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California Geologic Energy Management Division
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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
CALIFORNIA GEOLOGIC ENERGY MANAGEMENT DIVISION

**AMENDED ORDER TO PLUG AND ABANDON WELLS,
DECOMMISSION ATTENDANT FACILITIES,
AND RESTORE WELL SITE, NO. 1174A
(Amended to Conform to New Facts)**

AllenCo Energy, Inc. (A1240)

Field: Las Cienegas

Wells:

"St. James" 1	(037-20383)	"St. James" 11	(037-05177);
"St. James" 2	(037-20356)	"St. James" 12	(037-20511);
"St. James" 3	(037-06333)	"St. James" 13	(037-20372);
"St. James" 4	(037-20439)	"St. James" 14	(037-20609);
"St. James" 5	(037-20475)	"St. James" 15-1	(037-20194);
"St. James" 6	(037-20275)	"St. James" 16	(037-20203);
"St. James" 7	(037-20476)	"St. James" 17	(037-20191);
"St. James" 8	(037-20564)	"St. James" 18	(037-20308);
"St. James" 9	(037-20502)	"St. James" 19	(037-20165);
"St. James" 10	(037-20455)	"St. James" 20	(037-20125);
		"St. James" 21	(037-20628)

1 I. Introduction

2 The State Oil and Gas Supervisor (Supervisor), acting through the California Geologic
3 Energy Management Division (CalGEM) and under the authority of Division 3 of the Public
4 Resources Code (PRC; commencing with PRC section 3000) and title 14 of the California Code
5 of Regulations (Regulations), is generally required to supervise the drilling, operation,
6 maintenance, and abandonment of wells and the operation, maintenance, and removal or
7 abandonment of tank and facilities attendant to oil and gas production so as to prevent, as
8 far as possible damage to life, health, property and natural resources. (PRC, § 3106). The
9 Supervisor may order the plugging and abandonment of a well or the decommissioning of a
10 production facility that has been deserted, whether any damage is occurring, or threatened,
11 by reason of that deserted well. (PRC, § 3237, subd. (a)). Failure to comply with the idle well
12 requirements in the PRC and corresponding regulations shall be conclusive evidence of
13 desertion, permitting the supervisor to order the well abandoned pursuant to Section 3237.
14 (PRC, §3206.1, subd. e)). Credible evidence of desertion includes the extent of compliance by
15 the operator with the requirements of the PRC, and other actions of the operator regarding
16 the well or production facility. (PRC, §3237, subd. (a)(2)). A rebuttable presumption of
17 desertion arises when the operator has failed to comply with an order of the Supervisor within
18 the time provided by the order or has failed to challenge the order on a timely basis. (PRC, §
19 3237, subd. (a)(3)(C)).

20 On March 5, 2020, the Supervisor issued Plugging and Abandonment Order No. 1174 to
21 AllenCo Energy, Inc. Attachment A is Order No. 1174. On March 19, 2020, the Supervisor
22 received a Notice of Acknowledgement of Appeal related to Order No. 1174 from the
23 Director's Office of Appeals. Attachment B is the Notice of Acknowledgement of Appeal and
24 Appeal Letter.

25 The Supervisor is now amending Order No. 1174 to incorporate new facts which further
26 support the finding that the wells and facility referenced in this order have been deserted.

27 AllenCo Energy, Inc. is or was the operator (AllenCo), as defined in PRC section 3009,
28 of "well(s)" as defined in PRC section 3008, subdivision (a). The wells previously operated by

