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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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13 **ORDER TO PAY CIVIL PENALTIES**

14 **NO. 1462**  
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17 **Operator: Kern River Holdings II, LLC (11115)**  
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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, Kern River Holdings II, LLC (**Operator**) is the "operator" (as defined in PRC section 3009) of the injection wells (as defined in Regulations section 1720.1, subdivision (f)) identified on **Attachment A**, incorporated herein (**the Wells**). As described in more detail below, under applicable provisions of Regulations sections 1724.10 and 1724.10.1, Operator was required to complete Mechanical Integrity Testing (MIT) Part One on the Wells by April 1, 2024, to maintain uninterrupted approval for injection, and failed to do so. As a result, Operator automatically lost approval to continue injection operations. (Regulations, § 1724.10, subd. (i)(4).) Following April 1, 2024, Operator was therefore required to cease injection into the Wells, immediately notify CalGEM that it had not performed MIT Part One on the Wells, and disconnect the injection lines from the Wells, and failed to do so in violation of Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777.

Therefore, pursuant to PRC sections 3013, 3106, 3224, and 3236.5, and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777, the Supervisor is ordering Operator to (1) immediately, or as soon as it is safe, cease injection and disconnect the injection lines from all wells without current injection approval from CalGEM, and (2) within thirty (30) days of this Order pay civil penalties totaling ninety-four thousand eight hundred dollars (\$94,800.00) imposed for violations of Regulations sections 1724.6, 1724.10, 1724.10.1, 1723.13, and 1777.

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

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## II. Alleged Acts/Omissions

To maintain uninterrupted injection approval for injection wells that as of April 1, 2019, were approved for injection but not previously subject to periodic casing pressure testing requirements, MIT Part One was required to be successfully completed on each such injection well by April 1, 2024. (Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subd. (e).) In performing the testing, Operators must notify CalGEM at least 48 hours in advance and provide the digital copies of surveys and test results within sixty (60) days. (Regulations, § 1724.10, subd. (i)(1)-(2).) An operator must cease injection into an injection well and immediately notify CalGEM if, among other reasons, MIT Part One has not been timely performed or the results of such testing has not been provided. (Regulations, §§ 1724.6, subd. (e), 1724. 10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (a)(1).) Further, operators must disconnect injection lines from the injection well if there is no current injection approval from CalGEM. (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) Each day an operator injects into an injection well without approval constitutes a separate violation. (Regulations, § 1724.13, subd. (c).)

On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder to Operator of the testing requirements set forth in Regulations section 1724.10.1, including an explanation that MIT Part One must be completed for subject wells by April 1, 2024, to maintain uninterrupted approval for injection activity. (**Attachment C**, incorporated herein.)

CalGEM's records indicate that the Wells were all approved for injection as of April 1, 2019, and that Operator had not successfully performed MIT Part One on them by April 1, 2024. As a result, Operator automatically lost approval for injection into the Wells. Following this automatic loss of injection approval, Operator was required to cease injection into the Wells, immediately notify CalGEM of its failure to do so, and disconnect the Wells from any injection lines, and Operator failed to do so.

On April 5, 2024, CalGEM sent a courtesy notice alerting Operator that it had been identified as (1) having one or more injection wells with an active status and (2) having failed to notify CalGEM of ceasing injection operations or a record of a passing MIT Part One for its injection well(s). (**Attachment D**, incorporated herein.) On May 14, 2024, CalGEM sent a further

courtesy notice alerting Operator that CalGEM had not received a response to its notice of April 5, 2024, nor plans to address any wells out of compliance with MIT Part One requirements. (**Attachment E**, incorporated herein.)

Based on Operator's self-reported injection activity, Operator continued injection into the Wells without approval as follows:

API Number	Well Number	Date Range	# Days of Injection Without Approval
0402912407	4	April 2024	30
0402912227	19	May – July 2024	92
0403034423	81	April – May 2024	52
0403059215	1405 I	April – July 2024	122
0403059231	1204 I	April 2024	30
0403059423	616 I	April – May 2024	53
0403059431	814 I	April – May 2024	58
0403059437	514 I	May 2024	29
		<b>Total Days:</b>	466

On September 5, 2024, CalGEM directed Operator to cease injection into the Bowles 4 well (API No. 0402912407) due to failure to comply with the MIT Part One requirements. (**Attachment F**, incorporated herein.) That same day, CalGEM staff conducted an inspection of the Bowles 4 well, observed the injection line to be connected in violation of Regulations section 1777, subdivision (c)(4), and issued a Notice of Violation to Operator. (See **Attachment G**, incorporated herein.)

As of the date of this Order, Operator has not provided CalGEM with a record of a passing MIT Part One for three (3) of its eight (8) wells overdue for testing and has not notified CalGEM of ceasing injection operations, a well status change, or demonstrated that injection lines are disconnected for wells without current injection approval.

III. Civil Penalties

Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator administrative civil penalties totaling ninety-four thousand eight hundred dollars (\$94,800.00) as follows:

Violation Description	Number of Violations	Total Civil Penalty per violation
Injection into a well without injection approval (collectively, Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.13, subd. (a)(1))	466	\$200.00
Failure to disconnect injection lines from a well without injection approval (collectively, Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4))	8	\$200.00
	<b>Total Civil Penalties:</b>	<b>\$94,800.00</b>

For purposes of this Order, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalties, including: characterizing the violations as "minor" (as defined in PRC section 3236.5, subdivision (b)), the eight factors

identified in PRC section 3236.5, subdivision (a), and the extended and ongoing period of non-compliance as well as the mandated regulatory assessment of daily penalties for unauthorized injection pursuant to Regulations section 1724.13, subsection (c).

#### IV. Operator's Required Actions

For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3224, and 3236.5, and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777, **IT IS HEREBY ORDERED** that Operator:

- 1) Immediately, or as soon as it is safe, cease injection and disconnect the injection lines from all wells without current injection approval from CalGEM, and
- 2) Pay civil penalties in the amount of ninety-four thousand eight hundred dollars (\$94,800.00).

Operator is required to pay the civil penalties amount within **thirty (30) days** from the date this Order is issued. Daily violations and penalties may continue to accrue if these requirements are not addressed to CalGEM's satisfaction.

To remit payment of the civil penalties 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 penalties 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 18-03  
Sacramento, California 95814

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

Please contact Daniel Woldemariam at [Daniel.Woldemariam@conservation.ca.gov](mailto:Daniel.Woldemariam@conservation.ca.gov) with any questions concerning the violations and to verify correction thereof.

Injection into wells without current injection approval shall not resume without subsequent written approval from CalGEM. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (b).)

**V. Operator's Appeal Rights**

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

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

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

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

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

Failure to comply with Section IV (Operator's Required Actions) of this Order could subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for any person who violates, fails, neglects, or refuses to comply with any of the provisions of 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: 11/7/2024

*Doug Ito*  
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 Doug Ito  
 State Oil and Gas Supervisor