

1 Department of Conservation, Division of Oil, Gas, and Geothermal Resources  
Jason R. Marshall  
2 ACTING STATE OIL AND GAS SUPERVISOR  
801 K Street, MS 24-03 (Legal Office)  
3 Sacramento, California 95814-3530  
Telephone (916) 323-6733  
4 Facsimile (916) 445-9916

5  
6  
7  
8 **STATE OF CALIFORNIA**  
9 **NATURAL RESOURCES AGENCY**  
10 **DEPARTMENT OF CONSERVATION**  
11 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**

12  
13  
14 **ORDER TO PAY A CIVIL PENALTY**

15 **NO. 1163**

16  
17 **Operator: Chevron U.S.A. Inc.**

18 **Field: Cymric Oil Field, Kern County**  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1 **I. Introduction**

2 The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and  
3 Geothermal Resources (Division) and under the authority of Division 3 of the Public Resources Code  
4 (PRC; commencing with PRC section 3000) and title 14 of the California Code of Regulations  
5 (Regulations), has the authority to impose a civil penalty against an operator for the violation of oil and  
6 gas conservation laws. (PRC § 3236.5)

7 The Supervisor has determined that Chevron U.S.A. Inc. (Chevron or Operator) committed  
8 numerous violations of the PRC and its implementing regulations at the Cymric Oil Field (Cymric). On  
9 at least four occasions (May 10, June 8, June 23, and July 22, 2019), Operator allowed a series of  
10 surface expressions that are not low-energy seeps to occur at Cymric in violation of **Regulations section**  
11 **1722, subdivision (a), section 1724.11, subdivision (a), section 1724.12, subdivision (b), and section**  
12 **1771**. The Supervisor, through his Inland District Deputy, obtained photographs and issued notices to  
13 Operator concerning these surface expression violations to which Operator responded. Such responses  
14 included steam radius restrictions and root cause analyses. However, Operator’s initial responses appear  
15 to have contained but not prevented additional surface expressions. On July 21, 2019, the Division  
16 issued Remedial Order No. 1159 (Exhibit A) ordering Operator to take all measures to stop flow from  
17 the established surface expressions and to prevent any new surface expressions.

18 Pursuant to PRC sections 3013, 3106, 3236.5, and Regulations sections 1722, 1724.11, 1724.12,  
19 and 1771, the Supervisor hereby orders Chevron to pay a civil penalty of **\$2,732,991**.

20 **II. Definitions**

21 The following definitions apply to the terms used in this Order:

22 **PRC section 3008, subdivision (a)** defines “Well” to mean, among other things, “any oil or gas  
23 well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to  
24 contain oil or gas,” and “any well drilled for the purpose of injecting fluids or gas for stimulating oil or  
25 gas recovery[.]”

26 **PRC section 3009** defines “Operator” to mean “a person who, by virtue of ownership, or under  
27 the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control a well  
28 or production facility.”

1           **PRC section 3010** defines production facility to mean “any equipment attendant to oil and gas  
2 production or injection operations[.]”

3           **Regulations section 1720, subdivision (f)**, defines “Operations” to mean “any one or all of the  
4 activities of an Operator covered by Division 3 of the Public Resources Code.”

5           **Regulations section 1720, subdivision (h)**, defines “Low-energy seep” as “a surface expression  
6 for which the Operator has demonstrated all of the following to the Division:

7           (1) The fluid coming to the surface is low-energy and low-temperature;

8           (2) The fluid coming to the surface is not injected fluid; and

9           (3) The fluid coming to the surface is contained and monitored in a manner that prevents damage  
10 to life, health, property, and natural resources.”

### 11                           **III. State Oil and Gas Supervisor and Division Authority**

12           **PRC section 3013** states that the oil and gas conservation laws (commencing with PRC section  
13 3000) “shall be liberally construed to meet its purposes” and grants the Supervisor “all powers” that may  
14 be necessary to carry out those purposes.

15           **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling,  
16 operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or  
17 abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as far as  
18 possible, damage to life, health, property, and natural resources[.]”

19           **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a person who violates  
20 any provision in Chapter 1 of Division 3 of the PRC, generally the oil and gas conservation laws, or any  
21 regulation that implements Chapter 1.

22           **Regulations section 1722, subdivision (a)**, requires Operator to conduct all operations “in  
23 accordance with good oilfield practice.”

24           **Regulations section 1724.11, subdivision (a)**, mandates that “[u]nderground injection projects  
25 shall not result in any surface expression.”

26           **Regulations section 1724.12, subdivision (b)**, states that “[n]otwithstanding any efforts  
27 undertaken by the Operator to contain a surface expression or otherwise mitigate risks associated with a  
28 surface expression, the existence of a surface expression, other than a low-energy seep, is a violation of

1 the prohibition in Section 1724.11(a) against underground injection projects resulting in any surface  
2 expression.”

3 **Regulations section 1771** prohibits Operator from using open unlined channels or ditches to  
4 transport oil or water containing oil, “unless provisions are made so that they are not a hazard as  
5 determined by the Supervisor.”

