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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 CIVIL PENALTIES**  
15 **NO. 1619**  
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18 **Operator: Petro-Lud, Inc. (P2515)**  
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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, Petro-Lud, Inc. (**Operator**) is the "operator" (as defined in  
9 PRC section 3009) of the wells identified on **Attachment A**, incorporated herein (**the Wells**). As  
10 described in more detail below, under applicable provisions of Regulations sections 1724.10,  
11 1724.10.1, and 1724.10.2, to maintain uninterrupted approval for injection activity, Operator  
12 was required to complete Mechanical Integrity Testing (MIT) Part One and Part Two on the  
13 Wells by specified dates and failed to timely perform one or both tests. As a result, Operator  
14 automatically lost approval to continue injection operations. (Regulations, § 1724.10, subd.  
15 (i)(4).) Operator was therefore required to cease injection into the Wells, immediately  
16 notify CalGEM that it had not performed MIT Part One or Part Two on the Wells, and  
17 disconnect the injection lines from the Wells, and failed to do so in violation of Regulations  
18 sections 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777.

19 Therefore, pursuant to PRC sections 3013, 3106, 3224, 3236.5, and Regulations sections  
20 1724.6, 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777, the Supervisor is ordering Operator to  
21 (1) as soon as it safe to do so, cease injection into all wells without current injection approval,  
22 and (2) pay administrative civil penalties totaling two hundred sixty thousand six hundred  
23 twenty dollars (\$260,620.00) within thirty (30) days of this Order, imposed for violations of  
24 Regulations sections 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777.

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

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## II. Alleged Acts/Omissions

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2 "Any injection well, including a well not actively injecting, that is not tested as required  
3 under Sections 1724.10.1 and 1724.10.2 shall automatically lose approval to inject, and  
4 subsequent written approval from the Division is required to reinstate injection." (Regulations, §  
5 1724.10, subd. (i)(4).) Accordingly, to maintain uninterrupted injection approval for injection  
6 wells, that as of April 1, 2019, were not previously subject to periodic casing pressure testing  
7 requirements, MIT Part One was required to be successfully completed by April 1, 2024 (except  
8 for gas disposal wells), and for those that were previously subject to periodic casing pressure  
9 testing requirements, MIT Part One is required to be successfully completed every five (5) years  
10 (except for gas disposal wells). (Regulations, §1724.10.1, subd. (e).) In addition, to maintain  
11 uninterrupted injection approval for injection wells, commencing April 1, 2019, MIT Part Two is  
12 required to be successfully completed on each such injection well every two (2) years, with  
13 certain exceptions, including "[d]isposal injection wells shall be tested at least once a year"  
14 and "[t]esting is required when requested by the Division, including as may be specified in the  
15 Project Approval Letter [PAL]." (Regulations, §1724.10.2, subd. (b).)

16 In performing the testing, an operator must notify CalGEM at least 48 hours in advance  
17 and provide the digital copies of surveys and test results within sixty (60) days. (Regulations, §  
18 1724.10, subd. (i)(1)-(2).) An operator must cease injection into an injection well and  
19 immediately notify CalGEM if, among other reasons, MIT Part One and/or MIT Part Two has not  
20 been timely performed or the results of such testing has not been provided. (Regulations, §§  
21 1724.6, subd. (e), 1724. 10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (a)(1).) Further, an  
22 operator must disconnect injection lines from the injection well if there is no current injection  
23 approval from CalGEM. (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) Each day an  
24 operator injects into an injection well without approval constitutes a separate violation.  
25 (Regulations, § 1724.13, subd. (c).)

26 On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder  
27 to Operator of the testing requirements set forth in Regulations sections 1724.10.1 and  
28 1724.10.2, including an explanation that MIT Part One must be completed for subject wells by

1 April 1, 2024, or other date per the testing frequency stated in the applicable PAL or  
2 Regulations, and commencing April 1, 2019, subsequent testing for MIT Part Two must be  
3 completed at various frequencies depending on well type, to maintain uninterrupted  
4 approval for injection activity. (**Attachment C**, incorporated herein.)

5 During all times relevant to this Order, CalGEM's records indicate that the Wells were  
6 each a "disposal injection well" (as defined in Regulations section 1720.1, subdivision (c)). As  
7 indicated in Operator's PALs, as of April 1, 2019: wells National Development-Merzoian 7 (API  
8 0410720158), 100H (API 0401924285), Brockman 8 (API 0402906597), Brown 6 (0402906605),  
9 Glide 15-8 (API 0402912514), Vedder-Parkford U.S. Lease 27 (API 0402954752), Hallain 2 (API  
10 0410700129), and T.B.I.D. 9 (API 0410700153) were previously subject to periodic casing  
11 pressure testing requirements and annual fluid migration testing. In addition, wells National  
12 Development-Merzoian 7 (API 0410720158), Brockman 8 (API 0402906597), Brown 6 (API  
13 0402906605), Vedder-Parkford U.S. Lease 27 (API 0402954752, Hallain 2 (API 0410700129), and  
14 T.B.I.D. 9 (API 0410700153) are each located within a health protection zone (HPZ, as defined in  
15 PRC section 3280, subdivision (b)), however, for purposes of this Order, only a portion of  
16 unauthorized injection into the National Development-Merzoian 7 (API 0410720158), Hallain 2  
17 (API 0410700129), and T.B.I.D. 9 (API 0410700153) wells occurred after the effective date of PRC  
18 section 3280 (and related provisions), June 27, 2024.

