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7

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

12  
13 **ORDER TO PLUG AND ABANDON WELLS, PAY ASSESSMENT**  
14 **FEES, AND PAY CIVIL PENALTIES**  
15 **NO. 1400**  
16

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18 **Operator: GeoGenCo Project #501, LLC**  
19 **(d/b/a GeoGenCo, LLC)**  
20 **(GEOGE)**  
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## 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 3700) and title 14 of the California Code of Regulations (**Regulations**), may order the plugging and abandonment of a well, whether or not any damage is occurring, or threatened, by reason of that deserted well. (PRC, § 3755.) Further, the Supervisor may impose a civil penalty on any person who violates any statutory provision of the PRC, or any regulation that implements those statutory provisions. (PRC, § 3754.5)

Based on CalGEM's records, GeoGenCo Project #501, LLC (d/b/a GeoGenCo, LLC) (**Operator**) is the "operator" (as defined in PRC sections 3709 through 3711) of the wells identified in **Attachment A**, incorporated herein (**the Wells**). As described in more detail below, inspections of the Wells conducted in 2021 and 2023 indicate that Operator has suspended its operations, which is prima facie evidence of desertion pursuant to PRC section 3755. In addition, Operator has failed to comply with the Supervisor's Order to Perform Remedial Work, No. 1317 (Order No. 1317). Failure to comply with an order of the Supervisor provides evidence of desertion. Further, Operator was required to pay annual assessment fees for the Wells by February 1, 2023, August 15, 2023, and February 1, 2024, and has not done so. Operator's failure to timely pay annual assessment fees for the Wells constitutes violations of Regulations section 1933.4, subdivision (a). Operator has also failed to properly maintain wells 502 and 508 in good condition, in violation of Regulations section 1952. Failure to comply with the requirements of the PRC and Regulations provides additional evidence of desertion. (Cf, PRC, § 3237.)

Therefore, based upon evidence of desertion, the Supervisor has determined that the Wells are deserted, and pursuant to PRC sections 3712, 3714, 3741, and 3744, and Regulations sections 1933.4 and 1980, and as set forth below, the Supervisor is ordering Operator to plug and abandon the Wells, and to restore the well sites for the Wells, consistent with all applicable requirements, including PRC sections 3729, 3746, 3747, and 3748; Regulations sections 1920.1,

1 1930, 1937.1, 1952, 1980, and 1981 through 1981.2; the conditions included in any  
2 permit/approval CalGEM may issue pursuant to PRC section 3724; and until that work is  
3 complete, perform remedial work and testing as necessary to prevent damage to life, health,  
4 property, and natural resources.

5 Further, pursuant to PRC sections 3712, 3714, 3724.5, 3724.6, and 3754.5, and Regulations  
6 sections 1933.4, 1952, and 1954, the Supervisor is ordering Operator to within thirty (30) days of  
7 this Order to: (1) pay the delinquent annual assessment fees for the Wells, totaling twelve  
8 thousand one hundred and sixty-two dollars (\$12,162.00); and (2) pay civil penalties, totaling  
9 ten thousand dollars (\$10,000.00), imposed for violations of Regulations section 1952.

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

## 12 **II. Evidence of Desertion**

### 13 **A. Prima Facie Evidence of Desertion**

14 At all times relevant to this Order, the Wells were each an "idle well" as defined in  
15 Regulations section 1920.1, subdivision (I).

16 Pursuant to PRC section 3755, the "[s]uspension of drilling operations and removal of  
17 drilling machinery is prima facie evidence of desertion after the elapse of six months unless a  
18 request for an extension of time for a period not to exceed an additional six months is  
19 theretofore filed." CalGEM staff conducted inspections of the Wells in years 2021 and 2023  
20 and observed that drilling operations had been suspended and that drilling machinery had  
21 been removed for a period of time exceeding six (6) months. CalGEM does not have any  
22 records indicating that Operator requested an extension of time pursuant to PRC section 3755.  
23 In addition, a well is only considered completed 30 days after it has commenced to produce  
24 a geothermal resource unless drilling operations are resumed before the end of the 30-day  
25 period. (PRC, § 3737.) CalGEM has no production records for the Wells, indicating that the  
26 Wells have never been brought to production since being drilled in 2013.

27 Operator's suspension of drilling operations and removal of drilling machinery for longer  
28 than six (6) months is prima facie evidence of desertion.

1           **B. Additional Evidence of Desertion**

2           In determining whether there exists evidence that the Wells have been deserted, the  
3 Supervisor also considered the operational history of the Wells, Operator's response or lack of  
4 response to inquiries and requests from CalGEM, the extent of Operator's compliance with the  
5 requirements of the PRC and Regulations, and other actions of the Operator with regard to  
6 the Wells. (Cf PRC, § 3237.)

