

1 Department of Conservation, Geologic Energy Management Division
2 Doug Ito
3 STATE OIL AND GAS SUPERVISOR
4 715 P Street, MS 19-06 (Legal Office)
5 Sacramento, California 95814
6 Telephone (916) 323-6733
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10 **STATE OF CALIFORNIA**
11 **NATURAL RESOURCES AGENCY**
12 **DEPARTMENT OF CONSERVATION**
13 **GEOLOGIC ENERGY MANAGEMENT DIVISION**
14

15 **ORDER TO PAY A CIVIL PENALTY**
16 **NO. 1423**
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18 **Responsible Party: V Lions Holdings, LLC**
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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 3000) and title 14 of the California Code of Regulations (**Regulations**), may impose a civil penalty on a person who violates any statutory provision of the PRC, or any regulation that implements those statutory provisions. (PRC, § 3236.5)

Based on CalGEM's records and as described in more detail below, V Lions Holdings, LLC (V Lions) is responsible for performing work on the "Tenneco-Quintana-Una 73X" well (API No. 0402948467) (**the Well**) without CalGEM's prior written approval in violation PRC section 3203 and Regulations section 1714. To ensure the protection of life, health, property, and natural resources, it is critical for CalGEM to review all proposed work that has the potential to permanently alter the casing of a well or otherwise compromise the integrity of a previously abandoned well.

Therefore, pursuant to PRC sections 3013, 3106, 3203, and 3236.5, and Regulations 1714, the Supervisor is ordering V Lions to within thirty (30) days of this Order pay a civil penalty, totaling two thousand five hundred dollars (\$2,500.00), imposed for violation of PRC section 3203 and Regulations section 1714.

Attachment A contains a list of definitions and authorities that are applicable to this Order.

II. Alleged Acts/Omissions

A. Background

Based on CalGEM's records, at all times relevant to this Order, Arco Western Energy Co. was the "operator," as defined in PRC section 3009, of the Well. The Well is located within the Rosedale Ranch Oil Field and was drilled to completion in January 1974 and abandoned in August 1974. CalGEM previously approved abandonment of the Well as compliant with then-applicable requirements, as documented in the Report of Well Abandonment dated August 16, 1974. (**Attachment B**, incorporated herein.)

1 On August 25, 2020, CalGEM received information from the City of Bakersfield's
2 Planning Division regarding a proposed development project. CalGEM reviewed the location
3 of the project and determined that four (4) previously plugged and abandoned wells,
4 including the Well, were within the development area. CalGEM further determined that the
5 Well was projected to be built over or have future access impeded by the project. (See
6 **Attachment C**; CalGEM's Construction Site Well Review ID: 1012064, incorporated herein.) V
7 Lions is the owner of the parcel in which the Well is located.

8 **B. Well work performed without CalGEM approval**

9 Before commencing work that will permanently alter in any manner the casing of a
10 well, an operator is required to submit a written notice of intention (NOI) and receive
11 CalGEM's approval for the work. (PRC, § 3203; Regulations, § 1714.) In addition, Regulations
12 section 1723.5 requires that, for plugged and abandoned wells, "[t]he hole and all annuli shall
13 be plugged at the surface with at least a 25-foot cement plug" and well casings be cut off 5-
14 10 feet below grade. If any well needs to be lowered or raised (i.e., casing cut down or casing
15 riser added) to meet this regulation, prior written approval from CalGEM is required before
16 such work can commence. Further, after CalGEM's approval of the surface plug, "a steel
17 plate at least as thick as the outer well casing shall be welded around the circumference of
18 the casing at the top of the casing ... show[ing] the well's ... API well number." (Regulations, §
19 1723.5.)

20 On January 5, 2022, CalGEM staff witnessed a successful leak test of the Well performed
21 by Drilltek Operating LLC (Drilltek) on behalf of V Lions, and observed the following to be out of
22 compliance with Regulations section 1723.5:

- 23 • The top of the casing was capped with 1/4'' rectangular plate with no
24 discernable markings;
- 25 • The surface plug was verified in place at twenty-five feet, two inches (25' 2'')
26 below the surface; and
- 27 • The casing rested at three feet, nine inches (3' 9'') below grade.

