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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 CIVIL PENALTY**
15 **NO. 1360**

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19 **Operators: Salt Lake 99, LLC (11741)**
20 **Field: Salt Lake**
21 **Southern District, Los Angeles County**
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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, Salt Lake 99, LLC, a California limited liability company,
9 ("**Operator**"), is the "operator" (as defined in the PRC section 3009) and responsible (as
10 specified in the PRC section 3204) of the well identified on **Attachment A**, incorporated herein
11 (**the Well**). **Attachment B** contains a list of definitions and authorities that are applicable to this
12 Order.

13 Before commencing work to abandon a well, by statute, and specifically PRC section
14 3229, an operator is required to first submit a "notice of intention" to CalGEM and that
15 notice must be approved by CalGEM. The notice of intention includes the operator's plugging
16 and abandonment program. The operator's adherence to the approved plugging and
17 abandonment program, including is a condition of CalGEM's approval of the notice.
18 CalGEM's approval is issued in the form of a permit and will also include any additional
19 requirements that the approval is conditioned upon.

20 Before Operator commenced work to reabandon the Well, Operator's re-
21 abandonment program and revised re-abandonment program (CalGEM Permit Nos. 704301;
22 704301-01) were approved by CalGEM on October 27, 2022 and August 28, 2023, respectively.
23 (PRC, § 3229; Regulations 1714, 1722.) (**Attachments C and D.**) As a condition of CalGEM's
24 approvals of Operator's re-abandonment programs, Operator was required to use hole fluid
25 of a quality and in sufficient quantity to control all subsurface conditions in order to prevent
26 blowouts. (**Attachments C and D; condition 4.**) Operator was further required to install and
27 maintain in operating condition, blowout prevention equipment of a Class II3M, with hydraulic
28 controls, on the 16" riser on the 14" casing, on the 11 ¾" riser on the 10" casing, 12 ¾" casing,

1 and the 9 5/8" riser on the 10" casing during abandonment operations. (**Attachments C and D;**
2 **condition 1.**)

3 The appropriate blowout prevention equipment and well control fluid protects against
4 a "blowout" of the well. When a blowout occurs, oil, gas, drilling fluid, and other substances
5 within the well escape with force, which can cause significant injury or loss of life, and
6 damage to the environment. As described in more detail below, Operator failed to: (1) use
7 hole fluid of a quality to control all subsurface conditions; (2) have hole fluid in sufficient
8 quantity to control all subsurface conditions readily available; and (3) failed to maintain
9 blowout prevention equipment. As a result of Operator's failure to use hole fluid of the quality
10 necessary, a blowout occurred at the Well. Even after the blowout occurred, Operator still
11 failed to maintain the proper blowout prevention equipment on the Well, threatening to
12 cause yet another blowout.

13 Therefore, pursuant to PRC sections 3013, 3229, and 3236.5, and Regulations sections
14 1722, 1722.5, 1722.6, and 1723 the Supervisor is ordering Operator to pay a civil penalty for
15 each of the three violations.

16 **II. Failure to Maintain Quality of Hole Fluid**

17 On or about August 9, 2023, during re-abandonment operations of the Well, Operator
18 lost control of the Well, causing a blowout. Operator lost control of the Well, in part, because
19 of Operator's failure to use hole fluid of a quality to control all subsurface conditions. More
20 specifically, between July 19, 2023 and August 9, 2023, Operator entered the Well multiple
21 times. In doing so, Operator degraded the quality of the hole fluid, which is to be expected.
22 However, Operator failed to restore the degraded hole fluid with fluid of a sufficient quality to
23 control all subsurface conditions, leading to the loss of well control of the Well. (**Attachment E.**)
24 Operator's failure to maintain the appropriate quality of hole fluid violates the requirement
25 that operators use mud fluid having the proper weight and consistency, the conditions of
26 approval of CalGEM Permit Nos. 704301; 704301-01, and good oil field practices. (PRC section
27 3229; Regulations, §§ 1722, subds. (a) and (g); 1723.)