7           For the reasons discussed below, the Supervisor has determined that there exists  
8 evidence the Wells have been deserted.

9           **1. Non-compliance with Order No. 1317**

10          On May 26, 2023, CalGEM conditionally approved Operator's proposed procedure for  
11 performing casing integrity testing on wells 502 and 508 (May 26 Work Plan), which CalGEM  
12 suspects to be damaged due to the presence of leaks. Because Operator failed to perform  
13 the proposed work, on July 20, 2023, the Supervisor issued Order No. 1317, requiring Operator  
14 to commence the work identified in the May 26 Work Plan, consistent with the conditions of  
15 approval, within thirty (30) days of the order. On August 4, 2023, Operator timely and properly  
16 appealed the order. CalGEM and Operator resolved the appeal, with Operator agreeing that  
17 testing on wells 502 and 508 would be completed by December 20, 2023, and waiving any  
18 further right of appeal of the order. Accordingly, the order became final on October 12, 2023.  
19 Despite multiple outreach efforts by CalGEM to ensure that Operator would complete the  
20 testing as agreed, Operator has not provided CalGEM with a start date to commence the  
21 work or demonstration that the testing has been completed.

22          **2. Failure to Maintain Wells 502 and 508 in Good Condition**

23          Regulations section 1952 requires that "[a]ll wellheads, separators, pumps, mufflers,  
24 manifolds, valves, pipelines and other equipment used for the production of geothermal  
25 resources, shall be maintained in good condition in order to prevent loss of or damage to life,  
26 health, property and natural resources."

27          As discussed in detail in Order No. 1317, CalGEM staff conducted inspections of wells  
28 502 and 508 on or about December 6, 2021, and January 25, 2023, and observed the wells to

1 be leaking in violation of Regulations section 1952. Following each inspection, CalGEM issued  
2 a Notice of Deficiency/Violation (NOV) requiring remediation of the leaks. In addition, on or  
3 about August 30, 2023, CalGEM staff conducted a further inspection of wells 502 and 508 and  
4 again observed them to be leaking in violation of Regulations section 1952.

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

7 **3. Failure to Pay Annual Geothermal Well Assessment Fees**

8 Regulations section 1933.4, subdivision (a), requires a geothermal operator to pay  
9 annual assessment fees for its chargeable wells, with one-half of the charges due on or before  
10 August 15 of each year, and the remaining one-half of the charges due on or before February  
11 1 of the following year. Regulations section 1933.2 requires CalGEM to notify an operator on or  
12 before June 15 of each year of that operator's assessment. If an operator believes an error has  
13 been made, the operator must notify CalGEM on or before July 1 following the notification of  
14 assessment. (Regulations, § 1933.2.)

15 The Wells are chargeable wells because each is an idle well and neither is an  
16 observation well, a low temperature well, nor suspended by approval of the Supervisor.  
17 (Regulations, § 1933.1, subd. (e).) On June 14, 2022, CalGEM provided Operator with a notice  
18 of assessment for fiscal year 2022-2023, with a total assessment of eight thousand six hundred  
19 eighty-eight dollars (\$8,688.00). Operator did not timely notify CalGEM of any error with the  
20 notice of assessment. (Regulations, § 1933.2.) Therefore, Operator was required to pay one-  
21 half of the assessment fees by August 15, 2022, and the remaining one-half by February 1,  
22 2023, as provided in the 2022-2023 Notice of Annual Geothermal Well Assessment prepared by  
23 CalGEM. (**Attachment C**, incorporated herein.)

24 As of the date of this Order, Operator has not made any payments for the second half  
25 of the 2022-2023 annual assessment fees, totaling four thousand three hundred forty-four  
26 dollars (\$4,344.00), in violation Regulations section 1933.4, subdivision (a).

27 On June 14, 2023, CalGEM provided Operator with a notice of assessment for fiscal year  
28 2023-2024, with a total assessment of seven thousand eight hundred and eighteen dollars

1 (\$7,818.00). Operator did not timely notify CalGEM of any error with the notice of assessment.  
2 (Regulations, § 1933.2.) Therefore, Operator was required to pay one-half of the assessment  
3 fees by August 15, 2023, and the remaining one-half by February 1, 2024, as provided in the  
4 2023-2024 Notice of Annual Geothermal Well Assessment prepared by CalGEM. (**Attachment**  
5 **D**, incorporated herein.) On or about October 13, 2023, CalGEM notified Operator that  
6 payment for the first half of the 2023-2024 assessment fees was delinquent and payable, and  
7 provided an extension through October 31, 2023, to make the payment. (**Attachment E**,  
8 incorporated herein.)

