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8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **GEOLOGIC ENERGY MANAGEMENT DIVISION**

12
13 **ORDER TO PERFORM REMEDIAL WORK AND PAY CIVIL PENALTIES**

14 **NO. 1393**
15

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17 **Operator: Belridge Energy Resources, Inc.**
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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, Belridge Energy Resources, Inc. (**Operator**) is the
9 "operator" (as defined in PRC section 3009) of the wells identified on **Attachment A**,
10 incorporated herein (**the Wells**), including the Mission 4 well, which is a water disposal well
11 associated with Underground Injection Control (UIC) Project No. 05200055. In June 2017,
12 Operator completed rework/conversion work on the Mission 4 well but has not submitted a
13 well summary detailing the new downhole configuration of the well in violation of Regulations
14 section 1724.1.

15 In addition, as described in more detail below, under applicable provisions of
16 Regulations section 1724.10.2, Operator was required to timely complete Mechanical Integrity
17 Testing (MIT) "Part Two" on the Mission 4 well to maintain uninterrupted approval for injection
18 into the well, and Operator failed do so. As a result, Operator automatically lost approval to
19 inject into the well. (Regulations, § 1724.10, subd. (i)(4).) Under applicable provisions of
20 Regulations section 1724.13, Operator was also required to notify CalGEM that it had not
21 performed MIT Part Two on the Mission 4 well, and Operator failed to do so. Further, CalGEM's
22 records indicate that Operator failed to timely disconnect the injection line from the Mission 4
23 well and continued to inject into the well in violation of Regulations sections 1724.10,
24 subdivision (i)(4), 1724.13, subdivision (a)(1), and 1777, subdivision (c)(4). Moreover, Operator
25 failed to prevent and repair oil leaks at and around the wellheads for the Mission 11 and
26 Mission 15 wells in violation of Regulations section 1777, subdivision (a).

27 Therefore, pursuant to PRC sections 3013, 3106, 3224, 3236.5, 3270, and Regulations
28 sections 1724.1, 1724.6, 1724.10, 1724.10.2, 1724.13, and 1777, the Supervisor is ordering

1 Operator to within thirty (30) days of this Order: (1) pay civil penalties, totaling twenty-nine
2 thousand six hundred dollars (\$29,600), imposed for violations of Regulations sections 1724.10,
3 1724.13, and 1777; (2) submit a well summary for the rework/conversion work completed on
4 well Mission 4 in June 2017; and (3) remediate all violations.

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

7 **II. Alleged Acts/Omissions**

8 **A. Failure to Cease Injection and Disconnect Injection Line(s) (Regulations, §§ 1724.10,** 9 **subd. (i)(4), 1724.13, subd. (a)(1), and 1777, subd. (c)(4))**

10 To maintain uninterrupted injection approval for any disposal injection well, Regulations
11 section 1724.10.2, subdivision (b)(1), requires that the Mission 4 well undergo MIT Part Two (fluid
12 migration test) at least once a year. CalGEM's records indicate that MIT Part Two was
13 successfully performed on the well on July 20, 2018, and then again on February 13, 2024,
14 which is significantly longer than the required annual frequency. On February 29, 2024,
15 Operator submitted the results for the most recent MIT Part Two test.

16 Upon Operator's failure to timely perform MIT Part Two on the Mission 4 well, the well
17 automatically lost injection approval. (Regulations, § 1724.10(i)(4).) Following this automatic
18 loss of injection approval, Operator was required to cease injection into the well and
19 disconnect it from the injection line(s). (Regulations, §§ 1724.13, subds. (a)(1) and (c), and
20 1777, subd. (c)(4).) CalGEM's records indicate that injection into the Mission 4 well continued
21 from at least January 2020 through August 2023 without approval. Each day Operator
22 continued to inject without approval is a separate violation per Regulations section 1724.13,
23 subdivision (c).

