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7 **STATE OF CALIFORNIA**  
8 **NATURAL RESOURCES AGENCY**  
9 **DEPARTMENT OF CONSERVATION**  
10 **GEOLOGIC ENERGY MANAGEMENT DIVISION**  
11  
12 **ORDER TO CEASE AND DESIST OPERATIONS**  
13 **AND PAY CIVIL PENALTIES**

14  
15 **No. 1401**

16 **Operator: Murrieta Hot Springs Resort, LP**  
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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 3700) and title 14 of the California Code of  
5 Regulations (**Regulations**), has broad authority to supervise the drilling, operation,  
6 maintenance and abandonment of geothermal resources to prevent damage to life, health,  
7 property, and natural resources. (PRC, §§ 3712, 3714.) The Supervisor may order tests and  
8 remedial work concerning geothermal resources operations which, in the Supervisor's  
9 judgment, are necessary to prevent damage to life, health, property, and natural resources  
10 (PRC, § 3741; Regulations, § 1954.) The Supervisor may also impose a civil penalty on any  
11 person who violates any statutory provision of the PRC, or any regulation that implements  
12 those statutory provisions. (PRC, § 3754.5.)

13 Based on CalGEM's records, Murrieta Hot Springs Resort, LP (**Operator**) is the "operator"  
14 (as defined in PRC sections 3709 through 3711) of the "Murrieta Hot Springs 2023" well (APN  
15 913-150-016) as identified in **Attachment A**, incorporated herein (**the MHSR Well**). As described  
16 in more detail below, the MHSR Well is an unpermitted low-temperature geothermal well,  
17 which was drilled without the oversight of CalGEM. Prior to drilling the MHSR Well, Operator  
18 failed to file with CalGEM a written notice of intention to commence drilling of the MHSR Well,  
19 accompanied by the prescribed fee, in violation of PRC section 3724 and Regulations sections  
20 1914, 1931, and 1932. In further violation of PRC section 3724 and Regulations section 1914,  
21 Operator commenced drilling, and drilled, the MHSR Well without approval from CalGEM.  
22 (PRC, § 3724.) Operator failed to timely designate an agent in violation of PRC section 3721. In  
23 addition, Operator failed to file an individual indemnity bond for the MHSR Well in violation of  
24 PRC section 3725.5. Operator also did not submit the required documentation upon  
25 completion of the MHSR Well in violation of PRC section 3735. Further, based on available  
26 information, CalGEM has reason to believe that Operator is the owner and operator of at least  
27 seven (7) nearby geothermal wells whose status and construction are unknown. To effectively  
28 supervise geothermal resources within the state, it is critical for CalGEM to have all necessary

1 information for proper oversight of geothermal wells. CalGEM has made outreach efforts  
2 requesting Operator come into compliance with the above as well as provide information on  
3 all its wells. However, as of the date of this Order, Operator has only designated an agent for  
4 the MHSR Well.

5 Therefore, pursuant to PRC sections 3712, 3714, 3721, 3724, 3725.5, 3735, 3741, and  
6 3754.5, and Regulations sections 1914, 1931, and 1932, the Supervisor is ordering Operator to  
7 within thirty (30) days of this Order to: (1) pay civil penalties, totaling fourteen thousand nine  
8 hundred dollars (\$14,900.00), imposed for violations of PRC sections 3721, 3724, 3725.5, and  
9 3735, and Regulations sections 1914, 1931, and 1932; (2) submit an NOI for the MHSR Well  
10 accompanied by the prescribed fee and CEQA Operator Checklist; (3) provide CalGEM with  
11 notification of its ownership or operation of each of its wells; (4) submit an individual indemnity  
12 bond for each well owned or operated by Operator; (5) submit well completion records for  
13 the MHSR Well; and (6) submit a plan for CalGEM's review and approval listing the method(s)  
14 in which Operator will test and provide evidence for casing integrity from surface to the top of  
15 the geothermal zone for each well owned or operated by Operator.

16 Further, pursuant to PRC sections 3712, 3714, 3721, 3724, 3725.5, and 3735, and  
17 Regulations sections 1914, 1931, and 1932, the Supervisor is ordering Operator to cease and  
18 desist all operation of the MHSR Well for geothermal production until Operator performs all  
19 required actions for the well as specified in Section IV of this Order.

