

1 Department of Conservation, Geologic Energy Management Division
Doug Ito
2 STATE OIL AND GAS SUPERVISOR
715 P Street, MS 19-06 (Legal Office)
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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. 1358**

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19 **Operators: Sanitation Consulting Services, LLC**

20 **Field: Canal**

21 **Central District**
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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, Sanitation Consulting Services, LLC, a Nevada limited
9 liability company, (collectively "**Operator**"), is an "operator" (as defined in the PRC section
10 3009) and collectively responsible (as specified in the PRC section 3204) for submitting
11 appropriate indemnity bonding with CalGEM for the eight (8) wells identified on **Attachment A**,
12 incorporated herein (**the Wells**), and associated production facilities (**the Facilities**).

13 Pursuant to PRC section 3204, Operator was required to submit to CalGEM individual
14 indemnity bonding for the Wells at the time of acquisition of the Wells. Alternatively, Operator
15 could post a form of security acceptable to the Supervisor, in accordance with the PRC
16 section 3205.5. Operator has failed to submit to CalGEM any individual indemnity bonds or
17 alternative form of security for the Wells. Operator's failure to timely submit the required
18 indemnity bonding or alternative form of security for the Wells constitutes a violation of PRC
19 section 3204.

20 Therefore, pursuant to the PRC sections 3013, 3106, 3202, 3204, and 3236.5, the
21 Supervisor is ordering Operator to within thirty (30) days of this Order: (1) submit eight (8)
22 individual indemnity bonds or alternative form of security acceptable to the Supervisor in the
23 amount of twenty-five thousand dollars (\$25,000) for each of the Wells, in accordance with
24 PRC sections 3204 and 3205.5; and (2) to pay a civil penalty, totaling twenty-eight thousand
25 nine hundred and sixty one dollars and eighty cents (\$28,961.80), imposed for failing to timely
26 submit the required bonding.

27 **Attachment B** contains a list of definitions and authorities that are applicable to this
28 Order.

1 **II. Failure to Submit Indemnity Bonds or Alternative Security**

2 Based on CalGEM's records, at all times relevant to this Order, Operator was the
3 "operator," as defined in PRC section 3009, of the Wells. An operator, who, on or after January
4 1, 2018, acquires a well less than ten thousand (10,000) feet deep, must submit an individual
5 indemnity bond for each well acquired in the amount of twenty-five thousand dollars
6 (\$25,000). (PRC, § 3204, subd. (a)(1).) In lieu of the indemnity bond required by PRC section
7 3204, subdivision (a)(1), an operator may post a form of security acceptable to the Supervisor.
8 (PRC, § 3205.5.)

9 Each of the Wells is less than 10,000 feet deep. Upon acquiring the right to operate the
10 Wells, Operator did not seek written approval from the Supervisor to submit an alternative form
11 of security for the Wells. Operator was, therefore, required to submit individual indemnity
12 bonds in the amount of twenty-five thousand dollars (\$25,000) for each of the Wells, for a total
13 of two hundred thousand dollars (\$200,000). Despite multiple outreach attempts by CalGEM
14 staff regarding the bonding requirements, Operator failed to submit the required indemnity
15 bonds for each of the Wells.

16 As of the date of this Order, CalGEM has not received the appropriate indemnity
17 bonding from Operator.

18 **III. Civil Penalty**

19 Based on information, belief, and a review of CalGEM's records, Operator is the current
20 operator of the Wells and the Facilities. Operator's failure to timely submit indemnity bonding
21 or an alternative form of security on or before February 19, 2021, is a violation of PRC section
22 3204. This failure to submit the required indemnity bonding or alternative form of security
23 constitutes a single violation for each of the Wells, and each day of Operator's violation of
24 PRC section 3204 constitutes a separate violation, in accordance with PRC section 3236.5,
25 subdivision (b)(4). Because of these violations, and based on consideration of relevant
26 circumstances, consistent with PRC section 3236.5, subdivision (a), by this Order the Supervisor
27 is imposing on Operator a civil penalty totaling twenty-eight thousand nine hundred and sixty-
28 one dollars and eighty cents (\$28,961.80).