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

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API	Well Designation	Date(s) of Previous MIT Part One	Date(s) of Previous MIT Part Two
0410720158	National Development-Merzoian 7	8/14/2019	9/3/2019 8/7/2020
0401924285	100H	12/14/2016 1/23/2025	1/31/2020 1/29/2025
0402906597	Brockman 8	3/8/2019 5/28/2024	3/8/2019 7/28/2020 6/12/2024 6/10/2025
0402906605	Brown 6	1/27/2016 6/11/2024	7/28/2020 6/12/2024 6/11/2025
0402912514	Glide 15-8	8/23/2016 5/29/2024	7/29/2020 6/13/2024 6/12/2025
0402954752	Vedder-Parkford U.S. Lease 27	10/24/2017 5/28/2024	7/29/2020 6/13/2024 6/12/2025
0410700129	Hallain 2	5/18/2017 5/30/2024	8/6/2020 8/12/2024 8/5/2025
0410700153	T.B.I.D. 9	7/9/2019 9/14/2020 8/5/2024	7/9/2019 9/24/2020 8/7/2024 8/5/2025

As indicated, for the T.B.I.D. 9 (API 0410700153) well, Operator performed an MIT Part One within five (5) years of the last successful test but failed to perform MIT Part Two within one year of the last successful test, on one or more instances. For wells National Development-Merzoian 7 (API 0410720158), 100H (API 0401924285), Brockman 8 (API 0402906597), Brown 6 (API 0402906605), Glide 15-8 (API 0402912514), Vedder-Parkford U.S. Lease 27 (API 0402954752), and Hallain 2 (API 0410700129), Operator failed to timely perform MIT Part One and/or MIT Part Two as required by the applicable PALs.

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

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

Based on Operator's self-reported injection activity, and as indicated in the table below, Operator continued injection into the Wells for a total of 1,261 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 of Unauthorized Injection	# Days of Unauthorized Injection for Civil Penalties	
0410720158	National Development-Merzoian 7	Due to MIT Part Two Non-Compliance: January 2024 – March 2024	89	89
0401924285	100H	Due to MIT Part One Non-Compliance: September 2024; November 2024; January 2025	81	87
		Due to MIT Part Two Non-Compliance: September 2024; November 2024; January 2025	87	
0402906597	Brockman 8	Due to MIT Part One Non-Compliance: April 2024 – May 2024	56	160
		Due to MIT Part Two Non-Compliance: January 2024 – June 2024	160	
0402906605	Brown 6	Due to MIT Part One Non-Compliance: April 2024 – June 2024	69	160
		Due to MIT Part Two Non-Compliance: January 2024 – June 2024	160	
0402912514	Glide 15-8	Due to MIT Part One Non-Compliance: April 2024 – May 2024	57	161
		Due to MIT Part Two Non-Compliance: January 2024 – June 2024	161	

1	0402954752	Vedder-Parkford U.S. Lease 27	Due to MIT Part One Non-Compliance: April 2024 – May 2024	56	161
2			Due to MIT Part Two Non-Compliance: January 2024 – June 2024	161	
3	0410700129	Hallain 2	Due to MIT Part One Non-Compliance: April 2024 – May 2024	59	220
4			Due to MIT Part Two Non-Compliance: January 2024 – August 2024	220	
5	0410700153	T.B.I.D. 9	Due to MIT Part Two Non-Compliance: January 2024 – August 2024	215	215

11 Following the loss of injection approval for the Wells, Operator also failed to  
 12 notify CalGEM of ceasing injection into the Wells, having not timely performed a successful  
 13 MIT, or a well status change, and failed to demonstrate that injection lines had been  
 14 disconnected from the Wells in violation of Regulations sections 1724.10, 1724.10.1, 1724.10.2,  
 15 1724.13, and 1777.

16 In addition, on or about June 3, 2024, CalGEM staff conducted an inspection of well  
 17 Brown 6 (API 0402906605) and observed the injection lines connected and the well capable of  
 18 injection; and on or about June 6, 2024, CalGEM staff conducted inspections of wells  
 19 Brockman 8 (API 0402906597), Glide 15-8 (API 0402912514), Vedder-Parkford U.S. Lease 27 (API  
 20 0402954752), and T.B.I.D. 9 (API 0410700153) and observed the injection lines connected and  
 21 the wells capable of injection.

