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8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **GEOLOGIC ENERGY MANAGEMENT DIVISION**
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14 **ORDER TO PAY A CIVIL PENALTY**
15 **NO. 1213**
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18 **Operator: Aera Energy LLC (A0610)**
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1 I. **Introduction**

2 The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy
3 Management Division (**CalGEM**), and under the authority of Division 3 of the Public Resources
4 Code (**PRC**; commencing with PRC section 3000) and title 14 of the California Code of
5 Regulations (**Regulations**), may impose a civil penalty on a person who violates any statutory
6 provision of the PRC, or any regulation that implements those statutory provisions. (PRC, §
7 3236.5)

8 Based on CalGEM's records, Aera Energy LLC (**Operator**) is or was an "operator" (as
9 defined in PRC, § 3009) and is responsible for three wells at the Lost Hills Oil Field (the **Wells**) in
10 which well stimulation treatment (WST) permit violations occurred in 2019. Attachment A,
11 incorporated herein, contains a list of Operator's wells at the Lost Hills Oil Field, and associated
12 WST permit numbers. Under applicable provisions of Regulations section 1783, subsection (a),
13 Operator was required to complete its WST operations in accordance with the conditions of
14 CalGEM's approval, and Operator did not do so. Operator's failure to comply with the
15 conditions of its CalGEM-issued WST permits constitutes a violation of Regulations section 1783,
16 subsection (a). Therefore, pursuant to PRC sections 3013, 3106, 3160, 3236.5, and Regulations
17 sections 1782 and 1783, the Supervisor is ordering Operator to pay a civil penalty, totaling
18 \$30,000, imposed for three separate violations of the requirement to comply with the
19 conditions of its WST permits for WST operations on the Wells.

20 II. **Definitions**

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

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,
26 or control a well or production facility."

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1 **PRC section 3010** defines "production facility" to mean "any equipment attendant to oil
2 and gas production or injection operations including, but not limited to, tanks, flowlines,
3 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
4 equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant
5 to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

6 **PRC section 3157** defines "well stimulation treatment" to mean any treatment of a well
7 designed to enhance oil and gas production or recovery by increasing the permeability of the
8 formation. Well stimulation treatments include, but are not limited to, hydraulic fracturing
9 treatments and acid well stimulation treatments. Well stimulation treatments do not include
10 steam flooding, water flooding, or cyclic steaming and do not include routine well cleanout
11 work, routine well maintenance, routine removal of formation damage due to drilling, bottom
12 hole pressure surveys, or routine activities that do not affect the integrity of the well or the
13 formation.

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

15 **PRC section 3106** authorizes the Supervisor to supervise the drilling, operation,
16 maintenance, and abandonment of oil and gas wells to "prevent, as far as possible, damage
17 to life, health, property, and natural resources; damage to underground oil and gas deposits
18 from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to
19 underground and surface waters suitable for irrigation or domestic purposes by the infiltration
20 of, or the addition of, detrimental substances."

21 **PRC section 3160** authorizes the Supervisor, acting in consultation with a number of
22 other agencies, including the Air Resources Board (CARB), to adopt rules and regulations
23 specific to well stimulation treatments.

24 **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a person who
25 violates any statutory provision in Chapter 1 of Division 3 of the PRC (PRC sections 3000 through
26 3473), or any regulation that implements those statutory provisions. Subject to the Supervisor's
27 discretion, the penalty amount for a well stimulation violation shall be between a minimum of
28 \$10,000 up to a maximum of \$25,000 per violation, per day.

1 **Regulations section 1782, subsection (a)(9)** provides a list of requirements Operators
2 shall follow during WST operations, including the requirement that WST operations are
3 conducted in compliance with all applicable requirements of the Regional Water Board, the
4 Department of Toxic Substances Control, the Air Resources Board (CARB), the Air Quality
5 Management District or Air Pollution Control District, the Certified Unified Program Agency, and
6 any other local agencies with jurisdiction over the location of the well stimulation activities.

7 **Regulations section 1783, subsection (a)** provides that a well stimulation treatment shall
8 not commence without a valid permit approved by CalGEM and shall be done in
9 accordance with the conditions of CalGEM's approval.

10 **IV. Failure to Comply with the Conditions of CalGEM's Approval**

11 The three WST permits CalGEM issued to Operator in 2019 for WST operations at the
12 Wells each contain an identical condition. Condition No. 7 states the following:

13 *Operator is required to prepare a site-specific plan to perform air sampling and analysis*
14 *using CARB's Air Sampling and Analysis Plan for Well Stimulation Treatment Operations*
15 *on any WSTs that undergo WST with additional or different constituent chemical*
16 *formulations other than those used previously in WST of Aera wells API #03055084,*
17 *#03055090, and #03055091.*

18 This permit condition mandates that Operator prepare and submit a new air sampling
19 and analysis plan (SAP) to CARB before conducting WST operations if it anticipates using
20 chemicals that differ from those used under a previously approved SAP or monitored
21 stimulations. During a review of required public disclosures submitted by Operator following the
22 completion of 2019 WST operations, CARB identified three chemical constituents used during
23 WST operations at the Wells which were not included in Operator's SAP and which were not
24 previously reviewed by CARB. Attachment B, incorporated herein, contains a list of the three
25 chemicals used by Operator without prior review by CARB during WST operations at the Wells,
26 along with the Chemical Abstract Service (CAS) Number for each chemical. The three
27 chemicals were used in WST operations at all three of the Wells.

