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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 A CIVIL PENALTY**
15 **NO. 1496**
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18 **Operator: TRC Operating Company, Inc. (T0245)**
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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, TRC Operating Company, Inc., ("**Operator**"), is the "operator" (as defined in the PRC section 3009) and responsible (as specified in the PRC section 3204) of the well identified on **Attachment A**, incorporated herein (**the Well**).

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

Before commencing work to abandon a well, by statute, and specifically PRC section 3229, an operator is required to submit first submit a "notice of intention" to CalGEM and that notice must be approved by CalGEM. The notice of intention includes the operator's plugging and abandonment program. CalGEM's approval is issued in the form of a permit and will also include any additional requirements that the approval is conditioned upon. Notably, the operator's adherence to the approved plugging and abandonment program, including the use of required blowout prevention equipment, is a condition of CalGEM's approval of the notice. The appropriate blowout prevention equipment protects against a "blowout" of the well. When a blowout occurs, oil, gas, drilling fluid, and other substances within the well escape with force, which can cause significant injury or loss of life, and damage to the environment.

In this instance, before Operator commenced work to abandon the Well, operator submitted a Notice of Intention, which included an abandonment program. The Notice of Intention was approved by CalGEM on March 9, 2023, (CalGEM Permit No. 7036328 "the Permit"). (PRC, § 3229; Regulations 1714, 1722; **Attachment C**, incorporated herein.) As provided in the Permit and relevant to this order, the conditions of CalGEM's approval of Operator's abandonment program included: (1) that no program changes are made without

prior CalGEM approval; and (2) Operator was required to install and maintain in operating condition, blowout prevention equipment (**BOPE**) of a Class II 2M, with hydraulic controls, on the 8-5/8" casing and a 2M lubricator for wireline operations during abandonment operations.

(Attachment C; conditions 2 and 14.)

As described in more detail below, Operator: (1) proceeded with abandonment operations in a manner that deviated from the approved program without prior CalGEM approval, in violation of PRC section 3229 and Regulations section 1722, subdivision (g); (2) failed to install, test, use and maintain blowout prevention equipment in violation of Regulations 1722.5; and in doing so failed to conduct operations in accordance with good oilfield practice, in violation of Regulations section 1722, subdivision (a). For purposes of this Order and the civil penalty calculation, CalGEM is considering this one violation.

Therefore, pursuant to PRC sections 3013, 3225, 3229, and 3236.5, and Regulations sections 1722, and 1722.5 the Supervisor is ordering Operator to pay a civil penalty for one violation.

Deviation from approved program

Before Operator commenced work to abandon the Well, operator submitted a Notice of Intention, which included an abandonment program. That Notice of Intention was approved by CalGEM on March 9, 2023, (CalGEM Permit No. 7036328 "the Permit"). (PRC, § 3229; Regulations 1714.) (**Attachment C.**) As provided in the Permit, CalGEM approval is necessary to deviate from the approved program. (**Attachment C, condition 14.**) On October 8, 2024, Operator submitted a program change request to CalGEM for approval to deviate from the approved program by setting a cement retainer at 1,000 feet but otherwise "continue with the permitted program to cement up to a depth below 100 feet where squeeze perforations will take place before setting the surface plug." (**Attachment D,** incorporated herein.) CalGEM approved that change, but the conditions of that change included that in all other respects operations were to be conducted in accordance with the Permit dated March 9, 2023, and no program changes are to be made without prior CalGEM approval.

On October 10, 2024, upon arriving at an inspection of the well site, a CalGEM field engineer observed that work was being performed but no BOPE was installed on the Well. Removing the BOPE from the 8-5/8" casing was a deviation from the approved program. This deviation was a violation of Public Resources Code section 3229 and Regulations section 1722, subd. (g). This was also a violation of the requirements that Operator maintain blowout prevention equipment. (PRC section 3229; Regulations, §§ 1722, subd. (a); 1722.5.)

