

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 AND PERFORM REMEDIAL WORK**
15 **NO. 1621**
16

17
18 **Operator: E&B Natural Resources Management Corporation (E0100)**
19
20
21
22
23
24
25
26
27
28

I. Introduction

The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy Management Division (**CalGEM** or the **Division**), 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, E&B Natural Resources Management Corporation, LLC (**Operator**) is the "operator" (as defined in PRC section 3009) of the "injection well" (as defined in Regulations section 1720.1, subdivision (f)) "Section 5 4-4A" (**the Well**) identified on **Attachment A**, incorporated herein.

As described in more detail below, Operator twice performed unpermitted work on the Well, in violation of PRC section 3203 and Regulations sections 1714, 1722, and 1744: the first instance observed by CalGEM staff on or about March 21, 2024, and again on February 28, 2025, to which Operator notified CalGEM after-the-fact.

Furthermore, under applicable provisions of Regulations sections 1724.10 and 1724.10.1, Operator was required to complete casing pressure testing, referred to as Mechanical Integrity Testing (MIT) Part One on the Well to maintain uninterrupted approval for injection, and failed to do so. As a result, Operator automatically lost approval to continue injection operations. (Regulations, § 1724.10, subd. (i)(4).) Operator was therefore required to cease injection into the Well, immediately notify CalGEM that it had not performed MIT Part One on the Well, and disconnect the injection lines from the Well. CalGEM's records indicate that Operator failed to timely disconnect the injection line and continued to inject into the Well in violation of Regulations sections 1724.10, 1724.10.1, 1724.13, subdivision (a)(1), and 1777, subdivision (c)(4).

Moreover, the Well failed mechanical integrity tests at various depths and was discovered to have casing damage at various depths, posing significant threat to the base of

1 fresh water. Operator knew of the damage as early as April 16, 2024, and continued injecting
2 until January 27, 2025.

3 In determining the civil penalty amounts for Operator's violations, the Supervisor
4 determined all but one of the violations herein to be "major" pursuant to PRC section 3236.5,
5 subdivision (b)(2)(A) because Operator's actions posed a significant threat of harm to human
6 health and the environment and were "knowing, willful or intentional" violations.

7 Therefore, pursuant to PRC sections 3013, 3106, 3203, 3215, 3224, 3236.5, and 3270 and
8 Regulations sections 1714, 1722, 1724.6, 1724.10, 1724.10.1, 1724.13, 1744, and 1777, the
9 Supervisor is ordering Operator to pay civil penalties totaling one million seventy-seven
10 thousand five hundred dollars (\$1,077,500.00) within thirty (30) days of this Order, imposed for
11 violations of PRC section 3203 and Regulations sections 1714, 1722, 1724.10, 1724.10.1, 1724.13,
12 1744, and 1777.

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

15 II. Alleged Acts/Omissions

16 A. Statement of Facts

17 The Well at issue, "Section 5 4-4A" is an "injection well" (as defined in Regulations
18 section 1720.1, subdivision (f)), used for sustained or reoccurring injection of fluids associated
19 with oil and gas extraction over an extended period, into an approved injection zone, via
20 reinjection into the same or similar underground formations. (See also Regulations, § 1720.1,
21 subd. (p).) More specifically, the Well, "Section 5 4-4A" is a "disposal injection well" (as defined
22 in Regulations section 1720.1, subdivision (c)) into which fluid is injected primarily for purposes
23 of disposal rather than enhancing recovery of hydrocarbons. Injection wells are regulated by
24 CalGEM's Underground Injection Control (UIC) Regulations, which require a two-part
25 demonstration of mechanical integrity, including MIT Part One at least once every five years.
26 (Regulations, §§ 1724.10, 1724.10.1.) The new UIC Regulations took effect April 1, 2019.

27 On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder
28 to Operator of the testing requirements set forth in Regulations section 1724.10.1, including an

1 explanation that MIT Part One must be completed by April 1, 2024, to maintain uninterrupted
2 approval for injection activity. (**Attachment C**, incorporated herein.) On April 5, 2024, CalGEM
3 sent courtesy notice, via e-mail, alerting Operator that it was identified as having (1) one or
4 more injection wells with an active status, and (2) failed to notify CalGEM of ceasing injection
5 operations or a record of passing the required testing for its injection wells. (**Attachment D**,
6 incorporated herein.) This email further provided that "continuing injection into a well that is
7 overdue for 'Part One' MIT would be a serious violation of CalGEM's Underground Injection
8 Control regulations." (**Attachment D**.)

