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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 PERFORM REMEDIAL WORK AND PAY CIVIL PENALTIES**
15 **NO. 1471**
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18 **Operator: Harvest Petroleum, Inc. (11072)**
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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, Harvest Petroleum, Inc. (**Operator**) is the "operator" (as defined in PRC section 3009) of the "Lerdo 2" injection well (API No. 0402985041) (**the Well**), associated with Underground Injection Control (UIC) Project No. 626-06009. As described in more detail below, Operator failed to immediately notify CalGEM of an unsuccessful mechanical integrity test conducted on February 22, 2023, timely disconnect injection lines, timely complete necessary remedial work or testing, and submit test results in violation of Regulations sections 1724.10, 1724.13, and 1777. In addition, following the failed mechanical integrity test, Operator performed unpermitted work on the Well on or around May 10, 2023, in violation of PRC section 3203 and Regulations section 1714. Further, Operator has failed to correct admitted errors in the reported injection data and failed to submit monthly injection reports for several months in violation of PRC section 3227. Operator also recently refused to grant CalGEM staff access to perform a re-inspection of the Well, constituting a misdemeanor subject to a fine, imprisonment, or both. (PRC, § 3236, subd. (a).)

Therefore, pursuant to PRC sections 3013, 3106, 3203, 3224, 3227, and 3236.5, and Regulations sections 1714, 1724.7, 1724.10, 1724.10.2, 1724.13, 1772.6, and 1777, the Supervisor is ordering Operator to within thirty (30) days of this Order: (1) pay civil penalties totaling twenty-one thousand eight hundred dollars (\$21,800.00); (2) submit the test results for the mechanical integrity test conducted on February 22, 2023; (3) take all necessary action to correct errors in monthly injection reports submitted since February 22, 2023; (4) remediate the Well to demonstrate to CalGEM that the Well will not damage life, health, property, or natural

resources; and (5) submit monthly injection reports for July 2023 and July-August 2024 for the Well.

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

II. Alleged Acts/Omissions

Based on CalGEM's records, the Well was drilled and completed in September 1989, converted to a water disposal injection well (as defined in Regulations section 1720.1, subdivision (c)) in 1993, and is the only injection well associated with UIC Project No. 626-06009.

Operator has not maintained compliance with applicable requirements for operation of the Well. CalGEM's records reflect an ongoing failure to address cited violations and a pattern of recurring or repeated violations. Operator's lack of adherence to maintenance, notice, reporting, and testing requirements poses a potential threat to life, health, property, and natural resources. The violations at issue are identified below.

A. Failure to Immediately Notify CalGEM of Failed Mechanical Integrity Test (Regulations, § 1724.13, subd. (a)(2))

Regulations sections 1724.10, subdivision (i), and 1724.10.2, subdivision (b)(1), requires that at least once a year disposal injection wells undergo mechanical integrity testing to demonstrate that there is no fluid migration behind the casing, tubing, or packer. This testing may be accomplished using multiple methods. (Regulations, § 1724.10.2, subd. (a).) In addition, Regulations section 1724.13, subdivision (a)(2), requires that an operator must cease injection into an injection well and immediately notify CalGEM if, among other reasons, the well failed a required mechanical integrity test.

Based on CalGEM's records, on February 22, 2023, Operator performed a required and unsuccessful mechanical integrity test on the Well. Operator was therefore required to immediately notify CalGEM of the unsuccessful test and failed to do so. CalGEM was not made aware of the failed test until approximately seventeen (17) months later when Operator submitted a "Health Protection Zone Statement" on July 19, 2024, in support of its Notice of Intention (NOI) to rework the Well submitted on or around June 11, 2024.

Operator's failure to immediately notify CalGEM of the failed mechanical integrity test is a violation of Regulations section 1724.13, subdivision (a)(2).

B. Failure to Timely Disconnect Injection Lines (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4))

Operators must disconnect injection lines from injection wells with no current injection approval. (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) As indicated above, pursuant to Regulations section 1724.13, subdivision (a)(2), the Well lost injection approval upon the failed mechanical integrity test. Operator was therefore required to disconnect the injection lines from the Well and failed to timely do so.

On December 21, 2023, CalGEM conducted an inspection of the Well and observed that the injection lines were connected. On July 31, 2024, CalGEM staff conducted an additional inspection of the Well and again observed that it was connected to the injection lines. On August 2, 2024, CalGEM sent correspondence notifying Operator that because the Well did not have injection approval the injection lines must be disconnected. Thereafter, on August 5, 2024, CalGEM staff reinspected the Well and observed the injection lines to be disconnected for the first time since losing injection approval approximately seventeen (17) months prior.