1 Following is an explanation of how the civil penalty amount was determined.

2 **Civil Penalty Determination Methodology**

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

7 The statutory penalty range for a minor violation is between zero dollars (\$0) and two
8 thousand five hundred dollars (\$2,500). (PRC, § 3236.5, subd. (b)(2)(B). In determining the civil
9 penalty amount for each of Operator's violations, the Supervisor determined that each
10 violation to be "minor," pursuant to the PRC section 3236.5, subdivision (b)(2)(B), and the
11 Supervisor further determined that each day of noncompliance with PRC section 3204
12 constitutes a separate violation, in accordance with PRC section 3236.5, subdivision (b)(4).

13 The Supervisor determined that there has been 1,057 days of noncompliance, with
14 each day constituting a separate violation. For each of these violations, the Supervisor
15 determined an appropriate civil penalty amount to be twenty-seven dollars and forty cents
16 (\$27.40), which is within the zero dollar (\$0) and two thousand five hundred (\$2,500) statutory
17 penalty range for a minor violation.

18 For each day following the issuance of this Order, failure to post adequate bonding
19 constitutes a separate violation for which an additional civil penalty may incur.

20 In determining the civil penalty amount, the Supervisor considered the economic
21 benefit received by Operator by failing to timely submit a bond for each of the Wells, and
22 other relevant circumstances. Namely, imposing a civil penalty that would deter the violations.
23 As such, to ensure that the civil penalty creates a disincentive for Operator's violations of the
24 bonding requirements, the Supervisor is imposing a civil penalty that is based upon the
25 economic benefit received by Operator.

26 The economic benefit Operator received from not securing indemnity bonds for each
27 of the Wells, in the amount of twenty-eight thousand nine hundred and sixty-one dollars and
28 eighty cents (\$28,961.80), was the Supervisor's primary consideration in determining the

1 amount of the civil penalty. (PRC, § 3236.5, subd. (a)(6).) CalGEM estimated the annual cost
2 to acquire indemnity bonds totaling two hundred thousand dollars (\$200,000.00) for the Wells
3 to be ten thousand dollars (\$10,000) per annual indemnity bond premium and that the annual
4 indemnity bond premium should be prorated for the total number of days Operator has failed
5 to comply with the bonding requirements. The prorated daily rate was calculated by dividing
6 the annual indemnity bond premium by three hundred sixty-five (365) days to arrive at an
7 estimated economic benefit of twenty-seven dollars and forty cents (\$27.40) per day, per
8 violation. The Supervisor's consideration of other factors listed in PRC section 3236.5, subdivision
9 (a), did not affect the determination of the appropriate civil penalty amount. Accordingly, the
10 civil penalty imposed for each daily occurrence of the violation is twenty-seven dollars and
11 forty cents (\$27.40).

12 Based on the above allegations, and with appropriate consideration of the factors as
13 described in PRC section 3236.5, the Supervisor hereby imposes a total civil penalty totaling
14 twenty-eight thousand nine hundred and sixty-one dollars and eighty cents (\$28,961.80) for the
15 1,057 daily violations of PRC section 3204 that occurred between February 19, 2021, and
16 January 12, 2024.

17 **IV. Operator's Required Actions**

18 For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3202, 3204, and
19 3236.5, **IT IS HEREBY ORDERED** that Operator:

- 20 (1) Submit eight (8) individual indemnity bonds or alternative form of security
21 acceptable to the Supervisor in the amount of twenty-five thousand dollars
22 (\$25,000) for each of the Wells, in accordance with the PRC sections 3204 and
23 3205.5; and
- 24 (2) Pay a civil penalty, totaling twenty-eight thousand nine hundred and sixty- one
25 dollars and eighty cents (\$28,961.80) imposed for failing to timely submit the required
26 bonding.

27 A continuing failure to submit indemnity bonding or security may subject Operator to
28 additional civil penalties.

1 To submit the indemnity bonding, please mail a complete Oil and Gas Bond Form (OG
2 160) to cover each of the Wells to:

3 Department of Conservation
4 Geologic Energy Management Division
5 Enterprise Risk Unit
6 Attention: Brian Lenz
7 715 P Street, MS 18-03
8 Sacramento, California 95814

9 To remit payment of the civil penalty online, please visit
10 <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department
11 of Conservation Geologic Energy Management Division," then follow the instructions on the
12 screen.

