

1 Department of Conservation, Geologic Energy Management Division
2 Doug Ito
3 STATE OIL AND GAS SUPERVISOR
4 715 P Street, MS 19-06 (Legal Office)
5 Sacramento, California 95814
6 Telephone (916) 323-6733
7

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. 1634**
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18 **Operator: UYBC, LLC**
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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, UYBC, LLC (**Operator**) is the "operator" (as defined in PRC, § 3009) and is responsible for the Wells and associated Production Facilities at Assessor's Parcel Number (APN) 183-190-18 in Kern County ("**Site**" or "**Stanford Lease**"). Prior to being contacted by the Bureau of Land Management (BLM) on or about September 12, 2025, CalGEM's information and belief was that the Site was shuttered by the previous operator in 2018.

Attachment A, incorporated herein, contains a list of CalGEM's best information pertaining to Wells and Facilities at the Site.

CalGEM staff conducted inspections of the property on October 1, 2025, October 22, 2025, and April 27, 2026, and observed that the Site contained two active Wells, one inactive shut-in Well, one cancelled Well, two Baker tanks, four Hyland tanks, and other infrastructure including a flare, separator, heater, compressor, and a travel trailer on the property, among other things. CalGEM staff conducted inspections of the Wells and Facilities and observed conditions that pose an immediate threat to life, health, property, and natural resources, due to Operator's lack of reporting, monitoring, testing, maintenance and adherence to safety standards and requirements.

As described in more detail below, CalGEM staff documented more than seventy-five (75) violations at the Site. On or about January 15, 2026, the Supervisor issued Order No. 1593 requiring Operator to immediately cease all oil and gas related operations and perform remedial work to bring the Wells and Facilities into compliance with CalGEM's statutory and regulatory framework for safely conducting oil and gas operations.

1 As of the date of this Order, CalGEM does not have any records from Operator
2 demonstrating that the violations listed in Order No. 1593, nor those described below, have
3 been corrected. Therefore, pursuant to PRC sections 3013, 3106, 3200, 3201, 3202, 3204, 3205.2,
4 3205.3, 3205.8, 3224, 3226, 3270 and 3300, and Regulations sections 1722, 1722.1, 1722.1.1,
5 1722.9, 1765.5, 1765.9, 1771, 1773.1 1773.2, 1773.3, 1773.4, 1775, 1777, 1777.2, and 1777.3, the
6 Supervisor is ordering Operator to pay a civil penalty for each of the seventy-five (75)
7 violations.

8 **Attachment B**, incorporated herein, contains a list of definitions and authorities that are
9 applicable to this order.

10 **II. Alleged Acts and Omissions**

11 CalGEM records reflect Operator's ongoing failure to remediate and a pattern of
12 recurring and persisting violations. On October 1, 2025, CalGEM staff first inspected the Lease
13 after learning of active oil and gas operations from BLM. CalGEM staff observed multiple
14 violations, including evidence of past and ongoing leaks of crude oil, staining, and leaking
15 tanks containing unknown fluids that are open to the atmosphere at numerous points. On
16 October 22, 2025, CalGEM staff again inspected the Site and observed changes in the tanks'
17 fluid levels, indicating ongoing activity on the Site and exacerbating the potential for
18 environmental harm.

19 In consideration of the ongoing non-compliant activity, the Supervisor determined that
20 an emergency exists and issued Cease and Desist Order No. 1593 (**Cease and Desist Order**) on
21 January 15, 2026, included as **Attachment C**, incorporated herein. CalGEM staff sent a copy of
22 Order 1593 via e-mail to Operator on January 15, 2026 and again on January 28, 2026.
23 Operator responded via e-mail on February 3, 2026. On April 1, 2026, CalGEM personally
24 served the Cease and Desist Order to Operator's address. On April 27, 2026, CalGEM staff
25 again inspected the site and noted changed fluid levels in the tanks, however, Operator did
26 not conduct any of the remediation work required by Order 1593. The violations at issue are
27 identified below.

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1 **A. Tank Violations**

2 **1. Failure to Provide Adequate Secondary Containment (Regulations, § 1773.1)**

3 Regulations section 1773.1, subdivision (a), requires all production facilities that store or
4 process fluids, such as tanks, to have secondary containment. Failure to have secondary
5 containment poses a threat of contaminating soil, groundwater and/or drinking water, or
6 otherwise presents a public nuisance, because there is no barrier preventing the release of
7 hazardous materials into the environment posing a significant risk of harm.

8 On October 1, 2025 and April 27, 2026, CalGEM staff observed all six tanks to have no
9 secondary containment.

10 **2. Tanks Too Close Together (Regulations, § 1773.2, subd. (a))**

11 Regulations section 1773.2 subdivision (a) requires tanks to be constructed and situated
12 to provide enough space between them to allow safe access for maintenance, inspection,
13 testing and repair. On October 1, 2025, CalGEM staff observed the Baker tanks placed too
14 close together in violation of Regulations section 1773.2, subdivision (a). On April 27, 2026,
15 CalGEM staff observed the Baker tanks to be in the same location as previously observed.

