Department of Conservation, Geologic Energy Management Division
Uduak-Joe Ntuk
STATE OIL AND GAS SUPERVISOR
715 P Street, MS 19-06 (Legal Office)
Sacramento, California 95814
Telephone (916) 323-6733
Facsimile (916) 445-9916

STATE OF CALIFORNIA

NATURAL RESOURCES AGENCY

DEPARTMENT OF CONSERVATION

GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PAY A CIVIL PENALTY

NO. 1234

Operator: North Valley Gaswell Services, Inc. (N2125)

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, North Valley Gaswell Services, Inc. (**Operator**) is or was an "operator" (as defined in PRC, § 3009) and is responsible for the well "Williams" 1-5 (API No. 0410320128) and associated production facilities at the Kirkwood Gas Field (**Facilities**). 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 $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, headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant

to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

III. State Oil and Gas Supervisor Authority

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

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

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

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

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

IV. Failure to Submit a Pipeline Management Plan

CalGEM notified Operator that its pipeline management plan consistent with

Regulations section 1774.2 was past due on December 6, 2019 and provided a new date for submission by January 6, 2020. Attachment A, incorporated herein, is a Notice of Violation that CalGEM sent on December 6, 2019 with a deadline to submit the pipeline management plan by January 6, 2020. To date, CalGEM has not received a pipeline management plan from Operator.

V. Civil Penalty

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

Because of this violation, and based on consideration of relevant circumstances, consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator a civil penalty totaling $500. Following is an explanation of how the civil penalty amount was determined.

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

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

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

Based on the one idle well on Operator's property in the Kirkwood Gas Field, CalGEM estimates that Operator gained an economic benefit of $500 by not preparing a pipeline management plan. As such, based on the above allegations, and with appropriate consideration of relevant factors as described in PRC section 3236.5, the Supervisor hereby imposes a civil penalty of five hundred dollars ($500).

VI. Operator's Required Actions

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

1) Submit a current pipeline management plan, prepared as directed in Regulations section 1774.2; and
2) Pay a civil penalty in the amount of five hundred dollars ($500).

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

To submit a pipeline management plan, please contact Erwin Sison in CalGEM's Northern District via electronic mail: Erwin.Sison@conservation.ca.gov

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

Department of Conservation

CalGEM, Attn: Program Support Unit

715 P Street, MS 18-03

Sacramento, California 95814

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

VII. 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 (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:

CalGEMAppeals@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.)

VIII. Other Potential Actions to Enforce This Order

Failure to comply with Section VIII (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 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.)

DATED: January 18, 2022

Uduak-Joe Ntuk
State Oil and Gas Supervisor

Service List

North Valley Gaswell Services, Inc.
c/o James Hofhenke
537 S. Culver
Willows, CA 95988

Via Email

James Hofhenke
chofhenke@sbcglobal.net