

1 California Geologic Energy Management Division
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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 AND PERFORM REMEDIAL WORK**

15 **NO. 1638**

16 **Operator: BBR Natural Resources LLC**

17 **Field: Kern Front**
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I. Introduction

The State Oil and Gas Supervisor (**Supervisor**), acting through the California 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 order tests and remedial work which, in the Supervisor's judgment, are necessary to prevent damage to life, health, property, and natural resources, and 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, BBR Natural Resources LLC (**Operator**) is the "operator" (as defined in PRC section 3009) and is responsible for the ten (10) wells identified in **Attachment A**, incorporated herein (**the Wells**). As described in more detail below, Operator was required to file appropriate indemnity bonding with CalGEM for the Wells at the time of their acquisition. (PRC, § 3204; Regulations, § 1722.1.) In lieu of indemnity bonding, Operator could have also filed a form of security acceptable to the Supervisor. (PRC, § 3205.5.) To date, Operator has failed to file any individual indemnity bonds or alternative form of security for the Wells in violation of PRC section 3204 and Regulations section 1722.1.

Therefore, pursuant to PRC sections 3013, 3106, 3202, 3204, 3224, and 3236.5, and Regulations section 1722.1 the Supervisor is ordering Operator to within thirty (30) days of this Order to: (1) submit ten (10) individual indemnity bonds or alternative form of security acceptable to the Supervisor in the amount of twenty-five thousand dollars (\$25,000) per well, for a total amount of two hundred fifty thousand dollars (\$250,000); and (2) to pay administrative civil penalties in the total amount of thirty-four thousand nine hundred thirty-one dollars and fifty-one cents (\$34,931.51) for the violations of PRC section 3204 and Regulations section 1722.1

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

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II. Alleged Acts/Omissions

An operator who acquires a well less than ten thousand (10,000) feet deep on or after January 1, 2018, must file an individual indemnity bond for that well in the amount of twenty-five thousand dollars (\$25,000). (PRC, §§ 3202, subds. (a)(5) & (b), 3204, subd. (a)(1); Regulations, § 1722.1.) In lieu of the indemnity bond required by PRC section 3204, an operator may file an alternative form of security acceptable to the Supervisor. (PRC, § 3205.5.)

Based on CalGEM's records, Operator acquired the Wells on August 16, 2023, from West American Energy Corporation, and each of the Wells have been completed to a depth of less than ten thousand feet. (See **Attachment C**, incorporated herein.) This acquisition was certified by James (Jimmy) Brady on behalf of Operator. (*Id.*) Since acquiring the right to operate the Wells, Operator has not sought approval from the Supervisor to file an alternative form of security in lieu of individual indemnity bonding. Therefore, Operator was required to file individual indemnity bonds in the amount of twenty-five thousand dollars (\$25,000) per well, for a total amount of two hundred fifty thousand dollars (\$250,000).

CalGEM was first informed of Operator's acquisition of the Wells on October 23, 2023. (**Attachment D**, incorporated herein.) Thereafter, on numerous occasions, CalGEM informed Operator of, or otherwise prompted Operator to comply with, the requirement to file appropriate indemnity bonding. Operator also acknowledged this requirement and promised to comply multiple times.

On December 14, 2023, CalGEM requested compliance with the bonding requirement and that same day Mr. Brady responded, "Sorry for the delay on this. Our bank has been moving very slow on the CD for the \$250,000 in total for the 10 well [sic] individual bond. We almost have it wrapped up. Thank you for your patience." (*Id.*) Because Operator still remained out of compliance, CalGEM followed up on February 20, 2024. Mr. Brady responded that same day, stating, "We are in the process of changing banks over to Wells Fargo to be able to secure the CD for the Bonding requirements. We understand this is an urgent matter.

1 Thank you for your understanding." (*Id.*) However, compliance remained outstanding for
2 several months thereafter, so CalGEM followed up again on November 25, 2024, to which
3 Operator did not respond, and an additional time on January 31, 2025. Mr. Brady eventually
4 responded on February 3, 2025, stating "I apologise [sic] for the ongoing delay with us on this.
5 We will have this rectified in the next 45 days." (*Id.*)

6 As of the date of this Order, Operator has continued to fail to file with CalGEM
7 individual indemnity bonding for the Wells in violation of PRC section 3204 and Regulations
8 section 1722.1. This amounts to 1,020 days of non-compliance between the time period of
9 August 16, 2023, and June 1, 2026.

10 **III. Civil Penalties**

11 Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section
12 3236.5, by this Order the Supervisor imposes on Operator administrative civil penalties totaling
13 thirty-four thousand nine hundred thirty-one dollars and fifty-one cents (\$34,931.51). Operator's
14 failure to timely file individual indemnity bonding, or an alternative form of security, constitutes
15 a single violation of, collectively, PRC section 3204 and Regulations section 1722.1 for each of
16 the Wells, and each day of non-compliance constitutes a separate violation, on a per well
17 basis. (PRC, § 3236.5, subd. (b)(4).)

18 For purposes of this Order, the Supervisor considered relevant circumstances when
19 establishing the amount of the administrative civil penalties, including: characterizing the
20 violations as "minor" (as defined in PRC section 3236.5, subdivision (b)), the eight factors
21 identified in PRC section 3236.5, subdivision (a), and the extended and ongoing period of non-
22 compliance.

23 Nothing in this Order is intended nor shall it be construed to limit or preclude CalGEM
24 from taking any action authority by law, including imposing additional civil penalties.

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

2 For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3202, 3204, 3224,
3 and 3236.5, and Regulations section 1722.1, **IT IS HEREBY ORDERED** that Operator within thirty (30)
4 days of this Order:

- 5 1) Submit ten (10) individual indemnity bonds or alternative form of security
6 acceptable to the Supervisor in the amount of twenty-five thousand dollars
7 (\$25,000) per well, for a total amount of two hundred fifty thousand dollars
8 (\$250,000); and
9 2) Pay administrative civil penalties in the total amount of thirty-four thousand nine
10 hundred thirty-one dollars and fifty-one cents (\$34,931.51) for the violations of PRC
11 section 3204 and Regulations section 1722.1.

12 Daily violations and penalties may continue to accrue if these requirements are not
13 addressed to CalGEM's satisfaction.

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

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

21 Department of Conservation
22 CalGEM, Attn: Operational Management Unit
23 715 P Street, MS 18-03
24 Sacramento, California 95814

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

1 Please contact CalGEM's Enterprise Risk Unit (CalGEMEntRiskUnit@conservation.ca.gov)
2 with any questions concerning the violations and to confirm compliance thereof.

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

4 Operator may appeal this Order by filing a timely written notice of appeal with the
5 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
6 with PRC section 3350. (PRC, §§ 3225, subd. (d); 3236.5, subd. (c).) If this Order is mailed to you,
7 the Director must receive the appeal within fifteen (15) days from the date the Supervisor mails
8 the Order. To file an appeal, a written notice of appeal may be sent via electronic mail to
9 OfficeofAppeals@conservation.ca.gov or alternatively via via U.S. mail to:

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

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

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

18 Failure to comply with Section IV (Operator's Required Actions) of this Order could
19 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
20 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
21 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
22 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
23 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
24 in the future impose further civil penalties based on the facts and omissions underlying this
25 Order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of
26 a well or the decommissioning of a production facility if an operator has failed to comply with
27 an order of the Supervisor within the time provided by the order or has failed to challenge the
28 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: 6/4/2026

Doug Ito
6 Doug Ito
7 State Oil and Gas Supervisor
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