

1 Department of Conservation, Geologic Energy Management Division
Uduak-Joe Ntuk
2 STATE OIL AND GAS SUPERVISOR
801 K Street, MS 24-03 (Legal Office)
3 Sacramento, California 95814-3530
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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. 1214**
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18 **Operator: California Resources Elk Hills, LLC (C0880)**
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I. Introduction

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

Based on CalGEM's records, California Resources Elk Hills, LLC (**Operator**) is or was an "operator" (as defined in PRC, § 3009) and is responsible for one well at the Buena Vista Nose Area (API No. 0403064286; WST Permit No. 18-0176-0; stimulation end date 1/13/2019) (the **Well**) in which a well stimulation treatment (WST) permit violation occurred in 2019. Under applicable provisions of Regulations section 1783, subsection (a), Operator was required to complete its WST operations in accordance with the conditions of CalGEM's approval, and Operator did not do so. Operator's failure to comply with the conditions of its CalGEM-issued WST permit constitutes a violation of Regulations section 1783, subsection (a). Therefore, pursuant to PRC sections 3013, 3106, 3160, 3236.5, and Regulations sections 1782 and 1783, the Supervisor is ordering Operator to pay a civil penalty, totaling \$10,000, imposed for one violation of the requirement to comply with the conditions of its WST permit for WST operations on the Well.

II. Definitions

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

PRC section 3009 defines "operator" to mean "a person who, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control a well or production facility."

PRC section 3010 defines "production facility" to mean "any equipment attendant to oil and gas production or injection operations including, but not limited to, tanks, flowlines, headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection

equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

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

III. State Oil and Gas Supervisor Authority

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

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

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

Regulations section 1782, subsection (a)(9) provides a list of requirements Operators shall follow during WST operations, including the requirement that WST operations are conducted in compliance with all applicable requirements of the Regional Water Board, the

Department of Toxic Substances Control, the Air Resources Board (CARB), the Air Quality Management District or Air Pollution Control District, the Certified Unified Program Agency, and any other local agencies with jurisdiction over the location of the well stimulation activities.

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

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

The WST permit CalGEM issued to Operator in 2019 for WST operations at the Well contains Condition No. 7, which states the following:

Operator is required to prepare a site-specific plan to perform air sampling and analysis using CARB's Air Sampling and Analysis Plan for Well Stimulation Treatment Operations on this WST if the WST includes any additional or, constituent formulations other than those used previously in WST of wells API #03062169, #03063043, and #03063120.

This permit condition mandates that Operator prepare and submit a new air sampling and analysis plan (SAP) to CARB before conducting WST operations if it anticipates using chemicals that differ from those used under a previously approved SAP or monitored stimulations. During a review of required public disclosures submitted by Operator following the completion of 2019 WST operations, CARB identified a chemical constituent used during a WST operation at the Well which was not included in Operator's SAP and which was not previously reviewed by CARB. The chemical used by Operator without prior review by CARB during WST operations at the Well is acetic acid, Chemical Abstract Service (CAS) Number 64-19-7. The chemical was used once in WST operations at the Well.

In correspondence with CalGEM, Operator confirmed that it used the chemical in a WST operation at the Well in 2019 without CARB review. Operator explained that the chemical is commonly brought onto the field during WST operations to adjust the pH of the base fluid (water), to ensure chemical reactions crucial to the WST process can proceed. The chemical was used for this purpose during WST operations at the Well.

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V. Civil Penalty

Based on information, belief, and a review of CalGEM's records, Operator is the current operator of the Well. Operator's failure to comply with a condition of approval on its WST permit is a violation of Regulations section 1783, subsection (a). This failure to comply with a condition of approval during WST operations on one well constitutes one violation.

Because of this violation, and based on consideration of relevant circumstances, consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator a civil penalty totaling \$10,000. Following is an explanation of how the civil penalty amount was determined.

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

In determining the civil penalty amount for Operator's one violation, the Supervisor determined the violation to be "well stimulation" because it is a violation of the regulations implementing the statutory requirements for well stimulation treatments. (See PRC, § 3236.5, subd. (b)(1)(A).) The statutory penalty range for a well stimulation violation is between \$10,000 and \$25,000. After consideration of relevant factors for consideration under PRC section 3236.5, the Supervisor determined that a civil penalty at the minimum penalty amount for the violation is a balanced and effective incentive for operator compliance. In particular, this is the first incidence of such a violation by Operator, the one 2019 WST operation at the Well was limited to the Buena Vista Nose Area, and CalGEM has not found evidence to suggest the violation caused any immediate harm to health, safety, or natural resources.

Based on the foregoing, CalGEM is imposing the minimum civil penalty of \$10,000 for the violation. As such, based on the above allegations, and with appropriate consideration of relevant factors as described in PRC section 3236.5, the Supervisor hereby imposes a civil penalty of ten thousand dollars (\$10,000).

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

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

4 1) Pay a civil penalty in the amount of ten thousand dollars (\$10,000).

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

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

10 Department of Conservation

11 CalGEM, Attn: PSU

12 801 K Street, MS 18-05

13 Sacramento, California 95814-3530

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

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

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

22 Department of Conservation

23 Director's Office of Appeals

24 801 K Street, MS 24-03 (Legal Office, Chief Counsel)

25 Sacramento, California 95814-3530

26 Or via electronic mail:

27 CalGEMAppeals@conservation.ca.gov

28 If Operator files a timely written notice of appeal, Operator will be informed of the

1 appeal hearing date, time, and place. Following the hearing, Operator will receive a written
2 decision that affirms, sets aside, or modifies the appealed order.