6 **Regulations section 1775** requires Operator to address oilfield wastes, harmful chemicals,  
7 unused equipment, scrap and other trash so as not to cause damage to life, health, property, freshwater  
8 aquifers or surface waters, other natural resources, or such that its operations become a public nuisance  
9 or a menace to public safety.

#### 10 **IV. Alleged Acts and Omissions**

##### 11 **A. Failure to Prevent a Surface Expression**

12 On at least four occasions (May 10, June 8, June 23, and July 22, 2019), Operator allowed a  
13 series of surface expressions that are not low-energy seeps to occur at Cymric in violation of  
14 Regulations section 1724.11, subdivision (a). The Division observed that the surface expressions  
15 included steam and high volumes of oil coming to the surface for periods exceeding two to three  
16 minutes, which are indications, among other things, that the expressions were not low-energy seeps.  
17 Operator has not demonstrated otherwise.

18 On July 12, 2019, the Supervisor served Operator an Order to Perform Remedial Work, citing  
19 violations of, at least, Regulations section 1774.11, subdivision (a).

20 Based on the above, and PRC section 3236.5, for Chevron’s failure to prevent a surface  
21 expression, the Supervisor is imposing a civil penalty of **\$900,000**.

##### 22 **B. Failure to Comply with Transport Requirements for Oil and to Conduct Operations in** 23 **Accord with Good Oilfield Practice**

24 For a 113-day period, beginning May 10, 2019 and continuing to at least August 31, 2019,  
25 Operator allowed oil from the four surface expression areas on Operator’s property to travel downslope  
26 across a wide area. The channel of oil flowing downslope from the surface expressions had a maximum  
27 extent of 41,947 square feet on August 1, 2019. Division staff observed Operator on multiple occasions  
28 using pumps, bins, and a vacuum truck to capture oil from the unlined channel and transport it for

1 processing. The transportation of oil through this channel is in violation of Regulations section 1771,  
2 which prohibits the transportation of oil and water containing oil through open unlined channels and  
3 ditches. The Division also considers Operator's failure to contain the flow of oil through this channel to  
4 not be in accord with good oilfield practice in violation of Regulations section 1722, subdivision (a).

5 Based on the above, and **PRC section 3236.5**, for Chevron's failure to comply with transport  
6 requirements for oil and to conduct operations in accord with good oilfield practice, the Supervisor is  
7 imposing a civil penalty of **\$1,832,991**.

#### 8 **V. Civil Penalty Assessment**

9 The Supervisor may impose a civil penalty on any person who fails to comply with oil and gas  
10 conservation laws, or any implementing regulations. (PRC, §3236.5, subd. (a).) In establishing a civil  
11 penalty amount, "the [S]upervisor shall consider, in addition to other relevant circumstances, all of the  
12 following: (1) The extent of harm caused by the violation; (2) The persistence of the violation; (3) The  
13 pervasiveness of the violation; (4) The number of prior violations by the same violator; (5) The degree  
14 of culpability of the violator; (6) Any economic benefit to the violator resulting from the violation; (7)  
15 The violator's ability to pay the civil penalty amount, as determined based on information publicly  
16 available to the [D]ivision; and (8) The [S]upervisor's prosecution costs."

17 The Supervisor determines whether a violation qualifies as a "Major" or "Minor" violation in  
18 accordance with PRC section 3236.5. A "major violation" is a violation that is not a well stimulation  
19 violation and that is one or more of the following: (i) A violation that results in harm to persons or  
20 property or presents a significant threat to human health or the environment; (ii) A knowing, willful, or  
21 intentional violation; (iii) A chronic violation or one that is committed by a recalcitrant violator. In  
22 determining whether a violation is chronic, or a violator is recalcitrant, the Supervisor shall consider  
23 whether there is evidence indicating that the violator has engaged in a pattern of neglect or disregard  
24 with respect to applicable requirements; (iv) A violation where the violator derived significant economic  
25 benefit, either by significantly reduced costs or a significant competitive advantage. The civil penalty  
26 amount for a major violation shall be not less than \$2,500 per violation and not more than \$25,000 per  
27 violation. A "minor violation" is a violation that is neither a well stimulation violation nor a major  
28 violation. The civil penalty amount for a minor violation shall not be more than \$2,500 per violation.

1 At the Supervisor's discretion, each day a major or minor violation continues or is not cured may be  
2 treated as a separate violation.

3 Based on the above allegations, at this time, the Supervisor hereby imposes a civil penalty of  
4 **\$2,732,991**. This amount is based on a subset of violations which occurred between May 10, 2019 and  
5 August 31, 2019 and reflects Chevron's failure to prevent and control surface expressions at Cymric as  
6 required by regulation and as ordered in Remedial Order No. 1159.

7 **1. The Extent of Harm Caused by the Violation**

8 The Supervisor determined that the surface expressions present a significant threat of harm to  
9 human health and the environment. An oiled bird, a Lesser Nighthawk, was recovered from the site on  
10 August 14, 2019 and was taken to a wildlife care center where it had to be euthanized. The oil flowing  
11 at the site was at a high temperature, producing steam, and could cause burns or ground instability,  
12 making the area around the surface expressions unsafe for humans. Oil flowing through an unlined  
13 channel presents potential impacts to soil, surface water, and wildlife.

