

1 Department of Conservation, Geologic Energy Management Division
2 Doug Ito
3 STATE OIL AND GAS SUPERVISOR
4 715 P Street, MS 19-06 (Legal Office)
5 Sacramento, California 95814
6 Telephone (916) 323-6733
7

8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **GEOLOGIC ENERGY MANAGEMENT DIVISION**

12
13
14 **ORDER TO PAY CIVIL PENALTIES**
15 **NO. 1607**
16

17
18 **Operator: Petro Capital Resources, LLC (P2520)**
19
20
21
22
23
24
25
26
27
28

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, Petro Capital Resources, LLC (**Operator**) is the "operator"
9 (as defined in PRC section 3009) of the injection wells identified on **Attachment A**,
10 incorporated herein (**the Wells**). As described in more detail below, under applicable
11 provisions of Regulations sections 1724.10, 1724.10.1, and 1724.10.2, to maintain uninterrupted
12 approval for injection activity, Operator was required to complete Mechanical Integrity
13 Testing (MIT) Part One and Part Two on the Wells by specified dates and failed to timely
14 perform both tests. As a result, Operator automatically lost approval to continue injection
15 operations. (Regulations, § 1724.10, subd. (i)(4).) Operator was therefore required to cease
16 injection into the Wells, immediately notify CalGEM that it had not performed MIT Part One or
17 Part Two on the Wells, and disconnect the injection lines from the Wells, and failed to do so in
18 violation of Regulations sections 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777.

19 Therefore, pursuant to PRC sections 3013, 3106, 3224, and 3236.5, and Regulations
20 sections 1724.6, 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777, the Supervisor is ordering
21 Operator to within thirty (30) days of this Order pay civil penalties totaling thirty-three thousand
22 two hundred dollars (\$33,200.00), imposed for violations of Regulations sections 1724.10,
23 1724.10.1, 1724.10.2, 1724.13, and 1777.

24 **Attachment B** contains a list of definitions and authorities that are applicable to this
25 Order.

26 **II. Alleged Acts/Omissions**

27 "Any injection well, including a well not actively injecting, that is not tested as required
28 under Sections 1724.10.1 and 1724.10.2 shall automatically lose approval to inject, and

1 subsequent written approval from the Division is required to reinitiate injection." (Regulations, §
2 1724.10, subd. (i)(4).) Accordingly, to maintain uninterrupted injection approval for injection
3 wells, that as of April 1, 2019, were previously subject to periodic casing pressure testing
4 requirements, MIT Part One is required to be successfully completed on each such injection
5 well every five (5) years (except for gas disposal wells). (Regulations, §1724.10.1, subd. (e).) In
6 addition, to maintain uninterrupted injection approval for injection wells, commencing April 1,
7 2019, MIT Part Two is required to be successfully completed on each such injection well every
8 two (2) years, with certain exceptions, including "[d]isposal injection wells shall be tested at
9 least once a year" and "[t]esting is required when requested by the Division, including as may
10 be specified in the Project Approval Letter [PAL]." (Regulations, §1724.10.2, subd. (b).)

11 In performing the testing, an operator must notify CalGEM at least 48 hours in advance
12 and provide the digital copies of surveys and test results within sixty (60) days. (Regulations, §
13 1724.10, subd. (i)(1)-(2).) An operator must cease injection into an injection well and
14 immediately notify CalGEM if, among other reasons, MIT Part One and/or MIT Part Two has not
15 been timely performed or the results of such testing has not been provided. (Regulations, §§
16 1724.6, subd. (e), 1724. 10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (a)(1).) Further, an
17 operator must disconnect injection lines from the injection well if there is no current injection
18 approval from CalGEM. (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) Each day an
19 operator injects into an injection well without approval constitutes a separate violation.
20 (Regulations, § 1724.13, subd. (c).)

21 On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder
22 to Operator of the testing requirements set forth in Regulations sections 1724.10.1 and
23 1724.10.2, including an explanation that MIT Part One must be completed for subject wells by
24 April 1, 2024, or other date per the testing frequency stated in the applicable PAL or
25 Regulations, and commencing April 1, 2019, subsequent testing for MIT Part Two must be
26 completed at various frequencies depending on well type, to maintain uninterrupted
27 approval for injection activity. (**Attachment C**, incorporated herein.)
28

1 During all times relevant to this Order, CalGEM's records indicate that the Wells were
 2 each a "disposal injection well" (as defined in Regulations section 1720.1, subdivision (c)). As
 3 indicated in Operator's PALs, as of April 1, 2019, the Wells were previously subject to periodic
 4 casing pressure testing and annual fluid migration testing requirements.

5 Based on CalGEM's records, Operator last performed mechanical integrity tests on the
 6 Wells as described in the table below.

