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10 **STATE OF CALIFORNIA**
11 **NATURAL RESOURCES AGENCY**
12 **DEPARTMENT OF CONSERVATION**
13 **GEOLOGIC ENERGY MANAGEMENT DIVISION**
14

15 **ORDER TO PAY A CIVIL PENALTY**
16 **NO. 1551**
17

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19 **Operator: Warren E&P, Inc. (W0325)**
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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, Warren E&P, Inc. (**Operator**) is or was an "operator" (as defined in PRC, § 3009) and is responsible for the pipeline "NWU Pit to FWKO" oil facilities line, WellSTAR facility ID no. 27524 (the **Pipeline**). The Pipeline is a transfer line, which runs approximately three feet underground, and connects an abandoned pit to a free water knockout vessel, all located in Operator's NWU Tank Farm (the **Tank Farm**) at the Wilmington Oil Field. In April 2024, the Pipeline was a source of an oil spill at the Tank Farm, which resulted in approximately five to six barrels of a mixture of oil and water spilled onto the ground. This spill was the fourth pipeline rupture at the Tank Farm, all occurring in pipelines of similar age, due to corrosion from deteriorating pipe wrapping.

Regulations section 1777, subdivision (a), mandates that operators shall maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources. Operator's failure to prevent both leakage and corrosion at the Pipeline constitutes a violation of Regulations section 1777. Regulations section 1773.5 mandates that within six months after the determination that a production facility is Out-of-Service, operators shall remove all fluids, sludge, hydrocarbons, and solids from the facility and shall disconnect the facility from any pipelines and other in-service equipment. Operator's failure to remove hydrocarbons from the Pipeline constitutes a violation of Regulations section 1773.5. Regulations section 1774.2, subdivision (b)(1), requires operators to include in their Pipeline Management Plan (PMP) a listing of information on each pipeline, including pipeline type, grade, and any available leak, repair, inspection, and testing history. Operator's failure to include the Pipeline in its PMP constitutes a violation of Regulations

section 1774.2.

Therefore, pursuant to PRC sections 3013, 3106, 3236.5, 3270, and Regulations sections 1777, 1773.5, and 1774.2, the Supervisor is ordering Operator to pay civil penalties for the violations.

Attachment A, incorporated herein, contains a list of definitions and authorities that are applicable to this order.

II. Spill Incident

On April 10, 2024, CalGEM observed a release of crude oil onto the ground in the Tank Farm and a large surface cleanup operation underway, covering approximately 5,000 square feet. Operator described to CalGEM how standing rainwater from recent storms was present in the Tank Farm before the spill and led to the rapid and increased spread of the spill. Operator identified the source of the spill as the Pipeline, a six-inch diameter line buried approximately three feet deep (exposed during cleanup), with a large rupture running along the top. Operator reported that the pipeline had formerly been used to connect a pit (now abandoned and removed) to a free water knockout vessel in the southwestern area of the Tank Farm. The Pipeline was taken out of service in 2022; the end of the Pipeline that was formerly connected to the pit was capped and left buried, while the end of the Pipeline that formerly connected to the free water knockout vessel was air-gapped and double-blinded. According to Operator, the Pipeline contained an oil and water mixture when it was taken out of service in 2022.

As the operator of the Pipeline, Operator was required to maintain the production facility in good condition and in a manner to prevent leakage or corrosion, in accordance with Regulations section 1777, subdivision (a), and it failed to do so. Operator's failure to maintain the Pipeline constitutes a violation of Regulations section 1777. As the operator of the Pipeline, Operator was required to remove all fluids, sludge, hydrocarbons, and solids from the Pipeline within six months of taking the Pipeline out of service, in accordance with Regulations section 1773.5. Operator's failure to remove the oil and water mixture from the Pipeline constitutes a violation of Regulations section 1773.5. In accordance with Regulations section

1 1774.2, subdivision (b), Operator was required to include the Pipeline in its PMP, along with
2 listing of information of the facility, including, but not limited to: pipeline type, grade, actual or
3 estimated installation date of pipeline, design and operating pressures, and any available
4 leak, repair, inspection and testing. Operator's failure to include the Pipeline in the PMP it
5 submitted to CalGEM on January 30, 2023, is a violation of Regulations section 1774.2.

6 On April 15, 2024, CalGEM issued a Notice of Violation to Operator, which is
7 incorporated herein as **Attachment B**. In response to the Notice of Violation, Operator
8 submitted a Root Cause Analysis of the spill incident. Operator determined that the Pipeline
9 suffered a failure due to external corrosion, citing extensive failure of the wrapping and
10 coating on the line itself. Following the incident, Operator ceased production at the Tank Farm
11 and stated that it was abandoning all wells on the lease. Operator filed a site restoration plan
12 with CalGEM which included cleanup and abandonment of the Tank Farm and other
13 associated facilities on the NWU lease. After reviewing Operator's analysis, CalGEM accepted
14 Operator's determination that the Pipeline was the source of the spill incident.

15 **III. Civil Penalty**

16 Operator's failure to maintain the Pipeline in good condition is a violation of Regulations
17 section 1777 and constitutes as one violation. Operator's failure to remove hydrocarbons
18 within six months after its determination that the pipeline was Out-of-Service is a violation of
19 Regulations section 1773.5 and constitutes as one violation. Operator's failure to include the
20 Pipeline in its PMP is a violation of Regulations section 1774.2 and constitutes as one violation.

