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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. 1521**
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18 **Operator: Petro-Lud, Inc. (P2515)**
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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 section 3009) of "injection well" (as defined in Regulations section 1720.1, subdivision (f)) "National Development-Merzoian 7" (API 0410720158) (**the Well**). As described in more detail below, under applicable provisions of Regulations sections 1724.10 and 1724.10.1, to maintain uninterrupted approval for injection activity, Operator was required to complete Mechanical Integrity Testing (MIT) Part One on the Well by August 14, 2024, and failed to timely do so. As a result, Operator automatically lost approval to continue injection operations. (Regulations, § 1724.10, subd. (i)(4).) Following August 14, 2024, Operator was therefore required to cease injection into the Well, immediately notify CalGEM that it had not performed MIT Part One on the Well, and disconnect the injection lines from the Well, and failed to do so in violation of Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777.

Therefore, pursuant to PRC sections 3013, 3106, 3224, and 3236.5, and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777, the Supervisor is ordering Operator to within thirty (30) days of this Order pay civil penalties totaling fifteen thousand six hundred dollars (\$15,600.00) imposed for violations of Regulations sections 1724.6, 1724.10, 1724.10.1, 1723.13, and 1777.

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

II. Alleged Acts/Omissions

To maintain uninterrupted injection approval for injection wells that as of April 1, 2019, were approved for injection and were also subject to periodic casing pressure testing

requirements, MIT Part One was required to be successfully completed on each such injection well every five (5) years. (Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subd. (e).) In performing the testing, Operators must notify CalGEM at least 48 hours in advance and provide the digital copies of surveys and test results within sixty (60) days. (Regulations, § 1724.10, subd. (i)(1)-(2).) An operator must cease injection into an injection well and immediately notify CalGEM if, among other reasons, MIT Part One has not been timely performed or the results of such testing has not been provided as required. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (a)(1).) Further, operators must disconnect injection lines from the injection well if there is no current injection approval from CalGEM. (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) Each day an operator injects into an injection well without approval constitutes a separate violation. (Regulations, § 1724.13, subd. (c).)

CalGEM's records indicate that the Well was approved for injection and subject to periodic casing pressure testing requirements as of April 1, 2019, and that a successful standard annular pressure test was performed on the Well on August 14, 2019. Therefore, to maintain injection approval, Operator was required to perform a successful MIT Part One on the Well by August 14, 2024, which was five (5) years from the last test, and failed to do so. As a result, Operator automatically lost approval for injection into the Well. Following this automatic loss of injection approval, Operator was required to cease injection into the Well, immediately notify CalGEM of its failure to timely test, and disconnect the Well from any injection lines.

Based on Operator's self-reported injection activity, Operator continued injection into the Well following the loss of approval until November 30, 2024, for a total of seventy-seven (77) days of injection without approval. In addition, on June 6, 2024, CalGEM staff conducted an inspection of the Well and observed the injection lines to be connected and capable of allowing injection. (See **Attachment B**, incorporated herein.)

Following the loss of injection approval for the Well, Operator did not notify CalGEM of ceasing injection into the Well, a well status change, nor demonstrate that the injection lines

had been disconnected from the Well. On January 13, 2025, CalGEM emailed a Notice of Violation (the Notice was accidentally dated January 13, 2024) alerting Operator that it was in violation of MIT requirements for the Well. (**Attachment C**, incorporated herein.) On January 14, 2025, Operator responded to CalGEM stating that, as of that date, all injection lines had been disconnected from the Well. On January 31, 2025, CalGEM staff conducted an inspection of the Well and observed the injection lines to be disconnected from the Well.

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 fifteen thousand six hundred dollars (\$15,600.00) as follows:

Violation Description	Number of Violations	Civil Penalty per Violation	Civil Penalty Totals
Injection into a well without injection approval (collectively, Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.13, subd. (a)(1))	77	\$200.00	\$15,400.00
Failure to disconnect injection lines from a well without injection approval (collectively, Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4))	1	\$200.00	\$200.00
		Total Civil Penalties:	\$15,600.00

For purposes of this Order, the Supervisor considered relevant circumstances when establishing the amount of the administrative civil penalties, 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 as well as the mandated regulatory assessment of daily penalties for unauthorized injection pursuant to Regulations section 1724.13, subsection (c).

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

2 For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3224, and 3236.5,
3 and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.13, and 1777, **IT IS HEREBY ORDERED**
4 that Operator pay civil penalties in the amount of fifteen thousand six hundred dollars
5 (\$15,600.00).

6 Operator is required to pay the civil penalties amount within **thirty (30) days** from the
7 date this Order is issued. Daily violations and penalties may continue to accrue if these
8 requirements are not addressed to CalGEM's satisfaction.

9 To remit payment of the civil penalties online, please visit
10 <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department
11 of Conservation Geologic Energy Management Division," then follow the instructions on the
12 screen. When filling out the "order number" field, please type the order number followed by
13 the letter "O."

14 To remit payment of the civil penalties by mail, please send a check payable to
15 "Department of Conservation" to the following address:

16 Department of Conservation
17 CalGEM, Attn: Operational Management Unit
18 715 P Street, MS 18-03
19 Sacramento, California 95814

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

22 Please contact Daniel Woldemariam at Daniel.Woldemariam@conservation.ca.gov
23 with any questions concerning the violations.

24 Injection into wells without current injection approval shall not resume without
25 subsequent written approval from CalGEM. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd.
26 (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (b).)

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1 **V. Operator's Appeal Rights**

2 Operator may appeal this Order by filing a timely written notice of appeal with the
3 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
4 with the PRC section 3350. (PRC, § 3225, subd. (d).) If this Order is mailed to you, the Director
5 must receive the appeal within fifteen (15) days from the date the Supervisor mails the Order.
6 To file an appeal, a written notice of appeal may be sent via U.S. mail to:

7 Department of Conservation

8 Director's Office of Appeals

9 715 P Street, MS 19-06 (Legal Office, Chief Counsel)

10 Sacramento, California 95814

11 Or via electronic mail to: OfficeofAppeals@conservation.ca.gov.

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13 If Operator files a timely written notice of appeal, Operator will be informed of the
14 appeal hearing date, time, and place. Following the hearing, Operator will receive a written
15 decision that affirms, sets aside, or modifies the appealed order.

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

17 Failure to comply with Section IV (Operator's Required Actions) of this Order could
18 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
19 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
20 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
21 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
22 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
23 in the future impose further civil penalties based on the facts and omissions underlying this
24 Order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of
25 a well or the decommissioning of a production facility if an operator has failed to comply with
26 an order of the Supervisor within the time provided by the order or has failed to challenge the
27 order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply
28 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and

distinct offense. (PRC, § 3359.)

DATED: 5/1/2025

Doug Ito
Doug Ito
State Oil and Gas Supervisor