

Department of Conservation, Geologic Energy Management Division
Doug Ito
STATE OIL AND GAS SUPERVISOR
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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PAY A CIVIL PENALTY AND PERFORM REMEDIAL WORK
NO. 1450

Operator: Cree Oil Company, LLC a.k.a. Cree Oil LLC (C8800)

Field Name: Long Beach

County: Los Angeles

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, Cree Oil Company LLC a.k.a. "Cree Oil LLC" (**Operator**) is the "operator" (as defined in PRC, § 3009) and is responsible for the Well and associated Production Facility identified on **Attachment A**, incorporated herein (the "**Well**" and "**Facility**"). As described in more detail below, Operator has not maintained compliance with applicable requirements for operation of the Well and the Facility. Operator's failure to comply with the Regulations poses a potential threat to life, health, property, and natural resources and constitute violations requiring remedial work. Therefore, pursuant to PRC sections 3106, 3224, 3226, 3236.5, and 3270 and Regulations sections 1773.3, 1773.5, and 1777, the Supervising is ordering Operator to (1) perform remedial work to bring the Well and Facility into compliance and (2) pay an administrative civil penalty for the violations.

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 Well and Facilities. On or about April 19, 2024, CalGEM conducted an inspection of the Wells and Facilities where the violations described below were observed and documented on the Long Beach Field. (**Attachment C**, incorporated herein.)

CalGEM records reflect Operator has not maintained compliance with applicable requirements for operation of the Well and the Facility. Operator's lack of adherence to the

Regulations poses a potential threat to life, health, property, and natural resources. The violations at issue are identified below.

A. Failure to maintain tank in good condition and in a manner to prevent leakage or corrosion (Regulations, § 1777, subd. (a)) and failure to report leaking tank to CalGEM, and failure to take and designate leaking tank out of service (Regulations, § 1773.3, subd. (c).)

Operators are required to maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources and conduct operations in accordance with good oilfield practices. (Regulations, § 1777, subd. (a).) The Regulations, section 1773.3, subdivision (c), requires leaking tanks to be reported to CalGEM within 48 hours and the tank taken out of service and designated as an Out-of-Service Tank.

During the inspection(s), CalGEM observed the following tanks leaking in violation of Regulations section 1777, subdivision (a):

Facility ID	Facility Name	Facility Type
13377	T-2 Water Tank	Water Tank

Operator further failed to report the leaking tank to CalGEM within 48 hours, did not take the tank out of service, and did not designate the tank as an Out-of-Service Tank, in violation of Regulations sections 1773, subdivision (c).

As of the date of this Order, CalGEM does not have any records from Operator demonstrating that the violation has been corrected.

B. Failure to Keep Well Cellar Drained (Regulations, § 1777, subd. (c)(3).)

The well cellar is an excavated area around the wellhead that provides space for equipment at the top of the wellbore. Operators are required to keep well cellars drained. (Regulations, § 1777, subd. (c)(3).)

During the inspection, CalGEM observed oily fluids, in violation of Regulations, section 1777, subd. (c)(3), at the following Well:

API	Well Designation
0403709899	Dormax 1

As of the date of this Order, CalGEM does not have any records from Operator demonstrating that the violation has been corrected.

III. Civil Penalty/Remedial Work

A. Civil Penalty

Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator an administrative civil penalty totaling one thousand and three hundred dollars (\$1,300.00.) for the two violations.

Type of Violation	Number of Violations	Total Civil Penalty per Violation Type
Regulations, §§ 1777, subd. (a) and 1773.3 (Leaking Tank)	1	\$1,000.00
Regulations, § 1777, subd. (c)(3) (Oily Fluids in Cellar)	1	\$300.00
	Total Civil Penalty:	\$1,300.00

For purposes of this Order, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalty, 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 following aggravating factors: the Well and tank are located in an urban area, as defined by Regulations section 1760, subdivision (y), are inside a health protection zone, as defined by Regulations section 1765.1, subdivision (b), and are environmentally sensitive, as defined by Regulations section 1760, (f), and the Well is a critical well, as defined by Regulations section 1720.

B. Remedial Work

Pursuant to PRC section 3224, the Supervisor hereby orders Operator to complete remedial work to come into compliance with Regulations section 1773.3, 1773.5, and 1777, as outlined below in Operator's Required Actions.

IV. Operator's Required Actions

For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3224, and 3236.5, and Regulations sections 1773.3, 1773.5, and 1777, **IT IS HEREBY ORDERED** that Operator:

- 1) Pay an administrative civil penalty of one thousand and three dollars (\$1,300.00);
- and
- 2) In accordance with PRC section 3224 and Regulations section 1773.3, 1773.5, and 1777 Operator is required to:

- a. Stop all leaks from the following Tank and designate as an Out-of-Service Tank pursuant to Regulations, section 1773.3, subd. (c):

Facility ID	Facility Name	Facility Type
13377	T-2 Water Tank	Water Tank

Note: Regulations section 1773.5, subdivision (b), prohibits Out-of-Service production facilities from being reactivated until all needed repairs have been completed and the production facility is in compliance with all applicable testing and inspection requirements. Operator is required to submit required testing and inspection information to CalGEM for review prior to reactivation of the Tank pursuant to Regulations section 1773.4;

- b. Drain the well cellars, at the following Well:

API	Well Designation
0403709899	Dormax 1

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.

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

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

Upon performing the required remedial work, please contact Grace Brandt at CalGEM's Southern District via email at Grace.Brandt@conservation.ca.gov.

V. Operator's Appeal Rights

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

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

Or via electronic mail to:

OfficeofAppeals@conservation.ca.gov

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

If Operator does not file a timely written notice of appeal, or if the Order is affirmed following an appeal, this Order will become a final order and CalGEM may contract for performance of the work, pursuant to PRC section 3226, if, within 30 days of this Order,

Operator has not, in good faith, commenced the work ordered. Any costs incurred by CalGEM to obtain compliance with this Order (which may include penalties and interest) will constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, § 3356.)

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 oil and gas conservation laws commencing at PRC section 3000. PRC sections 3236.2 and 3236.3 authorize the Supervisor to seek for civil penalties and injunctive relief for failure to comply with an order or for violations of any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes. PRC section 3236.5 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may in the future impose further civil penalties based on the facts and omissions underlying this order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of a well or the decommissioning of a production facility if an operator has failed to comply with an order of the Supervisor within the time provided by the order or has failed to challenge the order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct offense. (PRC, § 3359.) By issuance of this Order, the Supervisor does not waive the right to take further enforcement actions.

DATED: 10/2/2024

DocuSigned by:

Doug Ito

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Doug Ito
State Oil and Gas Supervisor