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

## 22 **II. Alleged Acts/Omissions**

23 Based on CalGEM's records, at all times relevant to this Order, the MHSR Well was a  
24 "low-temperature geothermal well" as defined in Regulations section 1920.1, subdivision (j).

25 Operator has failed to comply with applicable requirements for the drilling and  
26 operation of a low-temperature geothermal well within the state, potentially posing a danger  
27 to life, health, property, and natural resources. On March 6, 2024, CalGEM sent  
28 correspondence to Operator via certified mail requesting immediate action to come into

1 compliance. (**Attachment C**, incorporated herein.) The violations at issue are identified below  
2 and as described show that CalGEM currently lacks sufficient information necessary to  
3 properly supervise operations of the MHSR Well as well as to prevent damage to life, health,  
4 property, and natural resources. (See PRC, §§ 3714 and 3716.)

5 **A. Notice of Intention to Drill (PRC, § 3724; Regulations, §§ 1914, 1931, 1932)**

6 The original drilling of a geothermal well may not commence until CalGEM approves, in  
7 writing, an operator's written notice of intention (NOI) to commence drilling. (PRC, § 3724;  
8 Regulations, §§ 1914, 1931.) For intermediate low-temperature geothermal wells, an NOI must  
9 be accompanied by the prescribed fee of two hundred dollars (\$200.00). (PRC, § 3724;  
10 Regulations, § 1932.) "Intermediate" means deeper than 250 feet but no deeper than 1,000  
11 feet. (Regulations, § 1920.1, subd. (t)(2).)

12 Based on information and belief, on or around April 24, 2023, Operator drilled the MHSR  
13 Well, a low-temperature geothermal well, to the intermediate depth of 400 feet at the  
14 following location: 39401 Murrieta Hot Springs in Murrieta, California (Section 14, Township 7S,  
15 Range 3W S.B. B&M; latitude 33.55911, longitude -117.15633, WGS84 datum). According to the  
16 County of Riverside's Department of Environmental Health's well drilling permit for the MHSR  
17 Well, the MHSR Well was drilled for the purpose of supplying low-temperature geothermal fluids  
18 in the commercial operation of a resort and spa, Murrieta Hot Springs Resort. (See **Attachment**  
19 **D**, incorporated herein.) Prior to commencing drilling of the MHSR Well, Operator did not file  
20 with CalGEM an NOI for approval and commenced drilling, and drilled, the MHSR Well without  
21 said approval from CalGEM.

22 As of the date of this Order, CalGEM has not received from Operator an NOI with the  
23 prescribed fee for the MHSR Well in violation of PRC section 3724 and Regulations sections  
24 1914, 1931, and 1932.

25 **B. Indemnity Bond for Intermediate Low-temperature Geothermal Well (PRC, §**  
26 **3725.5)**

27 "Any person who engages in the drilling ... of any low-temperature well ... shall file with  
28 the supervisor an individual indemnity bond in the sum of two thousand dollars (\$2,000) for

1 each well less than 2,000 feet deep ... at the time of filing of the [NOI]." (PRC, § 3725.5.)  
2 Pursuant to PRC section 3757.2, an operator of a low-temperature geothermal well may  
3 request exemption from section 3725.5 if the "[geothermal] resource is used domestically or in  
4 a noncommercial manner." (PRC, § 3757.2.)

5 As described above, the MHSR Well is an intermediate low-temperature geothermal  
6 well being used in a commercial manner. Prior to drilling, Operator did not make a request for  
7 exemption from bonding requirements, nor did CalGEM approve an exemption, pursuant to  
8 PRC section 3757.2. Therefore, Operator was required to file an individual indemnity bond in  
9 the amount of two thousand dollars (\$2,000.00) for the MHSR Well and failed to do so.

10 As of the date of this Order, CalGEM has not received from Operator the required  
11 indemnity bonding for the MHSR Well in violation of PRC section 3725.5.

### 12 **C. Designation of Agent (PRC, § 3721)**

13 "Every owner or operator of any well shall designate an agent, giving his or her address,  
14 who resides in this state, to receive and accept all orders, notices, and processes of the  
15 supervisor or any court of law." (PRC, § 3721.) Pursuant to PRC section 3757.2, an operator of a  
16 low-temperature geothermal well may request exemption from section 3721 if the  
17 "[geothermal] resource is used domestically or in a noncommercial manner." (PRC, § 3757.2.)

