



California

Department of Conservation

Oil, Gas, & Geothermal Resources

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VIA EMAIL ONLY

Mr. Timothy Parker, Agent
AllenCo Energy, Inc. (A1240)
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Dear Mr. Parker:

COMMENTS ON REVISED STARTUP PLAN AND OVERDUE FACILITY TESTING, ST. JAMES LEASE, 813 WEST 23RD STREET, LOS ANGELES, CA 90007, LAS CIENEGAS OIL FIELD

The Division of Oil, Gas, and Geothermal Resources (Division) has reviewed the document submitted on September 14, 2018, titled *Answers to DOGGR Questions*, also referred to as Startup Plan, submitted by AllenCo Energy, Inc. (AllenCo). While this document represents an improvement over what was submitted last March, deficiencies remain, and they are listed below. Additionally, even after AllenCo meets the Division's requirements, the Los Angeles City (City) Attorney's Office will ultimately decide if and when operations can resume at the site. This decision will be based on whether AllenCo meets the terms required in the June 3rd, 2016 settlement between AllenCo and the City.

The following comments address remaining deficiencies that have been identified in the submitted plan. These comments relate to issues that are under the direct authority of the Division:

1. The Startup Plan indicates sustained well production will begin prior to the completion of all well testing. This is unacceptable. All well testing consistent with California Code of Regulations, title 14, (CCR) §1723.9, Idle Wells, and CCR §1724.10, Underground Injection Control (UIC), must be completed and approved by the Division *prior* to resuming sustained production or injection in any well. All well operations conducted prior to completion of Division-required testing shall be limited to depressurization of wells and disposal of Class II fluids generated on site. Resumption of normal/sustained well production shall not commence until all required well testing has been completed to the Division's satisfaction, and the operator is in compliance with all applicable laws and requirements.
2. Pursuant to CCR §1723.9, idle well test procedures as outlined in the Startup Plan do not meet the Division's requirements. CCR §1723.9 states in part, "...[a]dditional well

tests or remedial operations may be required if the fluid level is located above or adjacent to freshwater or potential drinking water zones, or as specified by the appropriate Division district deputy..." The Division District Deputy has determined that additional well tests should be undertaken due to the location of the wells in relation to sources of freshwater, their proximity to sensitive receptors, namely schools and residences, and the significant buildup of well shut-in pressures. Specifically, the following idle wells shall be pressure tested:

- "St. James" 3 (037-06333)
- "St. James" 4 (037-20439)
- "St. James" 6 (037-20275)
- "St. James" 8 (037-20564)
- "St. James" 9 (037-20502)
- "St. James" 10 (037-20455)
- "St. James" 11 (037-05177)
- "St. James" 14 (037-20609)
- "St. James" 15-1 (037-20194)
- "St. James" 16 (037-20203)
- "St. James" 17 (037-20191)
- "St. James" 18 (037-20308)
- "St. James" 19 (037-20165)
- "St. James" 20 (037-20125)

The following test requirements shall be met for each idle well:

- a. All idle wells shall be cleaned out to a minimum depth of 25 feet below the uppermost perforation of the lowermost zone.
- b. Test packers shall be set no more than 100 feet above the top production or injection perforation, or in the case of a landed production liner, no more than 100 feet above the production casing shoe.
- c. Minimum sustained idle well liquid test pressure shall be 200 pounds per square inch (psi) at surface.
- d. The Division shall be notified of idle well at least one business day prior to testing.

AllenCo shall describe anticipated action(s) it will take if a well does not pass the idle well casing pressure tests and the anticipated timeframe for taking those actions.

3. UIC procedures as outlined in the Startup Plan do not meet the Division's requirements. Per CCR §1724.10(j)(1) and (2), the following minimum test requirements shall be met for each UIC (injection) well:
 - a. A standard annular pressure test (SAPT) shall be conducted, and approved by the Division, on each injection well prior to its use for injection, but no later than five years after its previously approved test. The test shall be conducted by pressurizing fluid against the intended injection packer, set at the approved depth. The following wells must be tested:
 - "St. James" 1 (037-20383)
 - "St. James" 2 (037-20356)
 - "St. James" 5 (037-20475)
 - "St. James" 7 (037-20476)
 - "St. James" 12 (037-20511)

- "St. James" 13 (037-20372)
 - "St. James" 21 (037-20628)
- b. Minimum SAPT pressure shall be the Maximum Allowable Surface Pressure (MASP) for the respective injection well. If the well is tested at a pressure lower than the MASP, the new MASP shall be no higher than the tested pressure.
 - c. An injection profile survey to test for fluid migration on each UIC well is to be conducted within 3 months of resuming fluid injection.
 - d. Prior to testing, AllenCo may request recession of injection approval for any of its UIC wells it no longer intends to use for water injection. In such cases, the wells subject to injection approval recession must comply with idle well testing requirements under comment 2 above.
4. The Division's July 5, 2018 letter included an expectation that AllenCo would include, with its submittal of a revised Startup Plan, a copy of its Preventative Maintenance Program Plan. It is unclear if the document titled Preventative Maintenance Program Plan is AllenCo's complete preventative maintenance program as required in CCR §1777(b). If it is, then the following additional items are necessary:
 - a. A schedule of maintenance activities, specifying maintenance frequency for each piece of equipment or component, including safety system components (i.e., cleaning, painting, lubrication, and testing),
 - b. Schedule for assessing maintenance frequency and procedures effectiveness.
 - c. Clarify if tanks and lines are checked for leakage during each tour.
 - d. Specify actions to be taken if wellheads, flowlines, valves, or piping are found leaking.
 5. Tank testing data submitted on September 14, 2018 in compliance with CCR §1773.4 indicates contractor DPSI recommended recoating the external roof of Tank 2. AllenCo has not provided the Division with actions it will take in response to the recommendation.
 6. Pipeline test data for the following flowlines was not submitted and the Division does not have records showing the lines were tested within the last 10 years:
 - "St. James" 7 (037-20476)
 - "St. James" 16 (037-20203)
 - "St. James" 21 (037-20628)

AllenCo shall submit data showing the flowlines above were tested to the minimum standard of CCR Title 8, subchapter 14, Petroleum Safety Orders subsection 6533, for class 2 pipelines. Class 2 pipelines must be tested a minimum of every ten years.

Please provide a revised Startup Plan addressing the above-mentioned comments for Division's review prior to commencing any startup-related activities at the site.

Additionally, please note that subsequent to any approval provided by the Division, the 2016 Final Judgment issued by the Los Angeles County Superior Court requires that several additional steps be taken prior to the restarting operations. To that end, the Division recommends that you consult with the appropriate agencies including the U.S. Environmental Protection Agency, California Environmental Protection Agency, California Department of Industrial Relations, Division of Occupational Safety and Health, California Air Resources

Board, South Coast Air Quality Management Agency, Los Angeles Fire Department, Los Angeles Department of Planning, and the Los Angeles City Attorney. Ultimately, the Los Angeles City Attorney's Office determines what will meet the requirements of the 2016 Final Judgment issued by the Los Angeles County Superior Court.

If you have any questions, please contact Tamara Lopez at (714) 816-6847 or email at Tamara.Lopez@conservation.ca.gov.

Sincerely,



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Environmental, Facilities, and Field Operations Manager

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