

1 DEPARTMENT OF CONSERVATION

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7 **STATE OF CALIFORNIA**  
8 **NATURAL RESOURCES AGENCY**  
9 **DEPARTMENT OF CONSERVATION**

10 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**

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13 **ORDER RE:**  
14 **REMEDIAL ACTIONS**  
15 **IDLE WELL TESTING**  
16 **EQUIPMENT TESTING**  
17 **RECORDS PRODUCTION**  
18 **WELL BONDS**

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21 **NO. 1047**

22 **Dated: April 28, 2014**

23 **Owner/Operator:**

24 **ALLENCO ENERGY, INC. (A1240)**

25  
26 **BY**

27 **Pat Perez**

28 **ACTING STATE OIL AND GAS SUPERVISOR**

1 **Introduction**

2 The State Oil and Gas Supervisor (Supervisor), among other things, is authorized to  
3 supervise the drilling, operation, and maintenance of wells, and the operation and maintenance  
4 of facilities attendant to oil and gas production, so as to prevent, as far as possible, damage to  
5 life, health, property, and natural resources. (**Pub. Resources Code, § 3106.**)<sup>1</sup>

6 Based on the records of the Division of Oil, Gas, and Geothermal Resources (Division),  
7 the Supervisor has determined that, at all relevant times, **AllenCo Energy, Inc. (a.k.a. AllenCo)**  
8 (**Division operator A1240**) was the owner and operator (as defined in **section 3009**) of the  
9 wells identified herein, and the production facilities attendant to the wells located at 814 W. 23<sup>rd</sup>  
10 Street, Los Angeles, in the Las Cienegas field, Los Angeles County (Drill Site). Based on the  
11 Division’s records and oil field inspections, the Supervisor has also determined that **AllenCo**  
12 **Energy, Inc. (Operator)** continues to be in violation of Chapter 1 (Oil and Gas Conservation) of  
13 Division 3 (Oil and Gas) of the Public Resources Code (**§ 3000 et seq.**), and the regulations  
14 implementing Chapter 1 (**Cal. Code. Regs. tit. 14, § 1712 et seq.**), as herein described and shall  
15 not resume operations until it receives Division approval to do so.

16 Therefore, pursuant to **sections 3106, 3224, 3226, 3235, 3270 et seq., and 3359**, and  
17 **California Code of Regulations, title 14, (Regulations) sections 1724, subdivision (c), 1774,**  
18 **and 1779**, and as set forth below, the Supervisor is ordering Operator to remedy the oil field  
19 conditions, install necessary oil field equipment, perform idle well and other necessary testing,  
20 and produce the necessary records identified herein.

21 **Definitions/Directives**

22 **Section 3008, subdivision (a)**, defines “well,” among other things, to mean “any well  
23 drilled for the purpose of injecting fluids or gas for stimulating oil or gas recovery” or for  
24 “repressuring or pressure maintenance of oil or gas reservoirs.”

25 **Section 3008, subdivision (d)**, defines “idle well” to mean “any well that has not  
26 produced oil or natural gas or has not been used for injection for six consecutive months of  
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<sup>1</sup> All statutory references herein are to the California Public Resources Code unless otherwise noted.

1 continuous operation during the last five or more years. An idle well does not include an active  
2 observation well.”

3 **Section 3009** defines “Operator” to mean “a person who, by virtue of ownership, or  
4 under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or  
5 control a well or production facility.”

6 **Section 3202, subdivision (e)**, directs that an operator must provide “[a]n indemnity  
7 bond for each idle well. The bond shall be in an amount as provided in Section 3204 or 3205.  
8 The conditions of the bond shall be the same as the conditions stated in Section 3204.”

9 **Section 3204, subdivision (a)(1)**, directs that an operator shall file with the Supervisor a  
10 bond of “[t]wenty-five thousand dollars (\$25,000) for each well that is less than 10,000 feet  
11 deep.”

12 **Section 3227, subdivision (c)**, directs that the owner of any well, among other things,  
13 “shall file with the supervisor . . . What disposition was made of the gas produced from each  
14 field, including the names of persons, if any, to whom the gas was delivered, and any other  
15 information regarding the gas and its disposition that the supervisor may require.”