16 **3. Inadequate Foundation Which Does Not Direct Fluid Away from Tanks, and**
17 **Impermeable Barriers Do Not Cover Case of Tanks (Regulations, § 1773.2, subds.**
18 **(b), (d))**

19 Operators are required to have tanks with foundations designed to support the tank,
20 maintain the tank level, and drain fluid away from the tank, including fluids that may leak from
21 the tank. (Regulations, § 1773.2, subds. (b).) Subdivision (b) requires that tanks have an
22 impermeable barrier designed to prevent downward fluid migration and to allow leaks to
23 drain away from the tank to protect the environment and public safety. If a tank does not
24 have an impermeable barrier, the Supervisor or district deputy may require a tank bottom leak
25 detection system after considering such factors as the age of the tank, fluid service, and
26 proximity to groundwater. (Regulations, § 1773.2, subd. (d)). Tanks that lack adequate
27 impermeable barriers pose a significant risk of environmental harm via contamination due to
28 oil leaks.

1 CalGEM staff observed each of the six tanks to have inadequate impermeable barriers,
2 as evidenced by corrosion and pooled oil at the base of the tanks.

3 **4. Failure to Comply with Tank Maintenance and Inspections (Regulations, § 1773.3,**
4 **subd. (b))**

5 Pursuant to Regulations section 1773.3, subdivision (b), operators shall inspect in-service
6 tanks at least once a month for leakage, the general condition of the foundation, corrosion or
7 shell distortions, signs of foundation settling or erosion, and the condition of paint coatings,
8 among other things. Leaking tanks are required to be reported within 48 hours, taken out of
9 service and designated as such. (Regulations, § 1773.3, subd. (c).)

10 Failure to maintain production facilities and prevent leaks and spills through regular
11 inspections can result in the release of hazardous materials into the environment
12 contaminating soil, air, groundwater, drinking water. Oil spills and leaks also pose a threat to
13 livestock and wildlife, as well as create a fire hazard. Moreover, failure to report leaks impedes
14 CalGEM's ability to effectively supervise oil and gas production operations.

15 The requirement for Operator to maintain and inspect tanks applies to each of the six
16 tanks on the lease. CalGEM staff observed the Hyland tanks to be actively in-use, with
17 evidence of ongoing leaks of crude oil, such as staining and heavily saturated soil.
18 Using FLIR imaging, CalGEM staff observed the fluid level of the tanks to change over time. For
19 example, Tank 31645 went from approximately half full on October 1 to three-quarters
20 full October 22, indicating oil production activities. Tank 31645 showed fluid was drained
21 between October 22, 2025 and April 27, 2026. CalGEM does not have any records from
22 Operator reporting leaks from the above-referenced tanks or otherwise demonstrating that
23 the tanks have been inspected on a monthly basis. Thus, Operator failed to maintain and
24 inspect the six tanks in violation of Regulations section 1773.3, subdivision (b).

25 **5. Failure to Report Leaking Tanks (Regulations, § 1773.3, subd. (c))**

26 Regulations section 1773.3, subdivision (c), requires operators to report a leaking tank to
27 CalGEM within 48 hours, to take the leaking tank out of service, and to designate it as an Out-
28 of-Service tank.

1 Failure to report leaks impedes CalGEM's ability to effectively supervise oil and gas
2 production operations and address the release of hazardous materials into the environment,
3 potentially contaminating soil, air, groundwater and/or drinking water, or otherwise presenting
4 a public nuisance.

5 CalGEM staff observed leaking, on and/or around each of the four Hyland tanks.
6 During the October 1, 2025 inspection, CalGEM staff observed Tank 31645 and Tanks 31607 to
7 be leaking at the base and top of each tank. Operator failed to report the four leaking tanks
8 and failed to remove the leaking Hyland tanks from operation. (Regulations, § 1773.3, subd.
9 (c).)

10 **6. Tanks Improperly Labeled (Regulations, § 1773.3, subd. (a))**

11 Regulations section 1773.3, subdivision (a) requires all tanks to be identified with the
12 operator's tank identification number, tank type (production, stock, water, etc.), and with
13 appropriate hazard placards or labels. Improperly labeled tanks do not adequately warn
14 inspectors of potentially hazardous materials or identify the equipment. CalGEM staff observed
15 all six tanks to be improperly labeled.

16 **7. Failure to Comply with Tank Testing (Regulations, § 1773.4, subds. (a)-(g))**

17 Regulations section 1773.4 subdivisions (a) through (g) describes required tank wall
18 thickness and testing requirements. Tank wall inspections check levels of corrosion and set the
19 standard for tank wall thickness to ensure safety around the Facilities. Failure to repair tanks or
20 take leaking tanks out of service poses harm to both people and the environment. CalGEM
21 has no records of inspections for any of the six tanks identified on **Attachment A**.

22 For example, CalGEM staff observed unpainted patches and exposed corrosion
23 present on Hyland Tank 31645, as well as leakage at base of tank and at fitting near top of
24 tank.

