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2 Geologic Energy Management Division
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9 **STATE OF CALIFORNIA**
10 **NATURAL RESOURCES AGENCY**
11 **DEPARTMENT OF CONSERVATION**
12 **GEOLOGIC ENERGY MANAGEMENT DIVISION**

13
14 **ORDER TO PAY CIVIL PENALTIES**
15 **NO. 1652**

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18 **Operator: Valley Water Management Company (V0400)**
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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, Valley Water Management Company (**Operator**) is the "operator" (as defined in PRC section 3009) of the injection wells identified on **Attachment A**, incorporated herein (**the Wells**). 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 Wells by specified dates and failed to timely perform one or both of the tests on each of the Wells. 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 Wells, immediately notify CalGEM that it had not performed MIT Part One or Part Two, as applicable, on the Wells, and disconnect the injection lines from the Wells, 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 within thirty (30) days of this Order pay civil penalties totaling twelve thousand two hundred dollars (\$12,200.00), imposed for violations of Regulations sections 1724.10, 1724.10.1, 1724.10.2, 1723.13, 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

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

15 In performing the testing, Operators must notify CalGEM at least 48 hours in advance
16 and provide the digital copies of surveys and test results within sixty (60) days. (Regulations, §
17 1724.10, subd. (i)(1)-(2).) An operator must cease injection into an injection well and
18 immediately notify CalGEM if, among other reasons, MIT Part One and/or MIT Part Two has not
19 been timely performed or the results of such testing has not been provided. (Regulations, §§
20 1724.6, subd. (e), 1724. 10, subd. (i)(4), 1724.10.1, subd. (a), 1724.13, subd. (a)(1).) Further,
21 operators must disconnect injection lines from the injection well if there is no current injection
22 approval from CalGEM. (Regulations, §§ 1724.13, subd. (c), 1777, subd. (c)(4).) Each day an
23 operator injects into an injection well without approval constitutes a separate violation.
24 (Regulations, § 1724.13, subd. (c).)

25 On September 8, 2023, CalGEM sent a Notice to Operators (NTO 2023-09) as a reminder
26 to Operator of the testing requirements set forth in Regulations sections 1724.10.1 and
27 1724.10.2, including an explanation that MIT Part One and Part Two must be completed for
28 subject wells by April 1, 2024, or other date per the testing frequency stated in the applicable

1 PAL, to maintain uninterrupted approval for injection activity. (**Attachment C**, incorporated
2 herein.)

3 During all times relevant to this Order, CalGEM's records indicate that the Wells were
4 each a "disposal injection well" (as defined in Regulations section 1720.1, subdivision (c)). As
5 specified in Operator's PAL, the Wells were each previously subject to 5-year casing pressure
6 testing and annual fluid migration testing requirements.

7 Based on CalGEM's records, Operator successfully performed mechanical integrity tests
8 on the Wells as described in the table below.

API	Well Designation	Date of Previous MIT Part One	Date of Previous MIT Part Two
0402982557	WI-19	9/13/24	2/24/20 2/25/21 2/23/22 2/14/23 2/23/23 9/27/24 8/4/25
0402982559	WI-21	6/29/23	7/13/23 7/17/24 7/10/25
0403040557	WI-28	4/22/24	8/5/19 7/31/20 8/4/21 8/16/22 8/22/23 8/13/24 8/6/25
0403053085	WI-30	4/22/24	3/4/19 2/25/20 2/25/21 2/23/22 2/23/23 12/6/24 12/5/25

As indicated, on multiple instances, Operator failed to perform MIT Part One on the Wells within five years from previously successful tests. In addition, on multiple instances, Operator failed to perform MIT Part Two on the Wells within one year from previously successful tests.

After the first instance of missing a testing due date, Operator automatically lost approval for injection into each respective well, and Operator would have continued to lack injection approval unless subsequent written approval from CalGEM was provided. (Regulations, §§ 1724.6, subd. (e), 1724.10, subd. (i)(4), 1724.10.1, subd. (a) & (e), 1724.10.2, 1724.13, subd. (b).). Following this automatic loss of injection approval, Operator was required to cease injection into the Wells, immediately notify CalGEM of its failure to timely perform the testing, and disconnect the Wells from any injection lines, and Operator failed to do so in violation of Regulations sections 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777.

