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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 **AMENDED ORDER TO PAY A CIVIL PENALTY**  
15 **NO. 1460A**  
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18 **Operator: Sentinel Peak Resources California LLC (\$2641)**  
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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) The Supervisor shall order remedial work as in his judgment is necessary to prevent damage to life, health, property, and natural resources. (PRC, § 3224)

Based on CalGEM's records, Sentinel Peak Resources California LLC (**Operator**) is or was an "operator" (as defined in PRC, § 3009) and is responsible for the well "Williams" 7, API No. 0403000763 and associated facilities (the **Well**). The Well is an idle well and is associated with an underground injection project in the Midway-Sunset Oil Field, UIC Project Code 46400385. Under applicable provisions of Regulations section 1772.1, Operator was required to timely comply with idle well remediation requirements for the Well within 12 months of the unsuccessful idle well test it conducted in March 2022, and Operator failed to do so. Operator's failure to timely comply with idle well remediation requirements for the Well constitutes a violation of Regulations sections 1772.1.

In May 2024, the Well was a source of a surface expression on the "Williams" lease, which resulted in approximately one barrel of oil spilled onto the ground in the Midway-Sunset Oil Field. Regulations section 1724.11, subdivision (a), mandates that underground injection projects shall not result in any surface expression. Operator's failure to prevent a surface expression at its underground injection project constitutes a violation of Regulations section 1724.11.

Therefore, pursuant to PRC sections 3013, 3106, 3206.1, 3224, 3236.5, 3270, and Regulations sections 1724.11 and 1772.1, the Supervisor is ordering Operator to bring the Well into compliance with idle well remediation requirements and to pay a civil penalty for each violation.

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1           **Attachment A**, incorporated herein, contains a list of definitions and authorities that are  
2 applicable to this order.

3                   **II.       Failure to Comply with Idle Well Remediation Requirements**

4           Based on CalGEM's records, at all times relevant to this order, Operator was the  
5 operator, as defined in PRC section 3009, of the Well. At all times relevant to this order, the Well  
6 was an idle well as defined in PRC section 3008, subdivision (d).

7           As the operator of the Well, Operator was required to comply with idle well remediation  
8 requirements for the Well after failing to successfully complete idle well testing, as required by  
9 Regulations section 1772.1, subdivision (b), and Operator failed to do so. Regulations section  
10 1772.1, subdivision (b), requires Operator to do one of the following within 12 months of failing  
11 to successfully complete testing on a well:

- 12           1) Bring the well into compliance by performing and passing a casing pressure test  
13           and performing and passing a clean out tag, as directed in Regulations section  
14           1772.1, subdivision (a);
- 15           2) Partially plug and abandon the well in accordance with Regulations section  
16           1752;
- 17           3) Plug and abandon the well in accordance with PRC section 3208; or
- 18           4) Schedule the well for plugging and abandonment under an approved Idle Well  
19           Management Plan or an approved Testing Waiver Plan.

20           Operator attempted to pressure test the Well in March 2022, but the test was  
21 unsuccessful. Operator was required to remediate the well within 12 months, by March 2023,  
22 and Operator failed to do so. In April 2023, Operator filed a Notice of Intention in Abeyance to  
23 rework the well, and in August 2023, CalGEM issued a permit to Operator to conduct the  
24 planned rework. In July 2024, Operator resolved the outstanding violation for the Well which  
25 was overdue for remediation following unsuccessful idle well testing, 29 months after the failed  
26 pressure test and 17 months after the remediation deadline.

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### III. Failure to Prevent a Surface Expression

On May 2, 2024, CalGEM observed a surface expression on the "Williams" lease, on Operator's property in the Midway-Sunset Oil Field. CalGEM observed approximately one barrel of crude oil on the ground, running through a dry creek bed. As the operator of the Well, Operator was required to prevent surface expressions from occurring at its underground injection project in accordance with Regulations section 1724.11, subdivision (a), and it failed to do so. Operator's failure to prevent a surface expression at its underground injection project constitutes a violation of Regulations section 1724.11. Operator's failure also constitutes a violation of its UIC Project Approval Letter, which prohibits "oil, steam, and/or water" from "flowing to the surface as a result of cyclic steaming operations..." On May 6, 2024, CalGEM issued a Notice of Violation to Operator, which is incorporated herein as **Attachment B**.

In response to the Notice of Violation, Operator submitted a Root Cause Analysis of the surface expression and determined that the Well was the source of the surface expression, citing holes in the Well's casing. After reviewing Operator's analysis, CalGEM accepted Operator's determination that the Well was the source of the surface expression. Furthermore, CalGEM's analysis determined that Operator's failure to remediate the Well contributed to the occurrence of a surface expression. During a March 16, 2024 meeting between CalGEM and Operator's personnel, a reservoir engineer in attendance, who worked for Operator, stated that Operator's failure to timely remediate the Well was "a business decision." Operator's personnel followed up with CalGEM after the meeting to explain that the failure to remediate was an unintentional oversight by the Operator. CalGEM views the engineer's statement as binding upon the Operator. Operator contends that the engineer's statement was uninformed and that he did not have authority to speak on behalf of the Operator. Operator maintains that the failure to remediate the Well was unintentional.

### IV. Civil Penalty

Operator's failure to comply with idle well remediation requirements on the Well following unsuccessful idle well testing is a violation of Regulations section 1772.1, subdivision (b). Operator's failure to timely complete the required idle well remediation on the Well

constitutes one violation. Operator's failure to prevent a surface expression at its underground injection project is a violation of Regulations section 1724.11. Operator's failure to prevent the surface expression constitutes one violation.

Because of these two violations, and based on consideration of relevant circumstances, consistent with PRC section 3236.5, by this order the Supervisor is imposing on Operator civil penalties totaling \$27,500. Following is an explanation of how the civil penalty amount was determined.