16 **Section 3236** directs that “. . . every person, whether as principal, agent, servant,  
17 employee, or otherwise, who violates, fails, neglects, or refuses to comply with any of the  
18 provisions of this chapter, or who fails or neglects or refuses to furnish any report or record  
19 which may be required pursuant to the provisions of this chapter, is guilty of a misdemeanor,  
20 punishable by a fine of not less than one hundred dollars (\$100), nor more than one thousand  
21 dollars (\$1,000), or by imprisonment for not exceeding six months, or by both such fine and  
22 imprisonment, for each such offense.”

23 **Section 3270, subdivision (d)**, directs an operator to “maintain at the production  
24 facility’s local office records of maintenance and repair operations, tests, and inspections, and  
25 shall provide the supervisor with access to these records at all times during normal business  
26 hours and with copies of the records immediately, upon request.”

27 **Section 3359** directs that a “failure or neglect on the part of any person to comply with  
28 any order of the supervisor or the director . . . or upon his failure, refusal, or neglect to produce

1 books, papers, or documents as demanded in the order . . ., such failure, refusal, or neglect shall  
2 constitute a misdemeanor. Each day's further failure, refusal, or neglect is a separate and  
3 distinct offense.”

4 **Regulations section 1714** directs that “[w]ritten approval of the Supervisor is required  
5 prior to commencing drilling, reworking, injection, plugging, or plugging and abandonment  
6 operations . . .”

7 **Regulations section 1723.9** requires an operator to test idle wells.

8 **Regulations section 1724, subdivision (c)**, directs an operator to supply the Supervisor  
9 “[s]uch other information as the Supervisor may require for the performance of his or her  
10 statutory duties.”

11 **Regulations section 1724.6** directs that an operator must obtain Division approval before  
12 any subsurface injection or disposal project can begin.

13 **Regulations section 1724.7** directs an operator of an underground injection project to file  
14 with the district deputy certain required data.

15 **Regulations section 1724.9** directs an operator of a gas storage project to supply to the  
16 Division certain required data.

17 **Regulations section 1724.10, subdivision (h)**, directs that an operator of an underground  
18 injection project shall maintain data “to show performance of the project and to establish that no  
19 damage to life, health, property, or natural resources is occurring by reason of the project.  
20 Injection shall be stopped if there is evidence of such damage, or loss of hydrocarbons, or upon  
21 written notice from the Division. Project data shall be available for periodic inspection by  
22 Division personnel.”

23 **Regulations section 1760, subdivision (g)**, defines “flowline” or “injection line” to  
24 mean “any pipeline that connects a well with a gathering line or header.”

25 **Regulations section 1760, subdivision (j)**, defines “pipeline” to mean “a tube, usually  
26 cylindrical, with a cross sectional area greater than 0.8 square inches (1 inch nominal diameter),  
27 through which crude oil, liquid hydrocarbons, combustible gases, and/or produced water flows  
28 from one point to another within the administrative boundaries of an oil or gas field.”







1 **Division Notice of Idle Well Test Requirements**

2 Based on the Division’s records, the Division sent Operator a letter, dated November 15,  
3 2013, notifying Operator that the following nine (9) idle wells needed additional testing. The  
4 Division initially notified Operator of the additional testing requirements, and the various  
5 options for additional tests via electronic mail correspondence on October 17, 2013. These  
6 wells required the additional tests because the wells failed an initial fluid level test per

7 **Regulations section 1723.9:**

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Well	API #
"St. James" 3	037-06333
"St. James" 5	037-20475
"St. James" 7	037-20476
"St. James" 11	037-05177
"St. James" 12	037-20511
"St. James" 16	037-20203
"St. James" 18	037-20308
"St. James" 20	037-20125
"St. James" 21	037-20628

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22 As of the execution of this Order, Operator has submitted, and Division records contain,  
23 the required test results for only one of the above idle wells (“St. James” 5; 037-20475).  
24 Operator’s failure to perform the required testing violates **Regulations section 1723.9**.

25 **Therefore, based on the Supervisor’s authorities identified herein, the Supervisor**  
26 **hereby orders that, Operator shall not resume operations at its wells and production**  
27 **facility at the Drill Site, until Operator performs the idle well testing and submits the test**  
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1 **documentation of such tests to the Division. All idle well tests Operator performs pursuant**  
2 **to this Order shall be performed in the presence of a Division inspector.**

3 **Equipment Testing**

4 Division inspections on May 11, 2011, September 25, 2013, and November 19, 2013,  
5 revealed, among other things, inoperative fire and gas detector systems, and resulted in Division  
6 notices to Operator concerning its noncompliance. These notifications included a November 26,  
7 2013 Notice of Violation.