22 As of the date of this Order, CalGEM has provided subsequent written approval to  
 23 reinitiate injection for the wells included in this order with the exception of the National  
 24 Development-Merzoian 7 (0410720158) well.

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**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 two hundred fifty-three thousand, seven hundred eighty dollars (\$253,780.00) as follows:

<b>API</b>	<b>Well Designation</b>	<b>Total Civil Penalties Amount</b>
0410720158	National Development-Merzoian 7	\$18,000.00
0401924285	100H	\$17,600.00
0402906597	Brockman 8	\$32,200.00
0402906605	Brown 6	\$32,200.00
0402912514	Glide 15-8	\$32,400.00
0402954752	Vedder-Parkford U.S. Lease 27	\$32,400.00
0410700129	Hallain 2	\$45,040.00
0410700153	T.B.I.D. 9	\$43,940.00
<b>Total Civil Penalties:</b>		<b>\$253,780.00</b>

**Attachment E** contains a detailed itemization of the total civil penalty amounts listed above by well. 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), several wells are located within HPZs, 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).

1 In addition, for purposes of this Order, the Supervisor is exercising his discretion to limit  
2 the civil penalties imposed by this Order to violations for unauthorized injection which occurred  
3 after April 1, 2024, for MIT Part One non-compliance, and after September 8, 2023 (date of  
4 NTO-2023-09), for MIT Part Two non-compliance, based on self-reported injection activity.  
5 These date ranges only include days of unauthorized injection once even during times when  
6 both MIT Part One and MIT Part Two were overdue. For wells within an HPZ, the Supervisor is  
7 only considering violations of unauthorized injection and failure to disconnect to have  
8 occurred within an HPZ on or after July 1, 2024, as applicable. Further, regardless of the  
9 number of days of unauthorized injection, the Supervisor is imposing a civil penalty for only one  
10 violation of Regulations section 1777, subdivision (c)(4), for failure to disconnect injection lines,  
11 on a per well basis.

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

#### 15 **IV. Operator's Required Actions**

16 For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3224, 3236.5,  
17 3270, and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777, **IT IS**  
18 **HEREBY ORDERED** that Operator:

- 19 1) As soon as it is safe to do so, cease injection into all wells without current  
20 injection approval;
- 21 2) Pay administrative civil penalties in the amount of two hundred fifty-three  
22 thousand, seven hundred eighty dollars (\$253,780.00).

23 Operator is required to pay the civil penalties amount within **thirty (30) days** from the  
24 date this Order is issued. Additional penalties may continue to accrue if these  
25 requirements are not addressed to CalGEM's satisfaction.

26 To remit payment of the civil penalties online, please visit  
27 <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department  
28 of Conservation Geologic Energy Management Division," then follow the instructions on the

1 screen. When filling out the "order number" field, please type the order number followed by  
2 the letter "O."

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

5 Department of Conservation  
6 CalGEM, Attn: Operational Management Unit  
7 715 P Street, MS 18-03  
8 Sacramento, California 95814

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

11 Please contact Daniel Woldemariam at [Daniel.Woldemariam@conservation.ca.gov](mailto:Daniel.Woldemariam@conservation.ca.gov)  
12 with any questions concerning the violations.

13 **Injection into wells without current injection approval shall not resume without**  
14 **subsequent written approval from CalGEM.** (Regulations, §§ 1724.6, subd. (e), 1724.10, subd.  
15 (i)(4), 1724.10.1, subd. (a) & (e), 1724.10.2, 1724.13, subd. (b).)

16 **V. 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 the PRC section 3350. (PRC, § 3225, subd. (d).) If this Order is mailed to you, the Director  
20 must receive the appeal within fifteen (15) days from the date the Supervisor mails the Order.

21 To file an appeal, a written notice of appeal may be sent via email to

22 [OfficeofAppeals@conservation.ca.gov](mailto:OfficeofAppeals@conservation.ca.gov) or via U.S. mail to:

23 Department of Conservation  
24 Director's Office of Appeals  
25 715 P Street, MS 19-06 (Legal Office, Chief Counsel)  
26 Sacramento, California 95814

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

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

2 Failure to comply with Section IV (Operator's Required Actions) of this Order could  
3 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for  
4 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the  
5 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes  
6 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of  
7 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may  
8 in the future impose further civil penalties based on the facts and omissions underlying this  
9 Order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of  
10 a well or the decommissioning of a production facility if an operator has failed to comply with  
11 an order of the Supervisor within the time provided by the order or has failed to challenge the  
12 order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply  
13 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and  
14 distinct offense. (PRC, § 3359.)  
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17 DATED: 4/10/2026

*Doug Ito*  
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Doug Ito  
State Oil and Gas Supervisor