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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PAY A CIVIL PENALTY
NO. 1240

Operator: Aera Energy LLC. (A0610)

1 I. Introduction

2 The State Oil and Gas Supervisor (**Supervisor**), acting through the Geologic Energy
3 Management Division (**CalGEM**), and under the authority of Division 3 of the Public Resources
4 Code (**PRC**; commencing with PRC section 3000) and title 14 of the California Code of
5 Regulations (**Regulations**), may impose a civil penalty on a person who violates any statutory
6 provision of the PRC, or any regulation that implements those statutory provisions. (PRC, §
7 3236.5)

8 Based on CalGEM's records, Aera Energy LLC. (**Operator**) is or was an "operator" (as
9 defined in PRC, § 3009) and is responsible for thirteen wells at the Lost Hills Oil Field (the **Lost**
10 **Hills Wells**) and three wells at the South Belridge Oil Field (the **South Belridge Wells**) (together,
11 the **Wells**) in which well stimulation treatment (WST) permit violations occurred in 2018 and
12 2020. Attachment A, incorporated herein, contains a list of Operator's wells at the Lost Hills Oil
13 Field and South Belridge Oil Field, and associated WST permit numbers. Under applicable
14 provisions of Regulations section 1783, subsection (a), Operator was required to complete its
15 WST operations in accordance with the conditions of CalGEM's approval, and Operator did
16 not do so. Operator's failure to comply with the conditions of its CalGEM-issued WST permits
17 constitutes a violation of Regulations section 1783, subsection (a). Therefore, pursuant to PRC
18 sections 3013, 3106, 3160, 3236.5, and Regulations sections 1782 and 1783, the Supervisor is
19 ordering Operator to pay a civil penalty, totaling \$160,000, imposed for sixteen separate
20 violations of the requirement to comply with the conditions of its WST permits for WST
21 operations on the Wells.

22 II. Definitions

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

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

1 **PRC section 3010** defines "production facility" to mean "any equipment attendant to oil
2 and gas production or injection operations including, but not limited to, tanks, flowlines,
3 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
4 equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant
5 to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

6 **PRC section 3157** defines "well stimulation treatment" to mean any treatment of a well
7 designed to enhance oil and gas production or recovery by increasing the permeability of the
8 formation. Well stimulation treatments include, but are not limited to, hydraulic fracturing
9 treatments and acid well stimulation treatments. Well stimulation treatments do not include
10 steam flooding, water flooding, or cyclic steaming and do not include routine well cleanout
11 work, routine well maintenance, routine removal of formation damage due to drilling, bottom
12 hole pressure surveys, or routine activities that do not affect the integrity of the well or the
13 formation.

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

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

21 **PRC section 3160** authorizes the Supervisor, acting in consultation with a number of
22 other agencies, including the Air Resources Board (CARB), to adopt rules and regulations
23 specific to well stimulation treatments.

24 **PRC section 3236.5** authorizes the Supervisor to impose a civil penalty on a person who
25 violates any statutory provision in Chapter 1 of Division 3 of the PRC (PRC sections 3000 through
26 3473), or any regulation that implements those statutory provisions. Subject to the Supervisor's
27 discretion, the penalty amount for a well stimulation violation shall be between a minimum of
28 \$10,000 up to a maximum of \$25,000 per violation, per day.

1 **Regulations section 1782, subsection (a)(9)** provides a list of requirements Operators
2 shall follow during WST operations, including the requirement that WST operations are
3 conducted in compliance with all applicable requirements of the Regional Water Board, the
4 Department of Toxic Substances Control, the Air Resources Board (CARB), the Air Quality
5 Management District or Air Pollution Control District, the Certified Unified Program Agency, and
6 any other local agencies with jurisdiction over the location of the well stimulation activities.

7 **Regulations section 1783, subsection (a)** provides that a well stimulation treatment shall
8 not commence without a valid permit approved by CalGEM and shall be done in
9 accordance with the conditions of CalGEM's approval.

10 **IV. Failure to Comply with the Conditions of CalGEM's Approval**

11 The thirteen WST permits CalGEM issued to Operator between 2018 and 2020 for WST
12 operations at the Lost Hills Wells each contain an identical condition. Condition No. 7 states as
13 follows:

14 *Operator is required to prepare a site-specific plan to perform air sampling and analysis*
15 *using CARB's Air Sampling and Analysis Plan for Well Stimulation Treatment Operations*
16 *on any WSTs that undergo WST with additional or different constituent chemical*
17 *formulations other than those used previously in WST of Aera wells API #03055084,*
18 *#03055090, and #03055091.*

19 The three WST permits CalGEM issued to Operator between 2018 and 2020 for WST
20 operations at the South Belridge Wells each contain a similar condition. WST permits for the
21 South Belridge Wells include a different set of wells for comparison regarding constituent
22 chemical formulations:

23 *...other than those used previously in well stimulation treatment (WST) of wells API*
24 *#03060081, #03060841, and #03060844.*

25 This permit condition mandates that Operator prepare and submit a new air sampling
26 and analysis plan (SAP) to CARB before conducting WST operations if it anticipates using
27 chemicals that differ from those used under a previously approved SAP or monitored
28 stimulations. During a review of required public disclosures submitted by Operator following the