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

**A. Failure to Comply with Idle Well Remediation Requirements**

In determining the civil penalty amount for Operator's failure to complete the required idle well remediation on the Well, the Supervisor determined the violation to be "minor." In determining the civil penalty amount for Operator's failure to complete the required idle well remediation on the Wells, the Supervisor determined each violation to be "minor." The statutory maximum for a minor violation is \$2,500.

After consideration of all relevant factors, the Supervisor determined that a civil penalty which is roughly proportionate to the most cost-effective method of performing the remediation required is a balanced and effective incentive for operator compliance. In determining the civil penalty amount, the Supervisor considered the potential risks associated with idle wells and the economic benefit from avoiding the cost of compliance to the primary considerations for determining an effective civil penalty amount. The required idle well testing is critical for determining if an idle well has integrity. Idle wells that lack integrity have the potential to harm air quality and groundwater. Similarly, by foregoing the required remediation of the Wells, Operator has received a substantial economic benefit.

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1 An economic analysis of the costs of performing the idle well remediation substantially  
2 exceeded the upper limit of the statutory penalty range for a minor violation. CalGEM  
3 estimated the cost to perform a casing pressure test and a clean out tag between \$2,871 and  
4 \$16,766 per well, depending on the location and condition of the well. CalGEM estimated the  
5 cost to complete a partial plugging of a well between \$53,400 and \$65,947 per well, and the  
6 cost to plug and abandon a well between \$70,000 and \$96,000. Avoidance or deferral of this  
7 cost is a significant economic benefit to Operator. A careful analysis of the eight factors  
8 identified in PRC section 3236.5, subdivision (a), did not affect the Supervisor's finding that the  
9 potential risks associated with the Wells and the economic benefit from avoiding the cost of  
10 compliance are the primary considerations for determining an effective civil penalty amount.  
11 Therefore, the Supervisor determined that it is reasonable to impose a civil penalty of \$2,500  
12 per well which is overdue for remediation. (PRC, § 3236.5, subd. (a).)

13 Based on Operator's one idle well which was not timely remediated, and with  
14 appropriate consideration of relevant factors as described in PRC section 3236.5, the  
15 Supervisor hereby imposes civil penalties totaling two thousand five hundred dollars (\$2,500)  
16 for the violation of failing to complete the required remediation.

17 **B. Failure to Prevent a Surface Expression at an Underground Injection Project**

18 In determining the civil penalty amount for Operator's failure to prevent a surface  
19 expression at its underground injection project, the Supervisor determined the violation to be  
20 "major." The statutory penalty range for a major violation is between \$2,500 and \$25,000. After  
21 consideration of all relevant factors, the Supervisor determined that a civil penalty at the  
22 maximum end of the penalty range was warranted given the significant threat to human  
23 health and the environment resulting from the violation, and Operator's reservoir engineer's  
24 statement to CalGEM that the violation was knowing, willful, and intentional. A careful analysis  
25 of the eight factors identified in PRC section 3236.5, subdivision (a), did not affect the  
26 Supervisor's finding that the extent of harm caused by the violation is the primary  
27 consideration for determining an effective civil penalty amount. Surface expressions have the  
28 potential to harm persons, property, and the environment, and present threats to wildlife and

groundwater, in light of which the Supervisor calculated a significant risk of harm. Therefore, the Supervisor determined that it is reasonable to impose a civil penalty of \$25,000 for the surface expression. (PRC, § 3236.5, subd. (a).)

Based on the surface expression which occurred at the Well, and with appropriate consideration of relevant factors as described in PRC section 3236.5, the Supervisor hereby imposes civil penalties totaling twenty-five thousand dollars (\$25,000) for the violation of failing to prevent a surface expression at an underground injection project.

Taken together, the Supervisor imposes civil penalties totaling twenty-seven thousand five hundred dollars (\$27,500) for the two violations.

#### **V. Operator's Required Actions**

For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3206, 3206.1, 3224, and 3236.5, and Regulations section 1772.1, **IT IS HEREBY ORDERED** that Operator:

##### **1) Pay civil penalties totaling twenty-seven thousand five hundred dollars (\$27,500);**

A continuing failure to pay the civil penalties may subject Operator to additional civil penalties even if this order is appealed.

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

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

Department of Conservation

CalGEM, Attn: Operational Management Unit

715 P Street, MS 1803

Sacramento, California 95814

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

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1 **VI. 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 PRC section 3350. (PRC, § 3225, subd. (d).) If this order is mailed to you, the Director must  
5 receive the appeal within (15) days from the date the Supervisor mails the order. To file an  
6 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:

12 [OfficeofAppeals@conservation.ca.gov](mailto:OfficeofAppeals@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 If Operator does not file a timely written notice of appeal, or if the order is affirmed  
18 following an appeal, this order will become a final order and CalGEM may contract for  
19 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,  
20 Operator has not, in good faith, commenced the work ordered. Any costs incurred by  
21 CalGEM to obtain compliance with this order (which may include penalties and interest) will  
22 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §  
23 3356.)

24 **VII. Other Potential Actions to Enforce This Order**

25 Failure to comply with Section IV (Operator's Required Actions) of this order could  
26 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor  
27 for any person who violates, fails, neglects, or refuses to comply with any of the provisions of  
28 the oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5

authorizes the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may in the future impose further civil penalties based on the facts and omissions underlying this order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of a well or the decommissioning of a production facility if an operator has failed to comply with an order of the Supervisor within the time provided by the order or has failed to challenge the order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct offense. (PRC, § 3359.)

DATED: 5/8/2025

Doug Ito  
Doug Ito  
State Oil and Gas Supervisor