

1 Department of Conservation, Division of Oil, Gas, and Geothermal Resources  
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8 **STATE OF CALIFORNIA**  
9 **NATURAL RESOURCES AGENCY**  
10 **DEPARTMENT OF CONSERVATION**  
11 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**

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14 **ORDER TO PLUG AND ABANDON WELLS,**  
15 **DECOMMISSION ATTENDANT FACILITIES,**  
16 **AND RESTORE WELL SITE, NO. 1156**

17  
18 **Operator: Costa Loma Ltd.**

19 **Wells: Costa 1 (API 0408100081), Costa 5 (API 0408120007), Costa 7-A (API 0408120020),**  
20 **Unknown Well (Costa Lease SEC. 14 T.08S R.03W)**

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22 **I. Introduction**

23 The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and  
24 Geothermal Resources (Division), may order the plugging and abandonment of a well or the  
25 decommissioning of a production facility that has been deserted, whether or not any damage is  
26 occurring, or threatened, by reason of that deserted well. (Pub. Resources Code [PRC], § 3237, subd.  
27 (a).) When the operator of an idle well has not filed an Idle Well Management Plan with the Supervisor,  
28 the operator's failure to pay annual fees for the idle well is conclusive evidence of desertion. (PRC, §

1 3206, subds. (a) and (c); emphasis added). Credible evidence of desertion arises when the operator has  
2 failed to respond to requests from the Supervisor, when the operator has failed to comply with the  
3 requirements of the California Public Resources Code or regulations implemented thereto, and other  
4 actions of the operator with regard to the well or production facility. (PRC, § 3237 subd. (a)(2)). It is a  
5 rebuttable presumption of desertion when the operator has failed to maintain the access road to a well or  
6 production facility site passable to oilfield and emergency vehicles. (PRC, § 3237 subd. (a)(3)(F))

7 Based on the Division's records, Costa Loma, Ltd. is the "operator" (Operator) (as defined in PRC  
8 section 3009) (See Exhibit A, incorporated herein) and is responsible (as specified in PRC section 3237,  
9 subd. (c)(1)), for the plugging and abandonment of the well(s) on Exhibit B (incorporated herein; the  
10 Well(s)), the decommissioning of the attendant production facilities (the Facilities), and the restoration of  
11 the well site. Herein, the Supervisor is ordering Operator to do so because the Supervisor has determined,  
12 based on information, belief, and the conclusive and credible evidence detailed below, that Operator has  
13 deserted the Wells and Facilities.

14 Therefore, pursuant to PRC sections 3106, 3206, 3226, and 3237, and as set forth below, the  
15 Supervisor is ordering Operator to plug and abandon the Wells, decommission the Facilities, and restore  
16 the well site according to PRC sections 3208, 3228, 3229, and 3230, California Code of Regulations,  
17 title 14, sections 1722, 1723 through 1724.1, 1760, 1775, and 1776, (Cal. Code Regs. [Regulations], tit.  
18 14, §§ 1722, 1723-1724.1, 1760, 1775, 1776), and the conditions included in any permit/approval the  
19 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 for the  
22 discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas,"  
23 among others.

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

1 B. Failure to Comply with Notice of Violation – Costa 1

2 The Division’s records show that a Notice of Violation (Exhibit D-1) was issued to the operator  
3 on May 2, 2019. On June 3, 2019, Division staff inspected to facility to assess the status of whether  
4 efforts have commenced to address the violations and no efforts had commenced (Exhibit E), nor has a  
5 mitigation plan to allow for the decommission, a Notice of Intention, or a workplan to plug and abandon  
6 well “Costa” 1 been received by the Division as requested. Operator’s failure to comply with the Notice  
7 of Violation credible evidence of desertion. (PRC, § 3237 subd. (a)(2))  
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9 C. Failure to Comply with Notice of Violation – Costa 5

10 The Division’s records show that a Notice of Violation (Exhibit D-2) was issued to the operator  
11 on May 2, 2019. On June 3, 2019, Division staff inspected to facility to assess the status of whether  
12 efforts have commenced to address the violations and no efforts had commenced (See Exhibit E,  
13 incorporated herein), nor has a mitigation plan to allow for the decommission, a Notice of Intention, or a  
14 workplan to plug and abandon well “Costa” 5 been received by the Division as requested. Operator’s  
15 failure to comply with the Notice of Violation credible evidence of desertion. (PRC, § 3237 subd.  
16 (a)(2))  
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18 D. Failure to Comply with Notice of Violation – Costa 7-A

