

1 Department of Conservation, Geologic Energy Management Division
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2 STATE OIL AND GAS SUPERVISOR
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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 A CIVIL PENALTY**
15 **NO. 1188**
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18 **Operator: Cooper & Brain, Inc. (C8100)**
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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, Cooper & Brain, Inc. (**Operator**) is or was an "operator" (as defined in PRC, § 3009) and is responsible for 52 wells and associated production facilities at the Brea-Olinda, El Segundo, Long Beach, Rosecrans, Torrance, and Wilmington Fields (**Facilities**). Attachment A, incorporated herein, contains a list of operator's wells at the listed oil fields. Under applicable provisions of Regulations section 1774.2, Operator was required to submit a copy of its pipeline management plan for all pipelines to CalGEM by October 1, 2019, and Operator has not done so. Operator's failure to timely submit the pipeline management plan constitutes a violation of Regulations section 1774.2. Therefore, pursuant to PRC sections 3013, 3106, 3224, 3236.5, 3270, 3270.5, and Regulations section 1774.2, the Supervisor is ordering Operator: (1) to submit a pipeline management plan for all pipelines, and; (2) to pay a civil penalty, totaling \$2,500, imposed for violation of the requirement to timely submit a pipeline management plan.

II. Definitions

PRC section 3008, subdivision (a), defines "well" to mean, among other things, "any oil or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas."

PRC section 3009 defines "operator" to mean "a person who, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control a well or production facility."

PRC section 3010 defines "production facility" to mean "any equipment attendant to oil and gas production or injection operations including, but not limited to, tanks, flowlines,

1 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
2 equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant
3 to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

4 **III. State Oil and Gas Supervisor Authority**

5 **PRC section 3106** authorizes the Supervisor to supervise the drilling, operation,
6 maintenance, and abandonment of oil and gas wells to "prevent, as far as possible, damage
7 to life, health, property, and natural resources; damage to underground oil and gas deposits
8 from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to
9 underground and surface waters suitable for irrigation or domestic purposes by the infiltration
10 of, or the addition of, detrimental substances."

11 **PRC section 3224** mandates that the Supervisor "order such tests or remedial work as in
12 his judgment are necessary to prevent damage to life, health, property, and natural resources;
13 to protect oil and gas deposits from damage by underground water; or to prevent the escape
14 of water into underground formations, or to prevent the infiltration of detrimental substances
15 into underground or surface water suitable for irrigation or domestic purposes, to the best
16 interests of the neighboring property owners and the public."

17 **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a person who
18 violates any statutory provision in Chapter 1 of Division 3 of the PRC (PRC sections 3000 through
19 3473), or any regulation that implements those statutory provisions. Subject to the Supervisor's
20 discretion, the penalty amount may be up to \$25,000 per violation, per day.

21 **PRC section 3270** mandates that CalGEM prescribe by regulation minimum facility
22 maintenance standards for all production facilities in the state.

23 **Regulations section 1774.2** provides that operators shall prepare a pipeline
24 management plan for all pipelines. Current operators as of October 1, 2018 shall submit a
25 copy of the plan to the Supervisor no later than October 1, 2019. The operator shall maintain
26 an up-to-date copy and provide it to the Supervisor upon request. The plan shall be updated
27 within 90 days whenever pipelines are acquired, installed, altered, or at the request of the
28 Supervisor.

1 **IV. Failure to Submit a Pipeline Management Plan**

2 CalGEM notified Operator that its pipeline management plan consistent with
3 Regulations section 1774.2 was past due on January 7, 2020 and provided a new date for
4 submission by February 7, 2020. Attachment B, incorporated herein, is a Notice of Violation
5 that CalGEM sent on January 7, 2020 regarding Operator's wells in the Brea-Olinda Field with a
6 deadline to submit the pipeline management plan by February 7, 2020. Attachment C,
7 incorporated herein, is a Notice of Violation that CalGEM sent on January 7, 2020 regarding
8 Operator's wells in the El Segundo Field with a deadline to submit the pipeline management
9 plan by February 7, 2020. Attachment D, incorporated herein, is a Notice of Violation that
10 CalGEM sent on January 7, 2020 regarding Operator's well in the Long Beach Field with a
11 deadline to submit the pipeline management plan by February 7, 2020. Attachment E,
12 incorporated herein, is a Notice of Violation that CalGEM sent on January 7, 2020 regarding
13 Operator's wells in the Rosecrans Field with a deadline to submit the pipeline management
14 plan by February 7, 2020. Attachment F, incorporated herein, is a Notice of Violation that
15 CalGEM sent on January 7, 2020 regarding Operator's wells in the Torrance Field with a
16 deadline to submit the pipeline management plan by February 7, 2020. Attachment G,
17 incorporated herein, is a Notice of Violation that CalGEM sent on January 7, 2020 regarding
18 Operator's wells in the Wilmington Field with a deadline to submit the pipeline management
19 plan by February 7, 2020.

20 To date, CalGEM has not received a pipeline management plan from Operator.

21 **V. Civil Penalty**

22 Based on information, belief, and a review of CalGEM's records, Operator is the
23 current operator of the Facilities. Operator's failure to timely submit a pipeline management
24 plan for the Facilities by October 1, 2019 is a violation of Regulations section 1774.2. This failure
25 to submit the required pipeline management plan constitutes a single violation.

