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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
GEOLOGIC ENERGY MANAGEMENT DIVISION

ORDER TO PAY CIVIL PENALTIES AND PERFORM REMEDIAL WORK
NO. 1592

Operator: HOC CA, LLC (11564)

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, HOC CA, LLC (**Operator**) is the "operator" (as defined in PRC section 3009) of the "Portals 3 72-A" well (API 402906149), identified on **Attachment A**, incorporated herein (**the Well**), a disposal injection well (as defined in Regulations section 1720.1, subdivision (c)). As described in more detail below, under applicable provisions of Regulations sections 1724.10, 1724.10.1, and 1724.10.2, to maintain uninterrupted approval for injection activity, Operator was required to complete Mechanical Integrity Testing (MIT) Part One and Part Two on the Well by specified dates and failed to do so. As a result, Operator automatically lost approval to continue injection operations. (Regulations, § 1724.10, subd. (i)(4).) Operator was therefore required to cease injection into the Well, immediately notify CalGEM that it had not performed MIT Part One or Part Two on the Well, and disconnect the injection lines from the Well, and failed to do so in violation of Regulations sections 1724.10, 1724.10.1, 1724.10.2, 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, 1724.10.2, 1724.13, and 1777, the Supervisor is ordering Operator to (1) as soon as it is safe to do so, cease injection and disconnect the injection lines from the Well; and (2) within thirty (30) days of this Order pay civil penalties totaling one hundred twenty-eight thousand five hundred fifty dollars (\$128,550.00), imposed for violations of Regulations sections 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777.

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

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II. Alleged Acts/Omissions

"Any injection well, including a well not actively injecting, that is not tested as required under Sections 1724.10.1 and 1724.10.2 shall automatically lose approval to inject, and subsequent written approval from the Division is required to reinitiate injection." (Regulations, § 1724.10, subd. (i)(4).) Accordingly, to maintain uninterrupted injection approval for injection wells, that as of April 1, 2019, were previously subject to periodic casing pressure testing requirements, MIT Part One is required to be successfully completed on each such injection well every five (5) years (except for gas disposal wells). (Regulations, § 1724.10.1, subd. (e).) In addition, to maintain uninterrupted injection approval for injection wells, commencing April 1, 2019, MIT Part Two is required to be successfully completed on each such injection well every two (2) years, with certain exceptions, including "[d]isposal injection wells shall be tested at least once a year" and "[t]esting is required when requested by the Division, including as may be specified in the Project Approval Letter [PAL]." (Regulations, § 1724.10.2, subd. (b).)

In performing the testing, an operator 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 and/or MIT Part Two has not been timely performed or the results of such testing has not been provided. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (a)(1).) Further, an operator 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).)

On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder to Operator of the testing requirements set forth in Regulations sections 1724.10.1 and 1724.10.2, including an explanation that MIT Part One must be completed for subject wells by April 1, 2024, or other date per the testing frequency stated in the applicable PAL or Regulations, and commencing April 1, 2019, subsequent testing for MIT Part Two must be

1 completed at various frequencies depending on well type, to maintain uninterrupted
 2 approval for injection activity. (**Attachment C**, incorporated herein.)

3 During all times relevant to this Order, CalGEM's records indicate that the Well was a
 4 "disposal injection well" (as defined in Regulations section 1720.1, subdivision (c)), previously
 5 subject to periodic casing pressure testing requirements and, commencing April 1, 2019, was
 6 subject to annual MIT Part Two requirements. In addition, the Well is located within a health
 7 protection zone (HPZ, as defined in PRC section 3280, subdivision (b)).

8 Based on CalGEM's records, Operator last performed mechanical integrity tests on the
 9 Well as described in the table below.

API	Well Designation	Date of Previous MIT Part One	Date of Most Recent MIT Part One	Date of Previous MIT Part Two	Date of Most Recent MIT Part Two
402906149	Portals 3 72-A	7/17/2017	5/22/2024	6/26/2019	10/6/2020

14 As indicated, Operator failed to perform MIT Part One on the Well within five years from
 15 the previously successful test. In addition, Operator failed to perform MIT Part Two on the Well
 16 within one year from the most recently successful test.

17 After the first instance of missing a testing due date, Operator automatically lost
 18 approval for injection into the Well, and Operator would have continued to lack injection
 19 approval unless subsequent written approval from CalGEM was provided. (Regulations, §§
 20 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.10.2, 1724.13, subd. (b).).

21 On April 5, 2024, CalGEM staff sent a courtesy notice, via email, to Operator alerting
 22 Operator that it had been identified as (1) having one or more injection wells with an active
 23 status and (2) having failed to notify CalGEM of ceasing injection operations or a record of a
 24 passing MIT Part One for its injection well(s). (**Attachment D**, incorporated herein.).