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

15 Department of Conservation
16 Geologic Energy Management Division
17 Attention: Operational Management Unit
18 715 P Street, MS 18-03
19 Sacramento, California 95814

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

22 **V. Operator's Appeal Rights**

23 Operator may appeal this Order by filing a timely written notice of appeal with the
24 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
25 with the PRC section 3350. (PRC, §§ 3225, subd. (d).) If this Order is mailed to you, the Director
26 must receive the appeal within fifteen (15) days from the date the Supervisor mails the Order.

27 To file an appeal, a written notice of appeal may be sent via U.S. mail to:
28

1 Department of Conservation
2 Director's Office of Appeals
3 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
4 Sacramento, California 95814

5 Or via electronic mail to:

6 CalGEMAppeals@conservation.ca.gov.

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

10 **VI. Other Potential Actions to Enforce This Order**

11 Failure to comply with Section IV (Operator's Required Actions) of this Order could
12 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
13 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
14 oil and gas conservation laws commencing at the PRC section 3000. PRC section 3236.5
15 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in
16 Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the
17 Supervisor may in the future impose further civil penalties based on the facts and omissions
18 underlying this Order. PRC section 3237 authorizes the Supervisor to order the plugging and
19 abandonment of a well or the decommissioning of a production facility if an operator has
20 failed to comply with an order of the Supervisor within the time provided by the order or has
21 failed to challenge the order on a timely basis. PRC section 3359 makes it a misdemeanor to
22 fail or neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or
23 neglect is a separate and distinct offense. (PRC, § 3359.)

24
25
26 DATED: January 17, 2024

Douglas Ito

Doug Ito
State Oil and Gas Supervisor

1 Service List

2 Armen Nahabedian
3 Sanitation Consulting Services, LLC
4 922 State Street, Suite 6
5 Santa Barbara, CA 93110

6 Armen Nahabedian
7 4300 Calle Real
8 Santa Barbara, CA 93110

9 Armen Nahabedian
10 P.O. Box 2462
11 Santa Barbara, CA 93120

12 *Via Email*

13 Armen Nahabedian
14 armennahabedian@gmail.com

Attachment A

(Wells)

Operator Names: Sanitation Consulting Services, LLC

API	Well	District	County/City	Field Name	Lease Name
0402904318	KCL-E 24	Central	Kern	Canal	KCL-E
0402904316	KCL-E 26	Central	Kern	Canal	KCL-E
0402904288	KCL-E 12	Central	Kern	Canal	KCL-E
0402904284	KCL-E 7	Central	Kern	Canal	KCL-E
0402904282	KCL-E 5	Central	Kern	Canal	KCL-E
0402904281	KCL-E 3	Central	Kern	Canal	KCL-E
0402900329	KCL-E 22	Central	Kern	Canal	KCL-E
0402900037	KCL-E 23	Central	Kern	Canal	KCL-E

1 **Attachment B**

2 (Definitions and Authorities)

3 **Definitions**

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

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

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

15 **State Oil and Gas Supervisor Authority**

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

22 **PRC section 3202, subdivision (a)**, requires that "[a] person who acquires the right to
23 operate a well or production facility, whether by purchase, transfer, assignment, conveyance,
24 exchange, or other disposition, shall, as soon as it is reasonably possible, but not later than the
25 date when the acquisition of the well or production facility becomes final, notify the supervisor
26 or the district deputy, in writing, of the person's operation. The acquisition of a well or
27 production facility shall not be recognized as complete by the supervisor or the district deputy
28 until the new operator provides all of the following material:

1 [...]

2 (5) An indemnity bond for each well as required under Section 3204 or 3205."

3 **PRC section 3204** mandates that an "operator who, on or after January 1, 2018,
4 engages in the drilling, redrilling, deepening, or in any operation permanently altering the
5 casing of a well, or who acquires a well, shall file with the supervisor an individual indemnity
6 bond for each well so drilled, redrilled, deepened, or permanently altered, or acquired in the
7 following amount:

8 1. Twenty-five thousand dollars (\$25,000) for each well that is less than 10,000 feet
9 deep.

10 2. Forty thousand dollars (\$40,000) for each well that is 10,00 or more feet deep."