API	Well Designation	Date of Previous MIT Part One	Date of Most Recent MIT Part One	Date(s) of Previous MIT Part Two	Date of Most Recent MIT Part Two
0402914711	Sesnon 3	11/2/2012	8/8/2024	1/5/2023; 1/24/2024	1/23/2025
402946454	Richards 1-1	1/29/2019	1/22/2021	1/5/2023	1/24/2024

7
 8
 9
 10
 11
 12
 13
 14 As indicated, for the Sesnon 3 well, Operator failed to perform MIT Part One within five
 15 years from the previously successful test performed on November 2, 2012, and failed to
 16 perform MIT Part Two within one year from the previously successful test performed on January
 17 5, 2023. For the Richards 1-1 well, Operator failed to perform MIT Part Two within one year from
 18 the previously successful test performed on January 5, 2023.

19 **As a result, Operator automatically lost approval for injection into the Wells, and**
 20 **Operator would have continued to lack injection approval unless subsequent written approval**
 21 **from CalGEM was provided.** (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1,
 22 subd. (a) & (e), 1724.10.2, 1724.13, subd. (b).).

23 On April 5, 2024, CalGEM staff sent a courtesy notice, via email, alerting Operator that it
 24 had been identified as (1) having one or more injection wells with an active status and (2)
 25 having failed to notify CalGEM of ceasing injection operations or a record of a passing MIT
 26 Part One for its injection well(s). (**Attachment D**, incorporated herein.).

27 Based on Operator's self-reported injection activity, and as indicated in the table
 28 below, Operator continued injection into the Wells, for a total of 164 days of unauthorized

injection, during the specific dates addressed in this Order. These date ranges only include days of unauthorized injection once, on a per well basis.

API	Well Designation	Date Ranges for Civil Penalties	# Days of Unauthorized Injection for Civil Penalties
0402914711	Sesnon 3	Due to MIT Part One Non-Compliance: April 2024 – August 2024	128
		Due to MIT Part Two Non-Compliance: January 2024	18
0402946454	Richards 1-1	Due to MIT Part Two Non-Compliance: January 2024	18
Total Days:			164

Following the loss of injection approval for the Wells, Operator also failed to notify CalGEM of ceasing injection into the Wells, having not timely performed a successful MIT, or a well status change, and failed to demonstrate that injection lines had been disconnected from the Wells in violation of Regulations sections 1724.10, 1724.10.1, 1724.13, and 1777.

III. Civil Penalties

Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator administrative civil penalties totaling thirty-three thousand two hundred dollars (\$33,200.00) as follows:

Violation Description	Number of Violations	Civil Penalty Amount per Violation	Total Civil Penalties Amount
Injection into a well without injection approval (collectively, Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subd. (e), 1724.13, subd. (a)(1))	164	\$200.00	\$32,800.00

Failure to disconnect injection lines from a well without injection approval (Regulations, § 1777, subd. (c)(4))	2	\$200.00	\$400.00
		Total Civil Penalties:	\$33,200.00

For purposes of this Order, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalties, including: characterizing the violations as "minor" (as defined in PRC section 3236.5, subdivision (b)), the eight factors identified in PRC section 3236.5, subdivision (a), and the extended and ongoing period of non-compliance as well as the mandated regulatory assessment of daily penalties for unauthorized injection pursuant to Regulations section 1724.13, subsection (c).

In addition, for purposes of this Order, the Supervisor in his discretion is only imposing a civil penalty for each day of unauthorized injection which occurred after April 1, 2024, for MIT Part One non-compliance, and after September 8, 2023 (date of NTO-2023-09), for MIT Part Two non-compliance, and based on self-reported injection activity. Further, regardless of the number of days of unauthorized injection, the Supervisor is imposing a civil penalty for only one violation of Regulations section 1777, subdivision (c)(4), for failure to disconnect injection lines, on a per well basis.

Nothing in this Order is intended nor shall it be construed to limit or preclude CalGEM from taking any action authorized by law, including imposing civil penalties for the other unauthorized injection violations not addressed by this Order.

IV. Operator's Required Actions

For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3224, and 3236.5, and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777, **IT IS HEREBY ORDERED** that Operator pay civil penalties in the amount of thirty-three thousand two hundred dollars (\$33,200.00) within thirty (30) days from the date this Order is issued. Daily violations and penalties may continue to accrue if these requirements are not addressed to CalGEM's satisfaction.

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

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

8 Department of Conservation
9 CalGEM, Attn: Operational Management Unit
10 715 P Street, MS 18-03
11 Sacramento, California 95814

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

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

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

20 Department of Conservation
21 Director's Office of Appeals
22 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
23 Sacramento, California 95814

24 Or via electronic mail to: OfficeofAppeals@conservation.ca.gov.

25 If Operator files a timely written notice of appeal, Operator will be informed of the
26 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.

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

Failure to comply with Section IV (Operator's Required Actions) of this Order could
subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
any person who violates, fails, neglects, or refuses to comply with any of the provisions of the

1 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
2 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
3 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
4 in the future impose further civil penalties based on the facts and omissions underlying this
5 Order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of
6 a well or the decommissioning of a production facility if an operator has failed to comply with
7 an order of the Supervisor within the time provided by the order or has failed to challenge the
8 order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply
9 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
10 distinct offense. (PRC, § 3359.)
11
12

13 DATED: 3/12/2026

Lindsey Miller

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