3 If Operator does not file a timely written notice of appeal, or if the order is affirmed
4 following an appeal, this order will become a final order. Any costs incurred by CalGEM to
5 obtain compliance with this order (which may include penalties and interest) will
6 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
7 3356.)

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

9 Failure to comply with Section VI (Operator's Required Actions) of this order could
10 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
11 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
12 oil and gas conservation laws commencing at PRC section 3000. When an order of the
13 Supervisor has become final and the civil penalty has not been paid, PRC section 3236.5,
14 subsection (c) authorizes the Supervisor to apply to the appropriate superior court for an order
15 directing payment of the civil penalty, or directing that production from the well or use of the
16 production facility that is the subject of the order be discontinued until the violation has been
17 remedied to the satisfaction of the Supervisor and the civil penalty has been paid. PRC section
18 3237 authorizes the Supervisor to order the plugging and abandonment of a well or the
19 decommissioning of a production facility if an operator has failed to comply with an order of
20 the Supervisor within the time provided by the order or has failed to challenge the order on a
21 timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an
22 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct
23 offense. (PRC, § 3359.)

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26 DATED: August 20, 2021

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28 Uduak-Joe Ntuk
State Oil and Gas Supervisor

1 Service List

2 California Resources Elk Hills, LLC
3 c/o Todd A. Stevens
4 27200 Tourney Road, Suite 200
5 Santa Clarita, CA 91355

6 California Resources Elk Hills, LLC
7 11117 River Run Blvd
8 Bakersfield, CA 93311

9 *Via Email:*

10 Raymond Rodriguez
11 Raymond.Rodriguez@crc.com

12 Brian Pellens
13 Brian.Pellens@crc.com

14 Faisal Latif
15 Faisal.Latif@crc.com

16 Adam Smith
17 Adam.Smith@crc.com

**NOTICE OF APPEAL TO THE
DIRECTOR OF THE DEPARTMENT OF CONSERVATION**

Use of this form is optional. You may use this form to prepare a Notice of Appeal from the enclosed Order. The style and content of this form are only suggestions. You may file a written notice of appeal in a different format.

Mail the completed form to the address at the bottom of this page.

Box 1: Statement of Intent to Appeal

(Review the text in this box to confirm that the operator information Order No. 1214 are accurate. Make any necessary corrections directly on the form.)

Operator, California Resources Elk Hills, LLC, hereby appeals from State Oil and Gas Supervisor Order No. 1214

Box 2: Basis of Appeal

(Explain the reasons why you are appealing the order. Make your explanation as clear and complete as you can. If you need more space to write your explanation, attach additional pages. Label any attached additional pages with "Notice of Appeal re: Order No. 1214")

The reasons for this appeal are as follows:

☐ (Attach additional pages as necessary.)

Box 3: Contact Information for Operator Representative

(Provide contact information for the preferred operator representative with whom the Appeals Officer and Supervisor's legal counsel may communicate regarding the appeal.)

Name: _____

Physical Mail:

(Address) _____

(City, State, Zip) _____

Phone: (_____) _____ - _____

Email: _____

☐ I agree to document service using the email address above.

Box 4: Certification of Authority

Mail or E-mail this Notice of Appeal to the following the following address, as appropriate:

Department of Conservation, Director's Office of Appeals
801 K Street, MS 24-03 (Legal Office, Chief Counsel)
Sacramento, CA 95814-3530
CalGEMAppeals@conservation.ca.gov

rev. 5/14/2020

(Verify that all information on or attached to the form is correct, then sign and date the certification where indicated.)

I am the operator named in Box 1, above, or I have authority to act on behalf of that operator for purposes of preparing and filing this Notice of Appeal.

Signature: _____

Date: _____

Printed Name: _____

Affiliation with operator: _____

(e.g., self, owner, president, legal counsel, etc.)

Mail or E-mail this Notice of Appeal to the following the following address, as appropriate:

Department of Conservation, Director's Office of Appeals
801 K Street, MS 24-03 (Legal Office, Chief Counsel)
Sacramento, CA 95814-3530
CalGEMAppeals@conservation.ca.gov

rev. 5/14/2020

PROOF OF SERVICE BY CERTIFIED U.S. MAIL

I declare that I am employed in the County of Sacramento, California. I am over the age of 18 and not a party to the within captioned cause. My business address is 801 K Street, MS 18-05, Sacramento, California 95814. On August 20, 2021, I served the following document(s):

**ORDER TO PAY A CIVIL PENALTY
ORDER NUMBER 1214**

by enclosing them in an envelope and placing the envelope for collection and mailing by certified U.S. mail on the date and at the below listed address(es) following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

I served the documents on the person or persons below, as follows:

California Resources Elk Hills, LLC
c/o Todd A. Stevens
27200 Tournay Road, Suite 200
Santa Clarita, CA 91355
Certified Mail Receipt Number:
7020 1810 0000 3925 7849

California Resources Elk Hills, LLC
11117 River Run Blvd
Bakersfield, CA 93311
Certified Mail Receipt Number:
7020 1810 0000 3925 7856

I declare under penalty of perjury of the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on August 20, 2021, at Sacramento, CA.



Rachael A. Tadlock