Operator's failure to timely disconnect the injection lines is a violation of Regulations sections 1724.13, subdivision (c), and 1777, subdivision (c)(4).

C. Failure to Submit Test Results (Regulations, § 1724.10, subd. (i)(2))

Regulations section 1724.10, subdivision (i)(2), provides that "[d]igital copies of surveys and test results shall be submitted to the Division within 60 days of the tests." As such, following the failed mechanical integrity test on February 22, 2023, Operator was required to submit the test results to CalGEM by April 23, 2023. As of the date of this Order, Operator has failed to provide the mechanical integrity test results in violation of Regulations 1724.10, subdivision (i)(2).

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D. Failure to Complete Necessary Remedial Work or Testing (Regulations, § 1724.10, subd. (i)(5))

Regulations section 1724.10, subdivision (i)(5), requires that if mechanical integrity testing is not successful, then the operator must complete remedial work or further testing as necessary to satisfy CalGEM that the well will not damage life, health, property, or natural resources within one hundred eighty (180) days of the test, unless additional time is approved by CalGEM. This requirement is in addition to other remedial requirements.

Because the mechanical integrity test conducted on February 22, 2023, was unsuccessful, and because Operator did not request additional time, Operator was required to complete necessary remedial work or further testing on the Well by August 21, 2023, and failed to do so. As indicated below, it appears that Operator attempted to repair the Well on or around May 10, 2023. Aside from this work being performed without CalGEM's approval, it also failed to adequately remediate the Well. Indeed, as stated in Operator's Health Protection Zone Statement, submitted more than a year after the unpermitted well work, "[t]he well in question poses potential significant risks and harm due to its current state" and "[b]y addressing the structural integrity and sealing any breaches or weaknesses, the proposed repair operations will ensure that the well is secure and no longer poses a potential risk to groundwater quality." Operator did not submit an NOI to conduct necessary rework operations until on or around June 11, 2024, significantly past the required timeframe to complete such work.

Operator's failure to timely complete necessary remedial work or further testing is a violation of Regulations section 1724.10, subdivision (i)(5).

E. Failure to Submit an NOI for Well Work (PRC, § 3203, subd. (b); Regulations, § 1714)

Before commencing work that will permanently alter in any manner the casing of a well, an operator is required to submit an NOI and receive CalGEM's subsequent approval for the work. (PRC, § 3203; Regulations, § 1714.) Various techniques are available to address mechanical integrity issues including a cement squeeze, which involves the forcing of cement into holes in the casing of a well to seal leaks, repair damage, or otherwise improve

mechanical integrity, and which permanently alters the casing.

Based on CalGEM's records, on or around May 1, 2023, Operator put a rig on the Well to find the location of casing holes discovered during the failed mechanical integrity test, and subsequently performed a cement squeeze on or around May 10, 2023. Because a cement squeeze permanently alters casing, Operator was required to submit an NOI and obtain CalGEM's subsequent approval before commencing such work and failed to do so in violation of PRC section 3203 and Regulations section 1714.

F. Failure to Correct and Submit Monthly Injection Data (PRC, § 3227)

Operators are required to report monthly production and injection data, including the disposition of produced water and the amount of fluids injected into each well used for wastewater disposal, by the end of the month for the month preceding. (PRC, § 3227.) Because the Well is a water disposal injection well, Operator is required to report, on a monthly basis, the amount of fluids injected into the Well.

Based on CalGEM's records, Operator has consistently self-reported injection into the Well since losing injection approval as follows:

Month/Year	Water or Steam Injected (bbls)	Month/Year	Water or Steam Injected (bbls)
--	--	January 2024	450
February 2023	1000	February 2024	300
March 2023	1750	March 2024	320
April 2023	1550	April 2024	350
May 2023	500	May 2024	300
June 2023	500	June 2024	350
July 2023	Operator failed to report	July 2024	Operator failed to report
August 2023	440	August 2024	Operator failed to report

1	September 2023	450	--	--
2	October 2023	400	--	--
3	November 2023	450	--	--
4	December 2023	550	--	--

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6 As a result of this injection data and recent inspections conducted by CalGEM staff, on August
7 2, 2024, CalGEM sent correspondence reminding Operator to cease injection and disconnect
8 the injection lines from the Well. In response, via email correspondence on August 3, 2024,
9 Operator asserted that injection operations had ceased since the failed mechanical integrity
10 test in February 2023, and that the reported injection data was "an obvious error on our part."
11 Despite this admission, Operator has not taken any steps to correct the data errors. CalGEM
12 suspects that Operator may have intentionally misrepresented the data to avoid other
13 CalGEM requirements in the future, including, but not limited to, idle well statutory and
14 regulatory requirements. In addition, Operator has also failed to submit monthly injection data
15 for July 2023 and July-August 2024 as required.

