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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 PAY A**
15 **CIVIL PENALTY NO. 1147**
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18 **Operator: Ample Resources, Inc. (A2490)**
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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 (DOGGR) and under the authority of Division 3 of the Public Resources Code
24 (PRC) and California Code of Regulations, title 14 (Regulations) has the authority to determine if an
25 Operator has violated oil and gas conservation laws and assess a civil penalty for such violations. (PRC
26 § 3236.5)

27 As described below in this order, the Supervisor has determined that operator Ample Resources,
28 Inc. (Ample Resources, Inc. or Operator) failed to drain the well cellars associated with its wells in the

1 Temescal Field and failed to comply with Emergency Order No. 1145. Therefore, pursuant to PRC
2 sections 3013, 3106, 3236.5, and Regulations sections 1722, 1775, and 1777, the Supervisor hereby
3 orders Ample Resources, Inc. to pay a civil penalty of \$15,876 (Fifteen Thousand Eight Hundred and
4 Seventy-Six Dollars).

5 **II. Definitions**

6 **PRC section 3008** defines “well” as “any well on lands producing or reasonably presumed to
7 contain oil or gas.”

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

11 **Regulations section 1760, subdivision (f)**, defines “Production facility” to mean any equipment
12 attendant to oil and gas production or injection operations. . .”

13 **III. State Oil and Gas Supervisor and DOGGR Authority/Requirements**

14 **PRC section 3013** states that the oil and gas conservation laws (commencing with PRC section
15 3000) “shall be liberally construed to meet its purposes” and grants the Supervisor “all powers” that may
16 be necessary to carry out those purposes.

17 **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling,
18 operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or
19 abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as far as
20 possible, damage to life, health, property, and natural resources[.]”

21 **PRC section 3224** requires the Supervisor to “order such tests or remedial work as in his
22 judgment are necessary to prevent damage to life, health, property, and natural resources[.]”

23 **PRC section 3226** authorizes the Supervisor, based on the Supervisor’s final or affirmed order,
24 to appoint agents who may enter the premises and perform necessary work if the operator did not
25 complete the work as ordered. Any amount the Supervisor expends to complete the necessary work
26 constitutes a lien against the operator’s real or personal property according to PRC section 3423. This
27 section also states “[I]f the supervisor determines that an emergency exists, the supervisor may order or
28 undertake the actions he or she deems necessary to protect life, health, property, or natural resources.”

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, generally the oil and gas conservation laws, or any regulation that implements Chapter 1.

Regulations section 1722, subdivision (a), requires Operator to conduct all operations “in accordance with good oilfield practice.”

Regulations section 1775 requires Operator to address oilfield wastes, harmful chemicals, unused equipment, scrap and other trash so as not to cause damage to life, health, property, freshwater aquifers or surface waters, other natural resources, or such that its operations become a public nuisance or a menace to public safety.

Regulations section 1777, among other things, requires Operator 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(c)(3) requires well cellars to be “covered and kept drained.” Cellars should also be “protected from as much runoff water as practical.”

IV. Operator Information

Based on the DOGGR's records, at all times relevant to this Order, Ample Resources, Inc. has been identified as the "operator," as defined in PRC section 3009, of the "well(s)" as defined in PRC section 3008, subdivision (a), and is conducting "operations" as defined in Regulations section 1720, subdivision (f).

V. Background Facts

On December 11, 2018, DOGGR Coastal District (District) staff visited Ample Resources Inc.'s facility and found that the wells Temescal 9-1, Temescal 9-2, and Temescal 9-8 all had fluids in the cellars which were approaching the surface. The "Snow" and "Hidden" leases were inaccessible that day due to muddy conditions and the road condition.

On December 21, 2018, the Supervisor served Emergency Order No. 1145 (Exhibit A) on Ample Resources, Inc. considering the fluid levels in the cellars and impending storms.