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1 resulted in additional spills or incidents threatening life, health, property, and natural resources.
2 Operator's failure to maintain the blowout prevention equipment violates the requirement
3 that operators use and maintain blowout prevention equipment in a manner necessary to
4 prevent an uncontrolled flow of fluid from the well, the terms of the permit approvals, and
5 subsequent approvals, and good oilfield practices. (PRC section 3229; Regulations, §§ 1722,
6 subd. (a); 1722.5.)

7 **V. Civil Penalty**

8 Based on information, belief, and a review of CalGEM's records, Operator is the current
9 operator of the Well. Operator's failure to: (1) use hole fluid of a quality to control all
10 subsurface conditions; (2) maintain hole fluid in sufficient quantity to control all subsurface
11 conditions; and (3) failed to maintain blowout prevention equipment violate PRC section 3229,
12 and Regulations section 1722, 1722.5, 1722.6, and 1723. These three failures constitute three
13 single violations. Because of these violations, and based on consideration of relevant
14 circumstances, consistent with PRC section 3236.5, subdivision (a), by this Order the Supervisor
15 is imposing on Operator a civil penalty totaling seventy-five thousand dollars (\$75,000.00).

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

17 **Civil Penalty Determination Methodology**

18 For purposes of this Order, the Supervisor considered relevant circumstances, including
19 whether to characterize the violations as "major," "minor," or "well stimulation" (as defined in
20 the PRC section 3236.5, subdivision (b)) and setting a penalty amount reflective of the harm
21 and significant threat posed to human health or the environment from Operator's three
22 violations.

23 The Supervisor determined each violation to be "major," pursuant to the PRC section
24 3236.5, subdivision (b)(2)(A)(i), because each of the violations presented a significant threat to
25 human health or the environment. The statutory penalty range for a major violation is between
26 two thousand five hundred dollars (\$2,500) and twenty-five thousand dollars (\$25,000). (PRC, §
27 3236.5, subd. (b)(2)(B).)

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1 For each of the three violations, the civil penalty is twenty-five thousand dollars
2 (\$25,000). In determining the civil penalty amount, the Supervisor considered the actual and
3 potential harm posed by each of the violations. The appropriate blowout prevention
4 equipment and well control fluid protects against a blowout of the well. When a blowout
5 occurs, oil, gas, drilling fluid, and other substances within the well escape, which can cause
6 significant injury or loss of life, and damage to the environment.

7 Use of well hole fluid of the proper quantity and quality and blowout prevention
8 equipment are paramount to safety in all drilling operations, given Operator's disregard for
9 safety, based on the above allegations, and with appropriate consideration of the factors as
10 described in PRC section 3236.5, the Supervisor hereby imposes a total civil penalty of seventy-
11 five thousand dollars (\$75,000.00).

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

13 For the reasons stated herein, pursuant to the PRC sections 3013 and 3236.5, **IT IS HEREBY**
14 **ORDERED** that Operator pay a civil penalty, totaling seventy-five thousand dollars (\$75,000.00).

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

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

21 Department of Conservation
22 Geologic Energy Management Division
23 Attention: Operational Management Unit
24 715 P Street, MS 18-03
25 Sacramento, California 95814

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

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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 the PRC section 3350. (PRC, §§ 3225, subd. (d).) If this Order is mailed to you, the Director
5 must receive the appeal within fifteen (15) days from the date the Supervisor mails the Order.
6 To file an appeal, a written notice of appeal may be sent via U.S. mail to:

7 Department of Conservation
8 Director's Office of Appeals
9 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
10 Sacramento, California 95814

11 Or via electronic mail to:

12 CalGEMAppeals@conservation.ca.gov.

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

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

18 Failure to comply with Section VI (Operator's Required Actions) of this Order could
19 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
20 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
21 oil and gas conservation laws commencing at the PRC section 3000. PRC section 3236.5
22 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in
23 Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the
24 Supervisor may in the future impose further civil penalties based on the facts and omissions
25 underlying this Order. PRC section 3359 makes it a misdemeanor to fail or neglect to comply
26 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
27 distinct offense. (PRC, § 3359.)
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DATED: January 29, 2024

Douglas ITO

Doug Ito
State Oil and Gas Supervisor