24 On May 2, 2023, CalGEM issued a Notice of Violation (NOV) informing Operator that
25 approval to inject into the Mission 4 well was suspended due to Operator's failure to timely
26 perform MIT Part Two and that Operator must immediately cease injection into the well and
27 disconnect the injection line(s). (**Attachment C**, incorporated herein.) Operator did not
28 respond to the NOV or contact CalGEM to inspect the well to confirm the injection line(s) had

1 been disconnected. On September 27, 2023, CalGEM inspected the Mission 4 well and
2 observed that it was connected to the injection line and had an open valve allowing flow into
3 the well, indicating that injection was occurring despite Operator's loss of approval to inject.
4 (See **Attachment D**, incorporated herein.) On September 28, 2023, CalGEM issued a
5 subsequent NOV, again informing Operator that approval to inject into the Mission 4 well was
6 suspended and that Operator must immediately cease injection and disconnect the injection
7 line(s). (**Attachment E**, incorporated herein.) On October 9, 2023, CalGEM conducted an
8 additional inspection of the Mission 4 well and again observed that it was connected to the
9 injection line and had an open valve allowing flow into the well, indicating that injection was
10 occurring despite Operator's loss of approval to inject. (See **Attachment F**, incorporated
11 herein.)

12 On October 25, 2023, Operator provided CalGEM with documentation demonstrating
13 that the Mission 4 well had been disconnected from the injection line. On December 13, 2023,
14 CalGEM re-inspected the Mission 4 well and confirmed that the injection line had been
15 disconnected. (See **Attachment G**, incorporated herein.)

16 **B. Failure to Maintain Equipment in Good Condition and in Manner to Prevent Leakage**
17 **Oil Leaks (Regulations, § 1777, subd. (a))**

18 CalGEM conducted inspections on September 20, 2023, and January 3, 2024, and
19 observed the following conditions during some and/or all of the inspections, in violation of
20 Regulations section 1777, subdivision (a):

- 21 • Oily liquid at and around the Mission 15 wellhead. CalGEM issued an NOV to
22 Operator on or about September 27, 2023 (**Attachment H**, incorporated herein).
- 23 • Oily liquid at and around the Mission 11 wellhead. CalGEM issued an NOV to
24 Operator on or about January 3, 2024 (**Attachment I**, incorporated herein).

25 Failure to prevent oil spills or leaks presents a potential threat to human health and the
26 environment, because these can result in the release of hazardous wastes into storm drains as
27 well as contaminate soil, groundwater and/or drinking water, or otherwise present a public
28 nuisance.

1 As of the date of this Order, CalGEM does not have any records from Operator
2 demonstrating that the violations have been corrected.

3 **III. Civil Penalties**

4 Based on information, belief, and a review of CalGEM's records, Operator is the current
5 operator of the Wells. Operator's failure to timely cease injection into the Mission 4 well
6 following suspension of injection approval is a violation of Regulations section 1724.13,
7 subdivision (a)(1). CalGEM's records indicate that injection into the Mission 4 well continued
8 from at least January 2020 through August 2023 without approval. The period of time from the
9 month CalGEM first notified Operator of the loss of injection approval in May 2023, to the last
10 month Operator self-reported injection activity, August 2023, is one hundred twenty-three (123)
11 days. Regulations section 1724.13, subsection (c), provides that each day injection occurs into
12 an injection well without injection approval is a separate violation. Therefore, the Supervisor
13 has determined that Operator's failure to cease injection into the Mission 4 well constitutes a
14 total of one hundred twenty-three (123) separate violations of Regulations section 1724.13,
15 subdivision (a)(1). In addition, Operator's failure to timely disconnect the Mission 4 well from
16 the injection line following suspension of injection approval is a single violation of Regulations
17 section 1777, subdivision (c)(4).

18 The violations of Regulations sections 1724.13, subdivision (a)(1), and 1777, subdivision
19 (c)(4), are collectively referred to as "UIC-related" violations.

20 Further, Operator's failure to maintain equipment in good condition and in manner to
21 prevent leakage poses a potential threat to human health and the environment, in violation of
22 Regulations section 1777, subdivision (a), and constitutes two (2) separate violations thereof.

23 Because of these violations and based on consideration of relevant circumstances
24 consistent with PRC section 3236.5, subdivision (a), by this Order the Supervisor is imposing on
25 Operator civil penalties totaling twenty-nine thousand six hundred dollars (\$29,600).

26 Following is an explanation of how the civil penalty amounts were determined.

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1 **Civil Penalties Determination Methodology**

2 The Supervisor exercises discretionary civil penalty authority to incentivize compliance.
3 The Supervisor’s fundamental policy objective is to set a penalty amount that is appropriately
4 proportioned to the violation at issue. PRC section 3236.5, subdivision (a), provides that:

5 When establishing the amount of the penalty pursuant to this section, the
6 supervisor shall consider, in addition to other relevant circumstances, all of the
7 following:

- 8 (1) The extent of harm caused by the violation;
- 9 (2) The persistence of the violation;
- 10 (3) The pervasiveness of the violation;
- 11 (4) The number of prior violations by the same violator;
- 12 (5) The degree of culpability of the violator;
- 13 (6) Any economic benefit to the violator resulting from the violation;
- 14 (7) The violator’s ability to pay the civil penalty amount, as determined
15 based on information publicly available to the division; and
- 16 (8) The supervisor’s prosecution costs.