14 **2. The Persistence of the Violation**

15 On four separate occasions, the Division witnessed surface expressions of bubbling oil in four  
16 separate and distinct areas on Operator's Cymric property. The first occasion persisted for one day, the  
17 second and fourth for 11 days each, and the third for 13 days: a total of 36 days of surface expression  
18 activity.

19 **3. The Pervasiveness of the Violation**

20 The surface expressions occurred in four localized areas that extend beyond the point source and  
21 affect a large area downslope from the release point. On August 1, 2019, oil traveling downslope  
22 encompassed a 41,947 square foot area in an open unlined channel.

23 **4. The Number of Prior Violations by the Same Violator**

24 Operator has been cited for other surface expression violations in the past 12 months. The  
25 Division issued Notices of Violation for these incidents, but as the matters are still pending, they were  
26 not considered for the calculation of the civil penalty included in this Order.

27 ///

28 ///

1       **5. The Degree of Culpability of the Violator**

2           Operator stated to the Division that activities at its underground injection project at Cymric may  
3 have contributed to surface expressions at the site. Operator is responsible for any surface expressions  
4 resulting from its underground injection project, per Regulations section 1724.11.

5       **6. Any Economic Benefit to the Violator Resulting from the Violation**

6           The Governor’s Office of Emergency Services (CalOES) estimated that approximately 30  
7 percent of fluid released at the surface expressions is oil. Operator is collecting and transporting this  
8 fluid to a processing facility for conversion into sales oil. As of August 1, 2019, CalOES reported that  
9 the surface expressions had released 31,685 barrels of oil and water. Accounting for shrinkage and  
10 separation during processing, the Division estimates Operator will produce 7,129.125 barrels of sales oil  
11 from the surface expressions at Cymric. This gives Operator an economic benefit of approximately  
12 \$399,231 from this incident.

13       **7. The Violator’s Ability to Pay the Civil Penalty Amount**

14           Between 2005 and 2018, the average annual revenue for this Operator in the state of California  
15 was \$3,344,021,603.

16       **8. The Supervisor’s Prosecution Costs**

17           The Supervisor incurred approximately 516 hours of staff time associated with inspections,  
18 monitoring, and compliance at Cymric in relation to the surface expressions, and in preparing the  
19 Supervisor’s Order to Perform Remedial Work and Order to Pay a Civil Penalty. The Supervisor’s  
20 prosecution costs for this matter are estimated at this time to be \$49,981.

21           The civil penalty amount is based on a review of the factors in PRC section 3236.5 for major  
22 violations. The Supervisor reserves the right to modify the civil penalty amount to more accurately  
23 reflect the factors in PRC section 3236.5 including, among other things, prosecution costs and wildlife  
24 impacted by the surface expressions after August 31, 2019. The Supervisor also reserves the right to  
25 amend the civil penalty amount to reflect Operator’s additional recent surface expression violations in  
26 other areas of the state.

27       ///.

28       ///

1 **VI. Operator's Required Actions**

2 Based on the above, and pursuant to PRC sections 3013, 3106, 3236.5 and Regulations sections  
3 1722, 1724.11, 1724.12, and 1771, the Supervisor hereby orders Chevron to pay a civil penalty of  
4 **\$2,732,991.**

5 **VII. Operator's Appeal Rights**

6 Operator may appeal this Order by filing a timely written notice of appeal with the Director as  
7 described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing with PRC section  
8 3350. (PRC, § 3225, subd. (d).) If this Order is mailed to you, the Director must receive the appeal  
9 within 15 days from the date the Supervisor mails the Order. To file an appeal, a written notice of  
10 appeal must be sent via U.S. mail to:

11 Department of Conservation  
12 Director's Office of Appeals  
13 801 K Street, MS 24-03 (Legal Office, Chief Counsel)  
14 Sacramento, California 95814-3530

15 Or via electronic mail:

16 [Appeals.DOGGR@conservation.ca.gov](mailto:Appeals.DOGGR@conservation.ca.gov)  
17

18 If Operator does not submit a timely written notice of appeal, Operator waives the right to  
19 challenge this Order and this Order will become a final order.

20 If Operator submits a timely written notice of appeal, it, and interested parties, will receive notice  
21 of the appeal hearing date, time, and place. Following the hearing, Operator will receive a written  
22 decision that affirms, sets aside, or modifies the appealed order.

23 **VIII. Other Potential Actions to Enforce This Order**

24 Failure to comply with **Section VI** (Operator's Required Actions) of this Order could subject  
25 Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for any person who  
26 violates, fails, neglects, or refuses to comply with any of the provisions of the oil and gas conservation  
27 laws commencing at PRC section 3000. PRC section 3359 makes it a misdemeanor to fail or neglect to

28 ///

1 comply 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: \_\_\_\_\_

10/2/19



6 Jason R. Marshall  
7 Acting 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