18 As described above, the MHSR Well is an intermediate low-temperature geothermal  
19 well being used in a commercial manner. Prior to drilling, Operator did not make a request for  
20 exemption from agent requirements, nor did CalGEM approve an exemption, pursuant to PRC  
21 section 3757.2. Therefore, Operator was required to designate an agent at the time of drilling  
22 the MHSR Well and failed to timely do so.

23 On April 4, 2024, in response to CalGEM's March 6, 2024, written correspondence  
24 (**Attachment C**), Operator properly designated an agent for the MHSR Well.

### 25 **D. Well Completion Records (PRC, § 3735; Regulations, § 1937.1)**

26 "Upon the completion ... of any well ... true copies of the log, core record, history, and,  
27 if made ... all electrical, physical, or chemical logs, tests, or surveys ... shall be filed with the  
28 district deputy within 60 days after such completion ...." (PRC, § 3735.) Further, Regulations

1 section 1937.1 requires that Operators file with CalGEM the following records where  
2 applicable: a drilling log and core record, a well history, a well summary report, production  
3 records, injection records, and other records, including electric logs, physical or chemical logs,  
4 tests, water analyses, and surveys. (Regulations, § 1937.1.) Based on information and belief, the  
5 MHSR Well was drilled to completion in mid-2023. Therefore, Operator was required to provide  
6 CalGEM with well completion records for the MHSR Well afterwards pursuant to PRC section  
7 3735 and Regulations section 1937.1 and failed to do so.

8 As of the date of this Order, CalGEM has not received from Operator the required well  
9 completion records.

### 10 III. Civil Penalties

11 Based on information, belief, and a review of CalGEM's records, Operator is the current  
12 operator of the MHSR Well. PRC section 3754.5, subdivision (a), authorizes the Supervisor to  
13 impose a civil penalty for each violation of the geothermal laws and regulations. On March 6,  
14 2024, CalGEM sent correspondence to Operator via certified mail requesting Operator's  
15 immediate action to come into compliance with applicable requirements. (**Attachment C.**)  
16 Since that time, Operator has properly designated an agent as required by PRC section 3721  
17 but has otherwise failed to submit an NOI, bonding, and well completion records for the MHSR  
18 Well in violation of PRC sections 3724, 3725.5, and 3735, and Regulations sections 1914, 1931,  
19 and 1932. Operator's lack of compliance with CalGEM's geothermal laws and regulations  
20 constitutes six (6) separate violations. The civil penalty amounts for the violations are as follows:

- 21 1) Failure to submit an NOI (collectively, PRC section 3724 and Regulations sections  
22 1914 and 1931): \$5,000.00
- 23 2) Failure to pay the NOI fee (Regulations section 1932): \$400.00
- 24 3) Failure to submit an individual indemnity bond (PRC section 3725.5): \$4,000.00
- 25 4) Failure to timely designate an agent (PRC section 3721): \$500.00
- 26 5) Failure to submit well completion records (collectively, PRC section 3735 and  
27 Regulations section 1937.1): \$5,000.00

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1 Because of these violations, and based on consideration of relevant circumstances  
2 consistent with PRC section 3754.5, subdivision (a), by this Order the Supervisor is imposing on  
3 Operator civil penalties totaling fourteen thousand nine hundred dollars (\$14,900.00).

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

5 **Civil Penalties Determination Methodology**

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

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

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

15 In determining penalty amounts calibrated to incentivize compliance in a manner  
16 appropriately proportional to the circumstances and specific violations, the Supervisor  
17 considered the three statutory factors identified in PRC section 3745.5, subdivision (a), as well  
18 as other relevant circumstances, to determine which were important for setting appropriate  
19 penalty amounts for Operator's violations.

20 **a. Civil Penalty Calculation – Failure to Submit NOI and Well Completion Records**

21 After consideration of all relevant factors, the Supervisor determined that the maximum  
22 penalty of five thousand dollars (\$5,000.00) for Operator's failure to submit an NOI and failure  
23 to submit well completion records is a balanced and effective incentive for achieving  
24 compliance. As detailed above, Operator has failed to submit an NOI and well completion  
25 records for the MHSR Well despite efforts by CalGEM to persuade Operator to comply. Without  
26 the information addressed by these requirements, CalGEM is unable to properly supervise  
27 geothermal wells and ensure the protection of life, health, property, and natural resources.  
28 Therefore, the Supervisor determined that a civil penalty amount of five thousand dollars

1 (\$5,000.00) for each violation, for a total of ten thousand dollars (\$10,000.00), is appropriately  
2 proportional to the circumstances and specific violations.