AllenCo are listed above on page 1 of this order and Attachment C. Attachment C is the Report of Property and Well Transfer. AllenCo operated the Saint James Drill site, which is an enclosed production facility in the middle of a Los Angeles urban area. On April 14, 2021, via letter, the Company informed the Archdiocese, the City and the State Oil and Gas Supervisor that the company intended to withdraw permanently from the facility and that it would cease maintaining the facility effective immediately. Attachment D is the referenced correspondence from AllenCo. On May 4, 2021, the Archdiocese in correspondence to the Supervisor stated, "our analysis of the oil and gas leases convinces us that the oil and gas leases have terminated, and that AllenCo Energy no longer has any right to produce and sell oil and gas." The Archdiocese also asserted that equipment and improvements remain the property of AllenCo and must be removed by AllenCo upon lease termination. Attachment E is the referenced correspondence from the Archdiocese. AllenCo asserts that it lacks the financial resources to plug and abandon the wells and decommission the facility and has provided financial records to support these assertions. CalGEM's economist reviewed the financial records provided by AllenCo and indicated that the records should raise some concerns of the financial health of the company to properly maintain and perform a plugging and abandonment of all wells and decommissioning of the facility. The supervisor may undertake plugging and abandonment of the well or decommissioning deserted production facilities in the absence of a financially viable responsible party to plug and abandon the wells and/or decommission the facility. The site is adjacent to Mount. St. Mary's college, homes, churches, businesses, and a school for special-needs children. Attachment F is the Director's Office of Appeals Decision and Order, hereby incorporated by reference. For the reasons described in this Order, the Supervisor has determined that the wells and facilities are deserted based on conclusive and credible evidence of desertion, as well as a rebuttable presumption of desertion.

Therefore, pursuant to PRC sections 3206.1, 3208, 3224, 3226, 3228, 3229, 3230, and 3237, Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1772.1.4, 1775, and 1776 and the conditions included in any permit CalGEM may issue pursuant to PRC

1 section 3229, the Supervisor hereby finds that the wells are deserted and if work does not
2 commence to plug and abandon the wells within 30 days and continue to completion upon
3 this order becoming final then the Supervisor may appoint agents to perform the work
4 consistent with authority in PRC 3226.

5 **II. Authorities and Definitions**

6 The Supervisor issues this Order pursuant to his authority to order plugging,
7 abandonment and decommissioning of wells and attendant facilities and perform such
8 remedial work as necessary to prevent damage to life, health, property, and natural
9 resources. (PRC § 3206.1, 3224, 3226, 3237 and corresponding Title 14 regulations.)

10 Attachment G contains a list of definitions and oil and gas laws which are referenced
11 throughout this order.

12 **III. Alleged Acts/Omissions**

13 Per CalGEM's records, AllenCo Energy, Inc. is currently listed as the operator for the
14 Saint James Drill site, which is an enclosed production facility in the middle of a Los Angeles
15 urban area. On October 22, 2021, AllenCo provided the Archdiocese and the City with
16 Report of Well Transfer forms. To date the fully completed forms have not been received by
17 CalGEM, nor have any of the other requirements in PRC 3202 been met.

18 Remedial Order No. 1162 was issued to AllenCo Energy, Inc. to submit a workplan to
19 perform well kill operations on September 26, 2019, and that order became final on January
20 21, 2020. Attachment H is Remedial Order No. 1162, hereby incorporated by reference. Killing
21 a well means to place and fill a fluid column inside the well so that the pressure downward
22 from the well head toward the formation equals the pressure coming up from the well.
23 [Attachment F – 18:10-12]. The net effect of this is to equalize the pressure resulting in net zero
24 pressure at the well head. [Attachment F – 18:12-13] Killing a well and bringing surface
25 pressure to zero will prevent gas leaks – gas only escapes if there is pressure, and if there is no
26 pressure at the surface no gas leaks will be coming out of the equipment. [Attachment F –
27 18:15-17] The deteriorating condition of the wells as evidenced by multiple gas leaks at the St.
28 James facility in 2019 at pressures significantly below designed working pressures, along with