16 An accurate record of injection volumes is vital to ensuring the safe operation of an
17 injection project and compliance with the approved injection plan. Injection volume
18 calculations influence the area of review, zone of endangering influence, and inform the life
19 of the UIC project. Further, accurate injection data is useful when CalGEM is investigating
20 instances of potential groundwater contamination.

21 Operator's failure to correct errors in submitted injection data and timely submit
22 monthly injection reports are violations of PRC section 3227.

23 **G. Refusal to Permit Inspection of Well (PRC, § 3236)**

24 Refusal to permit CalGEM staff to inspect a well or facility is a misdemeanor subject to a
25 fine of not less than five hundred dollars (\$500), nor more than five thousand dollars (\$5,000), or
26 by imprisonment for not exceeding six (6) months, or by both fine and imprisonment. (PRC, §
27 3236.) PRC section 3236 applies to any owner or operator, or employee thereof, who refuses to
28 permit CalGEM staff access to perform an inspection.

On October 2, 2024, CalGEM staff notified Operator via email correspondence of a re-inspection scheduled for the following day and involving the Well, which is located on the Lerdo lease. Operator did not respond to this notice. At or around 9:30 a.m. on October 3, 2024, CalGEM staff contacted Operator via phone call to explain that the re-inspection was imminent and therefore Operator was needed to grant access due to the Lerdo lease being fenced in and secured by locked gates. Operator refused to comply and stated that access would not be granted until remedial work on the Well commenced.

Pursuant to PRC section 3236, Operator's refusal to permit access for inspection of the Well constitutes a misdemeanor subject to a fine, imprisonment, or both.

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 twenty-one thousand eight hundred dollars (\$21,800.00), as follows:

Violation Description	Number of Violations	Total Civil Penalty per violation
Failure to disconnect injection lines from a well without injection approval (collectively, Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4))	1	\$1,500.00
Failure to perform remedial work or further testing upon unsuccessful mechanical integrity test (Regulations, § 1724.10, subd. (i)(5))	1	\$2,000.00
Failure to submit mechanical integrity test results within 60 days (Regulations, § 1724.10, subd. (i)(2))	1	\$500.00
Failure to immediately notify CalGEM of failed mechanical integrity test (Regulations, § 1724.13, subd. (a)(2))	1	\$500.00
Failure to submit monthly injection volumes for July 2023, July 2024, and August 2024 (PRC, § 3227)	1	\$300.00
Failure to submit NOI and obtain CalGEM approval for rework operations (collectively, PRC, § 3203, subd. (b); Regulations, § 1714)	1	\$17,000.00

	Total Civil Penalties:	\$21,800.00
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For purposes of this Order, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalty, including: characterizing the violations for failure to disconnect injection lines, perform remedial work or further testing, submit test results, and notify CalGEM of the failed test as "minor" (as defined in PRC section 3236.5, subdivision (b)(3)) and the violation for failure to submit an NOI and obtain CalGEM approval for rework operations as "major" (as defined in PRC section 3236.5, subdivision (b)(2)(A)), 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 the PRC sections 3013, 3106, 3203, 3224, 3227, and 3236.5, and Regulations sections 1714, 1724.7, 1724.10, 1724.10.2, 1724.13, 1772.6, and 1777, **IT IS HEREBY ORDERED** that Operator:

- 1) Pay civil penalties totaling twenty-one thousand and eight hundred dollars (\$21,800.00);
- 2) Submit the test results for the mechanical integrity test conducted on February 22, 2023;
- 3) Take all necessary action to correct errors in monthly injection reports submitted since February 22, 2023;
- 4) Within sixty (60) days of this Order, remediate the Well in accordance with Regulations section 1724.10, subdivision (i)(5), to demonstrate to CalGEM that the well will not damage life, health, property, or natural resources; and
- 5) Submit monthly injection reports for July 2023 and July-August 2024 for the Well.

Operator is required to pay the civil penalties amount and complete all other required actions within **thirty (30) days**, unless otherwise specified above, 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. Prior to recommencing injection operations, Operator is

required to contact Allan Koch in CalGEM's Central District via electronic mail (Allan.Koch@conservation.ca.gov) for a compliance evaluation and to receive written authorization for injection.

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 Allan Koch in CalGEM's Central District via electronic mail (Allan.Koch@conservation.ca.gov) with any questions concerning the violations and to verify correction thereof.

As a reminder, injection into the Well shall not resume without subsequent written approval from CalGEM. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 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.

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: 12/5/2024

Doug Ito

Doug Ito
State Oil and Gas Supervisor