes the Supervisor, based the Supervisor’s final or affirmed
19 order, to appoint agents who may enter the well premises and perform necessary remedial work
20 if the operator did not complete the remedial work as ordered. Any amount the Supervisor
21 expends to complete the necessary remedial work constitutes a lien against the operator’s real or
22 personal property according to **PRC section 3423**.

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

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1 **IV. Idle Well Testing Requirements**

2 **Regulations section 1723.9** requires an operator to test any well that has not produced oil
3 or natural gas, or has not been used for fluid injection for a continuous six-month period during
4 any consecutive five-year period. The operator must test the well to determine the fluid level
5 using acoustical, mechanical, or other reliable methods, and perform other diagnostic tests that
6 the Supervisor may require. The operator must notify the appropriate Division district office
7 before the tests are done so a Division inspector may witness the operations.

8 **V. Conclusive Evidence of Desertion**

9 The Division's records show that **the Well** is a "long-term idle well" that went idle in or
10 around April 1991. (See, former, **Pub. Resources Code, § 3008, subd. (e).**) Operator has not
11 paid fees required for idle wells under **PRC section 3206** (former or current) since 2009, and
12 has an outstanding balance of approximately \$9,500.00 in idle well fees. Operator's failure to
13 pay the required idle well fees for **the Well** is conclusive evidence of desertion. (**Pub.**
14 **Resources Code, § 3206, subd. (c).**)

15 The Supervisor also determined that Operator Lynnhart does not have a bond on file for
16 **the Well**, and Operator Hampton stopped paying the premium on its bond. A bond was
17 required upon any transfer of **the Well** from Hampton to Lynnhart, under **PRC section 3202**.
18 Operator Lynnhart's failure to file a bond for **the Well**, upon and after transfer, is conclusive
19 evidence of desertion. (See, former, **Pub. Resources Code, § 3206, subd. (c)** [Repealed
20 January 1, 2018].)

21 **VI. Rebuttable Presumption of Desertion**

22 **A. Failure to Designate an Agent**

23 The Supervisor has determined that Operator Lynnhart failed to notify the Division to
24 designate an agent, in violation of **PRC section 3200**. The Division attempted to contact
25 Lynnhart by U.S. mail in May 2010 and March 2011, requesting the designation of an agent, in
26 addition to other required information. Lynnhart remains unresponsive to these contact
27 attempts. Operator Lynnhart's violation of **PRC section 3200** creates a rebuttable presumption
28 of desertion. (**See Pub. Resources Code, § 3237, subd. (a)(3)(D).**)

1 **B. Failure to Comply with PRC § 3202 regarding Acquisition of Property Interest**

2 Based on Operator Lynnhart's actions concerning the Well, including paying some idle
3 well fees and installing identifying signage at the well, the Supervisor has determined that
4 Operator Lynnhart failed to notify the Division of a change in ownership of **the Well** at the time
5 of acquisition, in violation of **PRC section 3202**.

6 In 2005, Lynnhart paid an annual idle well fee for **the Well**. Lynnhart also replaced the
7 signage on site, indicating Lynnhart's operation of **the Well**. However, the Division never
8 received written notice from Lynnhart of its acquisition of **the Well**. The Division attempted to
9 contact Lynnhart by U.S. mail in May 2010 and March 2011, requesting written notice of
10 Lynnhart's acquisition and operation, in addition to other information required by **PRC section**
11 **3202**. Lynnhart remains unresponsive to these contact attempts. Operator Lynnhart's violation
12 of **PRC section 3202** creates a rebuttable presumption of desertion. (See **Pub. Resources**
13 **Code, § 3237, subd. (a)(3)(E).**)

14 **VII. Credible Evidence of Desertion**

15 The Supervisor has determined that Operator failed to submit the required well
16 production data under **PRC section 3227** for **the Well**, and failed to conduct the required idle
17 well testing (see **Regulations section 1723.9**). Both failings are "credible evidence" of
18 desertion since such evidence includes "the extent of compliance by the operator" with oil and
19 gas conservation requirements. (**Pub. Resources Code, § 3237, subd. (a)(1) & (2).**)

20 **PRC section 3227** requires monthly well production reports, including reporting "zero"
21 production (an idle or potential idle well). Division records indicate that Operator has not
22 submitted production records since August 2014, in violation of **PRC section 3227**. The lack of
23 production records is credible evidence that Operator deserted well "Goedhart" 2.

