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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 AND PERFORM REMEDIAL WORK**  
15 **NO. 1497**  
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18 **Operator: Petro-Lud, Inc. (P2515)**  
19 **Field Names: McKittrick and Deer Creek**  
20 **County: Kern and Tulare**  
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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, Petro-Lud, Inc. (**Operator**) is the "operator" (as defined in PRC, § 3009) and is responsible for the Wells identified on **Attachment A**, incorporated herein (the "**Wells**"). As described in more detail below, Operator has not maintained compliance with applicable requirements for operation of the Wells. Operator's failure to comply with the Regulations poses a potential threat to life, health, property, and natural resources and constitute violations requiring remedial work and for which the Supervisor has determined imposition of a civil penalty is appropriate. Therefore, pursuant to PRC sections 3106, 3224, 3225, 3226, 3236.5, and 3270 and Regulations section 1777, the Supervisor is ordering Operator to (1) perform remedial work to bring the Wells into compliance and (2) pay an administrative civil penalty for the violations.

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

## II. Alleged Acts and Omissions

Based on CalGEM's records, at all times relevant to this Order, Operator was the operator, as defined in PRC section 3009, of the Wells. On or about October 24, 2024, and November 5, 2024, CalGEM conducted inspections of the Wells where the violations described below were observed and documented in the McKittrick and Deer Creek Field. (**Attachments C, D, E, F, G, H, I, J, K, and L** incorporated herein.)

CalGEM records reflect Operator has not maintained compliance with applicable requirements for operation of the Wells. Operator's lack of adherence to the Regulations

poses a potential threat to life, health, property, and natural resources. The violations at issue are identified below.

**A. Failure to maintain bolts on wellhead. (Regulations § 1777, subd. (a).)**

The wellhead is equipment secured to the upper part of a well, located above the casing and is held in place by a series of bolts. Damaged or missing bolts on the wellhead may lead to leaking around the wellhead. Production facilities include wellheads. (PRC, § 3010; Regulations, § 1760, subd. (r).) Operators are required to maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources and conduct operations in accordance with good oilfield practices. (Regulations, § 1777, subd. (a).)

During the inspections, CalGEM observed bolts missing from the wellhead at the following wells, in violation of Regulations, section 1777, subdivision (a):

API	Well Designation	Status of Violation
0402943896	McKittrick G-5	Resolved
0410700149	T.B.I.D. 5	Resolved
0410700157	T.B.I.D. 13	Resolved
0410700145	T.B.I.D. 1	Resolved
0410720075	National Development-Merzoian 5	Active
0410720077	National Development-Merzoian 6	Active
0410720096	Smith-Rhoads 6	Active
0410720066	National Development-Merzoian 4	Active
0410720259	T.B.I.D. 17	Resolved
0410720224	National Development-Merzoian 2A	Active

As of the date of this Order, CalGEM does not have any records from Operator demonstrating that the five "active" violations listed above have been corrected or resolved. The one violation for Well 0402943896 was remediated by Operator on or around January 7, 2025. The three violations for Wells 0410700149, 0410700145, and 0410700157 were remediated

by Operator on or around January 8, 2025. The one violation for Well 0410720259 was remediated by Operator on or around January 10, 2025.

**B. Failure to maintain production facilities in good condition and in a manner to prevent leakage or corrosion. (Regulations, § 1777, subd. (a).)**

Operators are required to maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources and conduct operations in accordance with good oilfield practices. (Regulations, § 1777, subd. (a).) Production facilities include wellheads. (PRC, § 3010; Regulations, § 1760, subd. (r).)

During the inspection, CalGEM observed the following wellhead not being maintained in a good condition and in a manner to prevent leakage or corrosion, in violation of the Regulations, section 1777, subdivision (a):

API	Well Designation
0402943896	McKittrick G-5

The one violation was remediated by Operator on or around January 7, 2025.

**III. Civil Penalty/Remedial Work**

**A. Civil Penalty**

Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator an administrative civil penalty totaling three thousand seven hundred fifty dollars (\$3,750.00) for the eleven violations.

