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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. 1498**  
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18 **Operator: Central Valley Gas Storage, LLC (C4545)**  
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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, Central Valley Gas Storage, LLC ("**Operator**"), is the "operator" (as defined in the PRC section 3009) 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. As described in more detail below, Operator failed to use and maintain blowout prevention equipment in a manner necessary to prevent uncontrolled flow of fluid from a well 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 as one violation.

Therefore, pursuant to PRC sections 3013, 3225, and 3236.5, and Regulations sections 1722 and 1722.5 the Supervisor is ordering Operator to pay a civil penalty of twenty-five thousand dollars (\$25,000.00) for the violation.

### **Failure to Use Blowout Prevention and Related Well Control Equipment**

On July 11, 2024, Operator reportedly experienced an approximately 30 second loss of control ("blowout") at the Well. More specifically, according to the Well Control Incident Root Cause Analysis provided by Operator, there was a 30 second loss of control at the Well during which 1,478 feet of 2-3/8" tubing and the retrievable bridge plug were ejected from the Well, and an estimated 34,722 standard cubic feet of gas was released. (**Attachment C**, incorporated herein.) The blowout occurred while Operator was snubbing procedures on the Well.

1           Snubbing is a well workover method by which an operator may force a pipe or tubular  
2 into or out of a well, while the well remains under pressure. The snubbing unit, a specialized  
3 piece of hydraulic equipment, is used to generate and control the force needed to push and  
4 pull tubulars and pipe into and out of the well, allowing for well workover operations on a  
5 pressurized wellbore. Because the work is being performed while the well has pressure, it is  
6 critical that all operations are conducted according to plan and with the proper use of  
7 blowout prevention equipment. The use of blowout prevention equipment protects against  
8 such a "blowout" of a well. The proper use of blowout prevention equipment is critical to the  
9 safe operation of a well, as when a blowout occurs, oil, gas, drilling fluid, and other substances  
10 and equipment within the well escape with force, which can cause significant injury or loss of  
11 life, and damage to the environment.

12           In this instance, Operator failed to equalize the pressure across the inflatable retrievable  
13 bridge plug as stated would be done in Version 1.3 of the Operator's snubbing operations  
14 procedure titled "SNUBBING WORKOVER PROCEDURE SNUB 2-3/8" OUT & 5-1/2" IN ("snubbing  
15 operations procedure") (**Attachment D**, incorporated herein) and further failed to use the  
16 blowout prevention equipment in a manner necessary to prevent uncontrolled flow of fluid  
17 from the well.

18           Regulation section 1722.5 requires that operators install, test, use, and maintain blowout  
19 prevention equipment in a manner necessary to prevent an uncontrolled flow of fluid from the  
20 well. Operator failed to use blowout prevention equipment in a manner necessary to prevent  
21 an uncontrolled flow of fluid from the Well. Regulations section 1722, subdivision (a) further  
22 requires that operations are conducted consistent with good oil field practices. Operator's  
23 failure to equalize the pressure, as contemplated by their snubbing operations procedure, and  
24 use the blowout prevention equipment is a failure to conduct operations in accordance with  
25 good oilfield practices. For purposes of this Order, CalGEM is treating Operator's violation of  
26 Regulations section 1722 and 1722.5 as one violation.

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## II. Civil Penalty

Based on information, belief, and a review of CalGEM's records, Operator is the current operator of the Well. Operator failed to use 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 totaling twenty-five thousand dollars (\$25,000.00) for the one violation.

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

For purposes of this Order, the Supervisor considered relevant circumstances, including whether to characterize the violation 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 a "major," pursuant to the PRC section 3236.5, subdivision (b)(2)(A)(i), because the violation presented 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. As described above, during the blowout, 1,478 feet of 2-3/8" tubing and the retrievable bridge plug were ejected from the Well, and an estimated 34,722 standard cubic feet of gas was released. This blowout presented a significant threat to human health; namely, the crew onsite at the Well. And the blowout further presented a significant threat to human health and the environment with the release of gas.

Proper use blowout prevention equipment and following established procedures are paramount to safety in oil and gas well operations and not only ensures that work complies with applicable requirements but is done in a manner that protects the Operator's employees,

the public, and environment. Based on the above allegations, and with appropriate consideration of the factors as described in PRC section 3236.5, the Supervisor hereby imposes a civil penalty of twenty-five thousand dollars (\$25,000.00) for Operator's failure to use blowout prevention equipment and failure to conduct operations in accordance with good oilfield practices.

### 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 twenty-five thousand dollars (\$25,000.00).

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](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.

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

Failure to comply with Section III (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 the 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.)

DATED: 2/4/2025

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Doug Ito  
State Oil and Gas Supervisor