25 **8. Tanks Installed without Notifying CalGEM (Regulations, § 1777.2, subds. (a) and** 26 **(b))**

27 Regulations section 1777.2, subdivision (a), requires that any operator acquiring the right
28 to operate a facility shall notify the local district office in writing within 30 days after finalizing

transfer. This writing must include the location, a unique alphanumeric tank identification number designated by the operator, the date the transaction became effective, and the lease name. Subdivision (b) requires operators to notify the local district office within 60 days after completing new construction, alteration, or decommissioning of a production facility, or reactivating an Out-of-Service tank.

CalGEM protects public safety and the health of the environment by monitoring oil and gas production. CalGEM cannot effectively serve this purpose when operators do not notify the division of important activities related to production facilities.

The Operator did not notify the local district office about the construction and alteration of any of the six tanks named in **Attachment A**.

9. Tanks Have Open Hatches Allowing Fugitive Emissions/Tanks Venting to Atmosphere (PRC, § 3300; Regulations, §1777, subd. (a))

Operators are required to maintain production facilities in good condition and in a manner to prevent leakage and safeguard life, health, property, and natural resources. In addition to public and environmental safety, it is unlawful for operators to unreasonably waste natural gas, either through acts or omission. (PRC, § 3300.) The release or escape of gas into the air is prima facie evidence of unreasonable waste.

Allowing gases from oil and gas production to leak directly into the atmosphere from open holes and hatches in equipment poses serious risk to health and natural resources.

CalGEM staff observed open holes on the following five tanks:

District	Facility (Component) ID	Facility (Component) Type
Central	Lic. 668856	Baker Tank (blue)
Central	31607	Hyland Tank (SE)
Central	31648	Hyland Tank (SW)
Central	31645	Hyland Tank (NE)

Central	31659	Hyland Tank (NW)
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Open holes allow fugitive methane emissions from the fluids in the tanks into the air. FLIR imaging shows substantial gas plumes being released into the atmosphere above multiple tanks.

10. Overflow Staining Observed on Tank Top, Over Sides and Reaching the Ground (Regulations, § 1777, subd. (a))

Regulations section 1777, subdivision (a), provides that “[o]perators 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.”

On inspection, CalGEM staff observed overflow stains on the following tank:

District	Facility (Component) ID	Facility (Component) Type
Central	31645	Hyland Tank (NE)

The tank has visible streaks of layers of overflow staining the top of the tank, over the sides and reaching the ground.

B. Well Violations

1. Failure to Maintain Cellar Cover and Keep Well Cellar Drained (Regulations, § 1777, subd. (c)(3))

The well cellar is an excavated area around the wellhead that provides space for equipment at the top of the wellbore. Operators are required to keep well cellars properly covered and drained. (Regulations, § 1777, subd. (c)(3).)

Failure to keep well cellars drained poses a potential threat to people, livestock, and wildlife in the event of becoming entrapped. Wellhead valves and casing submerged in fluid can corrode over time, making valves inoperable and compromising the integrity of the equipment. Failure to properly cover well cellars with grating or flooring in good condition creates a risk to humans and animals of falling into a subsurface enclosure upon which escape may be difficult or impossible.

1 During inspection, CalGEM staff observed violations of Regulations section 1777,
 2 subdivision (c)(3), at the following Wells:

API	Well Designation
0403043515	BLM 1-19
0403044343	BLM 2-19

6 The gaps in covering of Wells BLM 1-19 and BLM 2-19 are large enough to allow wildlife
 7 to enter. CalGEM observed fluids in the Well cellars of BLM 1-19 and BLM 2-19.

8 **2. Failure to Maintain Wells and Facilities in Accordance with Good Oilfield**
 9 **Practices (Regulations, § 1722, subd. (a))**

10 Required maintenance of production facilities includes removal of weeds and debris
 11 from secondary containment areas. (Regulations, § 1777, subds. (a) and (c)(2).) Weeds and
 12 debris can: (1) obstruct view of the secondary containment, making detection of
 13 compromised secondary containment difficult; (2) present a fire hazard; and (3) compromise
 14 containment integrity and capacity. If an Operator has failed to remove weeds and/or debris
 15 from the secondary containment, they have failed to conduct maintenance, as required.
 16 Operators are required to clear brush around wells to protect public safety and prevent fire
 17 hazards.

18 CalGEM staff observed weeds, bushes and dry brush on and near the following Well
 19 cellars:

API	Well Designation
0403043515	BLM 1-19
0403044343	BLM 2-19
0403046156	BLM 4-19

24 CalGEM staff observed dry brush in close proximity to pressurized gas lift systems for
 25 Wells BLM 1-19 and BLM 2-19, which is a fire hazard of high concern.

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3. High Pressure Wells Require a Blowout Prevention Plan (Regulations, § 1722, subd. (c))

High pressure wells require a blowout prevention and control plan. (Regulations, § 1722, subd. (c).) CalGEM staff recorded high pressures on the gauges of the following Wells:

API	Well Designation
0403043515	BLM 1-19
0403044343	BLM 2-19

The gauge on BLM 1-19 showed approximately 830 PSI, which is considered high pressure and requires a blowout prevention and control plan including provisions for duties, training, supervision, and schedules for testing equipment and performing personnel drills. BLM 2-19 shows approximately 850 PSI. The Operator has submitted no plans to the appropriate Division district deputy for approval.