9 As of the date of this Order, Operator has not made any payments for the 2023-2024  
10 annual assessment fees, totaling seven thousand eight hundred and eighteen dollars  
11 (\$7,818.00), in violation Regulations section 1933.4, subdivision (a).

### 12 III. Civil Penalties

13 Based on information, belief, and a review of CalGEM's records, Operator is the current  
14 operator of the Wells. PRC section 3754.5, subdivision (a), authorizes the Supervisor to impose a  
15 civil penalty for each violation of the geothermal laws and regulations. On multiple occasions,  
16 CalGEM staff informed Operator that wells 502 and 508 were leaking and Operator failed to  
17 correct the leaks in violation of Regulations section 1952. Operator's failure to maintain wells  
18 502 and 508 in good condition constitutes two (2) separate violations of Regulations section  
19 1952.

20 Because of these violations, and based on consideration of relevant circumstances  
21 consistent with PRC section 3754.5, subdivision (a), by this Order the Supervisor is imposing on  
22 Operator civil penalties totaling ten thousand dollars (\$10,000.00) for violations of Regulations  
23 section 1952.

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

#### 25 Civil Penalties Determination Methodology

26 The Supervisor exercises discretionary civil penalty authority to incentivize compliance.  
27 The Supervisor's fundamental policy objective is to set a penalty amount that is appropriately  
28 proportioned to the violation at issue. PRC section 3754.5, subdivision (a), provides that:

1 When establishing the amount of civil liability pursuant to this section, the supervisor  
2 shall consider, in addition to other relevant circumstances, (1) the extent of harm  
3 caused by the violation, (2) the persistence of the violation, and (3) the number of  
4 prior violations by the same violator.

5 The statutory penalty range for each violation is between zero dollars (\$0.00) and five  
6 thousand dollars (\$5,000.00). (PRC, § 3754.5, subd. (a).)

7 In calculating the civil penalty amounts for Operator's violations of Regulations section  
8 1952, the Supervisor determined that the maximum statutory penalty to be appropriate for  
9 each violation because they involve leaking wells that present a threat to life, health, or  
10 natural resources, Operator has known about the violations since at least early 2022 and has  
11 failed to correct them, and Operator has derived significant economic benefit by failing to  
12 adhere to applicable requirements.

13 **a. PRC section 3754.5 factors analysis**

14 In determining penalty amounts calibrated to incentivize compliance in a manner  
15 appropriately proportional to the circumstances and specific violations, the Supervisor  
16 considered the three statutory factors identified in PRC section 3754.5, subdivision (a), as well  
17 as other relevant circumstances, to determine which were important for setting appropriate  
18 penalty amounts for Operator's violations. The Supervisor determined that:

19 (1) "Extent of harm." The Supervisor determined that extent of harm was an  
20 important factor in setting the penalty amount for violations of Regulations  
21 section 1952. As detailed above, CalGEM has repeatedly observed wells 502  
22 and 508 to be leaking and that Operator has failed to maintain the wells in  
23 good condition by not addressing the leaks. CalGEM suspects that the wells'  
24 casing integrity may be compromised, which could result in an uncontrolled well  
25 release and present a risk of harm or actual harm to human health.

26 (2) "Persistence." The Supervisor determined that persistence was an important  
27 factor in setting the penalty amount for violations of Regulations section 1952.  
28 The Supervisor determined that the violations were persistent because on

1 multiple instances CalGEM observed wells 502 and 508 to be leaking, and,  
2 despite multiple outreach efforts by CalGEM to ensure compliance, Operator  
3 has continued to fail to address these violations.

4 (3) "Prior violations." The Supervisor determined that prior violations was not an  
5 important factor in setting the penalty amount for violations of Regulations  
6 section 1952. In calculating the penalty amount, the Supervisor did not consider  
7 the violation to be the same as prior violations.

8 (4) "Other relevant circumstances." The Supervisor determined that the economic  
9 benefit gained by the Operator was relevant in setting the penalty amount for  
10 violations of Regulations of section 1952. The Supervisor determined that  
11 Operator received an economic benefit far exceeding five thousand dollars  
12 (\$5,000.00) by failing to correct the leaks, which would include, but not be  
13 limited to, the hiring and mobilizing of a workover rig to perform the required  
14 work.

15 Working within the zero dollars (\$0.00) and five thousand dollars (\$5,000.00) statutory  
16 penalty range for a violation of CalGEM's geothermal conservation laws, the Supervisor  
17 assessed the civil penalty amount for each violation of Regulations section 1952, based upon  
18 a careful analysis of the above three (3) factors and other relevant circumstances, and  
19 determined that a civil penalty amount of five thousand dollars (\$5,000.00) is appropriately  
20 proportional to the circumstances and specific violations.