19 The Division’s records show that a Notice of Violation (Exhibit D-3) was issued to the operator  
20 on May 2, 2019. On June 3, 2019, Division staff inspected to facility to assess the status of whether  
21 efforts have commenced to address the violations and no efforts had commenced (see Exhibit E,  
22 incorporated herein), nor has a mitigation plan to allow for the decommission, a Notice of Intention, or a  
23 workplan to plug and abandon well “Costa” 5 been received by the Division as requested. Operator’s  
24 failure to comply with the Notice of Violation credible evidence of desertion. (PRC, § 3237 subd.  
25 (a)(2))

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

### 4 **III. State Oil and Gas Supervisor Authority**

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

10 **PRC section 3206, subdivision (c)**, states that “Failure to file, for any well, the fee required  
11 under this section shall be conclusive evidence of desertion of the well, permitting the supervisor to  
12 order the well abandoned pursuant to section 3237.”

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

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

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



1 E. Failure to Comply with Notice of Violation – Unknown Well SEC. 14 T.08S R.03W

2 The Division’s records show that a Notice of Violation (Exhibit D-4) was issued to the operator  
3 on May 2, 2019. On June 3, 2019, Division staff inspected to facility to assess the status of whether  
4 efforts have commenced to address the violations and no efforts had commenced (See Exhibit E,  
5 incorporated herein), nor has a Notice of Intention, or a workplan to plug and abandon the unknown well  
6 been received by the Division as requested. Operator’s failure to comply with the Notice of Violation  
7 credible evidence of desertion. (PRC, § 3237 subd. (a)(2))

8 **VI. Rebuttable Presumption of Desertion**

9 A. Failure to Maintain Access Roads to a Well or Production Facility

10 During inspections on or about April 10, 2019 and June 3, 2019 and as documented in Exhibits  
11 (D-1 through D-4) , Division staff observed that the access road to the above referenced wells on the Costa  
12 Lease was in disrepair. Emergency vehicles and rigs or heavy equipment necessary for well work would  
13 be unable to navigate the road in the event of an emergency considering the existing road conditions.

14 **VII. Operator’s Required Actions**

15 For the reasons stated above, the Division has determined that Operator has deserted **the Well(s)**  
16 **and Facilities**. Therefore, **IT IS HEREBY ORDERED** that Operator plug and abandon **the Well(s)**  
17 and decommission **the Facilities** according to **PRC sections 3208, 3228, 3229, and 3230, Regulations**  
18 **sections 1722, 1723 through 1724.1, 1760, 1775, and 1776**, and the conditions included in any permit  
19 the Division may issue pursuant to **PRC section 3229**.

20 **VIII. Operator’s Appeal Rights**

21 **PRC section 3237, subdivision (b)**, entitles an operator to appeal a Supervisor’s order to plug  
22 and abandon a deserted well. A notice of appeal must be timely made, in writing, and filed with the  
23 Director. (**See PRC beginning at PRC section 3350.**) If this Order is mailed to you, the Director must  
24 receive the appeal within (15) days from the date the Supervisor mails the Order. To file an appeal, a  
25 written notice of appeal may be sent via U.S. mail to:

26 Department of Conservation  
27 Director’s Office of Appeals  
28 801 K Street, MS 24-03 (Legal Office, Chief Counsel)  
Sacramento, California 95814-3530

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

6 If Operator submits a timely written notice of appeal, it, and interested parties, will receive notice  
7 of the appeal hearing date, time, and place. Following the hearing, Operator, and interested parties, will  
8 receive a written decision that affirms, sets aside, or modifies the appealed order.

9 **IX. Other Potential Actions to Enforce This Order**

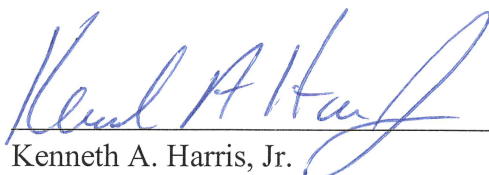
10 Failing to comply with **Section VII** (Operator's Required Actions) of this Order could subject  
11 Operator to further enforcement action. For example, the Supervisor could deny approval of proposed  
12 well operations until compliance is achieved. (**PRC, § 3203, subd. (c).**)

13 In addition, **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a person  
14 who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements  
15 those statutes, and the Supervisor may in the future impose a civil penalty based on the acts and  
16 omissions underlying this Order.

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

24  
25 DATED: \_\_\_\_\_

6/13/2019

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Kenneth A. Harris, Jr.  
State Oil and Gas Supervisor