4. Well Emitted Audible Hissing Sound Indicating Leak (Regulations, § 1722, subd. (a))

Operators are required to maintain production facilities, in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources and conduct operations in accordance with good oilfield practice. (Regulations, § 1722, subd. (a).)

Failure to maintain production facilities and prevent leaks through regular inspections can result in the release of hazardous materials into the environment that pose a threat to people, livestock, and wildlife as well as create a fire hazard.

During inspection on October 1, 2025, CalGEM staff heard an audible hissing sound and detected a prominent odor indicating a leak of the following Well:

API	Well Designation
0403044343	BLM 2-19

During inspection on April 27, 2026, staff observed that the methane gas leak from the valve of BLM 2 -19 was not remedied.

5. Well Lacks Proper Signage (Regulations, § 1722.1.1, subd. (a))

Regulations section 1722.1.1, subdivision (a) requires operators to maintain signs identifying wells on the premises from the time the well is drilled until the well is plugged and abandoned. During inspection, CalGEM staff observed the following Well to lack a Well sign:

API	Well Designation
0403046156	BLM 4-19

C. Additional Lease Violations

1. Leaking Fluids and Oil-Stained Soil Throughout Site (Regulations, § 1777, subd. (a))

Regulations section 1775, subdivision (a) requires “oilfield wastes, such as oil, water, and chemicals, to be disposed of in a manner as not to cause damage to life, health, property, freshwater aquifers or surface waters, or natural resources, or be a menace to public safety.” Operators must maintain production facilities in good condition and in a manner to prevent leakage and corrosion. (Regulations, § 1777, subd. (a).)

Failure to do so may lead to leakage or corrosion which endangers life, health, property, and natural resources. Oilfield waste and attendant fluids pose a threat to people, livestock, and wildlife, as well as creates a fire hazard. The site experiences high winds, and while situated in what the Office of the State Fire Marshal (Cal Fire) deems a Moderate Fire Severity Zone, it is adjacent to Very High Fire Severity Zone and immediately adjacent to the Midway-Sunset Field, a large and densely developed oil and gas field, which represents high potential for fire hazard. CalGEM staff observed burn scars at the Site.

CalGEM staff observed leaking fluids and oil-stained soil throughout the Site. Soil with oil stains was observed near the Baker tanks, the Hyland tanks, and around the gas lift pump.

2. Discharge of Fluids Outside of Containment (Regulations, § 1775, subd. (a))

Regulations section 1775, subdivision (a) requires oilfield wastes, such as oil, water, and chemicals, to be disposed of in such a manner as not to cause damage to life, health, property, freshwater aquifers or surface waters, or natural resources.

1 During CalGEM's inspections, staff observed discharge paths of fluid at the site. The
2 texture and discoloration of the soil in these discharge paths indicate discharge of fluids
3 outside of containment. Further oil leaks and stained soil were repeatedly observed
4 throughout the Site.

5 **3. Unauthorized Use of Unlined Channels or Ditches to Transport Wastewater or Oil**
6 **(Regulations, § 1771)**

7 Regulations section 1771 prohibits transporting wastewater or oil using unlined channels
8 and ditches. Failure to properly dispose of oil or oily water using unlined channels poses a
9 threat of contaminating soil, groundwater and/or drinking water, or otherwise presenting a
10 public nuisance, because there is no surface barrier. Moreover, failure to properly cover oil or
11 oily water being disposed of using unlined channels poses a threat to livestock and/or wildlife
12 for the reasons noted above. Acceptable methods for disposal include injection into an
13 approved injection or disposal well or transfer to another operator capable of carrying out
14 proper disposal.

15 During CalGEM's inspections, staff observed several potential discharge paths of
16 produced water via an unlined, unnetted channel in violation of Regulations section 1771. In
17 addition, based on information and belief, the discharged oily water flows downstream
18 intersecting with a stream of flowing water.

19 CalGEM does not have any records from Operator demonstrating CalGEM's approval
20 or that otherwise ensure the use of the channel does not pose a hazard.

21 **4. Refuse and Waste Observed Near Tanks and Wells (Regulations, § 1775, subd.**
22 **(c))**

23 Operators are required to dispose of oilfield wastes, including but not limited to oil,
24 water, chemicals, mud, and cement, "in such a manner as not to cause damage to life,
25 health, property, freshwater aquifers or surface waters, or natural resources, or be a menace
26 to public safety," pursuant to Regulations section 1775, subdivision (a). Following Regulations
27 section 1775, subdivision (c), operators must remove and store unused equipment and scrap
28 attendant to oilfield operations so as to not cause damage.

1 Leaving trash and other waste materials attendant to oilfield operations without
 2 disposing of them properly can injure people and contaminate the environment.