3 **b. Civil Penalty Calculation – Failure to Submit Individual Indemnity Bond**

4 After consideration of all relevant factors, the Supervisor determined that a penalty of  
5 four thousand dollars (\$4,000.00) for Operator's failure to submit an individual indemnity bond  
6 is a balanced and effective incentive for achieving compliance. As detailed above, Operator  
7 has failed to submit bonding in the amount of two thousand dollars (\$2,000.00) for the MHSR  
8 Well despite efforts by CalGEM to persuade Operator to comply. Bonding is an important  
9 financial assurance against operators deserting their geothermal wells. Therefore, the  
10 Supervisor determined that a civil penalty amount of four thousand dollars (\$4,000.00) for the  
11 violation is appropriately proportional to the circumstances and specific violation.

12 **c. Civil Penalty Calculation – Failure to Timely Designate Agent**

13 After consideration of all relevant factors, the Supervisor determined that a penalty of  
14 five hundred dollars (\$500.00) for Operator's failure to timely designate an agent is a balanced  
15 and effective incentive for achieving compliance. As detailed above, Operator failed to  
16 timely designate an agent prior to commencing drilling of the MHSR Well. For CalGEM to  
17 effectively supervise geothermal operations, it is critical to have accurate records for the  
18 current operator. From the time of drilling the MHSR Well to April 3, 2024, CalGEM did not have  
19 an agent of record for Operator in which to contact in the event of an emergency, to  
20 schedule inspections, or otherwise to send and receive communications. Therefore, the  
21 Supervisor determined that a civil penalty amount of four hundred dollars (\$400.00) for the  
22 violation is appropriately proportional to the circumstances and specific violation.

23 **d. Civil Penalty Calculation – Failure to Pay NOI Fee**

24 After consideration of all relevant factors, the Supervisor determined that a penalty of  
25 four hundred dollars (\$400.00) for Operator's failure to submit the NOI fee is a balanced and  
26 effective incentive for achieving compliance. As detailed above, Operator has failed to  
27 submit the NOI fee in the amount of two hundred dollars (\$200.00) for the MHSR Well despite  
28 efforts by CalGEM to persuade Operator to comply. NOI fees are critical for CalGEM's



1 effective supervision of geothermal resource wells as the fees are deposited into the Oil, Gas,  
2 and Geothermal Administrative Fund for appropriation exclusively for such supervision.  
3 Therefore, the Supervisor determined that a civil penalty amount of four hundred dollars  
4 (\$400.00) for the violation is appropriately proportional to the circumstances and specific  
5 violation.

6 Accordingly, the Supervisor is imposing on Operator civil penalties totaling fourteen  
7 thousand nine hundred dollars (\$14,900.00) for violations of PRC sections 3721, 3724, 3725.5,  
8 and 3735, and Regulations sections 1914, 1931, and 1932.

#### 9 **IV. Operator's Required Actions**

10 For the reasons stated herein, and pursuant to PRC sections 3712, 3714, 3721, 3724,  
11 3725.5, and 3735, and Regulations sections 1914, 1931, and 1932, **IT IS HEREBY ORDERED** that  
12 Operator:

- 13 1) Immediately cease and desist all geothermal production operations for the  
14 MHSR Well.
  - 15 a. In ceasing operations pursuant to this Order, Operator shall ensure that all  
16 necessary steps are taken such that the MHSR Well does not pose a risk to  
17 public health or safety or the environment in its non-operational status,  
18 including shutting-in the MHSR Well and isolating pipelines.  
19 After shutting-in the MHSR Well and isolating pipelines, Operator shall  
20 provide written notification via electronic mail to  
21 [CalGEMGeothermal@conservation.ca.gov](mailto:CalGEMGeothermal@conservation.ca.gov) describing how the MHSR Well  
22 was shut-in and any pipelines that were isolated.
  - 23 b. Operator shall not resume operations of the MHSR Well without prior  
24 approval from CalGEM. Prior to authorizing Operator to resume  
25 operations, CalGEM will confirm compliance with all applicable  
26 geothermal laws and regulations.
- 27 2) Pay civil penalties in the amount of fourteen thousand nine hundred dollars  
28 (\$14,900.00) imposed for violations of PRC sections 3721, 3724, 3725.5, and 3735,