17 **a) Characterization as “major,” “minor,” or “well stimulation” violation**

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 PRC section 3236.5, subdivision (b)) and is setting penalty amounts proportionate to the
21 circumstantial importance of all relevant factors identified in PRC section 3236.5, subdivision
22 (a), above.

23 A major violation is a violation that is not a well stimulation violation and that is one or
24 more of the following: (i) a violation that results in harm to persons or property or presents a
25 significant threat to human health or the environment; (ii) a knowing, willful, or intentional
26 violation; (iii) a chronic violation or one that is committed by a recalcitrant violator, indicated
27 by the violator engaging in a pattern of neglect or disregard with respect to applicable
28 requirements; and/or, (iv) a violation where the violator derived significant economic benefit,

1 either by significantly reduced costs or a significant competitive advantage. The civil penalty
2 amount for a major violation shall be not less than two thousand five hundred dollars
3 (\$2,500.00) per violation and not more than twenty-five thousand (\$25,000.00) per violation. A
4 minor violation is a violation that is neither a well stimulation violation nor a major violation. The
5 statutory civil penalty range for a minor violation is between zero dollars (\$0.00) and two
6 thousand five hundred dollars (\$2,500.00).

7 In determining the civil penalty amounts for Operator's violations, the Supervisor
8 determined all the violations to be "minor," pursuant to PRC section 3236.5, subdivision
9 (b)(3)(A). Aspects of Operator's violations rise to the level of "major" violation criteria,
10 including Operator's extended period of noncompliance following the issuance of multiple
11 NOVs and economic benefit derived from use of the Mission 4 well after loss of injection
12 approval as well as from failure to address the leaks at and around the Mission 11 and Mission
13 15 wells for several months. However, due to lack of actual harm resulting from Operator's
14 violations, and the mandated regulatory assessment of daily penalties, which in the
15 Supervisor's discretion can be assessed in other quantities for the violations at issue in this Order
16 except pursuant to Regulations section 1724.13, subsection (c), the Supervisor determined that
17 a "major" determination would be excessively punitive in these circumstances.

18 **b) PRC section 3236.5 factors analysis**

19 In determining penalty amounts calibrated to incentivize compliance in a manner
20 appropriately proportional to the circumstances and specific violations, the Supervisor
21 considered the eight statutory factors identified in PRC section 3236.5, subdivision (a), to
22 determine which were important for setting an appropriate penalty amount for Operator's
23 violations. The Supervisor determined that:

24 1) "Extent of harm"

- 25 a. The Supervisor determined that extent of harm was not an important
26 factor in setting the penalty amount for the UIC-related violations.
27 Injecting into a well that has not timely undergone MIT Part Two presents
28 a significant threat of harm to human health and the environment, and

1 an immediate threat to underground water resources. However, in this
2 case, CalGEM does not have evidence of any actual harm as a result of
3 Operator's failure to cease injection into the Mission 4 well or disconnect
4 the well from the injection line. The nearest water well is approximately 14
5 miles from the Mission 4 well, there is no known underground source of
6 drinking water near the well, and there is no evidence of possible casing
7 failure at the well through which injected water could have migrated into
8 a source of drinking water.

9 b. The Supervisor determined that extent of harm was an important factor in
10 setting the penalty amount for violations of Regulations section 1777,
11 subdivision (a). The Supervisor determined that there was significant
12 potential harm to the environment due to the presence of pools of oily
13 liquid at and around the Mission 11 and Mission 15 wellheads and
14 Operator's continued failure to address these leaks/spills.

15 2) "Persistence"

16 a. The Supervisor determined that persistence was an important factor in
17 setting the penalty amount for the UIC-related violations because,
18 following loss of injection approval, on two occasions CalGEM staff
19 observed the Mission 4 well still connected to the injection line and
20 evidence of ongoing injection, as well as Operator's own self-reported
21 injection activity, and Operator did not confirm the line was
22 disconnected until October 25, 2023. These UIC-related violations
23 spanned one hundred twenty-three (123) days from the month CalGEM
24 first notified Operator that approval to inject into the Mission 4 well was
25 suspended to the last month Operator self-reported injection activity.