On December 27, 2018, Faith Pai with Ample Resources Inc., called the District to inform staff that Ample Resources Inc. had received the Emergency Order and that Ample Resources Inc. would be

1 calling a contractor to schedule a time for the cellar fluids to be removed. Ms. Pai indicated that the
2 cellars should be remediated "this week or next."

3 On January 8, 2019, District staff visited the Ample Resources, Inc. facility and no remediation
4 appeared evident. The District was unable to reach Ample Resources via phone or email despite efforts
5 to inquire about the status of the Operator's Required Actions in Emergency Order to Perform Remedial
6 Work No. 1145.

7 On January 10, 2019, the District hired a contractor to drain accessible cellars (Temescal 9-1, 9-
8 2, 9-4, and 9-8) associated with the wells in Emergency Order No. 1145 considering the cellar fluid
9 levels, an impending storm and the likelihood of an uncontrolled discharge of oily fluid to the
10 environment.

11 **VI. Operator's Violation**

12 **A. Failure to keep well cellars drained**

13 On December 21, 2018, the Supervisor served Ample Resources, Inc. an Emergency Order to
14 Perform Remedial Work which required Ample Resources, Inc. to:

15 1). Immediately remove and properly dispose of all fluids in the cellar of all Ample Resources,
16 Inc. wells in the Temescal Lease;

17 2). Contact the Ventura Office of the Coastal District at (805) 937-7246 to conduct a follow-up
18 inspection immediately following completion of the work; and

19 3). Provide the Ventura Office confirmation that well cellars have been drained by providing the
20 invoice or receipt from the contractor.

21 DOGGR staff visited the site on January 8, 2019, and the cellars had fluid in them. The Ventura
22 Office has neither received notification that the cellars have been drained by Ample Resources, Inc. as
23 required per Emergency Order No. 1145 nor has the Ventura Office received any written confirmation
24 that the cellars have been drained. On January 10, 2019, approximately seventy (70) barrels of fluid
25 were drained from four of the eight cellars, which appears to indicate that the cellars had not been
26 drained and maintained during the rainy winter season as required. Ample Resources, Inc. failed to
27 immediately remove and properly dispose of all fluids in the cellars of Ample Resources Inc. wells
28 operating in the Temescal Lease and therefore did not comply with Emergency Order No. 1145. Upon

1 affirmance of an order, the owner or operator shall commence in good faith the work ordered and
2 continue it until completion per PRC section 3226.

3 **VII. Civil Penalty Assessment**

4 The Supervisor may impose a civil penalty on any person who fails to comply with PRC sections
5 relating to production facilities, or any regulations implementing them. (PRC, §3236.5, subd. (a).) In
6 establishing a civil penalty amount, “the supervisor shall consider, in addition to other relevant
7 circumstances, all of the following: (1) The extent of harm caused by the violation; (2) The persistence
8 of the violation; (3) The pervasiveness of the violation; (4) The number of prior violations by the same
9 violation; (5) The degree of culpability of the violator; (6) Any economic benefit to the violator resulting
10 from the violation; (7) The violator’s ability to pay the civil penalty amount, as determined based on
11 information publicly available to the division; and (8) The supervisor’s prosecution costs.”

12 The Supervisor determines whether a violation qualifies as a “Major” or “Minor” violation in
13 accordance with PRC section 3236.5. A “major violation” is a violation that is not a well stimulation
14 violation and that is one or more of the following: (i) A violation that results in harm to persons or
15 property or presents a significant threat to human health or the environment; (ii) a knowing, willful, or
16 intentional violation; (iii) A chronic violation or one that is committed by a recalcitrant violator. In
17 determining whether a violation is chronic, or a violator is recalcitrant, the Supervisor shall consider
18 whether there is evidence indicating that the violator has engaged in a pattern of neglect or disregard
19 with respect to applicable requirements; (iv) A violation where the violator derived significant economic
20 benefit, either by significantly reduced costs or a significant competitive advantage. The civil penalty
21 amount for a major violation shall be not less than two thousand five hundred dollars (\$2,500) per
22 violation and not more than twenty-five thousand dollars (\$25,000) per violation. A “minor violation” is
23 a violation that is neither a well stimulation violation nor a major violation. The civil penalty amount
24 for a minor violation shall not be more than two thousand five hundred dollars (\$2,500) per violation.
25 At the Supervisor’s discretion, each day a major or minor violation continues or is not cured may be
26 treated as a separate violation.