1 and Regulations sections 1914, 1931, and 1932;

- 2 3) Submit an NOI for the MHSR Well accompanied by the prescribed fee of two  
3 hundred dollars (\$200.00) and CEQA Operator Checklist in accordance with PRC  
4 section 3724 and Regulations sections 1914, 1931, and 1932;
- 5 4) Provide CalGEM with notification of Operator's ownership or operation of each  
6 of its wells in accordance with PRC section 3723;
- 7 5) Submit an individual indemnity bond for each well owned or operated by  
8 Operator in accordance with PRC sections 3723.5, 3725, 3725.5, and 3726, as  
9 applicable;
- 10 6) Submit well completion records for the MHSR Well in accordance with PRC  
11 section 3735; and
- 12 7) Submit a plan for CalGEM's review and approval listing the method(s) in which  
13 Operator will test and provide evidence for casing integrity from surface to the  
14 top of the geothermal zone for each well owned or operated by Operator.

15 Operator is required to pay the civil penalties amount; submit the NOI, NOI fee, and  
16 CEQA Operator Checklist; provide the ownership or operation notification; submit bonding;  
17 well completion records; and the casing integrity plan **within thirty (30) days** from the date this  
18 Order is issued. Violations and penalties may continue to accrue if these requirements are not  
19 addressed to CalGEM's satisfaction.

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

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

26 Department of Conservation  
27 Geologic Energy Management Division  
28 Attention: Operational Management Unit  
715 P Street, MS 18-03  
Sacramento, California 95814

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

3 To submit the individual indemnity bonding, please mail a completed Geothermal Bond  
4 Form (OGG160) to:

5 Department of Conservation  
6 Geologic Energy Management Division  
7 Enterprise Risk Unit  
8 Attention: Brian Lenz  
9 715 P Street, MS 18-03  
10 Sacramento, California 95814

11 To submit the NOI, CEQA Operator Checklist, ownership or operation notification, and  
12 well completion records, please send the following completed forms to

13 [CalGEMGeothermal@conservation.ca.gov](mailto:CalGEMGeothermal@conservation.ca.gov) via electronic mail:

- 14 • Notice of Intention to Drill A Geothermal Resources Well (OGG105)
- 15 • CEQA Operator Checklist
- 16 • Notification of Well and/or Facility Disposition/Transfer (OGG30A)
- 17 • Well Summary Report-Geothermal (OGG100)
- 18 • Well History-Geothermal (OGG103)
- 19 • Well Log and Core Record-Geothermal (OGG101)

20 The casing integrity plan should also be sent to [CalGEMGeothermal@conservation.ca.gov](mailto:CalGEMGeothermal@conservation.ca.gov) via  
21 electronic mail.

22 To submit the NOI fee, please send a check payable to "Department of Conservation"  
23 to the following address:

24 Department of Conservation  
25 Geologic Energy Management Division  
26 Attention: Operational Management Unit  
27 715 P Street, MS 18-03  
28 Sacramento, California 95814

29 Please include the Operator name and indicate which well is being covered by the payment.

30 If you have any questions concerning this Order's required actions and to verify  
31 completion thereof, please contact Jerry Salera ([Jerry.Salera@conservation.ca.gov](mailto:Jerry.Salera@conservation.ca.gov)) and

1 Mathew Densmore ([Mathew.Densmore@conservation.ca.gov](mailto:Mathew.Densmore@conservation.ca.gov)) via electronic mail.

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

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

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

12 Or via electronic mail to: [CalGEMAppeals@conservation.ca.gov](mailto:CalGEMAppeals@conservation.ca.gov).

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

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

17 Failure to comply with Section IV (Operator's Required Actions) of this Order could  
18 subject Operator to further enforcement action, including civil penalties, as appropriate. PRC  
19 section 3754 makes it a misdemeanor for any person who violates, fails, neglects, or refuses to  
20 comply with any of the provisions of the geothermal conservation laws commencing at PRC  
21 section 3700. PRC section 3771 makes it a misdemeanor to fail or neglect to comply with an  
22 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct  
23 offense. (PRC, § 3771).

24  
25 DATED: June 4, 2024

*Douglas Ito*

26 \_\_\_\_\_  
27 Doug Ito  
28 State Oil and Gas Supervisor