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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. 1158**

17
18 **Operator: Kore Energy, LLC (K2450)**

19 **Well: Careaga 45 (API No. 08321207)**

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21 **I. Introduction**

22 The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and
23 Geothermal Resources (Division), may order the plugging and abandonment of a well or the
24 decommissioning of a production facility that has been deserted, whether or not any damage is occurring,
25 or threatened, by reason of that deserted well. (Public Resources Code [PRC], § 3237, subdivision (a).)
26 When the operator of an idle well has not filed an Idle Well Management Plan with the Supervisor, the
27 operator's failure to pay annual fees for the idle well is conclusive evidence of desertion. (PRC, § 3206,
28 subs. (a) and (c); emphasis added).

1 Based on the Division's records, Kore Energy, LLC is an "operator[s]" (Operator) (as defined in
2 PRC section 3009) and is responsible (as specified in PRC section 3237, subdivision (c)(1)), for the
3 plugging and abandonment of the above referenced well, the decommissioning of the attendant production
4 facilities (the Facilities), and the restoration of the well site (the Wells and Facilities). (See Attachment
5 A, incorporated herein) The Supervisor is ordering Operator, Kore Energy, LLC, to do so because the
6 Supervisor has determined, based on information, belief, and the credible and conclusive evidence detailed
7 below, that Operator has deserted the well and attendant facilities. Additionally, according to Division
8 records, previous operators, Vaquero Energy, LLC and Geo Petroleum, are responsible for the costs
9 associated with plugging and abandoning the well as prior operators owning the well after January 1, 1996
10 in the event Kore Energy, LLC does not have the financial resources to fully cover the cost of plugging
11 and abandoning the well or the decommissioning of deserted production facilities pursuant to PRC section
12 3237, subdivision (c)(1).

13 Therefore, pursuant to PRC sections 3106, 3206, 3224, 3226, and 3237, and as set forth below, the
14 Supervisor is ordering Operator, Kore Energy, LLC, to plug and abandon the Well, decommission the
15 Facilities, and restore the well site according to PRC sections 3208, 3228, 3229, and 3230, California
16 Code of Regulations, title 14, (Regulations) sections 1722, 1723 through 1724.1, 1760, 1775, and 1776,
17 and the conditions included in any permit/approval the Division may issue pursuant to PRC section 3229.

18 **II. Definitions**

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

22 **PRC section 3008, subdivision (d)** defines "Idle well" to mean "any well that for a period of 24
23 consecutive months has not either produced oil or natural gas, produced water to be used in production
24 stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection."

25 **PRC section 3008, subdivision (e)** defines "Long-term idle well" to mean "any well that has been
26 an idle well for eight or more years."

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

4 **Regulations section 1760, subdivision (k)** defines “Production facility” to mean “any equipment
5 attendant to oil and gas production...including, but not limited to, tanks, flowlines, headers, gathering
6 lines, wellheads, heater treaters, pumps, valves, compressors, injection equipment, production safety
7 systems, separators, manifolds, and pipelines that are not under the jurisdiction of the State Fire Marshal
8 pursuant to Section 51010 of the Government Code, excluding fire suppressant equipment.”

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

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

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

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

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

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1 **IV. Conclusive Evidence of Desertion**

2 Division staff notified the Operator of Operator's idle well fee obligations, by U.S. mail
3 (Attachment B; incorporated herein). Second, the Division sent a subsequent, related revised idle well
4 fee invoice ("Revised Invoice") dated June 22, 2018. (See Attachment C; incorporated herein.) Third,
5 the Division sent a related "Past Due" notice dated August 17, 2018 for failure to pay 2018 idle well
6 fees. (See Attachment D; incorporated herein.) Operator, Kore Energy, LLC, has not paid the annual
7 fees required for the Well(s) under PRC section 3206 and has an outstanding balance of approximately
8 \$150.00 in idle well fees. Operator's failure to pay the required idle well fees for the Well is conclusive
9 evidence of desertion.

10 **V. Credible Evidence of Desertion**

11 A. Lack of Compliance by the Operator with the Requirements of the Public Resources Code and
12 associated regulations.