3 On inspection, CalGEM staff observed refuse and waste near tanks, including pallets,
 4 tires, and a steel grated step. As mentioned in detail above, staff also observed oil-stained soil
 5 on the site. CalGEM staff also observed two additional piles of refuse including rods, pipes, a
 6 yellow bucket containing an unknown substance, vacuum hoses, and other oilfield refuse was
 7 observed 65 feet east of the travel trailer. During inspection on April 27, 2026, staff noticed
 8 pipes, gas cylinders, unions, plastic bags and rods left in the area around the travel trailer.

9 **D. Process and Administrative Violations**

10 **1. Failure to Designate an Agent (PRC, § 3200)**

11 PRC section 3200 requires operators to designate an agent to receive service of all
 12 orders and notices of the supervisor or a court of law. It is vital that operators provide agents'
 13 addresses for CalGEM to properly communicate and regulate oil and gas facilities and
 14 operations. Failing to designate an agent hinders CalGEM's ability to protect public safety.
 15 Operator did not appoint an agent nor otherwise made its ownership and operations known
 16 to CalGEM.

17 **2. Failure to Notify Supervisor of Well Acquisition and Operation (PRC, §§ 3201, 3202)**

18 PRC section 3201 requires an operator to notify the supervisor or the district deputy, in
 19 writing, of the sale or transfer of a well or production facility no later than the date the
 20 acquisition becomes final.

21 As of the date of this Order, CalGEM has not received notification of the sale or
 22 operation of the following Wells:

API	Well Designation
0403043515	BLM 1-19
0403044343	BLM 2-19
0403046156	BLM 4-19

1 **3. Failure to File a Spill Contingency Plan (Regulations, §§1722, subd. (b), 1722.9**
2 **subds. (a)-(n))**

3 Regulations section 1722 subdivision (b) required operators to develop and file a spill
4 contingency plan within three months of after initial production or acquisition of a facility.
5 Regulations section 1722.9, subdivisions (a) through (n), list the required components of a spill
6 contingency plan, including important emergency information, such as a checklist for use
7 during initial stages of a spill response, 24-hour emergency contacts, a list of available personal
8 safety equipment and maintenance frequency, among others.

9 Failure to have a spill contingency plan hinders the ability to prevent and respond to
10 unauthorized releases. Without such a plan, Operators and CalGEM will not have access to
11 emergency contacts, the location of safety equipment, a map identifying access roads for
12 emergency response, drainage flow direction, and other critical information.

13 As of the date of this Order, Operator has not submitted a spill contingency plan for the
14 Site.

15 **4. Failure to File Appropriate Bonding (PRC, §§ 3202, subd. (a)(5), 3204, 3205.2,**
16 **3205.3; 3205.8; Regulations, § 1722.1)**

17 Every person who acquires the right to operate any well must file an indemnity or cash
18 bond, with his or her own name or company as principal, in the appropriate amount based on
19 well depth to cover obligations covered under the previous operator's bond. (Regulations, §
20 1722.1) An indemnity bond for each well is required at the time of acquisition of the well. (PRC
21 § 3202, subd. (a)(5), 3204) For a class II commercial wastewater disposal well, operators must
22 comply with section 3205.2. As applicable, operators may be required to provide an
23 additional amount of security based on the division's evaluation of the risk that the operator
24 will desert its wells and the potential threats the operator's wells pose to life, health, property,
25 and natural resources. (PRC §3205.3) No later than the date of the acquisition of the well or
26 production facility becomes final, the operator must file with the supervisor individual
27 indemnity bonds or a blanket indemnity bond for multiple wells or production facilities in an
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amount determined by the supervisor to be sufficient to cover all costs of plugging and abandonment, decommissioning of the facility, and site restoration. (PRC, §3205.8.)

Operator has not complied with the bonding requirements for the following Wells:

API	Well Designation
0403043515	BLM 1-19
0403044343	BLM 2-19
0403046156	BLM 4-19

5. Failure to Submit Required Notice of New Production Facilities (Regulations, § 1765.5)

Operators must submit a Notice of New Production Facilities to CalGEM prior to new construction or operation of tanks, separators, gas compressors, flares, gas treatment, and other equipment. (Regulations, §§ 1765.5, 1765.5.1.)

On inspection, CalGEM staff documented equipment and production facilities including two Baker tanks, four Hyland tanks, and other infrastructure including a separator, heater, compressor, and an unpermitted flare, among other things. As of the date of this Order, CalGEM has not received Operator's required notice.

6. Failure to Provide a Statement of Determination that the Location is Not within a Health Protection Zone (Regulations, § 1765.9)

Operators must demonstrate to CalGEM that the location is not within a Health Protection Zone under Regulations section 1765.9. CalGEM has not received such a statement from the Operator to date.

7. Failure to Comply with Production Facility Reporting Requirements (Regulations, § 1777.2, subds. (a), (b))

Section 1777.2, subdivision (a) requires operators to notify the local district office, in writing, within 30 days after finalizing the sale or transfer with the facility lease name, location, unique alphanumeric tank identification number designated by the operator, and the date the transaction became effective. Subdivision (b) requires operators to give a notification report that describes any production facilities that have been added, altered or

1 decommissioned. Here, Operator installed the tanks and attendant facilities without notifying
2 CalGEM and has not reported its acquisition to date.