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

Based on Operator's self-reported injection activity, Operator continued injection into the Wells without approval as described in the table below, combining into a total of 57 days of unauthorized injection. The date ranges only include days of unauthorized injection once, on per well basis, regardless of whether a particular well may have been overdue for both MIT Part One and MIT Part Two.

API	Well Designation	Date Range for Civil Penalties	# Days of Unauthorized Injection
0402982557	WI-19	Due to MIT Part One Non-Compliance: April 2024	29
0402982559	WI-21	Due to MIT Part Two Non-Compliance: July 2024	3

0403040557	WI-28	Due to MIT Part One Non-Compliance: April 2024	5
0403053085	WI-30	Due to MIT Part One Non-Compliance: April 2024	20
		Total Days:	57

III. Civil Penalties

Based on the foregoing Alleged Acts and Omissions and pursuant to PRC section 3236.5, by this Order the Supervisor imposes on Operator administrative civil penalties totaling twelve thousand two hundred dollars (\$12,200.00) as follows:

Violation Description	Number of Violations	Civil Penalty Amount Per Violation	Total Civil Penalties Amount
Injection into a well without injection approval (collectively, Regulations, §§ 1724.10, subd. (i)(4), 1724.10.1, subd. (e), 1724.10.2, subd. (b)(6), 1724.13, subd. (a)(1))	57	\$200.00	\$11,400.00
Failure to disconnect injection lines from a well without injection approval (Regulations, § 1777, subd. (c)(4))	4	\$200.00	\$800.00
		Total Civil Penalties:	\$12,200.00

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

1 compliance as well as the mandated regulatory assessment of daily penalties for unauthorized
2 injection pursuant to Regulations section 1724.13, subsection (c).

3 In addition, for purposes of this Order, the Supervisor is exercising his discretion to limit
4 the civil penalties imposed by this Order to violations for unauthorized injection which occurred
5 after September 8, 2023, on a per well basis. Further, regardless of the number of days of
6 unauthorized injection, the Supervisor is imposing a civil penalty for only one violation of
7 Regulations section 1777, subdivision (c)(4), for failure to disconnect injection lines, on a per
8 well basis.

9 Nothing in this Order is intended nor shall it be construed to limit or preclude CalGEM
10 from taking any action authorized by law, including imposing civil penalties for the other
11 unauthorized injection violations addressed by this Order.

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

13 For the reasons stated herein, pursuant to the PRC sections 3013, 3106, 3224, and 3236.5,
14 and Regulations sections 1724.6, 1724.10, 1724.10.1, 1724.10.2, 1724.13, and 1777, **IT IS HEREBY**
15 **ORDERED** that Operator pay civil penalties in the amount of twelve thousand two hundred
16 dollars (\$12,200.00) within **thirty (30) days** from the date this Order is issued. Additional penalties
17 may be imposed if payment is not made to CalGEM within thirty (30) days of this Order.

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

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

25 Department of Conservation
26 CalGEM, Attn: Operational Management Unit
27 715 P Street, MS 18-03
28 Sacramento, California 95814

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

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

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

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

11 To file an appeal, a written notice of appeal may be sent via email to:

12 OfficeofAppeals@conservation.ca.gov

13 or via U.S. mail to:

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

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

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

21 Failure to comply with Section IV (Operator's Required Actions) of this Order could
22 subject Operator to further enforcement action. PRC section 3236 makes it a misdemeanor for
23 any person who violates, fails, neglects, or refuses to comply with any of the provisions of the
24 oil and gas conservation laws commencing at PRC section 3000. PRC section 3236.5 authorizes
25 the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of
26 Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may
27 in the future impose further civil penalties based on the facts and omissions underlying this
28 Order. PRC section 3237 authorizes the Supervisor to order the plugging and abandonment of

1 a well or the decommissioning of a production facility if an operator has failed to comply with
2 an order of the Supervisor within the time provided by the order or has failed to challenge the
3 order on a timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply
4 with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and
5 distinct offense. (PRC, § 3359.)
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8 DATED: 6/25/2026

Doug Ito
9 Doug Ito
10 State Oil and Gas Supervisor
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