8 Based on Operator's demonstrated history of noncompliance in the operation and  
9 maintenance of Drill Site fire fighting and safety systems in violation of **Regulations section**  
10 **1777, and the Supervisor's authorities identified herein, the Supervisor hereby orders that,**  
11 **Operator shall not resume operations at its wells and production facility at the Drill Site**  
12 **until it provides the Division a Fire Protection System plan, and receives approval of that**  
13 **plan from the Division and the City of Los Angeles Fire Department. Also prior to**  
14 **resumption of operations, Operator will test all previously approved safety and fire**  
15 **protection systems in the presence of a Division inspector.**

16 **Records Production**

17 **Gas Disposition Records**

18 The Division sent Operator a letter of noncompliance, dated February 24, 2014, for,  
19 among other things, its failure to submit gas disposition reports for its produced gas at its  
20 production facility on the Drill Site. As of the execution of this Order, Operator has not  
21 provided the volume of gas used on site to generate electricity or for other purposes. Operator's  
22 continued failure to submit the disposition reports violates **section 3227 and Regulations**  
23 **section 1724, subdivision (c).**

24 **Therefore, based on the Supervisor's authorities identified herein, the Supervisor**  
25 **hereby orders that, Operator shall not resume operations at its wells and production**  
26 **facility on the Drill Site until Operator submits to the Division accurate monthly gas**  
27 **disposition reports for the years 2011, 2012, and 2013, detailing the volume of gas used on**  
28 **site, as well as the processes in which the gas was used. In addition, within one month of**

1 **resuming operations, and monthly thereafter, Operator shall supply to the Division a**  
2 **compositional analysis of the gas produced from each well and the total gas at the gas**  
3 **gathering line immediately upstream of sales meter or lease usage point, or at another**  
4 **location acceptable to the Division. If Operator purchases gas for use at the production**  
5 **facility, a compositional analysis of that gas shall also be provided to the Division.**

6 **Equipment Installation to Confirm Gas Disposition Records Production**

7 **In order to confirm the Operator's gas usage at the production facility, based on the**  
8 **Supervisor's authorities identified herein, as part of the environmental protection**  
9 **program for Operator's well facilities, the Supervisor hereby orders Operator to install**  
10 **continuous-recording gas flow meters on the gas gathering line immediately upstream of**  
11 **the point of lease usage, or at a location acceptable to the Division, and at all gas usage**  
12 **equipment. Monthly gas analysis and metered gas reports in a form acceptable to the**  
13 **Division shall be filed with the Division's Environmental Unit in Cypress. Such flow**  
14 **meters shall meet acceptable industry and/or API standards for a facility of this type. The**  
15 **types and locations of gas flow meters, changes in the number or types of gas constituents**  
16 **measured, and/or the frequency of sampling and measurements, shall be approved in**  
17 **advance by the Division prior to resuming operations.**

18 **Injection Well Project Records**

19 **The Division issued Operator a lease inspection letter, dated September 24, 2013,**  
20 **detailing violations observed during a site inspection the Division conducted at Operator's**  
21 **facility at the Drill Site on May 3, 2013. In the September 24, 2013 letter, the Division**  
22 **instructed Operator to submit project-supporting data by October 11, 2013, pursuant to**  
23 **Regulations section 1724.7.**

24 **The Division issued Operator another letter, dated February 24, 2014, which also**  
25 **required Operator to submit the required project-supporting data according to Regulations**  
26 **section 1724.7. In the February 24, 2014 letter, the Division gave Operator until March 31,**  
27 **2014, to submit the required data. As of the execution of this Order, Operator has not submitted,**  
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1 nor do the Division's records contain, all the required project data in violation of **Regulations**  
2 **sections 1724.7 and 1724.10, subdivision (h).**

3 **Therefore, based on the Supervisor's authorities identified herein, the Supervisor**  
4 **hereby orders that, Operator shall not resume operations at its wells and production**  
5 **facility at the Drill Site, until Operator submits to the Division all project data as required**  
6 **in Regulations section 1724.7, including the "Area of Review" data Regulations section**  
7 **1724.7, subdivision (a)(4) requires. Operator shall also submit evidence of compliance**  
8 **with Regulations section 1724.10, subdivisions (b), (e), (f), (g), (h), (i), (j), and (k). Upon its**  
9 **satisfaction that the above requirements have been met, and that the project can be**  
10 **operated consistent with the protection of life, health, property, and natural resources, the**  
11 **Division will issue a new project approval letter outlining operational, testing, monitoring**  
12 **and/or reporting requirements. Operator is not to perform fluid injection until the**  
13 **Division issues Operator a new project approval letter.**