3 **8. Failure to Maintain and Submit Records of Production Facilities (Regulations, §**
4 **1777.3, subds. (a)-(c))**

5 Operators must maintain records of construction, installation, maintenance and repair
6 operations, tests, and inspections, pursuant to Regulations section 1777.3, subdivision (a).
7 Subdivision (b) describes what documentation must be included in the records. Subdivision (c)
8 requires that those records be available for review by the Supervisor or his or her representative
9 and must either maintain the records at the operator's local office at all times during regular
10 business hours or send copies of the documentation to the local Division district office upon
11 request. CalGEM previously requested of Operator to "maintain and submit records of
12 production facilities" in the Cease and Desist Order. (**Attachment C.**)

13 As of the date of this Order, Operator has failed to maintain or provide records of
14 construction, installation, maintenance, repair and inspections of the Site.

15 **9. Failure to Prepare and Submit a Preventative Maintenance Plan (Regulations, §**
16 **1777, subd. (b))**

17 Operators must create and follow a written preventative maintenance program plan.
18 (Regulations § 1777, subd. (b).) Such plans include the level of usage and wear of the
19 production facilities, the age of equipment, climate conditions where the equipment is
20 located, industry standards for maintenance and corrosion prevention, and manufacturers'
21 maintenance recommendations or guidelines. (Regulations, § 1777, subds. (b)(1)-(b)(5).)

22 Preventative maintenance program plans help prevent corrosion and leakage and are
23 part of Operator's requirement to maintain production facilities in good condition. Failure to
24 establish or comply with a plan poses a safety risk for the Site.

25 CalGEM has no records of Operator's preparation or submission of a preventative
26 maintenance plan as of the date of this Order.

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III. Civil Penalty

Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator an administrative civil penalty totaling six hundred and fifty-five thousand dollars (\$655,000.00) for the seventy-five (75) violations.

Violation Description	Number of Violations	Civil Penalty Amount per violation	Total Civil Penalty
Failure to Provide Adequate Secondary Containment (Regulations, § 1773.1)	6	\$10,000	\$60,000
Tanks Too Close Together (Regulations, § 1773.2, subd. (a))	1	\$2,500	\$2,500
Inadequate Foundation Which Does Not Direct Fluid Away from Tanks, and Impermeable Barriers Do Not Cover Base of Tanks (Regulations, § 1773.2, subds. (b),(d))	6	\$10,000	\$60,000
Failure to Comply with Tank Maintenance and Inspections (Regulations, § 1773.3, subd. (b))	6	\$10,000	\$60,000
Failure to Report Leaking Tanks (Regulations, § 1773.3, subd. (c))	4	\$15,000	\$60,000
Tanks Improperly Labeled (Regulations, § 1773.3, subd. (a))	6	\$2,500	\$15,000
Failure to Comply with Tank Testing (Regulations, § 1773.4, subds. (a)-(g))	6	\$7,500	\$45,000
Tanks Installed without Notifying the Division (Regulations, § 1777.2, subds. (a), (b))	6	\$2,500	\$15,000
Tanks Have Open Hatches Allowing Fugitive Emissions/Tanks Venting to Atmosphere (PRC, § 3300; Regulations, §1777, subd. (a))	5	\$20,000	\$100,000
Overflow Staining Observed on Tank Top, Over Sides and Reaches the Ground (Regulations, § 1777, subd. (a))	1	\$20,000	\$20,000

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Failure to Maintain Cellar Cover and Keep Well Cellar Drained (Regulations, § 1777, subd. (c)(3))	2	\$5,000	\$10,000
Failure to Maintain Wells and Facilities in Accordance with Good Oilfield Practices (Regulations, § 1722, subd. (a))	3	\$2,500	\$7,500
High Pressure on Well Requires a Blowout Prevention Plan (Regulations, § 1722, subd. (c))	2	\$5,000	\$10,000
Well Emitted Audible Hissing Sound Indicating Leak (Regulations, § 1722, subd. (a))	1	\$10,000	\$10,000
Wells Lack Proper Signage (Regulations, § 1722.1.1(a))	1	\$2,500	\$2,500
Leaking fluids and Oil-Stained Soil Throughout Site (Regulations, §§ 1775, subd. (a), 1773.3, subd. (b)(1), 1777, subd. (a))	1	\$20,000	\$20,000
Discharge Outside of Containment (Regulations, §1775, subd. (a))	2	\$20,000	\$40,000
Unauthorized Use of Unlined Channels or Ditches to Transport Wastewater or Oil (Regulations, § 1771)	2	\$20,000	\$40,000
Refuse and Waste Observed Near Tanks and Wells (Regulations, § 1775, subds. (a) and (c))	1	\$10,000	\$10,000
Failure to Designate an Agent (PRC, § 3200)	1	\$10,000	\$10,000
Failure to Notify Supervisor of Well Acquisition and Operation (PRC, §§ 3201, 3202)	3	\$2,500	\$7,500
Failure to File a Spill Contingency Plan (Regulations, §§ 1722, subd. (b), 1722.9 subds. (a)-(n))	1	\$5,000	\$5,000
Failure to File Appropriate Bonding (PRC, §§ 3202, subd. (a)(5), 3204, 3205.2, 3205.3; 3205.8; Regulations, § 1722.1)	3	\$7,500	\$22,500