9 On or before April 16, 2024, Operator discovered the Well's casing was damaged and
10 drafted a procedure to "run a 3.5 inch inner casing string [because] the 4.5 inch inner casing
11 string failed [a] pressure test." (**Attachment E**, incorporated herein.) On or about May 17, 2024,
12 Operator submitted a Notice of Intent (NOI) to Rework the Well, to which CalGEM responded
13 on May 20, 2024, informing Operator that CalGEM was holding its NOI in abeyance and would
14 make a final determination at a later time. (**Attachments E and F**, incorporated herein.)

15 On or about June 28, 2024, CalGEM issued NTO 2024-06 (**Attachment G**, incorporated
16 herein) informing Operator that PRC sections 3280 through 3291 went into effect as of June 27,
17 2024, which defines areas within 3,200 feet of a sensitive receptor as a "health protection
18 zone" (HPZ), and adding numerous requirements for operators. NTO 2024-06 informed that all
19 NOIs subject to the new requirements that were currently with CalGEM would be returned to
20 operators for reevaluation and resubmission in accordance with the new laws. (**Attachment**
21 **G**.) This included Operator's May 17, 2024, NOI. (**Attachment E**.)

22 The "Section 5 4-4A" Well is located within a HPZ as defined in PRC section 3280,
23 subdivision (b), as of the effective date of the statute, June 27, 2024. The sensitive receptor, as
24 defined in PRC section 3280, subdivision (c), is an occupied residential property approximately
25 3,059 feet from the Well. (**Attachment H**, incorporated herein.)

26 On or about December 20, 2024, CalGEM sent another letter, again requiring Operator
27 to cease injection operations and to disconnect injection line(s) from the Well. (**Attachment I**,
28 incorporated herein.) On or about January 23, 2025, CalGEM staff conducted an inspection of

1 the Well and observed connected injection line(s) and the Well to be actively injecting.
2 (**Attachment J**, incorporated herein.) Operator later reported that the Well was disconnected
3 effective January 27, 2025. (**Attachment K**, incorporated herein.)

4 On or about February 7, 2025, the Well failed casing pressure tests at various depths
5 (e.g. 974 feet, 2,008 feet, 2,070 feet, 2,482 feet, 2,492 feet). (**Attachment L**, incorporated
6 herein.) On February 10, 2025, a potential casing hole was identified by Operator at 2,054 feet.
7 On February 24, 2025, Operator found damage at 2,413 feet. (**Attachment L**.) Based on
8 CalGEM's records, the base of the freshwater in the field spans from 1,600 to 2,000 feet in
9 depth. (**Attachment M**, incorporated herein.) Well history records indicate that the base of
10 freshwater is 100 feet above the zone of injection for the Well. (**Attachment N**, incorporated
11 herein.)

12 On or about February 28, 2025, Operator performed unpermitted work on the Well's
13 casing without first submitting a NOI to CalGEM and without obtaining approval to conduct
14 the work. (**Attachment O**, incorporated herein.) Operator notified CalGEM of the unpermitted
15 work on June 3, 2025. (**Attachment O**.) Unbeknownst to CalGEM, Operator had, in an earlier
16 instance, performed unpermitted work on the Well on or before March 21, 2024, and failed to
17 notify CalGEM or submit copies of the well work history thereafter. (**Attachment P**,
18 incorporated herein.)

19 **B. Operator Twice Performed Rework on the Well without a Permit (PRC §§ 3203, subds.**
20 **(a), (b); 3280; Regulations §§ 1714, 1722 subd. (d), 1744 subd. (b))**

21 On two occasions, operator performed rework activities on the Well without first
22 submitting an NOI or obtaining an approved permit in violation of PRC section 3203,
23 subdivisions (a) and (b), and Regulations sections 1714, 1722, subdivision (d), and 1744,
24 subdivision (b). Operators are required to submit written notice and receive approval from
25 CalGEM prior to commencing work, including operations that permanently alter the casing of
26 an existing well. (PRC, § 3203, subds. (a), (b) ["A written notice of intention to commence
27 drilling...shall [be filed] before commencing the work" including when "deepening or redrilling
28 the well...or any operations permanently altering in any manner the casing of the well"];

1 Regulations, §§ 1714 ["written approval of the Supervisor is required"]; 1722, subd. (d) ["Notices
 2 of intention to drill, deepen, redrill, rework, or plug and abandon wells shall be completed on
 3 current Division forms and submitted [] to the appropriate Division district office for
 4 approval..."]; 1744, subd. (b) ["Drilling or reworking of wells shall not commence without
 5 approval of the Division"].)