21 As indicated above, compliance with CalGEM's maintenance requirements is critical to  
22 preventing harm to human health and natural resources. Two (2) of the above factors were  
23 considered important for the violations, but "prior violations" was not because Operator does  
24 not have similar prior violations. In addition, the economic benefit Operator gained by failing  
25 to correct the leaks was determined to be relevant. As such, the Supervisor has determined  
26 that a civil penalty amount of five thousand dollars (\$5,000.00) for each violation of  
27 Regulations section 1952, for a total ten thousand dollars (\$10,000.00), is a balanced and  
28 effective incentive for achieving compliance.

1 Accordingly, the Supervisor is imposing on Operator civil penalties totaling ten thousand  
2 dollars (\$10,000.00) for violations of Regulations section 1952.

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

4 For the reasons stated herein, and pursuant to PRC sections 3712, 3714, 3724.5, 3724.6,  
5 and 3754.5, and Regulations sections 1933.4, 1952, and 1954, **IT IS HEREBY ORDERED** that  
6 Operator plug and abandon the Wells, and to restore the well sites for the Wells, consistent  
7 with all applicable requirements, including PRC sections 3729, 3746, 3747, and 3748;  
8 Regulations sections 1920.1, 1930, 1937.1, 1952, 1980, and 1981 through 1981.2; the conditions  
9 included in any permit/approval CalGEM may issue pursuant to PRC section 3724; and until  
10 that work is complete, perform remedial work and testing as necessary to prevent damage to  
11 life, health, property, and natural resources.

12 Further, pursuant to PRC sections 3712, 3714, 3724.5, 3724.6, and 3754.5, and Regulations  
13 sections 1933.4, 1952, and 1954, **IT IS FURTHER ORDERED** that Operator:

14 (1) Pay the delinquent annual assessment fees for the Wells, totaling twelve  
15 thousand one hundred and sixty-two dollars (\$12,162.00); and

16 (2) Pay civil penalties, totaling ten thousand dollars (\$10,000.00), imposed for  
17 violations of Regulations section 1952.

18 Operator is required to pay the civil penalties amount and pay the delinquent annual  
19 assessment fees within **thirty (30) days** from the date this Order is issued. Daily violations and  
20 penalties will continue to accrue if they are not addressed to CalGEM's satisfaction within  
21 thirty (30) days of this Order.

22 Annual assessment fees are due and payable to the State Treasurer.

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

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

1 Department of Conservation  
2 Geologic Energy Management Division  
3 Attention: Operational Management Unit  
4 715 P Street, MS 18-03  
5 Sacramento, California 95814

6 Please include the Operator name, Order number, and phrase "Oil, Gas, and Geothermal  
7 Administrative Fund" on the check itself.

8 Please contact Jerry Salera ([Jerry.Salera@conservation.ca.gov](mailto:Jerry.Salera@conservation.ca.gov)) and John Huff  
9 ([John.C.Huff@conservation.ca.gov](mailto:John.C.Huff@conservation.ca.gov)) via electronic mail with any questions concerning  
10 Operator's required actions and to verify completion thereof.

#### 11 **V. Operator's Appeal Rights**

12 Operator may appeal this Order by filing a timely written notice of appeal with the  
13 Director as described in Division 3 of PRC sections 3762 to 3768. (PRC, § 3743, subd. (d).) If this  
14 Order is mailed to you, the Director must receive the appeal within fifteen (15) days from the  
15 date the Supervisor mails the Order. To file an appeal, a written notice of appeal may be sent  
16 via U.S. mail to:

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

21 The written notice of appeal may also be sent via electronic mail to  
22 [CalGEMAppeals@conservation.ca.gov](mailto:CalGEMAppeals@conservation.ca.gov).

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

26 If Operator does not file a timely written notice of appeal, or if the Order is affirmed  
27 following an appeal, this Order will become a final order and CalGEM may contract for  
28 performance of the work, pursuant to PRC section 3744, if, within thirty (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 3772. (PRC, §

1 3768.)

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

3 Failure to comply with Section IV (Operator's Required Actions) of this Order could  
4 subject Operator to further enforcement action. PRC section 3754 makes it a misdemeanor for  
5 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the  
6 geothermal conservation laws commencing at PRC section 3700. PRC section 3754.5  
7 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in  
8 Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the  
9 Supervisor may in the future impose further civil penalties based on the facts and omissions  
10 underlying this Order. PRC section 3755 authorizes the Supervisor to order the plugging and  
11 abandonment of a well if an operator has failed to comply with an order of the Supervisor  
12 within the time provided by the order or has failed to challenge the order on a timely basis.  
13 PRC section 3771 makes it a misdemeanor to fail or neglect to comply with an order of the  
14 Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct offense.  
15 (PRC, § 3771.)

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17  
18 DATED: June 4, 2024

*Douglas Ito*

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Doug Ito  
State Oil and Gas Supervisor