21 Because of these three violations, and based on consideration of relevant
22 circumstances, consistent with PRC section 3236.5, by this order the Supervisor is imposing on
23 Operator civil penalties totaling \$14,500. Following is an explanation of how the civil penalty
24 amount was determined.

25 For purposes of this order, the Supervisor considered relevant circumstances, including:
26 characterizing the violations as "major," "minor," or "well stimulation" (as defined in PRC
27 section 3236.5, subdivision (b)) and setting a penalty amount proportionate to the
28 circumstantial importance of all relevant factors, including the eight factors identified in PRC

section 3236.5, subdivision (a). (PRC, § 3236.5, subd. (a).)

A. Failure to Maintain the Pipeline in Good Condition

In determining the civil penalty amount for Operator's failure to maintain the Pipeline in good condition and in a manner to prevent leakage or corrosion, the Supervisor determined the violation to be "major." The statutory penalty range for a major violation is between \$2,500 and \$25,000. The Supervisor performed a careful analysis of the eight factors identified in PRC section 3236.5, subdivision (a), and determined that the persistence and pervasiveness of the violation, as well as the economic benefit derived from Operator's non-compliance with pipeline testing requirements and the spill's potential for environmental harm were significant factors in establishing a civil penalty. This was the fourth pipeline spill in the last two years at Operator's facilities and occurred only 11 weeks after the previous oil spill. The spill presented a risk of environmental and logistical disruption due to its proximity to critical infrastructure, as the Pipeline is located approximately 150' from commercial freight rail tracks and 450' from the protected Dominguez Channel, considering which the Supervisor calculated a significant risk of harm. Therefore, the Supervisor determined that it is reasonable to impose a civil penalty of \$10,000 for the failure to maintain the Pipeline in good condition and in a manner to prevent leakage or corrosion. (PRC, § 3236.5, subd. (a).)

B. Failure to Remove Hydrocarbons from an Out-of-Service Facility

In determining the civil penalty amount for Operator's failure to remove hydrocarbons from an Out-of-Service facility, the Supervisor determined the violation to be "minor." The statutory penalty range for a minor violation is between \$0 and \$2,500. After consideration of all relevant factors, the Supervisor determined that a civil penalty at the maximum end of the penalty range was warranted given the significant threat to human health and the environment resulting from the violation, and Operator's pattern of noncompliance in maintenance of its production facilities. A careful analysis of the eight factors identified in PRC section 3236.5, subdivision (a), did not affect the Supervisor's finding that the extent of harm caused by the violation is the primary consideration for determining an effective civil penalty amount. Oil spills have the potential to harm persons, property, and the environment, and

present threats to wildlife and groundwater, in light of which the Supervisor calculated a significant risk of harm. Therefore, the Supervisor determined that it is reasonable to impose a civil penalty of \$2,500 for the failure to remove hydrocarbons from an Out-of-Service facility. (PRC, § 3236.5, subd. (a).)

C. Failure to include the Pipeline in Operator's Pipeline Management Plan

In determining the civil penalty amount for Operator's failure to include the Pipeline in its PMP, the Supervisor determined the violation to be "minor." The statutory penalty range for a minor violation is between \$0 and \$2,500. The Supervisor analyzed the eight factors identified in PRC section 3236.5, subdivision (a), and determined that the Operator's culpability and the economic benefit to Operator derived from excluding the Pipeline from the PMP were significant factors in establishing a civil penalty. In omitting the Pipeline from its PMP, Operator circumvented mandatory testing and regulatory compliance for the Pipeline, which contributed directly to the oil spill. Therefore, the Supervisor determined that it is reasonable to impose a civil penalty of \$2,000 for the failure to include the Pipeline in a PMP. (PRC, § 3236.5, subd. (a).)

Based on the oil spill which occurred at the Tank Farm because of Operator's failure to maintain and oversee the Pipeline, and with appropriate consideration of relevant factors as described in PRC section 3236.5, the Supervisor hereby imposes civil penalties totaling fourteen thousand five hundred dollars (\$14,500.00) for the three violations.

IV. Operator's Required Actions

For the reasons stated herein, pursuant to PRC sections 3013, 3106, 3236.5, and 3270, and Regulations sections 1777, 1773.5, and 1774.2, **IT IS HEREBY ORDERED** that within thirty (30) days Operator:

1) Pay civil penalties totaling fourteen thousand five hundred dollars (\$14,500.00).

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. When filling out the "order number" field, please type the order number followed by

1 the letter "O."

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

4 Department of Conservation
5 CalGEM, Attn: Operational Management Unit
6 715 P Street, MS 1803
7 Sacramento, California 95814

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

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

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

16 Department of Conservation
17 Director's Office of Appeals
18 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
19 Sacramento, California 95814

20 Or via electronic mail:

21 OfficeofAppeals@conservation.ca.gov

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

25 **Other Potential Actions to Enforce This Order**

26 Failure to comply with Section IV (Operator's Required Actions) of this order could
27 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor
28 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 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:

9/4/2025

Lindsey Miller

Lindsey Miller
CalGEM Enforcement Chief, on
behalf of the State Oil and Gas
Supervisor