6 On or about March 21, 2024, CalGEM staff discovered that well work was conducted
 7 on the Well. (**Attachment P.**) Operator failed to inform CalGEM or submit an NOI prior to
 8 conducting the unknown work on Well "Section 5 4-4A." Further, Operator failed to file copies
 9 of well work history within 60 days of the cessation of performance of the work. (PRC, § 3215,
 10 subd. (a) ["Within 60 days after the date of cessation of drilling, rework, well stimulation
 11 treatment...the operator shall file with the district deputy, in a form approved by the
 12 supervisor, true copies of the log, core record, and history of work performed"].)

13 On or about February 28, 2025, Operator again performed unpermitted work on the
 14 Well without first notifying the Division by installing a 3.5-inch inner casing from the surface to a
 15 depth of 2,503 feet in order to seal the Well's leak. (**Attachment O.**) Several months later, on
 16 June 3, 2025, Operator notified CalGEM of the unpermitted rework via e-mail. (**Attachment O.**)
 17 Operator was required to submit a NOI and obtain CalGEM's approval before commencing
 18 such work and failed to do so in violation of PRC section 3203 and Regulations sections 1714,
 19 1722 and 1744. In this instance, Operator's unpermitted well work occurred after PRC section
 20 3280 et seq. went into effect, and as such the "Section 5 4-4A" Well was located within an HPZ.
 21 (PRC, § 3280, subds. (b) and (c); **Attachment H.**)

22 **C. Unauthorized Injection into a Well with Known Casing Damage and Failure to**
 23 **Disconnect Injection Lines (Regulations, §§ 1724.13, subds. (a)(1) – (a)(3), (c); 1777,**
 24 **subd. (c)(4))**

25 "Any injection well, including a well not actively injecting, that is not tested as required
 26 under Sections 1724.10...shall automatically lose approval to inject, and subsequent written
 27 approval from the Division is required to reinstate injection." (Regulations, § 1724.10, subd.
 28 (i)(4).) Accordingly, to maintain uninterrupted injection approval for injection wells, that as of

1 April 1, 2019, were approved for injection and previously subject to periodic casing pressure
2 testing requirements, MIT Part One is required to be successfully completed every five (5)
3 years. (Regulations, § 1724.10.1, subd. (e).)

4 Operators must notify CalGEM at least 48 hours before performing testing and provide
5 the digital copies of surveys and test results within sixty (60) days. (Regulations, § 1724.10, subd.
6 (i)(1)-(2).) An operator must cease injection into an injection well and immediately notify
7 CalGEM if, among other reasons, MIT Part One has not been timely performed or the results of
8 such testing has not been provided. (Regulations, §§ 1724.6, subd. (e), 1724. 10, subd. (i)(4),
9 1724.10.1, subd. (a), 1724.13, subds. (a)(1) and (a)(2).) Further, an operator must disconnect
10 injection lines from the injection well if there is no current injection approval from CalGEM.
11 (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) Each day an operator injects into an
12 injection well without approval constitutes a separate violation. (Regulations, § 1724.13, subd.
13 (c).)

14 On September 8, 2023, CalGEM sent Notice to Operators (NTO) 2023-09 to Operator as
15 a reminder of the testing requirements set forth in Regulations sections 1724.10.1 and 1724.10.2,
16 including an explanation that MIT Part One must be completed for subject wells by April 1,
17 2024, or other date per the testing frequency stated in the applicable PAL or Regulations, to
18 maintain uninterrupted approval for injection activity. (**Attachment C.**)

19 During all times relevant to this Order, CalGEM's records indicate that the Well was an
20 "injection well." (Regulations, § 1720.1, subd. (f).) As stated in Operator's Project Approval
21 Letter, the Well was previously subject to periodic casing pressure testing. (**Attachment Q,**
22 incorporated herein.) Based on CalGEM's records, Operator last successfully performed this
23 testing on the "Section 5 4-4A" Well on October 12, 2012, making it overdue for testing as of
24 October 13, 2017. Based on this date, Operator failed to perform MIT Part One within five years
25 of the most recent successful test. **As a result, Operator automatically lost approval for**
26 **injection into the Wells, and Operator would have continued to lack injection approval unless**
27 **subsequent written approval from CalGEM was provided.** (Regulations, §§ 1724.6, subd. (e),
28 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.13, subd. (b).)

