

Department of Conservation, Geologic Energy Management Division
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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PAY A CIVIL PENALTY
NO. 1562

Operator: Zynergy, LLC (10463)
Field Name: Deer Creek, North
County: Tulare

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, Zynergy, LLC (**Operator**) is the "operator" (as defined in PRC, § 3009) and is responsible for the Production Facilities identified on **Attachment A**, incorporated herein (the "**Facilities**"). As described in more detail below, Operator has not maintained compliance with applicable requirements for operation of the Facilities. Operator's failure to comply with the Regulations poses a potential threat to life, health, property, and natural resources and for which the Supervisor has determined imposition of a civil penalty is appropriate. Therefore, pursuant to PRC sections 3013, 3106, 3225, 3236.5, and 3270 and Regulations sections 1775, subdivision (a), and/or 1722, subdivision (a), the Supervisor is ordering Operator to pay an administrative civil penalty for the violation, totaling twenty-two thousand five hundred dollars (\$22,500.00), within thirty (30) days of this Order.

Attachment B, incorporated herein, contains a list of definitions and authorities that are applicable to this Order.

II. Alleged Acts and Omissions

Based on CalGEM's records, at all times relevant to this Order, Operator was the operator, as defined in PRC section 3009, of the Facilities. Operator's failure to adhere to maintenance requirements and properly dispose of oilfield wastewater poses a potential threat to life, health, property, and/or natural resources.

Regulations section 1775, subdivision (a), requires that operators dispose of "[o]ilfield wastes, including but not limited to oil, water, chemicals, mud, and cement shall be disposed of in such a manner as not to cause damage to life, health, property, freshwater aquifers or surface waters, or natural resources, or be a menace to public safety." Regulations section

1 1722, subdivision (a), requires all operations to be conducted in accordance with good oilfield
2 practices.

3 On or about February 12, 2025, CalGEM inspected the Facilities in the Deer Creek, North
4 Field, where the violation described below was observed and documented. CalGEM staff
5 observed a hose connected to the Tank 5S614 (tank), which extended outside the secondary
6 containment, and fluids, with a visible sheen, on the ground outside of containment. Upon
7 arrival of Operator's personnel, Operator's staff admitted to CalGEM staff that they had
8 intentionally released fluids from the tank.

9 Operator did not follow standard operational practices, which require good oilfield
10 practices and prohibit knowing, willful or intentional discharge of produced fluids in a manner
11 that may cause damage to life, health, property, freshwater aquifers or surface waters or
12 natural resources. (Regulations §§ 1722, subd. (a), 1775, subd. (a).) Rather, Operator
13 discharged produced fluid directly into the ground. Industry practice is to pump fluids from
14 wells into a wash tank for separation, transfer oil into a stock tank, and dispose of wastewater
15 through approved methods. Acceptable methods of wastewater disposal include injection
16 into an approved injection well, discharge into a permitted and compliant sump, or transfer to
17 another operator authorized to conduct disposal. At this facility, the sumps were full and
18 unable to receive additional fluid.

19 The Operator admitted to discharging produced fluids by connecting a hose to the
20 tank to release capacity, an option that allows production to continue. A sheen was observed
21 in the discharge, indicating the presence of hydrocarbons that entered the soil. Improper
22 disposal of oilfield wastewater in this manner can result in contamination of soil, groundwater,
23 and may create a public nuisance.

24 **III. Civil Penalty**

25 In determining the civil penalty, the Supervisor considered whether the violation was
26 "major" under PRC section 3236.5, subdivision (b) and weighed the statutory factors in section
27 3236.5, subdivision (a), including the harm from discharges near orchards, fields, and
28 residences; the risks to health, property, and natural resources; the operator's economic

benefit from avoiding disposal costs; and the operator's knowing and willful culpability. These factors are discussed in the analysis below.

Penalty Framework

PRC section 3236.5 prescribes the administrative civil penalty amount for a major violation shall be not less than two thousand five hundred dollars (\$2,500) per violation and not more than twenty-five thousand dollars (\$25,000) per violation.

A major violation is any violation, other than a well stimulation violation, that meets one or more of the following criteria: (1) it results in harm to persons or property or presents a significant threat to human health or the environment; (2) it is a knowing, willful, or intentional violation; or (3) it is a chronic violation or one committed by a recalcitrant violator. In determining whether a violation is chronic or whether a violator is recalcitrant, CalGEM considers whether there is evidence of a pattern of neglect or disregard for applicable requirements.

A minor violation is any violation that is neither a well stimulation violation nor a major violation.

Determination of Major Violation

Operator's unlawful discharge qualifies as a major violation, as it either involved a knowing, willful, or intentional act, or, as discussed below, exhibited recalcitrant conduct.

Extent of Harm

In assessing the potential harm posed by this release, two relevant factors stand out: (1) the tank is in close proximity to orchards, agricultural fields, and several houses; and (2) oil and produced water threatens health, property, and natural resources when released onto the ground.