1 sustained wellhead pressures indicates an immediate need to initiate well killing operations as
2 contended in the Remedial Order. On February 2, 2020, AllenCo informed CalGEM of the
3 company's plans to liquidate AllenCo Energy, Inc. and that AllenCo would not be spending
4 further capital at the site. AllenCo's stated intent at the time was to sell their portion of the drill
5 site to make way for a developer to proceed with developing the property. Attachment I is
6 the letter CalGEM received from AllenCo. AllenCo informed CalGEM that the company
7 removed some of the oil producing equipment from the site. The removal of production
8 equipment, another basis for finding the facility deserted, was confirmed by CalGEM staff. On
9 April 14, 2021, AllenCo Energy, Inc informed Archbishop Gomez and City of Los Angeles Acting
10 Petroleum Administrator in the Office of Petroleum and Natural Gas Administration and Safety
11 that AllenCo intends to withdraw permanently from the oil and gas production facility and
12 that it will cease maintaining the facility effective immediately. Attachments J and K are
13 correspondence and Report of Well Transfer forms from AllenCo Energy, Inc. to the
14 Archdiocese and the City of Los Angeles. As referenced above, while AllenCo provided the
15 Archdiocese and the City with Report of Well Transfer forms per PRC 3201, AllenCo shall not be
16 relieved of responsibility for the well(s) or production facility until the supervisor or the district
17 deputy acknowledges the sale, assignment, transfer, conveyance, exchange, or other
18 disposition, in writing, and the person acquiring the well or production facility complies with
19 Section 3202. Despite providing CalGEM with notices of surrendering its lease, CalGEM does
20 not have statutory authority to acknowledge a transfer until a new operator complies with
21 PRC 3202, therefore any attempts to transfer the wells and facilities are incomplete and
22 AllenCo continues to be responsible for the wells and facilities per PRC section 3201.

23 **IV. Conclusive Evidence of Desertion**

24 Consistent with CalGEM's business practices to send the last known operator of record
25 idle well fee notices, CalGEM staff notified AllenCo of delinquent idle well fees by U.S. mail on
26 July 2, 2022 (Attachment L is a Final Delinquency Notice / 2022 Idle Well Fees and Imposition
27 of Penalty and Interest hereby incorporated by reference). AllenCo has not paid the annual
28 fees required for the Well(s) under PRC section 3206. The Idle Well Program records as of the

1 date of this order indicate that the following fees remain unpaid by AllenCo: 2019 fees in the
2 amount of \$13,800, 2020 fees in the amount of \$13, 800, and 2021 fees in the amount of
3 \$17,100. For 2022, the unpaid fee balance is \$17,100 in addition to \$1,710 in penalties and
4 \$3,078 in interest. Additionally, AllenCo has not filed a Testing Compliance Work Plan required
5 per California Code of Regulations, title 14, section 1772.1.4, subdivision (a) and has not met
6 testing benchmarks required per subdivision (b) of that section. AllenCo's failure to comply
7 with idle well requirements is conclusive evidence of desertion of the well(s), permitting the
8 supervisor to order the well abandoned pursuant to PRC section 3237. (PRC, § 3206.1,
9 subdivision (e).)

10 **V. Credible Evidence of Desertion**

11 **A. The Response or Lack of Response of the Operator to Inquiries and Requests from the** 12 **Supervisor or District Deputy and the Extent of Compliance by the Operator with the** 13 **Requirements of this Chapter**

14 AllenCo Energy, Inc. has been repeatedly unavailable to provide CalGEM with access to
15 the site to perform a bid walk with prospective contractors to implement remedial work as
16 outlined in Order No. 1162. On January 11, 2022, AllenCo requested CalGEM contact the City
17 and the Archdiocese to acquire access to the site. Attachment M is the referenced
18 correspondence. CalGEM emailed the Archdiocese and the City on January 11, 2022. On
19 January 11, 2022, the Archdiocese generally responded that the Archdiocese is unable to
20 facilitate access as they have no key and no knowledge of alarm codes or other peculiarities
21 of the site. The Archdiocese asserted that the Drill Site Agreement with the operator remains in
22 effect until the wells are plugged and abandoned, the facility is decommissioned, and the site
23 is returned to its original condition. The Archdiocese asserted that they have no control over
24 AllenCo's property at the site and no legal right to give anyone access. Attachment N is the
25 referenced correspondence from the Archdiocese. The City asserted that it does not own,
26 control, or have access to the Archdiocese's property and therefore no right to deny or grant
27 access to the Archdiocese property, or to any wells or equipment located on the property.
28 Attachment O is the referenced correspondence from the City of Los Angeles. The assertions