1 Following this automatic loss of injection approval, Operator was required to cease
2 injection into the Well, immediately notify CalGEM of its failure to timely perform the testing,
3 and disconnect the Well from any injection lines, and Operator failed to do so in violation of
4 Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777. (**Attachment R**,
5 incorporated herein.)

6 CalGEM staff alerted Operator that it failed to notify CalGEM of either ceasing injection
7 operations or a record of passing the required testing for the Well and then again demanded
8 Operator cease injection and disconnect the lines on April 5, 2024, and December 20, 2024,
9 respectively. (**Attachments D, I.**) Based on Operator's self-reported injection activity, Operator
10 continued injection into the Wells, for a total of 299 days of unauthorized injection, during the
11 specific dates addressed in this Order. (**Attachment R.**) Furthermore, Operator was injecting
12 into the Well without approval within an HPZ, as of June 27, 2024, the effective date of PRC
13 section 3280 (and related provisions). (**Attachment G, H, R.**) Significantly, Operator knew of the
14 Well's casing damage since at least April 16, 2024, yet failed to cease injection and
15 disconnect injection lines until January 27, 2025. (**Attachments E, J, K, L, R.**) CalGEM staff
16 observed the injection line(s) connected to the Well as late as January 23, 2025. (**Attachment**
17 **J.**) Thus, Operator continued injection into the Well without approval after failing to perform
18 MIT Part One within five years (through January 27, 2025. (**Attachments Q, R.**)

19 Regulations section 1724.13, subdivision (a)(2), requires an operator to cease injection
20 into the injection well and immediately notify the Division if, "[t]he well failed a mechanical
21 integrity test required by Section 1724.10(i) or there is any other indication that the well lacks
22 mechanical integrity or is otherwise incapable of performing as approved by the Division."
23 Here, Operator observed a clear indication at least as early as April 16, 2024, that the Well
24 lacked mechanical integrity. (**Attachment E.**)

25 Regulations section 1724.13, subdivision (a)(3), mandates that an operator cease
26 injection into the affected injection well and immediately notify the Division if, "[t]here is any
27 indication of a failure, breach or hole in the well tubing, packer, cement or well casing,
28 including failures above a packer." (Regulations, § 1724.13, subd. (a)(3).) Operator knew of

potential casing damage at least as early as April 16, 2024, when Operator observed and documented such an indication as evidenced by Operator's NOI to run a "cemented inner casing string" due to "failed pressure test" yet failed to cease injection as required.

(Attachment E, R; Regulations § 1724.13, subd. (a)(3).)

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 one million seventy-seven thousand five hundred dollars (\$1,077,500.00) as follows:

Violation Description	Violation Type	Number of Violations	Civil Penalty Amount per violation	Total Civil Penalty
Injection into a well without injection approval prior to July 1, 2024 (Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subds. (a) & (e), 1724.13, subds. (a)(1), (a)(2) and (c)) April 2024 – June 2024	Major	90	\$3,200	\$288,000
Injection into a well without injection approval after July 1, 2024 (Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subds. (a) & (e), 1724.13, subds. (a)(1), (a)(2) and (c); PRC, § 3280 et. seq.) July 2024 – January 2025	Major	209	\$3,500	\$731,500
Failure to disconnect injection lines from a well without injection approval (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4))	Major	1	\$7,500	\$7,500
Altering the casing of a well without approved Permit / Performing unpermitted well work (PRC, § 3203 subds. (a), (b), Regulations, §§1714, 1722, subd. (d), 1744, subd. (b))	Major	2	\$25,000	\$50,000

Failure to file copies of well work history within 60 days (PRC, § 3215, subd. (a))	Minor	1	\$500	\$500
Total Civil Penalties:			\$1,077,500	

For purposes of this Order, and as described in more detail below, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalties, including: characterizing the violations as “major” or “minor” (as defined in PRC section 3236.5, subdivision (b)), the eight factors identified in PRC section 3236.5, subdivision (a), the Well is within an HPZ, 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).