#### 14 **Gas Injection Project Records**

15 During a Division site inspection on May 3, 2013, Operator indicated to a Division  
16 inspector that it was injecting produced gas at the Drill Site into well "St. James" 14 (037-  
17 20609) for gas storage purposes. The Division has not given written approval to Operator for  
18 gas injection storage at the Drill Site. As such, Operator's gas injection at the Drill Site is a  
19 violation of **Regulations section 1724.6**. In addition, approximately half of the gas that  
20 Operator produced between January 2011, and June 2013, is unaccounted for. This amount of  
21 missing gas is based on the Division's records, Operator's statements that Operator uses all the  
22 gas it produces at the Drill Site in the onsite micro-turbine electrical generators, and the hourly  
23 capacity of these onsite generators.

24 **Therefore, based on the Supervisor's authorities identified herein, the Supervisor**  
25 **hereby orders that, if Operator intends to inject gas, it shall submit all project data as**  
26 **required in Regulations section 1724.7 and 1724.9. No gas injection and/or storage is to**  
27 **occur until the Division issues a gas project approval letter. Additionally, produced gas**  
28 **shall not be emitted to the atmosphere without specific approval of the South Coast Air**

1 **Quality Management District (SCAQMD) and other appropriate state, federal, and/or**  
2 **local authorities.**

3 **Idle Well Bonding**

4 **Section 3202, subdivision (e)**, requires that all idle wells be secured by an indemnity  
5 bond. The indemnity bond shall remain in effect until the well is no longer "idle" (i.e., the well  
6 has achieved six (6) months of continuous production or injection, or the well has been plugged  
7 and abandoned to the satisfaction of the Division). Effective January 1, 2014, an operator must  
8 have 20 or more bondable well operations to qualify for a blanket bond. (**Section 3205.**)

9 **Division Notices of Idle Well Bond Requirements**

10 The Division's February 24, 2014 compliance letter instructed Operator to immediately  
11 submit to the Division individual well bonds of \$25,000 each for its ten (10) idle wells. As of  
12 the execution of this Order, Operator has not submitted, nor do the Division's records contain  
13 the required bonding for these idle wells:

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Well	API #
"St. James" 3	037-06333
"St. James" 5	037-20475
"St. James" 7	037-20476
"St. James" 11	037-05177
"St. James" 12	037-20511
"St. James" 13	037-20372
"St. James" 16	037-20203
"St. James" 18	037-20308
"St. James" 20	037-20125
"St. James" 21	037-20628

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1 state, or local authorities, and emergency responders, to enter well cellars or any  
2 other confined space or potentially hazardous areas within the Drill Site.

3 **5. Shall not resume operations at its wells and production facility at the Drill Site,**  
4 **until Operator performs the idle well testing required for the eight (8) idle wells**  
5 **identified herein and submits the test documentation of such tests to the Division.**  
6 **All idle well tests Operator performs pursuant to this Order shall be performed**  
7 **in the presence of a Division inspector.**

8 **6. Shall not resume operations at its wells and production facility at the Drill Site**  
9 **until it provides the Division a Fire Protection System plan, and receives**  
10 **approval of that plan from the Division and the City of Los Angeles Fire**  
11 **Department.**

12 **7. Shall not resume operations at its wells and production facility at the Drill Site**  
13 **until Operator tests all previously approved safety and fire protection systems in**  
14 **the presence of a Division inspector. Thereafter, monthly testing of the safety**  
15 **and fire protection systems shall be coordinated with the Division, and conducted**  
16 **in the presence of a Division inspector. Operator shall file the results of all tests,**  
17 **with the Division's Environmental Unit in Cypress, no later than 30 days**  
18 **following the tests. The Division shall approve any change in the frequency of**  
19 **such testing.**

20 **8. Shall not resume operations at its wells and production facility on the Drill Site**  
21 **until Operator submits to the Division accurate monthly gas disposition reports**  
22 **for the years 2011, 2012, and 2013, detailing the volume of gas used on site, as**  
23 **well as the processes in which the gas was used.**

24 **9. Shall within one month of resuming operations, and monthly thereafter, supply**  
25 **to the Division a compositional analysis of the gas produced from each well and**  
26 **the total gas at the gas gathering line immediately upstream of sales meter or**  
27 **lease usage point, or at another location acceptable to the Division. If Operator**  
28 **purchases gas for use at the production facility, a compositional analysis of that**

1 gas shall also be provided to the Division. The gas constituents to be measured in  
2 the gas analysis shall be approved in advance by the Division.