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1 In correspondence with CalGEM, Operator confirmed that it inadvertently used the
2 three chemicals in WST operations at the Wells in 2019 without notification to CARB as required.
3 The three chemicals are associated with a resin-coated sand (referred to as DSC-02). This sand
4 differs from another type of resin-coated sand (DSC-04), which was previously reviewed by
5 CARB.

6 **V. Civil Penalty**

7 Based on information, belief, and a review of CalGEM's records, Operator is the current
8 operator of the Wells. Operator's failure to comply with a condition of approval on its WST
9 permits is a violation of Regulations section 1783, subsection (a). This failure to comply with a
10 condition of approval during WST operations on three different wells constitutes three separate
11 violations.

12 Because of these violations, and based on consideration of relevant circumstances,
13 consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator a civil
14 penalty totaling \$30,000. Following is an explanation of how the civil penalty amount was
15 determined.

16 For purposes of this order, the Supervisor considered relevant circumstances, including:
17 characterizing the violations as "major," "minor," or "well stimulation" (as defined in PRC
18 section 3236.5, subdivision (b)) and setting a penalty amount proportionate to the
19 circumstantial importance of all relevant factors, including the eight factors identified in PRC
20 section 3236.5, subdivision (a). (PRC, § 3236.5, subd. (a).)

21 In determining the civil penalty amount for Operator's three violations, the Supervisor
22 determined the violations to be "well stimulation" because they are each a violation of the
23 regulations implementing the statutory requirements for well stimulation treatments. (See PRC,
24 § 3236.5, subd. (b)(1)(A).) The statutory penalty range for a well stimulation violation is
25 between \$10,000 and \$25,000. After consideration of relevant factors for consideration under
26 PRC section 3236.5, the Supervisor determined that a civil penalty at the minimum penalty
27 amount for each violation is a balanced and effective incentive for operator compliance. In
28 particular, this is the first incidence of such a violation by Operator, the three 2019 WST

1 operations at the Wells were limited to the Lost Hills Oil Field, and CalGEM has not found
2 evidence to suggest the violations caused any immediate harm to health, safety, or natural
3 resources.

4 Based on the foregoing, CalGEM is imposing the minimum civil penalty of \$10,000 for
5 each separate violation, totaling \$30,000 for all three violations. As such, based on the above
6 allegations, and with appropriate consideration of relevant factors as described in PRC
7 section 3236.5, the Supervisor hereby imposes a civil penalty of thirty thousand dollars
8 (\$30,000).

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

10 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3160, 3236.5, and
11 Regulations sections 1782 and 1783, **IT IS HEREBY ORDERED** that Operator:

12 1) Pay a civil penalty in the amount of thirty thousand dollars (\$30,000).

13 Operator is required to pay the civil penalty amount within **30 days** from the date this
14 order is issued. A continuing failure to pay a civil penalty may subject Operator to additional
15 civil penalties even if this order is appealed.

16 To remit payment of the civil penalty, please send a check payable to "Department of
17 Conservation" to the following address:

18 Department of Conservation

19 CalGEM, Attn: PSU

20 801 K Street, MS 18-05

21 Sacramento, California 95814-3530

22 Please include the Operator name, Order number, and phrase "Oil and Gas
23 Environmental Remediation Account" on the check itself.

24 **VII. Operator's Appeal Rights**

25 Operator may appeal this Order by filing a timely written notice of appeal with the
26 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
27 with PRC section 3350. (PRC, §§ 3225, subd. (d).) If this order is mailed to you, the Director must
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1 receive the appeal within (15) days from the date the Supervisor mails the order. To file an
2 appeal, a written notice of appeal may be sent via U.S. mail to:

3 Department of Conservation
4 Director's Office of Appeals
5 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
6 Sacramento, California 95814-3530

7 Or via electronic mail:

8 CalGEMAppeals@conservation.ca.gov

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

12 If Operator does not file a timely written notice of appeal, or if the order is affirmed
13 following an appeal, this order will become a final order. Any costs incurred by CalGEM to
14 obtain compliance with this order (which may include penalties and interest) will constitute a
15 lien against Operator's real or personal property per PRC section 3423. (PRC, § 3356.)

16 **VIII. Other Potential Actions to Enforce This Order**

17 Failure to comply with Section VI (Operator's Required Actions) of this order could
18 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
19 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
20 oil and gas conservation laws commencing at PRC section 3000. When an order of the
21 Supervisor has become final and the civil penalty has not been paid, PRC section 3236.5,
22 subsection (c) authorizes the Supervisor to apply to the appropriate superior court for an order
23 directing payment of the civil penalty, or directing that production from the well or use of the
24 production facility that is the subject of the order be discontinued until the violation has been
25 remedied to the satisfaction of the Supervisor and the civil penalty has been paid. PRC section
26 3237 authorizes the Supervisor to order the plugging and abandonment of a well or the
27 decommissioning of a production facility if an operator has failed to comply with an order of
28 the Supervisor within the time provided by the order or has failed to challenge the order on a

1 timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an
2 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct
3 offense. (PRC, § 3359.)
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6 DATED: August 20, 2021



Uduak-Joe Ntuk
State Oil and Gas Supervisor

1 Service List

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