25 Based on Operator's self-reported injection activity, and as indicated in the table
 26 below, Operator continued injection into the Well for a total of 593 days of unauthorized
 27 injection during the specific dates addressed in this Order.

1 API	2 Well Designation	3 Date Ranges for Civil Penalties	4 # Days of 5 Unauthorized 6 Injection for Civil 7 Penalties
4 402906149	5 Portals 3 72-A	6 Due to MIT Part One Non-Compliance: 7 April 2024 8 Due to MIT Part Two Non-Compliance: 9 September 2023 – July 2025	593
		Total Days:	

10 Following the loss of injection approval for the Well, Operator also failed to notify
 11 CalGEM of ceasing injection into the Well, not timely performing a successful MIT, a well status
 12 change, and failed to demonstrate that injection lines had been disconnected from the Well
 13 in violation of Regulations sections 1724.10, 1724.10.1, 1724.13, and 1777.

14 As of the date of this Order, CalGEM does not have any records from Operator
 15 demonstrating that the overdue MIT Part Two has been performed on the Well.

16 III. Civil Penalties

17 Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section
 18 3236.5, by this Order the Supervisor imposes on Operator administrative civil penalties totaling
 19 one hundred twenty-eight thousand five hundred fifty dollars (\$128,550.00) as follows:

21 Violation Description	22 Number of Violations	23 Civil Penalty Amount Per Violation	24 Total Civil Penalties Amount
23 Injection into well without injection 24 approval located within an HPZ 25 before July 1, 2024 (collectively, Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subds. (a) & (e), 1724.10.2, subds. (a)-(b), 1724.13, subd. (a)(1); see also PRC § 3280, subd. (b))	24 204	25 \$200.00	26 \$40,800.00

1	Injection into well without injection approval located within an HPZ on or after July 1, 2024 (collectively, Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subds. (a) & (e), 1724.10.2, subds. (a)-(b), 1724.13, subd. (a)(1); see also PRC § 3280, subd. (b))	389	\$225.00	\$87,525.00
6	Failure to disconnect injection lines from a well without injection approval within an HPZ on or after July 1, 2024 (Regulations, § 1777, subd. (c)(4); see also PRC § 3280, subd. (b))	1	\$225.00	\$225.00
9	Total Civil Penalties: \$128,550.00			

11 For purposes of this Order, the Supervisor considered relevant circumstances when
 12 establishing the amount of the administrative civil penalties, including: characterizing the
 13 violations as "minor" (as defined in PRC section 3236.5, subdivision (b)), the eight factors
 14 identified in PRC section 3236.5, subdivision (a), the Well is within an HPZ, and the extended
 15 ongoing period of non-compliance as well as the mandated regulatory assessment of daily
 16 penalties for unauthorized injection pursuant to Regulations section 1724.13, subdivision (c).

17 In addition, the Supervisor is exercising his discretion to limit the civil penalties imposed
 18 by this Order to violations for unauthorized injection which occurred after April 1, 2024, for MIT
 19 Part One non-compliance, and after September 8, 2023 (date of NTO 2023-09), for MIT Part
 20 Two non-compliance, based on self-reported injection activity through July 2025. These date
 21 ranges only include days of unauthorized injection once even though both MIT Part One and
 22 MIT Part Two were overdue at times. Also, with respect to violations within an HPZ, many of
 23 these days occurred as of the effective date of PRC section 3280 (and related provisions),
 24 June 27, 2024. For purposes of this Order, the Supervisor is increasing the civil penalty for each
 25 such violation beginning July 1, 2024. Further, regardless of the number of days of unauthorized
 26 injection, the Supervisor is imposing a civil penalty for only one violation of Regulations section
 27 1777, subdivision (c)(4), for failure to disconnect injection lines.

Nothing in this Order is intended nor shall it be construed to limit or preclude CalGEM from taking any action authorized by law, including imposing civil penalties for the other unauthorized injection violations not addressed by this Order.

IV. Operator's Required Actions

For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3224, and 3236.5, and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777, **IT IS HEREBY ORDERED** that Operator:

- 1) As soon as it is safe to do so, cease injection and disconnect the injection lines from the Well; and
- 2) Pay civil penalties in the amount of one hundred twenty-eight thousand five hundred fifty dollars (\$128,550.00).

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

To remit payment of the civil penalties online, please visit

To remit payment of the civil penalties 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 18-03
Sacramento, California 95814

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

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

Injection into wells without current injection approval shall not resume without subsequent written approval from CalGEM. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.10.2, 1724.13, subd. (b).)

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 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 email to OfficeofAppeals@conservation.ca.gov or 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

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.

VI. Other Potential Actions to Enforce This Order

Failure to comply with Section IV (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 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

1 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
2 distinct offense. (PRC, § 3359.)

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5 DATED: 1/15/2026

Lindsey Miller

6 Lindsey Miller
7 CalGEM Enforcement Chief, on
8 behalf of the State Oil and Gas
9 Supervisor

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