1 completion of 2018 and 2020 WST operations, CARB identified thirteen chemical constituents
2 used during WST operations at the Lost Hills Wells and thirteen chemical constituents used
3 during WST operations at the South Belridge Wells which were not included in Operator's SAP
4 and which were not previously reviewed by CARB. Attachment B, incorporated herein,
5 contains a list of the thirteen chemicals used by Operator without prior review by CARB during
6 WST operations at the Lost Hills Wells and the thirteen chemicals used by Operator without prior
7 review by CARB during WST operations at the South Belridge Wells, along with the Chemical
8 Abstract Service (CAS) Number for each chemical. Acetic acid, CAS number 64-19-7, was
9 used in WST operations at seven of the Lost Hills Wells, and the other twelve chemicals
10 associated with the Lost Hills Wells were used in WST operations at the remaining six wells. At
11 the South Belridge Wells, calcium sulfate, CAS number 7778-18-9, was used in WST operations
12 at one well, and the other twelve chemicals associated with the South Belridge Wells were
13 used in WST operations at the remaining two wells.

14 In correspondence with CalGEM, Operator confirmed that it inadvertently used the
15 thirteen chemicals in WST operations at the Lost Hills Wells in 2018 and 2020, and the thirteen
16 chemicals in WST operations at the South Belridge Wells in 2018 and 2020, without notification
17 to CARB as required.

18 **V. Civil Penalty**

19 Based on information, belief, and a review of CalGEM's records, Operator is the current
20 operator of the Wells. Operator's failure to comply with a condition of approval on its WST
21 permits is a violation of Regulations section 1783, subsection (a). This failure to comply with a
22 condition of approval during WST operations on sixteen different wells constitutes sixteen
23 separate violations.

24 Because of these violations, and based on consideration of relevant circumstances,
25 consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator a civil
26 penalty totaling \$160,000. Following is an explanation of how the civil penalty amount was
27 determined.

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

6 In determining the civil penalty amount for Operator's sixteen violations, the Supervisor
7 determined the violations to be "well stimulation" because they are each a violation of the
8 regulations implementing the statutory requirements for well stimulation treatments. (See PRC,
9 § 3236.5, subd. (b)(1)(A).) The statutory penalty range for a well stimulation violation is
10 between \$10,000 and \$25,000. After consideration of relevant factors for consideration under
11 PRC section 3236.5, the Supervisor determined that a civil penalty at the minimum penalty
12 amount for each violation is a balanced and effective incentive for operator compliance. In
13 particular, this is the first incidence of such a violation by Operator, the sixteen 2018 and 2020
14 WST operations at the Wells were limited to the Lost Hills Oil Field and South Belridge Oil Field,
15 and CalGEM has not found evidence to suggest the violations caused any immediate harm to
16 health, safety, or natural resources. On August 20, 2021, CalGEM issued Order No. 1213 against
17 Operator for three similar violations in the Lost Hills Oil Field which occurred in 2019; however,
18 those violations were discovered in the same audit as the 2018 and 2020 violations cited in this
19 order. For purposes of this civil penalty calculation, the Supervisor considered all violations
20 discovered in the audit as the first incidence of such a violation by Operator.

21 Based on the foregoing, CalGEM is imposing the minimum civil penalty of \$10,000 for
22 each separate violation, totaling \$160,000 for all sixteen violations. As such, based on the
23 above allegations, and with appropriate consideration of relevant factors as described in PRC
24 section 3236.5, the Supervisor hereby imposes a civil penalty of one hundred sixty thousand
25 dollars (\$160,000).

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

2 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3160, 3236.5, and
3 Regulations sections 1782 and 1783, **IT IS HEREBY ORDERED** that Operator:

- 4 1) Pay a civil penalty in the amount of one hundred sixty thousand dollars
5 (\$160,000).

6 Operator is required to pay the civil penalty amount within **30 days** from the date this
7 Order is issued. A continuing failure to pay a civil penalty may subject Operator to additional
8 civil penalties even if this Order is appealed.

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

11 Department of Conservation
12 CalGEM, Attn: Program Support Unit
13 715 P Street, MS 1803
14 Sacramento, California 95814

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

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

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

23 Department of Conservation
24 Director's Office of Appeals
25 715 P Street, MS 1906 (Legal Office, Chief Counsel)
26 Sacramento, California 95814

27 Or via electronic mail:

28 CalGEMAppeals@conservation.ca.gov

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 If Operator does not file a timely written notice of appeal, or if the order is affirmed
5 following an appeal, this order will become a final order. Any costs incurred by CalGEM to
6 obtain compliance with this order (which may include penalties and interest) will
7 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
8 3356.)

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

10 Failure to comply with Section VI (Operator's Required Actions) of this order could
11 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
12 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
13 oil and gas conservation laws commencing at PRC section 3000. When an order of the
14 Supervisor has become final and the civil penalty has not been paid, PRC section 3236.5,
15 subsection (c) authorizes the Supervisor to apply to the appropriate superior court for an order
16 directing payment of the civil penalty, or directing that production from the well or use of the
17 production facility that is the subject of the order be discontinued until the violation has been
18 remedied to the satisfaction of the Supervisor and the civil penalty has been paid. PRC section
19 3237 authorizes the Supervisor to order the plugging and abandonment of a well or the
20 decommissioning of a production facility if an operator has failed to comply with an order of
21 the Supervisor within the time provided by the order or has failed to challenge the order on a
22 timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an
23 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct
24 offense. (PRC, § 3359.)

25
26 DATED: February 3, 2022



Uduak-Joe Ntuk
State Oil and Gas Supervisor

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