24 **Regulations section 1723.9** requires an operator to test any well that has not produced oil
25 or natural gas, or has not been used for fluid injection for a continuous six-month period during
26 any consecutive five-year period. The Division has no record of any idle well testing at **the**
27 **Well** by Operator. Operator failed to comply with **Regulations section 1723.9** because it did
28

1 not perform the required idle well tests for **the Well**. This is also credible evidence that
2 Operator deserted well "Goedhart" 2.

3 The Supervisor has also determined that Operator failed to properly abandon **the Well**, in
4 violation of **PRC section 3208**. The Division received a Notice of Intention to Plug and
5 Abandon **the Well** from Operator Hampton in September 2006, and issued a permit to complete
6 the work. However, no plugging work was initiated and the Division revoked the permit in
7 2011. The wellhead and pump jack equipment at the site are heavily encrusted and appear
8 inoperable, and the electrical box has fallen over. Operator failed to conduct the plugging and
9 abandonment work required by **PRC section 3208**. This is credible evidence that Operator
10 deserted well "Goedhart" 2. (See **Pub. Resources Code, § 3237, subd. (a)(2).**)

11 **PRC section 3237, subdivision (a)(2)**, considers a lack of response by an operator to
12 inquiries and requests from the Supervisor or district deputy to be credible evidence of
13 desertion. Operator Lynnhart failed to respond to the Division's contact attempts via U.S. mail
14 in May 2010 and March 2011. Lynnhart also failed to claim the May 2010 letter at the address
15 Lynnhart provided to the Bureau of Land Management (P.O. Box 3575, Newport Beach, CA
16 92659), and it was returned to the Division as unclaimed. Operator Hampton failed to respond
17 to the Division's annual contact attempts regarding idle well fees, sent via U.S. mail sent from
18 2012 through 2017. Lynnhart's and Hampton's lack of response to these inquiries from the
19 Division is credible evidence that Operator deserted well "Goedhart" 2.

20 **PRC section 3201** requires an operator to notify the Division of the disposition of a well
21 or production facility by an operator before the transfer becomes final. Operator Hampton failed
22 to notify the Division of a change in ownership of **the Well** at the time of disposition to
23 Lynnhart. Operator's failure to notify the Division of a disposition of **the Well** is credible
24 evidence that Operator deserted well "Goedhart" 2. (See **Pub. Resources Code, § 3201.**)

25 Based on all of the allegations above, the Supervisor determined that credible evidence
26 that Operator deserted **the Well** exists. The Supervisor is authorized to order Operator to plug
27 and abandon **the Well**.

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1 **VIII. Operator's Required Actions**

2 For the reasons stated above, the Division has determined that Operator has deserted **the**
3 **Well and Facilities**. Therefore, **IT IS HEREBY ORDERED** that Operator plug and abandon
4 **the Well** and decommission **the Facilities** according to **PRC sections 3208, 3228, 3229, and**
5 **3230, Regulations sections 1722 through 1724.1, 1760, 1775, and 1776**, and the conditions
6 included in any permit the Division may issue pursuant to **PRC section 3229**.

7 **IX. Operator's Appeal Rights**

8 **PRC section 3237, subdivision (b)**, entitles an operator to appeal a Supervisor's order to
9 plug and abandon a deserted well. A notice of appeal must be timely made, in writing, and filed
10 with the Director. (See **Public Resources Code beginning at PRC section 3350**.) To file an
11 appeal, a written notice of appeal may be mailed to the following address:

12 Department of Conservation
13 Director's Office of Appeals
14 801 K Street, MS 24-03 (Legal Office)
15 Sacramento, California 95814-3530

16 If Operator does not file a timely written notice of appeal, this Order will become a final
17 order and the Division may contract for performance of the work, pursuant to **PRC section**
18 **3226**, if, within 30 days of this Order, Operator has not, in good faith, commenced the work
19 ordered. Any costs incurred by the Supervisor to obtain compliance with this Order will
20 constitute a lien against Operator's real or personal property per **PRC section 3423**. If Operator
21 submits a timely written notice of appeal, it, and interested parties, will receive notice of the
22 appeal hearing date, time, and place. Following the hearing, Operator, and interested parties,
23 will receive a written decision that affirms, sets aside, or modifies the appealed order.