by AllenCo, the Archdiocese, and the City that they lack control or authority to grant CalGEM access for inspections and a bid walk further demonstrates that the wells and facilities are deserted.

VI. Rebuttable Presumption of Desertion

A. Failure to Comply with Remedial Order No. 1162

On September 26, 2019, the Supervisor issued an Order to Perform Remedial Work No. 1162 requiring AllenCo Energy, Inc. to take remedial actions as follows:

- (1). Prepare a plan to safely depressurize and then kill all 21 wells,
- (2). Commence work once CalGEM approves the plan,
- (3). Repair all well and facility leaks,
- (4). Successfully pressure test all wells in accordance with requirements in Regulations section 1772.1 and 1772.1.1,
- (5). Repair any well damage identified during the pressure test, and
- (6). Contact CalGEM prior to commencing well kill and pressure testing operations and schedule a follow up inspection once the work is completed.

AllenCo Energy, Inc. appealed the Order on September 30, 2019. The Department of Conservation's Director's Office of Appeals heard the appeal on October 22, 2019. On January 21, 2020, the Director's Office of Appeals affirmed the Order. On February 4, 2020, CalGEM received correspondence from AllenCo Energy, Inc. indicating that AllenCo Energy, Inc. will no longer" spend any capital on equipment up-grades." No workplan to perform remedial actions pursuant to Remedial Order No. 1162 has been received by CalGEM. CalGEM retained a contractor to perform the work required per the order to protect public health and safety in September 2022. Operator's failure to comply with the Order to Perform Remedial Work on the wells is a rebuttable presumption of desertion. (PRC, § 3237, subd. (a)(3)(C))

B. Well's production facilities have been removed from the site for at least two years.

Production equipment such as an Injection Pump, Micro Turbines and Gas Meters have been removed from the site for at least two years creating a rebuttable presumption of

desertion per PRC 3237(a)(2)(B).

C. Person acquiring a well or production facility fails to comply with Section 3202.

1. Archdiocese of Los Angeles:

On April 14, 2021, AllenCo Energy, Inc informed Archbishop Gomez and Acting Petroleum Administrator in the Office of Petroleum and Natural Gas Administration and Safety that AllenCo intends to withdraw permanently from the oil and gas production facility and that it will cease maintaining the facility effective immediately. On October 22, 2021, AllenCo sent Archbishop Gomez of the Archdiocese of Los Angeles an OG 030A Notification of Well and/or Facility Disposition Transfer form. To date, CalGEM has not received an executed OG030A Form completing the transfer. AllenCo Energy, Inc. has notified the supervisor, in writing, of the disposition of the wells and production facility consistent with PRC 3201. The operator is not relieved of responsibility for the well or production facility until the supervisor acknowledges the transfer and the person acquiring the well or production facility complies with PRC section 3202. The person acquiring the right to operate the well or production facility is required to satisfy the requirements in PRC 3202 before the Supervisor has authority to acknowledge the transfer. If a person who is to acquire a well or production facility that is subject to a purchase, transfer, assignment, conveyance, exchange, or other disposition fails to comply with Section 3202 a rebuttable presumption of desertion arises. Here, AllenCo generally asserts that the Archdiocese is the operator because AllenCo surrendered their lease, yet the Archdiocese generally asserts that they have no ownership rights in the wells or the facility.