Violation Description	Number of Violations	Associated Civil Penalty per Violation	Civil Penalty Totals
Failure to Maintain Production Facilities in Good Condition and in a Manner to Prevent Leakage or Corrosion; Leaking Wellheads (Regulations, § 1777, subd. (a).)  Well 0402943896	1	\$250.00	\$250.00

1	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$175.00	\$175.00
2	Well 0402943896			
3	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$175.00	\$175.00
4	Well 0410700149			
5	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$175.00	\$175.00
6	Well 0410700157			
7	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$175.00	\$175.00
8	Well 0410700145			
9	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$525.00	\$525.00
10	Well 0410720075			
11	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$525.00	\$525.00
12	Well 0410720077			
13	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$525.00	\$525.00
14	Well 0410720096			
15	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$525.00	\$525.00
16	Well 0410720066			
17	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$175.00	\$175.00
18	Well 0410720259			
19	Failure to maintain bolts on wellhead. (Regulations, § 1777, subd. (a).)	1	\$525.00	\$525.00
20	Well 0410720224			
21			<b>Total Civil Penalty:</b>	\$3,750.00

For purposes of this Order, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalty, 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 following: the Wells are located inside a health

1 protection zone, as defined by Regulations section 1765.1, subdivision (b), are environmentally  
2 sensitive, as defined by Regulations section 1760, subdivision (f), and the Wells are a critical  
3 well, as defined by Regulations section 1720, subdivision (a) and whether the violation has  
4 been remediated.

5 **B. Remedial Work**

6 Pursuant to PRC section 3224, the Supervisor hereby orders Operator to complete  
7 remedial work to come into compliance with Regulations section 1777, as outlined below in  
8 Operator's Required Actions.

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

10 For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3224, 3225, and  
11 3236.5, and Regulations section 1777, **IT IS HEREBY ORDERED** that Operator:

- 12 1) Pay an administrative civil penalty of three thousand seven hundred fifty dollars  
13 (\$3,750.00); and

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

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

20 Department of Conservation  
21 CalGEM, Attn: Operational Management Unit  
22 715 P Street, MS 1803  
Sacramento, California 95814

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

- 25 2) In accordance with PRC section 3224 and Regulations section 1777 Operator is  
26 required to:

- 27 a. Replace all missing bolts from the wellhead at the following wells:  
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API	Well Designation
0410720075	National Development-Merzoian 5
0410720077	National Development-Merzoian 6
0410720096	Smith-Rhoads 6
0410720066	National Development-Merzoian 4
0410720224	National Development-Merzoian 2A

Upon performing the required remedial work, please contact John Wilson at CalGEM's Central District via email at [john.wilson@conservation.ca.gov](mailto:john.wilson@conservation.ca.gov).

#### **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 appealed order.

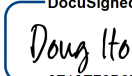
If Operator does not file a timely written notice of appeal, or if the Order is affirmed following an appeal, this Order will become a final order and CalGEM may contract for performance of the work, pursuant to PRC section 3226, if, within 30 days of this Order, Operator has not, in good faith, commenced the work ordered. Any costs incurred by CalGEM to obtain compliance with this Order (which may include penalties and interest) will

1 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §  
2 3356.)

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

4 Failure to comply with Section IV (Operator's Required Actions) of this Order could  
5 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for  
6 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the  
7 oil and gas conservation laws commencing at PRC section 3000. PRC sections 3236.2 and  
8 3236.3 authorize the Supervisor to seek for civil penalties and injunctive relief for failure to  
9 comply with an order or for violations of any provision in Chapter 1 of Division 3 of the PRC or  
10 any regulation that implements those statutes. PRC section 3236.5 authorizes the Supervisor to  
11 impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the  
12 PRC or any regulation that implements those statutes, and the Supervisor may in the future  
13 impose further civil penalties based on the facts and omissions underlying this order. PRC  
14 section 3237 authorizes the Supervisor to order the plugging and abandonment of a well or  
15 the decommissioning of a production facility if an operator has failed to comply with an order  
16 of the Supervisor within the time provided by the order or has failed to challenge the order on  
17 a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an  
18 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct  
19 offense. (PRC, § 3359.) By issuance of this Order, the Supervisor does not waive the right to take  
20 further enforcement actions.

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23 DATED: 2/4/2025

DocuSigned by:  
  
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24 Doug Ito  
25 State Oil and Gas Supervisor  
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