- 3 **10. Shall install continuous-recording gas flow meters on the gas gathering line**  
4 **immediately upstream of the point of lease usage, or at a location acceptable to**  
5 **the Division, and at all gas usage equipment. Such flow meters shall meet**  
6 **acceptable industry and/or API standards for a facility of this type.**
- 7 **11. Shall file monthly gas analysis and metered gas reports in a form acceptable to**  
8 **the Division with the Division's Environmental Unit in Cypress.**
- 9 **12. Shall not make changes to the types and locations of gas flow meters, changes in**  
10 **the number or types of gas constituents measured, and/or the frequency of**  
11 **sampling and measurements without the advanced approval of the Division.**
- 12 **13. Shall not resume operations at its wells and production facility at the Drill Site,**  
13 **until Operator submits to the Division all project data as required in Regulations**  
14 **sections 1724.7, including the "Area of Review" data Regulations section 1724.7,**  
15 **subdivision (a)(4) requires. Operator shall also submit evidence of compliance**  
16 **with Regulations section 1724.10, subdivisions (b), (e), (f), (g), (h), (i), (j), and (k).**
- 17 **14. Shall not perform fluid injection until the Division issues a new project approval**  
18 **letter.**
- 19 **15. Shall submit all project data as required in Regulations section 1724.7 and**  
20 **1724.9 if Operator intends to inject gas.**
- 21 **16. Shall not inject gas and/or store gas until the Division issues a gas project**  
22 **approval letter.**
- 23 **17. Shall not emit gas to the atmosphere without specific approval of the SCAQMD**  
24 **and other appropriate state, federal, and/or local authorities.**
- 25 **18. Shall not resume operations at its wells and production facility at the Drill Site,**  
26 **until proper well bonding has been received and accepted by the Division for the**  
27 **ten (10) wells identified herein.**

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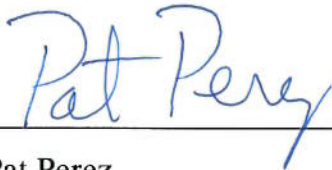
1 Operator's Appeal Rights

2 **Section 3225, subdivision (d)**, entitles an operator to appeal a Supervisor's order. An  
3 appeal request must be in writing and timely filed with the Supervisor or the District Deputy.  
4 **(See Public Resources Code, beginning at section 3350.)**

5 If the operator does not submit a timely written appeal request, this Order will become a  
6 final order and the Division may contract for performance of the work, pursuant to **section 3226**,  
7 if, within 30 days of this Order, the operator has not, in good faith, commenced the work  
8 ordered. Any costs incurred by the Supervisor to obtain compliance with this Order, plus a  
9 \$2,010 (Two Thousand and Ten Dollar) service fee, shall constitute a lien against real or  
10 personal property of the operator per **section 3423**.

11 If the operator submits a timely written appeal request, the operator will receive notice of  
12 the appeal hearing date, time, and place. Following the hearing, the operator will receive a  
13 written decision that affirms, sets aside, or modifies the appealed order.

14  
15 DATED: April 28, 2014

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19 Pat Perez  
20 Acting State Oil and Gas Supervisor

21 Certified mail receipt number: 7006 0810 0005 0961 9507  
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## PROOF OF SERVICE BY MAIL

Jennifer Breese declares:

I am over age 18, not a party to this action, and am employed in Sacramento County at 801 K Street, Sacramento, CA 95814. On April 28, 2014, following ordinary business practices, I placed for collection and mailing at the office(s) of Department of Conservation, located at 801 K Street, 18<sup>th</sup> Floor, Sacramento, CA 95814, a copy of the attached Formal Order 1047 in a sealed envelope, with postage fully prepaid, addressed to:

Allenco Energy, Inc.  
Timothy Parker  
2109 Gundry Avenue  
Signal Hill, CA 90755-3517

I am readily familiar with the business's practice for collection and processing of correspondence for mailing with the United States Postal Service and, in the ordinary course of business, the correspondence would be deposited with the United States Postal Service on the day on which it is collected at the business.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: 4/28/14

  
\_\_\_\_\_  
Signature

Jen Breese  
\_\_\_\_\_  
Name