1	Failure to Submit Required Notice of New Production Facilities (Regulations, § 1765.5)	1	\$5,000	\$5,000
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3	Failure to Provide a Statement of Determination that the Location is Not within a Health Protection Zone (Regulations, § 1765.9)	1	\$2,500	\$2,500
4				
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6	Failure to Comply with Production Facility Reporting Requirements (Regulations, § 1777.2, subds. (a), (b))	1	\$5,000	\$5,000
7				
8	Failure to Maintain and Submit Records of Production Facilities (Regulations, § 1777.3, subds. (a)-(c))	1	\$5,000	\$5,000
9				
10	Failure to Prepare and Submit a Preventative Maintenance Plan (Regulations, § 1777, subd. (b))	1	\$5,000	\$5,000
11				
12				
13			Total Civil Penalty:	\$655,000

14 For purposes of this Order, as described in more detail below, the Supervisor considered
 15 relevant circumstances when establishing the amount of the administrative civil penalty. In
 16 determining the civil penalty amounts, the Supervisor determined all violations to be "major"
 17 pursuant to PRC section 3236.5, subdivision (b)(2)(A). This determination is based on an analysis
 18 of the eight factors identified in PRC section 3236.5, subdivision (a), the ongoing period of non-
 19 compliance and Operator's willful ignorance of Order No. 1593 which required Operator to
 20 cease and desist all oil and gas operations until bringing the Wells and Facilities into full
 21 compliance.

22 **Civil Penalties Determination Methodology**

23 The Supervisor exercises discretionary civil penalty authority to incentivize compliance.
 24 The Supervisor's fundamental policy objective is to set a penalty amount that is appropriately
 25 proportioned to the violation at issue. PRC section 3236.5, subdivision (a), provides that when
 26 establishing the amount of the penalty pursuant to this section, the supervisor shall consider, in
 27 addition to other relevant circumstances, all of the following:

- 28 (1) The extent of harm caused by the violation;

- 1 (2) The persistence of the violation;
- 2 (3) The pervasiveness of the violation;
- 3 (4) The number of prior violations by the same violator;
- 4 (5) The degree of culpability of the violator;
- 5 (6) Any economic benefit to the violator resulting from the violation;
- 6 (7) The violator's ability to pay the civil penalty amount, as determined based on
- 7 information publicly available to the division; and
- 8 (8) The supervisor's prosecution costs

9 **a) Characterization as "major," "minor," or "well stimulation" violation**

10 For purposes of this Order, the Supervisor considered relevant circumstances, including
11 whether to characterize the violations as "major" or "minor" (as defined in PRC section 3236.5,
12 subdivision (b)) and is setting a penalty amount proportionate to the circumstantial
13 importance of all relevant factors identified in PRC section 3236.5, subdivision (a). A major
14 violation is a violation that is not a well stimulation violation and that is one or more of the
15 following: (i) a violation that results in harm to persons or property or presents a significant
16 threat to human health or the environment; (ii) a knowing, willful, or intentional violation; (iii) a
17 chronic violation or one that is committed by a recalcitrant violator, indicated by the violator
18 engaging in a pattern of neglect or disregard with respect to applicable requirements. The
19 civil penalty amount for a major violation shall be not less than two thousand five hundred
20 dollars (\$2,500.00) per violation and not more than twenty-five thousand dollars (\$25,000.00)
21 per violation. In determining the civil penalty amounts for Operator's violations, the Supervisor
22 determined the violations committed by Operator to be "major" pursuant to PRC section
23 3236.5, subdivision (b)(2)(A) because each caused actual harm or posed a significant threat
24 of harm to human health and the environment; were "knowing, willful or intentional" violations;
25 and, the Operator is considered "recalcitrant" for engaging in a pattern of neglect or
26 disregard of the applicable requirements and Order. No. 1593.

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1 **b) PRC section 3236.5 factors analysis**

2 In determining penalty amounts calibrated to incentivize compliance in a manner
3 appropriately proportional to the circumstances and specific violations, the Supervisor
4 considered the eight statutory factors identified in PRC section 3236.5, subdivision (a), to
5 determine which were important for setting an appropriate penalty amount for Operator's
6 violations. The Supervisor determined that:

7 1) "Extent of harm"

8 Operator's conduct poses actual harm and/or a significant threat of harm to human
9 health and the environment and is an important factor in setting the penalty amounts.
10 Operator's conduct circumvents strict engineering controls that, when implemented, reduce
11 risks from oil and gas operations. As stated above, past and ongoing leaks of crude oil, leaking
12 tanks containing unknown fluids that are open to the atmosphere and confirmed methane
13 leaks caused and continue to cause environmental contamination. Furthermore, at the
14 location, the high risk of fire hazards and evidence of fire is of high concern.