Failure to Maintain Blowout Prevention Equipment

Operator's failure to maintain the blowout prevention equipment violates the requirement that operators use and maintain blowout prevention equipment in a manner necessary to prevent an uncontrolled flow of fluid from the Well, the terms of the permit approvals, and good oilfield practices. (PRC section 3229; Regulations, §§ 1722, subd. (a); 1722.5.) As described above, the appropriate blowout prevention equipment protects against a "blowout" of the well. When a blowout occurs, oil, gas, drilling fluid, and other substances within the well escape with force, which can cause significant injury or loss of life, and damage to the environment.

II. Civil Penalty

Based on information, belief, and a review of CalGEM's records, Operator is the current operator of the Well. Operator: (1) proceeded with abandonment operations that was a deviation from the approved program without prior CalGEM approval in violation of PRC section 3229 and Regulations section 1722, subdivision (g); (2) failed to install, test, use and maintain blowout prevention equipment in violation of Regulations 1722.5; and in doing so failed to conduct operations in accordance with good oilfield practice, in violation of Regulations section 1722, subdivision (a). For purposes of this Order and the civil penalty calculation, CalGEM is considering this one violation. Based on consideration of relevant circumstances, consistent with PRC section 3236.5, subdivision (a), by this Order the Supervisor is imposing on Operator a civil penalty of seven thousand five hundred dollars (\$7,500.00).

Following is an explanation of how the civil penalty amount was determined.

Civil Penalty Determination Methodology

For purposes of this Order, the Supervisor considered relevant circumstances, including whether to characterize the violations as "major," "minor," or "well stimulation" (as defined in the PRC section 3236.5, subdivision (b)) and setting a penalty amount reflective of the harm and significant threat posed to human health or the environment from Operator's violation.

The Supervisor determined the violation to be "major," pursuant to the PRC section 3236.5, subdivision (b)(2)(A)(i), because the violation presents a significant threat to human health or the environment. The statutory penalty range for a major violation is between two thousand five hundred dollars (\$2,500) and twenty-five thousand dollars (\$25,000). (PRC, § 3236.5, subd. (b)(2)(B).)

In determining the civil penalty amount, the Supervisor considered the significant threat posed by the violation. It is critical that operators follow the approved program, because it ensures that work complies with applicable requirements and is done in a manner that protects not only the operator's employees, but the public and environment. The Supervisor further considered the economic benefit, including saved time, labor, and equipment costs by performing work without the proper BOPE. The appropriate BOPE protects against a blowout of the well. When a blowout occurs, oil, gas, drilling fluid, and other substances within the well escape, which can cause significant injury or loss of life, and damage to the environment.

Following an approved program and use of blowout prevention equipment are paramount to safety in oil and gas well operations. Given Operator's disregard for safety, based on the above allegations, and with appropriate consideration of the factors as described in PRC section 3236.5, the Supervisor hereby imposes a total civil penalty of seven thousand five hundred dollars (\$7,500.00).

III. Operator's Required Actions

For the reasons stated herein, pursuant to the PRC sections 3013 and 3236.5, **IT IS HEREBY ORDERED** that within 30 days, Operator pay a civil penalty totaling seven thousand five hundred dollars (\$7,500.00).

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
Geologic Energy Management Division
Attention: 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.

IV. 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.

V. Other Potential Actions to Enforce This Order

Failure to comply with Section VI (Operator's Required Actions) of this Order could subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for

1 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
2 oil and gas conservation laws commencing at the PRC section 3000. PRC section 3236.5
3 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in
4 Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the
5 Supervisor may in the future impose further civil penalties based on the facts and omissions
6 underlying this Order. PRC section 3359 makes it a misdemeanor to fail or neglect to comply
7 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
8 distinct offense. (PRC, § 3359.)

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11 DATED: 2/4/2025

DocuSigned by:

Doug Ito

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Doug Ito
State Oil and Gas Supervisor