1 On January 6, 2022, CalGEM staff witnessed Drilltek's installation of a steel plate around the
2 circumference of the Well's casing at the top of the casing, as required by Regulations section
3 1723.5. However, at this time, CalGEM continued to have concerns about the height of the
4 surface plug and casing.

5 On December 7, 2023, in response to correspondence received from V Lions's
6 consultant, New Gen Engineering Group Inc. dba McIntosh & Associates (McIntosh), regarding
7 the status of the Well, CalGEM staff advised that the Well was out of compliance with the
8 surface plug and casing height requirements and that additional work was therefore required.
9 CalGEM staff also reminded McIntosh that no well work may be performed without CalGEM's
10 prior written approval.

11 On January 24, 2024, at the request of McIntosh's contractor, Brown's Engineering Inc.,
12 CalGEM staff inspected the Well's surface plug regarding work performed showing that it had
13 been brought into compliance with Regulations section 1723.5 and had not compromised the
14 integrity of the abandonment. (See **Attachment D**, incorporated herein.) Based on CalGEM's
15 records, there was no corresponding NOI or approval to perform the surface plug work in
16 violation of PRC section 3203 and Regulations section 1714. On March 5, 2024, via email
17 correspondence, V Lions acknowledged that Browns Construction had performed the surface
18 plug work without CalGEM's prior approval. (**Attachment E**, incorporated herein.)

19 As of the date of this Order, CalGEM has not received an NOI for the surface plug work
20 performed on the Well in violation of PRC section 3203 and Regulations sections 1714.

21 **III. Civil Penalty**

22 PRC section 3236.5 provides that a person who violates any statutory provision of the
23 PRC, or any regulation that implements those statutory provisions, is subject to an
24 administrative civil penalty. V Lions's failure to receive prior written approval before
25 commencing surface plug work on the Well constitute violations of PRC section 3203 and
26 Regulations section 1714.

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1 Because of these violations, by this Order the Supervisor is imposing on V Lions's a civil
2 penalty totaling two thousand five hundred dollars (\$2,500.00). Following is an explanation of
3 how the civil penalty amount was determined.

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

9 In determining the civil penalty amount for V Lions's failure to comply with PRC section
10 3203 and Regulations section 1714, the Supervisor determined the violations to be "major." The
11 minimum penalty for a major violation is two thousand five hundred dollars (\$2,500.00). In
12 determining a penalty amount, the Supervisor considered the eight statutory factors identified
13 in PRC section 3236.5, subdivision (a), and other relevant circumstances, and determined that
14 a civil penalty amount of two thousand five hundred dollars (\$2,500.00) is appropriately
15 proportional to the circumstances and specific violations.

16 **IV. V Lions's Required Actions**

17 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3203, and 3236.5,
18 and Regulations 1714, **IT IS HEREBY ORDERED** that V Lions pay a civil penalty in the amount of
19 two thousand five hundred dollars (\$2,500.00). V Lions is required to pay the civil penalty
20 amount **within thirty (30) days** from the date this Order is issued. Violations and penalties may
21 continue to accrue if they are not addressed to CalGEM's satisfaction.

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

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

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1 Department of Conservation
2 CalGEM, Attn: Program Support Unit
3 715 P Street, MS 18-03
4 Sacramento, California 95814

5 Please include your name, Order number, and phrase "Oil and Gas Environmental
6 Remediation Account" on the check itself.

7 **V. V Lions's Appeal Rights**

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

13 Department of Conservation
14 Director's Office of Appeals
15 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
16 Sacramento, California 95814

17 Or via electronic mail to: CalGEMAppeals@conservation.ca.gov

18 If V Lions files a timely written notice of appeal, V Lions will be informed of the appeal
19 hearing date, time, and place. Following the hearing, V Lions will receive a written decision
20 that affirms, sets aside, or modifies the appealed order.

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

22 Failure to comply with Section IV (V Lions's Required Actions) of this Order could subject
23 V Lions to further enforcement action. PRC section 3236 makes it a misdemeanor for any
24 person who violates, fails, neglects, or refuses to comply with any of the provisions of the oil
25 and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
26 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
27 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
28 in the future impose further civil penalties based on the facts and omissions underlying this

1 Order. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an order of
2 the Supervisor.

3 Each day's further failure, refusal, or neglect is a separate and distinct offense. (PRC, §
4 3359.)

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7 DATED: August 15, 2024

Douglas Ito

Doug Ito
State Oil and Gas Supervisor

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