26 b. The Supervisor determined that the violations of Regulations section 1777,
27 subdivision (a), were not persistent because CalGEM first observed the
28 violations on September 27, 2023, and/or January 3, 2024.

1 3) "Pervasiveness"

2 a. The Supervisor determined that pervasiveness was not an important
3 factor in setting the penalty amount for the UIC-related violations
4 because Operator's Mission 4 well was the only well involved with these
5 violations.

6 b. The Supervisor determined that pervasiveness was an important factor in
7 setting the penalty amount for violations of Regulations section 1777,
8 subdivision (a), because leaks were observed at and around two (2)
9 wells.

10 4) "Prior violations" was not an important factor in setting the penalty amounts for
11 the violations. In calculating the penalty amount, the Supervisor did not consider
12 the violations to be the same as prior violations.

13 5) "Culpability"

14 a. The Supervisor determined that culpability was an important factor in
15 setting the penalty amount for the UIC-related violations. The Supervisor
16 determined Operator's degree of culpability to be high. Operator had
17 responsibility for the Mission 4 well and for either timely completing MIT or,
18 by electing to not perform MIT, to cease injection in a manner consistent
19 with regulatory requirements. Following the loss of injection approval for
20 failing to complete MIT on the well, and despite receiving two NOV's from
21 CalGEM, Operator did not disconnect the injection line and continued
22 injection activities for a period of one hundred twenty-three (123) days, as
23 described above. (See **Attachments C, D, E, and F.**)

24 b. The Supervisor determined that culpability was an important factor in
25 setting the penalty amount for the violations of Regulations section 1777,
26 subdivision (a). Operator had the responsibility of maintaining its
27 equipment in good condition and in manner to prevent leakage, and
28 Operator failed to do so. (See **Attachments H and I.**)

1 6) "Economic benefit"

2 a. The Supervisor determined that economic benefit was an important
3 factor in setting the penalty amount for the UIC-related violations.

4 i. The Supervisor determined that Operator received an economic
5 benefit of between one thousand seven hundred twenty-two
6 dollars (\$1,722) and four thousand three hundred ninety-nine
7 dollars (\$4,399) by continuing to use the Mission 4 well for water
8 disposal via injection following the loss of injection approval for the
9 one hundred twenty-three (123) day period. In the alternative,
10 Operator would have had to bear the expense of paying another
11 commercial well owner to transport and dispose of its produced
12 water, as well as the cost of moving containers of its produced
13 water to another location.

14 ii. The Supervisor determined that Operator received an economic
15 benefit of one hundred dollars (\$100) by failing to timely
16 disconnect the injection line(s) from the Mission 4 well. This cost
17 includes the estimated time for an individual paid an hourly wage
18 of fifteen dollars and fifty cents (\$15.50) to disconnect the injection
19 line(s). Therefore, the estimated cost of correcting the violation is
20 based on the time to make the correction.

21 b. The Supervisor determined that economic benefit was an important
22 factor in setting the penalty amount for the violations of Regulations
23 section 1777, subdivision (a). The Supervisor determined that Operator
24 received an economic benefit of seven thousand dollars (\$7,000) by
25 failing to address the leaks at and around the Mission 11 and Mission 15
26 wells. This cost includes the estimated time for an individual paid an
27 hourly wage of fifteen dollars and fifty cents (\$15.50), plus materials, to
28 repair the leaks. Therefore, the estimated cost of correcting the violations

1 is based on the time and materials necessary to make the corrections.

2 7) "Ability to pay" was an important factor in setting the penalty amount for the
3 violations. The Supervisor determined that, based on production data and other
4 CalGEM records, Operator continues to operate and has a future earning
5 potential to pay the civil penalties. During the one hundred twenty-three (123)
6 day period of ongoing UIC- related violations, as described above, CalGEM
7 estimates that Operator produced 765 bbls of crude oil from the Belridge South
8 Field.

9 8) "Prosecution costs" was not an important factor in setting the penalty amounts.
10 The Supervisor determined that adjustment of the penalty amount based on
11 prosecution costs is unnecessary in this instance.