2. City of Los Angeles:

On March 13, 2019, the Los Angeles Petroleum Administrator notified AllenCo Energy Inc. that its St. James Exploratory Oil and Gas Lease and Ratification and Joiner Unit Agreement for the Los Angeles Downtown Field agreements with the City of Los Angeles expired. Attachment P is the referenced correspondence. On April 14, 2021, AllenCo Energy, Inc informed Archbishop Gomez and Acting Petroleum Administrator in the Office of Petroleum and Natural Gas Administration and Safety that AllenCo intends to withdraw

1 permanently from the oil and gas production facility and that it will cease maintaining the
2 facility effective immediately. On October 22, 2021, AllenCo sent the City of Los Angeles
3 Petroleum Administrator an OG 030A Notification of Well and/or Facility Disposition Transfer
4 form. To date, CalGEM has not received an executed OG030A Form completing the
5 transfer. AllenCo Energy, Inc. has notified the supervisor, in writing, of the disposition of the
6 wells and production facility consistent with PRC 3201. However, the operator is not
7 relieved of responsibility for the well or production facility until the supervisor acknowledge
8 the transfer and the person acquiring the well or production facility complies with PRC
9 section 3202. The person acquiring the right to operate the well or production facility is
10 required to satisfy the requirements in PRC 3202 before the Supervisor has authority to
11 acknowledge the transfer. If a person who is to acquire a well or production facility that is
12 subject to a purchase, transfer, assignment, conveyance, exchange, or other disposition
13 fails to comply with Section 3202 a rebuttable presumption of desertion arises. Here,
14 AllenCo asserts that the City of Los Angeles is the operator of three wells because the
15 Exploratory Oil and Gas Lease and Ratification and Joiner Unit Agreement for the Los
16 Angeles Downtown Field was terminated by the City of Los Angeles. The City of Los
17 Angeles asserts that the City does not own, control, or have access to the Archdiocese's
18 property.

19 **VII. Operator's Required Actions**

20 For the reasons stated above, CalGEM has determined that the Well(s) and Facilities
21 are deserted. Therefore, **IT IS HEREBY ORDERED** that the Operator plug and abandon the
22 Well(s) and decommission the Facilities and restore the well site according to PRC sections
23 3208, 3224, 3226, 3228, 3229, 3230, and 3237, Regulations sections 1722, 1723 through 1723.8,
24 1724 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit CalGEM
25 may issue pursuant to PRC section 3229. CalGEM further orders operator to maintain the site in
26 a manner that is protective of life, health, property, and natural resources.

27 **VIII. Operator's Appeal Rights**

28 Operator appealed Order No. 1174 and on March 19, 2020, the Supervisor received a

1 Notice of Acknowledgement of Appeal related to Order No. 1174 from the Director's Office of
2 Appeals. A hearing before the Office of Administrative Hearings is scheduled for July 18, 2023,
3 at 9:00 am. Following the hearing, Operator will receive a written decision that affirms, sets
4 aside, or modifies the appealed order. If the order is affirmed following Operator's appeal,
5 CalGEM may contract for the performance of work, pursuant to PRC section 3226, if, within 30
6 days of this order, Operator has not, in good faith, commenced the work ordered. Any costs
7 incurred by CalGEM to obtain compliance with this order will constitute a lien against
8 Operator's real or personal property per PRC section 3423. (PRC §3356).

9 **IX. Other Potential Actions to Enforce This Order**

10 If within 30 days after service of an order, or if there has been an appeal from the order
11 to the director, within 30 days after service of the decision of the director, or if a review has been
12 taken of the order of the director, within 10 days after affirmance of the order, the owner or
13 operator shall commence in good faith the work ordered and continue it until completed. If
14 the work has not been commenced and continued to completion, the supervisor may appoint
15 necessary agents to enter the premises and perform the work.

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17
18
19 DATED: May 26, 2023

Gabe Tiffany

Gabe Tiffany
Acting State Oil and Gas Supervisor