27 Based on the above allegations, at this time, the Supervisor hereby imposes a civil penalty of
28 \$15,876 (Fifteen Thousand Eight Hundred and Seventy-Six Dollars) considering Ample Resources,

1 Inc.'s failure to drain fluids as required by regulation and as ordered in Emergency Order No. 1145. The
2 civil penalty amount is based on a review of the factors in PRC section 3236.5 for major violations.

3 1. Extent of harm caused by violation

4 On December 21, 2018, the Supervisor determined that the condition of Ample Resources Inc.'s
5 cellars presented a threat to human health or the environment when deciding to issue the Emergency
6 Order to Perform Remedial Work. Failing to drain cellars, some of which contained oil, in accordance
7 with the regulations created an imminent threat of a discharge of oil into the environment.

8 2. Persistence of violations

9 It is unknown when Ample Resources Inc. last drained the well cellars attendant to their
10 production facilities. Staff observed fluid in the cellars during a site inspection which resulted in a
11 Notice of Violation dated May 25, 2018 (Exhibit B).

12 3. Pervasiveness of violations

13 Upon information and belief, violations at Ample Resources Inc.'s production facility are not
14 limited to undrained cellars, violations are widespread throughout the facility and pervasive.

15 4. Operator's prior violations

16 Ample Resources has outstanding violations associated with a Notice of Violation issued on May
17 25, 2018. Additionally, Ample Resources Inc. has not paid 2017/2018 idle well fees nor 2018
18 assessments.

19 5. The degree of culpability

20 DOGGR provided the Operator with notice and an opportunity to address the prohibited
21 condition of the cellars when DOGGR issued Order No. 1145. The Operator did not perform the
22 required remedial actions despite making representations to staff on December 27, 2018, that the cellars
23 would be drained. When DOGGR discovered that the cellars had not been drained on January 8, 2019
24 and storms were approaching, the Operator did not respond to a phone call or email from District staff.
25 Furthermore, the District was not contacted by the Operator to schedule an inspection after the cellars
26 were drained, nor was any documentation, such as an invoice, indicating the cellars had been drained
27 provided to the District as ordered.

28 6. Economic benefit to the violator resulting from the violations

1 Well cellars are required to be kept drained. DOGGR expended \$3,938.63 to drain four cellars
2 before an approaching storm to avoid an oil spill.

3 7. The violator's ability to pay the civil penalty amount

4 The Average Annual Revenue from this production facility between 2006 and 2017 is
5 \$2,156,486.76.

6 8. The Supervisor's prosecution costs

7 The Supervisor incurred approximately 32 hours of staff time associated with facility inspections
8 to monitor compliance with the Supervisor's Emergency Order.

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

10 Based on the above, and pursuant to PRC sections 3013, 3106, 3224, 3226, 3236.5 and
11 Regulations sections 1722, 1775, and 1777 the Supervisor hereby orders Ample Resources to pay the
12 civil penalty of \$15,876 (Fifteen Thousand Eight Hundred and Seventy-Six Dollars).

13 **VI. Operator's Appeal Rights**

14 Operator may appeal this Order by filing a timely, written, notice of appeal with the Director as
15 described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing with PRC section
16 3350. (PRC, § 3225, subd. (d).) A written notice of appeal may be mailed to the following address:

17 Department of Conservation
18 Director's Office of Appeals
19 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
20 Sacramento, California 95814-3530

21 If Operator does not submit a timely, written, notice of appeal, Operator waives the right to
22 challenge this Order and this Order will become a final order. Any costs incurred by the Supervisor to
23 obtain compliance with this Order will constitute a lien against Operator's real or personal property per
24 PRC section 3423.

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

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