12 Working within the zero dollars (\$0.00) and two thousand five hundred dollars (\$2,500.00)
13 statutory penalty range for a minor violation, the Supervisor assessed the civil penalty amounts
14 for each of the one hundred twenty-three (123) separate violations of Regulations section
15 1724.13, subdivision (a)(1), and for the violation of Regulations 1777, subdivision (c)(4), based
16 upon a careful analysis of the above eight (8) factors, and determined that a civil penalty
17 amount of two hundred dollars (\$200.00) for each violation of Regulations sections 1724.13,
18 subdivision (a)(1), for a total of twenty-four thousand six hundred dollars (\$24,600.00), and a
19 civil penalty amount of one hundred dollars (\$100.00) for violation of Regulations 1777,
20 subdivision (c)(4), is appropriately proportional to the circumstances and specific violations.

21 As indicated above, compliance with UIC safety and testing requirements is critical to
22 preventing harm to human health and the environment. While several of the above eight (8)
23 factors were considered important for the violations, there is no documented harm or
24 indication of immediate significant harm resulting from the violations warranting a higher civil
25 penalty amount. As such, the Supervisor has determined that a civil penalty amount of two
26 hundred dollars (\$200.00) for each violation of Regulations section 1724.13, subdivision (a)(1),
27 and a civil penalty amount of one hundred dollars (\$100.00) for violation of Regulations 1777,
28 subdivision (c)(4), is a balanced and effective incentive for achieving compliance.

1 Working within the zero dollars (\$0.00) and two thousand five hundred dollars (\$2,500.00)
2 statutory penalty range for a minor violation, the Supervisor also assessed the civil penalty
3 amounts for each violation of Regulations sections 1777, subdivision (a), based upon a careful
4 analysis of the above eight (8) factors, and determined that a civil penalty amount of two
5 thousand five hundred dollars (\$2,500.00) for each violation of Regulations section 1777,
6 subdivision (a), for a total of five thousand dollars (\$5,000.00), is appropriately proportional to
7 the circumstances and specific violations.

8 As indicated above, compliance with maintenance requirements and adherence to
9 good oilfield practices is critical to preventing harm to human health and the environment.
10 Several of the above eight (8) factors were important for some or all of the violations of
11 Regulations section 1777, subdivision (a). As such, the Supervisor has determined that a civil
12 penalty amount of two thousand five hundred dollars (\$2,500.00) for each violation of
13 Regulations section 1777, subdivision (a), is a balanced and effective incentive for achieving
14 compliance.

15 Accordingly, the Supervisor is imposing on Operator civil penalties totaling twenty-nine
16 thousand six hundred dollars (\$29,600) for violations of Regulations sections 1724.13, subdivision
17 (a)(1), and 1777, subdivisions (a) and (c)(4).

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

19 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3224, 3236.5, 3270,
20 and Regulations sections 1724.1, 1724.6, 1724.10, 1724.10.2, 1724.13, and 1777, **IT IS HEREBY**
21 **ORDERED** that Operator:

- 22 1) Pay civil penalties in the amount of twenty-nine thousand six hundred dollars
23 (\$29,600);
- 24 2) Submit a well History for the rework/conversion work completed on the Mission 4
25 well in June 2017; and
- 26 3) Remediate all violations.

27 Operator is required to pay the civil penalties amount, submit a well History for the
28 Mission 4 well, and remediate all violations within **thirty (30) days** from the date this Order is

1 issued. A continuing failure to perform the required actions or pay the civil penalties may
2 subject Operator to additional civil penalties.

3 To remit payment of the civil penalties online, please visit
4 <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department
5 of Conservation Geologic Energy Management Division," then follow the instructions on the
6 screen.

7 To remit payment of the civil penalties by mail, please send a check payable to
8 "Department of Conservation" to the following address:

9 Department of Conservation
10 CalGEM, Attn: Operational Management Unit
11 715 P Street, MS 18-03
12 Sacramento, California 95814

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

15 Please contact David Cookey-Gam in CalGEM's Central District via electronic mail
16 (David.Cookey-Gam@conservation.ca.gov) with any questions concerning the violations and
17 to verify correction thereof.

18 Injection into the Mission 4 well shall not resume without subsequent written approval
19 from CalGEM. (Regulations, § 1724.10, subd. (i)(4).)

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

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

26 Department of Conservation
27 Director's Office of Appeals
28 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
Sacramento, California 95814

1 Or via electronic mail:

2 CalGEMAppeals@conservation.ca.gov.

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

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

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

20
21
22 DATED: May 13, 2024

Douglas Ito

Doug Ito
State Oil and Gas Supervisor