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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 **ORDER TO PAY CIVIL PENALTIES**  
15 **NO. 1468**  
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18 **Operator: Stone Cabin Resources, LLC (\$6385)**  
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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, Stone Cabin Resources, LLC (**Operator**) is the "operator" (as defined in PRC, § 3009) of the wells identified on **Attachment A**, incorporated herein (**the Wells**), and the production facilities attendant to the Wells identified on **Attachment B**, incorporated herein (**the Facilities**). As described in more detail below, Operator has not maintained compliance with applicable requirements for operation of the Facilities. Pursuant to Regulations section 1773.4, Operator was required to timely perform tank wall thickness testing and conduct internal inspections and bottom plate thickness testing on the Facilities, and Operator failed to do so in violation of Regulations section 1773.4. Operator's failure to conduct tank testing and inspections as required poses a potential threat to life, health, property, and natural resources.

Therefore, pursuant to PRC sections 3013, 3106, 3236.5, and 3270 and Regulations section 1773.4, the Supervising is ordering Operator to pay administrative civil penalties totaling fourteen thousand dollars (\$14,000.00.)

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

## II. Failure to Timely Conduct Tank Inspections and Testing (Regulations, § 1773.4)

Regulations section 1773.4, which became effective on January 29, 2011, establishes tank testing and minimum wall thickness requirements. More specifically, Regulations section 1773.4, subdivision (a), requires that operators conduct tank wall thickness testing on in-service tanks at the following intervals:

- 1) If the corrosion rate of the tank is not known, at least once every five years.

- 2) If the corrosion rate of the tank is known, an interval determined from corrosion rate calculations approved by the Supervisor, but not to exceed once every 15 years.
- 3) Within two years of the effective date of this regulation for tanks that have not had testing within the required interval.

Based on CalGEM's records, the Facilities, constituting 19 tanks, are all in-service tanks, were in use at the time Regulations section 1773.4 became effective, and, until recently, Operator had never conducted tank wall thickness testing on them. Therefore, Operator was required to conduct tank wall thickness testing on the Facilities within 2 years after January 29, 2011, and failed to timely do so in violation of Regulations section 1773.4, subdivision (a)(3).

In addition, Regulations section 1773.4, subdivision (d), requires that in-service tanks be internally inspected and tested to determine bottom plate thickness no less than once every 20 years, but for in-service tanks not internally inspected within the 20 years preceding the effective date of section 1773.4 such tanks are required to be inspected within two years after the effective date. Further, a tank is exempt from the requirements of subdivision (d) if:

- 1) The tank is not an environmentally sensitive tank, it is not in an urban area, and it is not located above subsurface freshwater; or
- 2) The tank is new, has a foundation that is designed and constructed to support the tank, maintain the tank level, and drain fluid away from the tank, including fluids that may leak from the tank, and the foundation's sub-base includes an impermeable barrier designed to prevent downward fluid migration and to allow leaks to drain away from the tank and be detected by visual inspection or through use of a leak detection sensor; or
- 3) Upon the tank bottom being replaced, a leak detection system has been installed and maintained that either channels any leak beneath the tank and can be observed outside the tank's perimeter or allows for the detection of any tank bottom leak.

Based on CalGEM's records, the following tanks are all in-service, were in use at the time Regulations section 1773.4 became effective, until recently Operator had never inspected

and tested them to determine their bottom plate thickness, and do not meet any of the exemptions under Regulations 1773.4, subdivision (d):

- #1 Wash Tank #45
- #2 Oil Tank #52
- #1 White Topped Baker Southern
- #2 Black Baker Middle Wastewater
- West Baker Northern 36
- East Baker Tank North 37
- Baker Tank 57
- Baker Tank 40
- Baker Tank 001

Therefore, Operator was required to internally inspect and conduct bottom plate thickness testing on these nine (9) tanks within 2 years after January 29, 2011, and failed to timely do so in violation of Regulations 1773.4, subdivision (d).

On January 18, 2024, CalGEM sent correspondence notifying Operator that CalGEM had not received the required testing results for the Facilities, in violation of Regulations section 1773.4, and required submission of such data by February 15, 2024. (**Attachment D**, incorporated herein.) Operator did not provide the data and on April 10, 2024, CalGEM issued a Notice of Violation further requesting that Operator provide the required data with an updated deadline of April 23, 2024. (**Attachment E**, incorporated herein.)

On July 15, 2024, Operator submitted tank wall thickness and bottom plate thickness test results for its nine (9) tanks outstanding for both tests. On August 1, 2024, Operator submitted tank wall thickness test results for the remaining ten (10) tanks.

### **III. Civil Penalties**

Based on the foregoing and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator administrative civil penalties totaling fourteen thousand dollars (\$14,000.00) for the 19 violations of Regulations section 1773.4, subdivision (a)(3), and 9 violations of Regulations section 1773.4, subdivision (d).

Type of Violation	Number of Violations	Total Civil Penalty per violation
Failure to timely conduct tank wall thickness testing (Regulations, § 1773.4, subd. (a)(3))	19	\$500
Failure to timely inspect and test tanks to determine bottom plate thickness (Regulations, § 1773.4, subd. (d))	9	\$500
	<b>Total Civil Penalties:</b>	\$14,000

For purposes of this Order, the Supervisor considered relevant circumstances, 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.

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

For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3236.5, and 3270 and Regulations section 1773.4, **IT IS HEREBY ORDERED** that Operator pay administrative civil penalties totaling fourteen thousand dollars (\$14,000.00.)

Operator is required to pay the civil penalties amount **within thirty (30) days** from the date this Order is issued. Violations and penalties may continue to accrue if they 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 1803  
Sacramento, California 95814

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

**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 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 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 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.)

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1 By issuance of this Order, the Supervisor does not waive the right to take further  
2 enforcement actions.

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4 Elizabeth Yura  
5 DATED: 11/25/2024 Elizabeth Yura on behalf of  
6 Doug Ito  
7 State Oil and Gas Supervisor  
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