15 2) "Persistence"

16 The Supervisor determined that persistence was an important factor in setting penalty
17 amounts, because on three occasions CalGEM staff observed the Site and documented
18 evidence of continuing noncompliant operations. Operator's failure to comply with the Cease
19 and Desist Order, and its failure to remediate violations for which Operator was aware
20 demonstrates Operator's long-term noncompliance.

21 3) "Pervasiveness"

22 The Supervisor determined that pervasiveness was not an important factor in setting the
23 penalty amount for the violations.

24 4) "Prior violations"

25 The Supervisor determined prior violations was an important factor in setting the penalty
26 amounts for the violations. In calculating the penalty amount, the Supervisor considered the
27 violations to be the same as prior violations.

28 5) "Culpability"

1 The Supervisor determined that culpability was an important factor in setting the
2 penalty amount for each of the violations. The Supervisor determined Operator's degree of
3 culpability to be high because Operator had responsibility for the Wells and Facilities and for
4 timely completing remedial work in a manner consistent with regulatory requirements.
5 Operator failed to fulfill its statutory and regulatory obligations by continuing to operate with
6 consistent disregard for safety standards, thus the Supervisor determined Operator's culpability
7 to be high.

8 6) "Economic benefit"

9 The Supervisor determined that economic benefit was an important factor in setting the
10 penalty amount for the violations. Operator received an economic benefit by not conducting
11 the required work and by continuing to operate the Wells in violation of regulatory
12 requirements. In the alternative, Operator would have had to shut-in the Wells and bear any
13 expense associated with remediating its operations.

14 7) "Ability to pay"

15 This was not an important factor in setting the penalty amount for the violations.

16 8) "Prosecution costs"

17 The Supervisor determined this was not an important factor in setting the penalty
18 amounts. The Supervisor determined that adjustment of the penalty amount based on
19 prosecution costs is unnecessary in this instance.

20 In sum, working within the two thousand five hundred dollars (\$2,500.00) and twenty-five
21 thousand dollars (\$25,000) statutory penalty range for a major violation, the Supervisor
22 assessed the civil penalty for each of the separate violations based upon a careful analysis of
23 the above eight (8) factors, and determined that the civil penalty amounts listed above in
24 Section III are appropriately proportional to the circumstances and specific violations.

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

26 For the reasons stated above, pursuant to PRC sections 3013, 3106, 3200, 3201, 3202, 3204,
27 3205.2, 3205.3, 3205.8, 3224, 3226, 3270 and 3300, and Regulations sections 1722, 1722.1,
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1 1722.1.1, 1722.9, 1765.5, 1765.9, 1771, 1773.1 1773.2, 1773.3, 1773.4, 1775, 1777, 1777.2, and
2 1777.3, **IT IS ORDERED** that Operator must:

3 **1) Immediately cease all oil and gas production operations until CalGEM authorizes**
4 **Operator to resume pursuant to Cease and Desist Order No. 1593.** Operator shall
5 not resume operations without written approval from CalGEM confirming that
6 the violations have been corrected.

7 In ceasing operations, Operator shall ensure that all necessary steps are taken such that
8 the Wells and Facilities do not pose a risk to public health or safety or the environment in their
9 non-operational status, including shutting-in wells, draining and disposing of fluids,
10 decommissioning tanks, and isolating pipelines. After shutting-in wells, designating tanks Out-
11 of-Service, and isolating pipelines, Operator shall provide written notification via email to:
12 Dustin Leavitt, Dustin.Leavitt@conservation.ca.gov. The notification(s) shall include a detailed
13 description of how the Wells and Facilities were shut-in, facilities drained and designated Out-
14 of-Service, and any pipelines that were isolated.

15 **2) Pay a civil penalty totaling six hundred and fifty-five thousand dollars (\$655,000)**
16 **within thirty (30) days from the date this Order is issued.** Violations and penalties
17 may continue to accrue if these requirements are not addressed to CalGEM's
18 satisfaction; and

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

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

26 Department of Conservation
27 CalGEM, Attn: Operational Management Unit
27 715 P Street, MS 1803
28 Sacramento, California 95814

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

3 **3) Comply with all requirements listed in Section IV of Order No. 1593 (Attachment**
4 **C.)**

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

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

11 Department of Conservation
12 Director's Office of Appeals
13 715 P Street, MS 19-06 (Legal Office, Chief Counsel)
14 Sacramento, California 95814

14 Or via electronic mail:

15 OfficeofAppeals@conservation.ca.gov

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

19 If Operator does not file a timely written notice of appeal, or if the order is affirmed
20 following an appeal, this order will become a final order and CalGEM may contract for
21 performance of the work, pursuant to PRC section 3226, if, within 30 days of this order,
22 Operator has not, in good faith, commenced the work ordered. Any costs incurred by
23 CalGEM to obtain compliance with this order (which may include penalties and interest) will
24 constitute a lien against Operator's real or personal property per PRC section 3423. (PRC, §
25 3356.)

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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 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: 5/27/2026

Doug Ito
Doug Ito
State Oil and Gas Supervisor