The Supervisor is imposing a civil penalty for each day of unauthorized injection which occurred after April 1, 2024, for MIT Part One non-compliance and for the purposes of this Order, exercising discretion not to impose civil penalties between then and the earliest time Operator lost authorization to inject, October 13, 2017. The Supervisor is only considering violations of unauthorized injection and failure to disconnect injection lines to have occurred within an HPZ on or after July 1, 2024, after PRC section 3280 went into effect. 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.

Civil Penalties Determination Methodology

The Supervisor exercises discretionary civil penalty authority to incentivize compliance. The Supervisor's fundamental policy objective is to set a penalty amount that is appropriately proportioned to the violation at issue. PRC section 3236.5, subdivision (a), provides that:

When establishing the amount of the penalty pursuant to this section, the supervisor shall consider, in addition to other relevant circumstances, all of the following:

- (1) The extent of harm caused by the violation;
- (2) The persistence of the violation;
- (3) The pervasiveness of the violation;

- (4) The number of prior violations by the same violator;
- (5) The degree of culpability of the violator;
- (6) Any economic benefit to the violator resulting from the violation;
- (7) The violator's ability to pay the civil penalty amount, as determined based on information publicly available to the division; and
- (8) The supervisor's prosecution costs.

a) Characterization as "major," "minor," or "well stimulation" violation

For purposes of this Order, the Supervisor considered relevant circumstances, including whether to characterize the violations as "major" or "minor" (as defined in PRC section 3236.5, subdivision (b)) and is setting a penalty amount proportionate to the circumstantial importance of all relevant factors identified in PRC section 3236.5, subdivision (a), above.

A major violation is a violation that is not a well stimulation violation and that is one or more of the following: (i) a violation that results in harm to persons or property or presents a significant threat to human health or the environment; (ii) a knowing, willful, or intentional violation; (iii) a chronic violation or one that is committed by a recalcitrant violator, indicated by the violator engaging in a pattern of neglect or disregard with respect to applicable requirements. The civil penalty amount for a major violation shall be not less than two thousand five hundred dollars (\$2,500.00) per violation and not more than twenty-five thousand dollars (\$25,000.00) per violation.

In determining the civil penalty amounts for Operator's violations, the Supervisor determined the following violations to be "major" pursuant to PRC section 3236.5, subdivision (b)(2)(A): two instances of performing rework without a permit, unauthorized injection between April 2, 2024, and January 27, 2025, and a single count of failure to disconnect injection lines during that time period. Each of these violations posed a significant threat of harm to human health and the environment. When considered together, the cumulative risk of harm further exceeds that which could result from each violation individually.

Injecting into a well that has not timely undergone MIT Part One and/or failed such test presents a significant threat of harm to human health and the environment, and an immediate threat to underground sources of drinking water (USDW). In this case, CalGEM has evidence of a heightened risk of Operator's failure to cease injection into the Well or

1 disconnect the Well from the injection lines due to the Well's compromised casing integrity.
2 The Well's casing failure could have easily caused injected substances to migrate into the
3 water table and presented significant threat of harm to USDW. (**Attachments M, N.**)

4 The casing failed pressure tests at various depths (e.g. 974 feet, 2,008 feet, 2,070 feet,
5 2,482 feet, 2,492 feet) indicate that the Well's structural integrity had been compromised.
6 Casing damage was found at 2,413 feet and a possible casing hole at a depth of 2,054 feet.
7 These conditions posed a significant threat to human health and the environment particularly
8 in the Poso Creek Field, where the Well is located. (PRC § 3236.5, subd. (b)(2)(i).) There, the
9 base of the freshwater in the Poso Creek Oil Field area spans from 1,600 to 2,000 feet in depth.
10 (**Attachment M.**) Based on well specific records, the base of freshwater is 100 feet above the
11 zone of injection, the Basal Etchegoin zone. (**Attachments N, S**, incorporated herein.) The
12 casing damage posed a serious risk of contaminating the water table. (**Attachments, L, N.**)
13 Further, performing well work without regulatory oversight is dangerous as it could compromise
14 beneficial use water resources, hydrocarbon reservoirs, and have other unintended
15 consequences. Moreover, the Well is in an HPZ and thus subject to stricter engineering controls
16 to mitigate risks from existing operations. (PRC § 3280 et. seq.) Failure to disconnect injection
17 lines allowing fluids into a structurally compromised well poses a significant threat to human
18 health and the environment. Moreover, the risk of environmental harm and danger to the
19 local sensitive receptor increased as Operator continued to inject into the compromised well
20 over a long period of time. (**Attachment Q.**)