26 Because of this violation, and based on consideration of relevant circumstances,
27 consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator a civil

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1 penalty totaling \$2,500. Following is an explanation of how the civil penalty amount was
2 determined.

3 For purposes of this order, the Supervisor considered relevant circumstances, including:
4 characterizing the violations as "major," "minor," or "well stimulation" (as defined in PRC
5 section 3236.5, subdivision (b)) and setting a penalty amount proportionate to the
6 circumstantial importance of all relevant factors, including the eight factors identified in PRC
7 section 3236.5, subdivision (a). (PRC, § 3236.5, subd. (a).)

8 In determining the civil penalty amount for Operator's single violation, the Supervisor
9 determined the violation to be "minor." The statutory penalty range for a minor violation is
10 between \$0 and \$2,500. After consideration of all relevant factors, the Supervisor determined
11 that a civil penalty which is roughly proportionate to the cost of preparing a pipeline
12 management plan is a balanced and effective incentive for operator compliance. A careful
13 analysis of the eight factors identified in PRC section 3236.5, subdivision (a) did not affect the
14 Supervisor's finding that the cost of compliance is an effective civil penalty amount. Therefore,
15 the Supervisor determined that it is reasonable to impose a civil penalty which is proportionate
16 to the cost of preparing a pipeline management plan. (PRC, § 3236.5, subd. (a).)

17 CalGEM estimated the cost to prepare a typical pipeline management plan is
18 between \$500 and \$10,000 per oil or gas field, depending on the number of pipelines involved
19 and information already gathered on each pipeline. This cost generally includes a base cost
20 for the administrative task of assembling the plan, with design and location information
21 Operator should already possess, and an additional amount for each pipeline. The number of
22 pipelines owned by an operator is usually proportionate to the number of wells the operator
23 has in a particular field; therefore, the estimated cost of preparing a pipeline management
24 plan is based on the number of active or idle wells in each field. Working within the \$0 and
25 \$2,500 statutory penalty range for a minor violation, CalGEM created a sliding scale to assess
26 civil penalties for each operator based on the number of wells in their field, on a per-field
27 basis. For operators with five or fewer active or idle wells, CalGEM estimated a cost of \$500. For
28 operators with six to 20 active or idle wells, CalGEM estimated a cost of \$500 for the first five

1 wells, and an additional \$50 for each additional well up to the twentieth well. For an operator
2 with 21 or more wells, CalGEM estimated a cost of \$1,500.

3 Based on the 21 active and two idle wells on Operator's property in the Brea-Olinda
4 Field, the two active wells on Operator's property in the El Segundo Field, the one active well
5 on Operator's property in the Long Beach Field, the seven active wells on Operator's property
6 in the Rosecrans Field, the seven active wells on Operator's property in the Torrance Field, and
7 the 12 active wells on Operator's property in the Wilmington Field, CalGEM estimates that
8 Operator gained an economic benefit of \$2,500 by not preparing a pipeline management
9 plan. As such, based on the above allegations, and with appropriate consideration of
10 relevant factors as described in PRC section 3236.5, the Supervisor hereby imposes a civil
11 penalty of two thousand five hundred dollars (\$2,500).

12 VI. Operator's Required Actions

13 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3206, and 3236.5, **IT**
14 **IS HEREBY ORDERED** that Operator:

15 1) Submit a current pipeline management plan, prepared as directed in
16 Regulations section 1774.2; and

17 2) Pay a civil penalty in the amount of two thousand five hundred dollars (\$2,500).

18 Operator is required to submit a pipeline management plan and pay the civil penalty
19 amount within **30 days** from the date this order is issued. A continuing failure to submit a
20 pipeline management plan or pay a civil penalty may subject Operator to additional civil
21 penalties even if this order is appealed.

22 To remit payment of the civil penalty, please send a check payable to "Department of
23 Conservation" to the following address:

24 Department of Conservation
25 Legal Office
26 801 K Street, MS 24-03
27 Sacramento, California 95814-3530

28 Please include the Operator name and Order number in the correspondence.

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

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

7 Department of Conservation
8 Director's Office of Appeals
9 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
10 Sacramento, California 95814-3530

11 Or via electronic mail:

12 CalGEMAppeals@conservation.ca.gov

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

16 If Operator does not file a timely written notice of appeal, or if the order is affirmed
17 following an appeal, this order will become a final order and CalGEM may contract for
18 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
19 Operator has not, in good faith, commenced the work ordered. Any costs incurred by
20 CalGEM to obtain compliance with this order (which may include penalties and interest) will
21 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
22 3356.)

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

24 Failure to comply with Section VIII (Operator's Required Actions) of this order could
25 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor
26 for any person who violates, fails, neglects, or refuses to comply with any of the provisions of
27 the oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5
28 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.)

DATED: January 29, 2021



Uduak-Joe Ntuk
State Oil and Gas Supervisor

1 Service List

2 Cooper & Brain, Inc.
3 Attn: Michael Hanley
4 P.O. Box 1177
5 Wilmington, CA 90748-1177

6 Cooper & Brain, Inc.
7 Attn: Michael Hanley or Jeff A. Cooper
8 655 East D St.
9 Wilmington, CA 90744
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