The knowing, willful, and intentional discharge allowed produced water, including trace hydrocarbons, to percolate into the ground outside of the secondary containment. Discharging produced fluids directly onto the ground is prohibited by Regulations sections 1775, subdivision (a), and 1722, subdivision (a). When produced fluids are discharged directly into the ground, as Operator did, the fluids could flow into surface waters, contaminate soil,

1 and harm wildlife and vegetation. In addition, hydrocarbon discharges create public
2 nuisances such as odors, visible sheens, and potential fire hazards. For these reasons,
3 Regulations section 1775, subdivision (a), prohibits the knowing, willful, or intentional discharge
4 of produced fluids in a manner that may endanger life, health, property, freshwater aquifers,
5 surface waters, or natural resources, or be a menace to public safety. It is also a poor oilfield
6 practice that violates Regulations section 1722, subdivision (a). Disposal sites for oilfield waste
7 shall also conform to State Water Resources Control Board and appropriate California
8 Regional Water Quality Control Board regulations.

9 **Economic Benefit to Operator**

10 Operator derived an economic benefit by failing to properly drain fluid into the
11 designated sumps, which were the appropriate containment structures for such discharge.
12 Instead, Operator allowed the fluid to be released directly onto the ground, thereby avoiding
13 the costs associated with lawful transportation and disposal at an authorized offsite facility.

14 At the time of the release, the sumps were already at capacity and could not
15 accommodate additional fluid. Despite this limitation, oil production continued, resulting in
16 additional wastewater that required management. Rather than suspending pumping activities
17 or arranging lawful disposal, Operator discharged fluid onto the ground—an operational
18 choice that maintained production and revenue but resulted in an unlawful release.

19 **Culpability and Recalcitrance**

20 As detailed above, Operator's conduct demonstrates clear culpability: it intentionally
21 released excess fluid from the tank and failed to properly dispose of the resulting oilfield
22 wastes. This culpability is further aggravated by Operator's recalcitrance, as evidenced by its
23 chronic failure to comply with statutory and regulatory obligations since at least 2019.

24 As of 2025, a total of 233 violations remain active: six from 2019, four from 2020, 44 from
25 2021, 22 from 2022, 62 from 2023, 73 from 2024, and 22 from 2025. In addition, idle well fees
26 remain unpaid for 2019 through 2024, and oil and gas assessments for 2018, 2021, 2023, and
27 2024 are still due or overdue. Given Operator manages only 39 wells and approximately 32
28 sumps, maintaining 233 active violations represents an extraordinarily high rate of

noncompliance per facility. This record demonstrates Operator's sustained disregard for CalGEM's requirements and regulatory authority.

Penalty Determination

The Supervisor determined the penalty based on the violation's classification as "major" under PRC section 3236.5, subdivision (b), and the statutory factors in section 3236.5, subdivision (a), including the harm and risks posed, Operator's economic benefit, and its willful culpability. Operator's failure to properly dispose of oilfield wastewater constitutes a violation of Regulations sections 1775, subdivision (a), 1722 subdivision (a), or both. In any of these circumstances, the Supervisor finds that a civil penalty of twenty-two thousand five hundred dollars (\$22,500.00) is warranted. This penalty is consistent with the authority granted under PRC section 3236.5 and is necessary to deter further unlawful conduct and to protect public health, safety, and California's natural resources.

IV. Operator's Required Actions

For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3225, and 3236.5, and Regulations sections 1775, subdivision (a), and/or 1722, subdivision (a), **IT IS HEREBY ORDERED** that within 30 days, Operator pay an administrative civil penalty of twenty-two thousand five hundred dollars (\$22,500.00).

To remit payment of the civil penalty online, please visit <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department of Conservation Geologic Energy Management Division," then follow the instructions on the screen. When filling out the "order number" field, please type the order number followed by the letter "O."

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

Department of Conservation
CalGEM, Attn: Operational Management Unit
715 P Street, MS 1803
Sacramento, California 95814

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

3 **V. Operator's Appeal Rights**

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

9 Department of Conservation
10 Director's Office of Appeals
11 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
12 Sacramento, California 95814

13 Or via electronic mail to:

14 OfficeofAppeals@conservation.ca.gov
15

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

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

23 **VI. Other Potential Actions to Enforce This Order**

24 Failure to comply with Section IV (Operator's Required Actions) of this Order could
25 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
26 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
27 oil and gas conservation laws commencing at PRC section 3000. PRC sections 3236.2 and
28

1 3236.3 authorize the Supervisor to seek for civil penalties and injunctive relief for failure to
2 comply with an order or for violations of any provision in Chapter 1 of Division 3 of the PRC or
3 any regulation that implements those statutes. PRC section 3236.5 authorizes the Supervisor to
4 impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the
5 PRC or any regulation that implements those statutes, and the Supervisor may in the future
6 impose further civil penalties based on the facts and omissions underlying this order. PRC
7 section 3237 authorizes the Supervisor to order the plugging and abandonment of a well or
8 the decommissioning of a production facility if an operator has failed to comply with an order
9 of the Supervisor within the time provided by the order or has failed to challenge the order on
10 a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an
11 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct
12 offense. (PRC, § 3359.) By issuance of this Order, the Supervisor does not waive the right to take
13 further enforcement actions.

14
15
16 DATED: 9/25/2025

Lindsey Miller

Lindsey Miller
CalGEM Enforcement Chief, on
behalf of the State Oil and Gas
Supervisor