21 Additionally, the violations were "knowing, willful or intentional." (PRC, § 3236.5, subd.
22 (b)(2)(A)(ii).) Operator was aware of the 4.5-inch casing damage as early as April 16, 2024,
23 and continued to inject into the Well with connected injection lines through January 27, 2025,
24 despite CalGEM's repeated notifications to cease injection and disconnect injection lines due
25 to being overdue for testing and thus out of compliance. (**Attachments D, I.**) CalGEM was then
26 unaware that Operator twice performed unpermitted re-work operations on the Well without
27 notifying CalGEM, made all the more egregious on a well discovered to have casing damage.
28

1 A minor violation is neither a well stimulation violation nor a major violation for which the
2 civil penalty amount shall be no more than two thousand five hundred dollars (\$2,500) per
3 violation. (PRC, § 3236.5, subds. (b)(3)(A) and (b)(3)(B).) The Supervisor determined Operator's
4 failure to file copies of well work history within sixty (60) days to be a minor violation. (PRC, §
5 3215, subd. (a).)

6 **b) PRC section 3236.5 factors analysis**

7 In determining penalty amounts calibrated to incentivize compliance in a manner
8 appropriately proportional to the circumstances and specific violations, the Supervisor
9 considered the eight statutory factors identified in PRC section 3236.5, subdivision (a), to
10 determine which were important for setting an appropriate penalty amount for Operator's
11 violations. The Supervisor determined that:

12 1) "Extent of harm"

13 While this was not an important factor in setting the penalty amounts for the UIC-related
14 violations, Operator's actions posed a significant threat of harm to human health and the
15 environment. Further, conducting unpermitted work, not in accordance with CalGEM's
16 standards or oversight, is harmful as it degrades and circumvents strict engineering controls
17 that mitigate risks from existing operations and undermines CalGEM's regulatory role.

18 2) "Persistence"

19 The Supervisor determined that persistence was an important factor in setting the
20 penalty amounts for the UIC-related violations (unauthorized injection and failure to
21 disconnect injection lines), because on three occasions CalGEM staff observed the Well still
22 connected to the injection line, observed evidence of ongoing injection, and the Operator's
23 own self-reported injection activity supports long-term unauthorized injection. These UIC-
24 related violations persisted for 299 days from April 2, 2024, to the day that Operator
25 disconnected the injection line(s) January 27, 2025. **(Attachment R.)**

26 Operator's failure to cease injection and failure to disconnect lines were chronic and
27 persistent violations, the severity of which were exacerbated by known casing damage and
28 two instances of unpermitted work. **(Attachments E, K, O, R.)** Operator was reminded of its

1 responsibilities regarding testing requirements and repeatedly informed to cease injection and
2 disconnect lines due to its failure to meet those requirements. (**Attachments C, D, I.**)

3 3) "Pervasiveness"

4 The Supervisor determined that pervasiveness was not an important factor in setting the
5 penalty amount for the violations because this was the only well involved with these violations.

6 4) "Prior violations" was not an important factor in setting the penalty amounts for
7 the violations. In calculating the penalty amount, the Supervisor did not consider the violations
8 to be the same as prior violations.

9 5) "Culpability"

10 The Supervisor determined that culpability was an important factor in setting the
11 penalty amount for the each of the violations. The Supervisor determined Operator's degree
12 of culpability to be high. Operator had responsibility for the "Section 5 4-4" Well and for either
13 timely completing the MIT Part One or, by electing to not perform MIT, to cease injection in a
14 manner consistent with regulatory requirements. Following the loss of injection approval for
15 failing to complete MIT on the Well, and despite receiving several notifications from CalGEM,
16 Operator did not disconnect the injection line and continued injection activities for a period of
17 299 days. (See **Attachments C, D, I, R.**)

18 Operator repeatedly disregarded its statutory and regulatory obligations by: twice
19 performing unpermitted work on the Well, failing to conduct required testing of the Well, failing
20 to cease injection and disconnect injection lines after allowing the Well's approval to lapse
21 and being informed by CalGEM as much, failing to fulfill obligations for a Well located ed
22 within an HPZ, and by failing to file copies of well work history after the unpermitted work was
23 conducted. Because Operator consistently disregarded these safety standards, the Supervisor
24 determined Operator's culpability to be high.

