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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. 1533**
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18 **Operator: Royale Energy, Inc. (R4085)**
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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, Royale Energy, Inc. (**Operator**) is the "operator" (as defined in PRC, § 3009) and is responsible for the Well and associated Production Facilities ("**Facilities**") identified on **Attachment A**, incorporated herein. As described in more detail below, Operator has not maintained compliance with applicable requirements for operation of the Facilities. Operator's failure to comply with the Regulations poses a potential threat to life, health, property, and natural resources and constitute violations for which the Supervisor has determined imposition of a civil penalty is appropriate. Therefore, pursuant to PRC sections 3106, 3225, 3236.5, and 3270 and Regulations section 1722, subdivision (a) and section 1773.1, subdivisions (c) & (e) the Supervisor is ordering Operator to 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 Well and Facilities. On or about April 17, 2024, CalGEM conducted an inspection of the Well and Facilities where the violations described below were observed and documented in the Denverton Creek Gas Field. (**Attachment C**, incorporated herein.) Upon arriving for the routine inspection of the Well and Facilities, a CalGEM inspector witnessed liquid overflowing from tank PW-1 and liquid was breaching the secondary containment.

1 In the event of a tank overflowing or leaking, secondary containment protects the
2 surrounding area from contamination. Secondary containment must be capable of confining
3 liquid for a minimum of 72 hours. (Regulations, § 1773.1.) In the case at hand, fluid from Well
4 Federal 3-1 (API 0409520727) is pumped into Tank PW-1. Operator was using a heavy-duty vinyl
5 or woven poly tarp system for the secondary containment (hereinafter "secondary
6 containment" may be referred to as "tarp") of Tank PW-1. At the time of inspection, the tarp
7 was visibly damaged likely due to sun exposure and aging which prevented it from confining
8 liquid for the minimum 72 hours required by regulation. (**Attachments D, E, F, and G,**
9 incorporated herein.) Because the tarp was not capable of confining liquid for a minimum of
10 72 hours, Operator was in violation of Regulations section 1773.1, subdivision (b).

11 Operators are required to repair all damage to secondary containment immediately.
12 (Regulations, § 1773.1, subd. (e).) The CalGEM inspector further documented sheens on the
13 fluid pooling outside of the secondary containment. (**Attachment G.**) Such pooling indicates
14 that the breach of the secondary containment had been occurring for some time, without
15 repair to the secondary containment. The sheen further indicates the presence of
16 hydrocarbons, which were then allowed to percolate into the ground. Further, as described
17 above, the integrity of the tarp had deteriorated over time. Operator's failure to timely repair
18 the damage to the tarp was a violation of Regulations section 1773.1, subdivision (e).

19 Operator has confirmed that the tank was overflowing, and the secondary
20 containment was inadequate. (**Attachment H,** incorporated herein.)

21 Only after CalGEM called Operator to notify them that Tank PW-1 was overflowing, and
22 the secondary containment had been breached did Operator shut in Well Federal 3-1
23 (0409520727) to prevent further flow of liquid into Tank PW-1 and dispatch a vacuum truck to
24 pump the fluid from the secondary containment. As described above, the breach of the
25 secondary containment appeared to have been occurring for some time. Operator was
26 discharging into Tank PW-1 without any active monitoring by personnel or equipment, which, if
27 employed, would have allowed for the timely detection of the overflow from Tank PW-1.
28 Operator failed to adhere to basic operational standards that would have detected the

1 overflow. Operator failed to have an adequate system in place for detecting when Tank PW-
2 1 was overflowing. Such systems may include more frequent monitoring by personnel, more
3 closely tracking the tank's fluid level, or tracking Well Federal 3-1's (0409520727) flow rate. But
4 for these failures, the breach of the secondary containment would not have occurred. Failure
5 to have a system in place for detecting the overflow of a tank, particularly given that such
6 overflow appeared to have been occurring for an extended period of time, is not in
7 accordance with good oilfield practices. As such, Operator's failure to have an adequate
8 system for detecting the overflow of a tank is a violation of Regulations section 1722,
9 subdivision (a).