- 13 1. Idle Well Testing: California Code of Regulations section 1723.9 requires regular
14 diagnostic tests to determine the fluid level. If the fluid level is located above or adjacent to
15 freshwater or potential drinking water zones, additional testing may be required. The
16 operator has not regularly performed testing to determine the fluid level and the district office
17 has not been notified of such testing to witness the operations. (See Attachment E,
18 incorporated herein)
- 19 2. Weeds and debris not removed from secondary containment areas or catch basins: The
20 California Code of Regulations section 1777, subdivision (c)(2) requires weeds and debris to
21 be removed from secondary containment areas or catch basins. Division staff inspected the
22 facility on November 1, 2016 and on April 17, 2018, and observed weeds and debris not
23 removed from secondary containment areas or catch basins. (See Attachment F1 through F4,
24 incorporated herein)
- 25 3. Well cellar not kept drained: California Code of Regulations requires well cellars be covered
26 and kept drained. Division staff inspected the facility on July 20, 2012 and May 31, 2018
27 and observed that the well cellar was not kept drained, they found fluid approximately 26"
28 deep. (See Attachment G, incorporated herein)

- 1 B. Lack of Response of the Operator to Inquiries and Requests from Supervisor or District Deputy
2 1. Two Notices of Violation were issued in April 2018. (see Attachments E and H,
3 incorporated herein). The operator failed to remediate the violations.

4 **VI. Rebuttable Presumption of Desertion**

- 5 A. Well's production facilities or injection equipment has been removed from the well site for at
6 least two years.

- 7 1. Division staff inspected the facility on September 23, 2011 (See Attachment I,
8 incorporated herein) and observed that the pumping unit was no longer on site.
9 Additionally, on July 20, 2012, during an inspection staff observed that there was no
10 production tank and pumping unit, and the site appeared deserted. (See Attachment J,
11 incorporated herein) Division staff inspected the site on April 17, 2018 and May 31,
12 2018, more than two years after the inspections in 2011 and 2012, and there was no
13 pumping unit or production tank which is a rebuttable presumption of desertion. (See
14 Attachment F1 through F4, incorporated herein)

15 **VII. Operator's Required Actions**

16 For the reasons stated above, the Division has determined that Operator, Kore Energy, LLC has
17 deserted **the Well and Facilities**. Therefore, **IT IS HEREBY ORDERED** that Operator, Kore Energy,
18 LLC plug and abandon **the Well** and decommission **the Facilities**, and restore the well site according to
19 **PRC sections 3208, 3228, 3229, 3230, and 3227, Regulations sections 1722, 1723 through 1724.1,**
20 **1760, 1775, and 1776**, and the conditions included in any permit the Division may issue pursuant to
21 **PRC section 3229.**

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

23 An order to plug and abandon a deserted well or to decommission a production facility may be
24 appealed to the Director per PRC section 3237, subdivision (b). A notice of appeal must be timely
25 made, in writing, and filed with the Director. (See **PRC beginning at PRC section 3350.**) If this Order
26 is mailed to you, the appeal deadline is (15) days from the date of mailing. To file an appeal, a written
27 notice of appeal may be mailed to the following address:

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1 Department of Conservation, Director's Office of Appeals
2 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
3 Sacramento, California 95814-3530

4 If Operator does not file a timely written notice of appeal, this Order will become a final order
5 and the Division may contract for performance of the work, pursuant to **PRC section 3226**, if, within 60
6 days of this Order, Operator has not, in good faith, commenced the work ordered. Any costs incurred by
7 the Supervisor to obtain compliance with this Order (which may include penalties and interest) will
8 constitute a lien against Operator's real or personal property per **PRC section 3423**.

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


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

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

16 In addition, **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty up to
17 \$25,000 per violation upon a person who violates any provision in Chapter 1 of Division 3 of the PRC or
18 any regulation that implements those statutes, and the Supervisor may in the future impose a civil
19 penalty based on the acts and omissions underlying this Order. Each day a violation continues or is not
20 cured is a separate violation.

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

28 DATED: July 2, 2019


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