25 6) "Economic benefit"

26 The Supervisor determined that economic benefit was an important factor in setting the
27 penalty amount for the UIC-related violations. Operator received an economic benefit by not
28 conducting the required testing and by continuing to use the Well for water disposal for its

1 operations at Poso Creek field following the loss of injection approval. In the alternative,
2 Operator would have had to shut-in the Well and bear any expense associated with
3 transporting and disposing of its produced water into another of Operator's disposal injection
4 wells.

5 7) "Ability to pay"

6 This was an important factor in setting the penalty amount for the violations. The
7 Supervisor determined that, based on production data and other CalGEM records, Operator
8 continues to operate and has a future earning potential to pay the civil penalties.

9 8) "Prosecution costs" was not an important factor in setting the penalty amounts.

10 The Supervisor determined that adjustment of the penalty amount based on prosecution costs
11 is unnecessary in this instance.

12 Working within the two thousand five hundred dollars (\$2,500.00) and twenty-five
13 thousand dollars (\$25,000) statutory penalty range for a major violation, the Supervisor
14 assessed the civil penalty for each of the 299 separate violations of Regulations, sections
15 1724.10, subd. (i)(4), 1724.10.1, subds. (a) & (e), 1724.13, subds. (a)(1), (a)(2) and (c), one
16 violation of Regulations section 1777, subdivision (c)(4), and two violations of PRC section 3203,
17 subdivisions (a) and (b) and Regulations sections 1714, subdivision (d), 1722, subdivision (d),
18 and 1744, subdivision (b), based upon a careful analysis of the above eight (8) factors, and
19 determined that the civil penalty amounts listed above in Section III are appropriately
20 proportional to the circumstances and specific violations.

21 As indicated above, compliance with UIC safety and testing requirements is critical to
22 preventing harm to life, health, property, and natural resources. Several of the above eight (8)
23 factors were considered important for the violations and there is indication of a threat of
24 immediate significant harm resulting from the violations warranting a higher civil penalty
25 amount. As such, the Supervisor has determined the above-listed penalty amounts is a
26 balanced and effective incentive for achieving compliance.

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

4 **IV. Operator's Required Actions**

5 For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3203, 3215, 3224,
6 3236.5, and 3270 and Regulations sections 1714, 1722, 1724.6, 1724.10, 1724.10.1, 1724.13, 1744,
7 and 1777, **IT IS HEREBY ORDERED** that Operator pay civil penalties in the amount of one million
8 seventy-seven thousand five hundred dollars (\$1,077,500.00).

9 Operator is required to:

- 10 1. Pay the civil penalties amount within **thirty (30) days** from the date this Order is
11 issued. Daily violations and penalties may continue to accrue if these requirements
12 are not addressed to CalGEM's satisfaction.

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

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

20 Department of Conservation
21 CalGEM, Attn: Operational Management Unit
22 715 P Street, MS 18-03
23 Sacramento, California 95814

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

- 26 2. Submit well work history based on March 2024 inspection in accordance with PRC
27 section 3215 to CalGEM Central District via email at
28 calgemcentral@conservation.ca.gov.

1 Please contact CalGEM's Central District via email with any questions concerning the
2 violations.

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 email to
9 OfficeofAppeals@conservation.ca.gov or via U.S. mail to:

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

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

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

18 Failure to comply with Section IV (Operator's Required Actions) of this Order could
19 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
20 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
21 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
22 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
23 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
24 in the future impose further civil penalties based on the facts and omissions underlying this
25 Order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of
26 a well or the decommissioning of a production facility if an operator has failed to comply with
27 an order of the Supervisor within the time provided by the order or has failed to challenge the
28 order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply

1 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
2 distinct offense. (PRC, § 3359.)
3
4

5 DATED: 4/15/2026

Doug Ito
6 Doug Ito
7 State Oil and Gas Supervisor
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28