10 Operator has since remediated the secondary containment. For purposes of this Order,
11 CalGEM has determined that these violations will be treated as one violation.

12 **III. Civil Penalty**

13 Based on the foregoing Alleged Acts and Omissions and in consideration of relevant
14 circumstances, consistent with PRC section 3236.5, by this Order the Supervisor imposes an
15 administrative civil penalty totaling two thousand five hundred dollars (\$2,500.00) for the
16 violation. Following is an explanation of how the civil penalty amount was determined.

17 For purposes of this Order, when establishing the amount of the administrative civil
18 penalty, the Supervisor considered: characterizing the violation as "minor" (as defined in PRC
19 section 3236.5, subdivision (b)(3)(A)) or "major" (as defined in PRC section 3236.5, subdivision
20 (b)(2)(A), the eight factors identified in PRC section 3236.5, subdivision (a) (PRC, § 3236.5, subd.
21 (a).), and other relevant circumstances, as described below. (PRC, § 3236.5, subd. (a).)

22 In determining the civil penalty amount for the violations, the Supervisor determined the
23 violation to be "minor." After consideration of the eight factors relevant factors, identified in
24 PRC section 3236.5, subdivision (a), and other relevant circumstances, the Supervisor
25 determined that a civil penalty that reflected the extent of the harm caused by the violation,
26 persistence of the violation, and the degree of culpability of the Operator is appropriate.

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1 As to the extent of harm, as described in more detail above, the breach of the
2 secondary containment allowed fluids, including trace hydrocarbons, to percolate into the
3 ground outside the secondary containment.

4 As to the persistence of the violation, as described in more detail above, Operator's
5 prolonged failure to repair the visibly damaged secondary containment led to the secondary
6 containment being incapable of holding liquid. The deterioration of the secondary
7 containment would have been evident well before the overflow of Tank PW-1 and should
8 have prompted timely maintenance or replacement.

9 As to degree of culpability, as described in more detail above, not only did Operator
10 fail to timely repair the secondary containment, but Operator also failed to have an adequate
11 system in place for detecting when Tank PW-1 was overflowing. Such systems may include
12 more frequent monitoring by personnel and more closely tracking the tank's fluid level. But for
13 these failures, the breach of the secondary containment would not have occurred.

14 Based on consideration of other relevant circumstances, including the timeliness with
15 which Operator responded upon CalGEM notifying Operator of the overflow and breach, and
16 consideration of the eight factors identified in PRC section 3236.5, subdivision (a), by this Order
17 the Supervisor is imposing on Operator a civil penalty totaling two thousand five hundred
18 dollars (\$2,500.00).

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

20 For the reasons stated herein, pursuant to PRC sections 3106, 3225, 3236.5, and 3270
21 and Regulations section 1722, subdivision (a) and section 1773.1, subdivisions (c) & (e), **IT IS**
22 **HEREBY ORDERED** that within 30 days Operator pay an administrative civil penalty of two
23 thousand five hundred dollars (\$2,500.00).

24 To remit payment of the administrative civil penalty online, please visit
25 <https://www.govone.com/PAYCAL/Home/SelectAgency> and select "California Department
26 of Conservation Geologic Energy Management Division," then follow the instructions on the
27 screen.
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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
CalGEM, Attn: Operational Management Unit
715 P Street, MS 1803
Sacramento, California 95814

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

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 (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:

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

VI. Other Potential Actions to Enforce This Order

Failure to comply with Section V (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 sections 3236.2 and 3236.3 authorizes the Supervisor to seek for civil penalties and injunctive relief for failure to comply with an order or for violations of any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes. 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: 6/11/2025

Doug Ito

Doug Ito
State Oil and Gas Supervisor