11 **PRC section 3205.5** with approval of the Supervisor, in lieu of an individual indemnity
12 bond or a blanket indemnity bond, an operator may provide a deposit in a form in
13 accordance with Article 7 of Chapter 2 of Title 15 of the Code of Civil Procedure, except for a
14 deposit of money, bearer bonds, or bearer notes.

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

**NOTICE OF APPEAL TO THE
DIRECTOR OF THE DEPARTMENT OF CONSERVATION**

Use of this form is optional. You may use this form to prepare a Notice of Appeal from the enclosed Order. The style and content of this form are only suggestions. You may file a written notice of appeal in a different format.

Mail the completed form to the address at the bottom of this page.

Box 1: Statement of Intent to Appeal (Review the text in this box to confirm that the operator information Order No. 1358 are accurate. Make any necessary corrections directly on the form.)
Operator, Sanitation Consulting Services, LLC, hereby appeals from State Oil and Gas Supervisor Order No. 1358
Box 2: Basis of Appeal (Explain the reasons why you are appealing the order. Make your explanation as clear and complete as you can. If you need more space to write your explanation, attach additional pages. Label any attached additional pages with "Notice of Appeal re: Order No. 1358")
The reasons for this appeal are as follows: _____ _____ _____ _____ <input type="checkbox"/> (Attach additional pages as necessary.)
Box 3: Contact Information for Operator Representative (Provide contact information for the preferred operator representative with whom the Appeals Officer and Supervisor's legal counsel may communicate regarding the appeal.)
Name: _____ Physical Mail: (Address) _____ (City, State, Zip) _____ Phone: (_____) _____ - _____ Email: _____ <input type="checkbox"/> I agree to document service using the email address above.
Box 4: Certification of Authority

Mail or E-mail this Notice of Appeal to the following the following address, as appropriate:

Department of Conservation, Director's Office of Appeals
715 P Street, MS 1906 (Legal Office, Chief Counsel)
Sacramento, CA 95814-3530
CalGEMAppeals@conservation.ca.gov

(Verify that all information on or attached to the form is correct, then sign and date the certification where indicated.)

I am the operator named in Box 1, above, or I have authority to act on behalf of that operator for purposes of preparing and filing this Notice of Appeal.

Signature: _____

Date: _____

Printed Name: _____

Affiliation with operator: _____

(e.g., self, owner, president, legal counsel, etc.)

Mail or E-mail this Notice of Appeal to the following the following address, as appropriate:

Department of Conservation, Director's Office of Appeals
715 P Street, MS 1906 (Legal Office, Chief Counsel)
Sacramento, CA 95814-3530
CalGEMAppeals@conservation.ca.gov

rev. 5/14/2020

1 **PROOF OF SERVICE BY CERTIFIED U.S. MAIL**

2 I declare that I am employed in the County of Sacramento, California. I am over the
3 age of 18 and not a party to the within captioned cause. My business address is 715 P Street,
4 MS 1803, Sacramento, California 95814. On January 17, 2024, I served the following
5 document(s):

6 **ORDER TO PAY A CIVIL PENALTY**
7 **ORDER NUMBER 1358**

8 by enclosing them in an envelope and placing the envelope for collection and mailing by
9 certified U.S. mail on the date and at the below listed address(es) following our ordinary
10 business practices. I am readily familiar with this business's practice for collecting and
11 processing correspondence for mailing. On the same day that correspondence is placed
12 for collection and mailing, it is deposited in the ordinary course of business with the United
13 States Postal Service in a sealed envelope with postage fully prepaid.

14 I served the documents on the person or persons below, as follows:

15 Armen Nahabedian Sanitation Consulting Services, LLC 922 State Street, Suite 6 Santa Barbara, CA 93110 Certified Mail Receipt Number: 9589 0710 5270 1467 6681 20	16 Armen Nahabedian 4300 Calle Real Santa Barbara, CA 93110 Certified Mail Receipt Number: 9589 0710 5270 1467 6681 37
17 Armen Nahabedian P.O. Box 2462 Santa Barbara, CA 93120 Certified Mail Receipt Number: 9589 0710 5270 1467 6681 44	

18 I declare under penalty of perjury of the laws of the State of California that the
19 foregoing is true and correct, and that this declaration was executed on January 17, 2024, at
20 Sacramento, CA.

21 

22 _____
23 Rachael A. Tadlock