24 **X. Other Potential Actions to Enforce This Order**

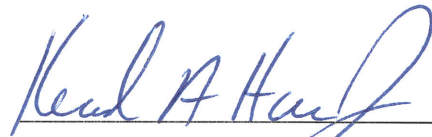
25 Failing to comply with **Section VIII** (Operator's Required Actions) of this Order could
26 subject Operator to further enforcement action. For example, the Supervisor could deny
27 approval of proposed well operations until compliance is achieved. (**PRC, § 3203, subd. (c)**.)

28 In addition, **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a
person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that

1 implements those statutes, and the Supervisor may in the future impose a civil penalty based on
2 the facts and omissions underlying this Order.

3 Further, **PRC section 3236** makes it a misdemeanor for any person who violates, fails,
4 neglects, or refuses to comply with any of the provisions of the oil and gas law. The
5 misdemeanor is punishable by a fine of not less than one hundred dollars (\$100) nor more than
6 one thousand dollars (\$1,000), or by imprisonment not exceeding six months, or by both the fine
7 and imprisonment for each separate offense. **PRC section 3359** makes it a misdemeanor to fail
8 or neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or
9 neglect is a separate and distinct offense. (**PRC, § 3359.**)

10
11 DATED: May 25, 2018



12
13 Kenneth A. Harris Jr.

14 State Oil and Gas Supervisor

15
16 Lynnhart Company, Inc.

17 P.O. Box 3575

18 Newport Beach, CA 92659

19 Attn: Ronald E. Jackson

20 Cert. mail rec. no.: 7016 1370 0000 0837 9644

21
22 Hampton Oil Corp.

23 2082 S.E. Bristol, Ste. 202

24 Santa Ana, CA 92707

25 Attn: George Brayton, Jr.

26 Cert. mail rec. no.: 7016 1370 0000 0837 9682

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1 Copy to: Lynnhart Company, Inc.
2 266 Prospect Avenue
3 Long Beach, CA 90803
4 Attn: Peter Jackson
5 Cert. mail rec. no.: 7016 1370 0000 0837 9651

6
7 Copy to: Lynnhart Company, Inc.
8 3161 Michelson Drive, Ste. 1000
9 Irvine, CA 92612
10 Attn: Jeffrey Joy
11 Cert. mail rec. no.: 7016 1370 0000 0837 9668

12
13 Copy to: Lynnhart Company, Inc.
14 3316 Maryland Circle
15 Costa Mesa, CA 92626
16 Cert. mail rec. no.: 7016 1370 0000 0837 9675

17
18 Copy to: Hampton Oil Corp.
19 1507 Cornwall Lane
20 Newport Beach, CA 92660
21 Attn: George Brayton
22 Cert. mail rec. no.: 7016 1370 0000 0837 9699

23
24 Copy to: Hampton Oil Corporation
25 4063 Birch, Suite #200
26 Newport Beach, CA 92660
27 Attn: George Brayton
28 Cert. mail rec. no.: 7016 1370 0000 0837 9705

1 Copy to: Hampton Oil Corporation
2 11551 Montlake Drive
3 Garden Grove, CA 92841
4 Attn: George Brayton
5 Cert. mail rec. no.: 7016 1370 0000 0837 9712
6

7 Copy to: Corona Auto Body
8 2425 Railroad St.
9 Corona, CA 92880
10 Attention: Mike Lopez
11 Cert. mail rec. no.: 7016 1370 0000 0837 9729
12

13 Copy to: San Bernardino County Fire Department
14 20 South E Street
15 San Bernardino, CA 92415-0153
16 Cert. mail rec. no.: 7016 1370 0000 0837 9743
17

18 Copy to: Riverside County Department of Environmental Health
19 065 County Circle Drive, Room 104
20 Riverside, CA 92503
21 Cert. mail rec. no.: 7016 1370 0000 0837 9736
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