

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. 1624**  
16

17  
18 **Operator: Pace Diversified Corporation (P0130)**  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28



## II. Alleged Acts/Omissions

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

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

25 On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder  
26 to Operator of the testing requirements set forth in Regulations sections 1724.10.1 and  
27 1724.10.2, including an explanation that MIT Part One and Part Two must be completed for  
28 subject wells by April 1, 2024, or other date per the testing frequency stated in the applicable

1 PAL, to maintain uninterrupted approval for injection activity. (**Attachment C**, incorporated  
2 herein.)

3 During all times relevant to this Order, CalGEM's records indicate that the Wells were  
4 each a "disposal injection well" (as defined in Regulations section 1720.1, subdivision (c)). As  
5 specified in Operator's PAL, the Wells were each previously subject to 5-year casing pressure  
6 testing and annual fluid migration testing requirements.

7 Based on CalGEM's records, Operator successfully performed mechanical integrity tests  
8 on the Wells as described in the table below.

API	Well Designation	Date of Previous MIT Part One	Date of Previous MIT Part Two
0402918353	Olcese Estate One 1	4/12/2011 10/15/2024	9/26/2018 9/2/2021 8/29/2022
0402918355	Olcese Estate One 3	7/18/2017 4/9/2024	9/26/2018 8/31/2021 8/29/2022 8/22/2023 9/23/2024 9/23/2025

16 As indicated, Operator failed to perform MIT Part One on the Wells within five years from the  
17 previous successful tests. In addition, on multiple instances, Operator failed to perform MIT Part  
18 Two on the Wells within one year from previously successful tests.

19 After the first instance of missing a testing due date, Operator automatically lost  
20 approval for injection into each respective well, and Operator would have continued to lack  
21 injection approval unless subsequent written approval from CalGEM was provided.  
22 (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.10.2,  
23 1724.13, subd. (b).). Following this automatic loss of injection approval, Operator was required  
24 to cease injection into the Wells, immediately notify CalGEM of its failure to timely perform the  
25 testing, and disconnect the Wells from any injection lines, and Operator failed to do so in  
26 violation of Regulations sections 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777.

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 passing the required testing for its injection wells. (**Attachment D**, incorporated herein.).

Based on Operator's self-reported injection activity, Operator continued injection into the Wells without approval as described in the table below, combining into a total of 300 days of unauthorized injection. The date ranges only include days of unauthorized injection once, on a per well basis, regardless of whether a particular well may have been overdue for both MIT Part One and MIT Part Two.

API	Well Designation	Date Ranges for Civil Penalties	# Days of Unauthorized Injection
0402918353	Olcese Estate One 1	Due to MIT Part One Non-Compliance: April 2024 – July 2024  Due to MIT Part Two Non-Compliance: September 2023 - July 2024	293
0402918355	Olcese Estate One 3	Due to MIT Part One Non-Compliance: April 2024	7
		<b>Total Days:</b>	300

In addition, on or about September 12, 2024, CalGEM staff conducted an inspection of the Olcese Estate One 1 well and observed the injection line(s) connected. However, on or about September 23, 2024, CalGEM staff conducted a follow-up inspection of the well and observed it to be disconnected.

**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 sixty thousand four hundred dollars (\$60,400.00) 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), 1724.10.2, subd. (b)(6), 1724.13, subd. (a)(1))	300	\$200.00	\$60,000.00
Failure to disconnect injection lines from a well without injection approval (Regulations, § 1777, subd. (c)(4))	2	\$200.00	\$400.00
		<b>Total Civil Penalties</b>	\$60,400.00

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, the Supervisor is exercising his discretion to limit the civil penalties imposed by this Order to violations for unauthorized injection which occurred after September 8, 2023, on a per well basis. 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 violations 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 sixty thousand four hundred dollars (\$60,400.00) within **thirty (30) days** from the date this Order is issued. Daily violations and

1 penalties may continue to accrue if these requirements are not addressed to CalGEM's  
2 satisfaction.

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

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

10 Department of Conservation  
11 CalGEM, Attn: Operational Management Unit  
12 715 P Street, MS 18-03  
13 Sacramento, California 95814

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

16 Please contact Daniel Woldemariam via email at  
17 [Daniel.Woldemariam@conservation.ca.gov](mailto:Daniel.Woldemariam@conservation.ca.gov) with any questions concerning the violations.

18 For wells without current injection approval, injection operations shall not resume  
19 without subsequent written approval from CalGEM. (Regulations, §§ 1724.6, subd. (e), 1724.10,  
20 subd. (i)(4), 1724.10.1, subds. (a) & (e), 1724.10.2, 1724.13, subd. (b).)

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

22 Operator may appeal this Order by filing a timely written notice of appeal with the  
23 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing  
24 with PRC section 3350. (PRC, § 3225, subd. (d).) If this Order is mailed to you, the Director must  
25 receive the appeal within fifteen (15) days from the date the Supervisor mails the Order. To file  
26 an appeal, a written notice of appeal may be sent via email to  
27 [OfficeofAppeals@conservation.ca.gov](mailto:OfficeofAppeals@conservation.ca.gov) or via U.S. mail to:

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

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

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

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

17 Each day's further failure, refusal, or neglect is a separate and distinct offense. (PRC, §  
18 3359.)

19  
20  
21 DATED: 5/4/2026

*Doug Ito*  
\_\_\_\_\_  
Doug Ito  
State Oil and Gas Supervisor