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8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**
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14 **ORDER TO PERFORM REMEDIAL WORK**
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18 **NO. 1115**

19 **Dated: February 22, 2017**

20 **Operator: Amrich Energy, Inc. [A2497]**

21 **BY**

22 **Kenneth A. Harris Jr.**

23 **STATE OIL AND GAS SUPERVISOR**
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I. Introduction

Under the authority of Public Resources Code section 3106, subdivision (a), the State Oil and Gas Supervisor (Supervisor) supervises the operation of oil and gas wells within the State of California so as to prevent, as far as possible, damage to life, health, property, and natural resources. In the exercise of this authority, as provided by Public Resources Code section 3224, the Supervisor may order well operators to undertake such tests and remedial work as the Supervisor determines are necessary to prevent damage to life, health, property, and natural resources, to the best interests of neighboring property owners and the public.

As further elaborated in this Order, the Supervisor hereby determines:

- that operator **Amrich Energy, Inc.** is the operator of several wells located on the “Altoona” lease, in Section 25, Township 32S, Range 23E in the Midway-Sunset Oil Field, in Kern County;
- that these wells operated by **Amrich Energy, Inc.** and located on the “Altoona” lease are leaking, allowing escape of gas or oil and water to the surface;
- that remedial work to halt the leakage of gas or oil and water at these wells is necessary to prevent damage to life, health, property, or natural resources.

Based upon these determinations, and pursuant to Public Resources Code sections 3013, 3106, 3224, and 3226, and California Code of Regulations, title 14, section 1777, subdivisions (a), (b), and (c), **the Supervisor hereby orders Amrich Energy, Inc. to undertake the actions described in Section VI (Operator’s Required Actions) of this Order.**

II. Definitions

“Operations” means “any one or all of the activities of an operator covered by Division 3 of the Public Resources Code” (i.e., the oil and gas statutes, commencing with Public Resources Code section 3000). (Cal. Code Regs., tit. 14, § 1720, subd. (f).)

“Operator” means “a person who, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control a well or production facility.” (Pub. Resources Code, § 3009.)

“Production facility” means any equipment attendant to oil and gas production or injection operations. (Pub. Resources Code, § 3010.)

“**Well**” means “any oil or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to contain oil or gas; any well drilled for the purpose of injecting fluids or gas for stimulating oil or gas recovery, repressuring or pressure maintenance of oil or gas reservoirs, or disposing of waste fluids from an oil or gas field; any well used to inject or withdraw gas from an underground storage facility; or any well drilled within or adjacent to an oil or gas pool for the purpose of obtaining water to be used in production stimulation or repressuring operations.” (Pub. Resources Code, § 3008, subd. (a).)

III. State Oil and Gas Supervisor Authority

Public Resources Code section 3013 states that the oil and gas statutory framework (Division 3 of the Public Resources Code, commencing with section 3000) “shall be liberally construed to meet its purposes, and the director and supervisor, acting with the approval of the director, shall have all powers . . . which may be necessary to carry out the purposes of this division.”

Public Resources Code section 3106, subdivision (a), authorizes the Supervisor to supervise the drilling, operation, maintenance, and abandonment of oil and gas wells to “prevent, as far as possible, damage to life, health, property, and natural resources; damage to underground oil and gas deposits from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances.”

Public Resources Code section 3224 authorizes the Supervisor to “order such tests or remedial work as in his judgment are necessary to prevent damage to life, health, property, and natural resources; to protect oil and gas deposits from damage by underground water; or to prevent the escape of water into underground formations, or to prevent the infiltration of detrimental substances into underground or surface water suitable for irrigation or domestic purposes, to the best interests of the neighboring property owners and the public.”

Public Resources Code section 3226 authorizes the Supervisor, based on the Supervisor's final or affirmed order, to appoint agents who may enter the well premises and perform necessary remedial work if the operator does not complete the remedial work as ordered. Any amount the Supervisor expends to complete the necessary remedial work constitutes a lien against the operator's real or personal property. Additionally, Public Resources Code section 3226 authorizes the Supervisor to determine that an emergency exists, and on that determination to order or undertake such actions as the Supervisor deems necessary to protect life, health, property, or natural resources, notwithstanding any provisions of Public Resources Code sections 3224, 3225, and 3237 otherwise applicable.

California Code of Regulations, title 14, section 1722, subdivision (a), requires that “[a]ll operations shall be conducted in accordance with good oilfield practice.”

California Code of Regulations, title 14, section 1777, subdivision (a), provides that “[o]perators shall maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources.”

California Code of Regulations, title 14, section 1777, subdivision (b), requires that operators establish and comply with a written preventative maintenance program for prevention of corrosion and leakage, and maintain documentation of steps taken to follow the plan.

California Code of Regulations, title 14, section 1777, subdivision (c), further provides that the maintenance of production facilities in good condition requires repair or replacement of production facilities that are leaking or are otherwise not operating properly.

IV. Interested Parties

The **Division of Oil, Gas and Geothermal Resources (Division)** is a division within the California Department of Conservation. Pursuant to Public Resources Code section 3106 and other legal authorities, the Division regulates the operation and maintenance of oil wells, gas wells, and attendant production facilities within the state of California. The Supervisor is the chief executive of the Division.

Amrich Energy, Inc.¹ is a business entity. At all times relevant to this Order, Amrich Energy, Inc. is and was the “operator,” as defined in Public Resources Code section 3009, of the wells listed in Table 1, below.

TABLE 1, Wells Operated by Amrich Energy, Inc.

Well #	Lease	API #	County	Field
1	Altoona	029-38193	Kern	Midway-Sunset
2	Altoona	029-38194	Kern	Midway-Sunset
3	Altoona	029-38195	Kern	Midway-Sunset
4	Altoona	029-38196	Kern	Midway-Sunset
5	Altoona	029-38197	Kern	Midway-Sunset
8	Altoona	029-38200	Kern	Midway-Sunset
E-1	Altoona	029-51446	Kern	Midway-Sunset
SPI-1	Altoona	030-25431	Kern	Midway-Sunset
SPI-5	Altoona	030-25606	Kern	Midway-Sunset

V. Supervisor’s Determination That Remedial Work Is Necessary

During recent inspections, each of the wells listed in Table 1, above, were observed to be leaking gas or oil and water to the surface at the locations of their wellheads. Remedial work to halt the leakage of gas or oil and water, and to ensure maintenance of well control at each of the wells listed in Table 1, above, is necessary to prevent damage to life, health, property, or natural resources.

The conditions to be remedied are listed in Table 2, below.

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¹ Within the Division’s records, Amrich Energy, Inc. has been designated operator code A2497.

TABLE 2, Conditions to be Remedied

Well #	API #	Conditions to be Remedied
1	029-38193	Oil and water escaping to surface at location of wellhead.
2	029-38194	Gas escaping to surface at location of wellhead.
3	029-38195	Gas escaping to surface at location of wellhead.
4	029-38196	Gas escaping to surface at location of wellhead.
5	029-38197	Gas escaping to surface at location of wellhead.
8	029-38200	Oil and water escaping to surface at location of wellhead.
E-1	029-51446	Gas escaping to surface at location of wellhead.
SPI-1	030-25431	Gas escaping to surface at location of wellhead.
SPI-5	030-25606	Gas escaping to surface at location of wellhead.

VI. Operator's Required Actions

For the above-stated reasons, **IT IS HEREBY ORDERED**, pursuant to Public Resources Code sections 3013, 3106, 3224, and 3226, and California Code of Regulations, title 14, section 1777, subdivisions (a), (b), and (c), that **Amrich Energy, Inc. shall immediately** do all of the following:

- 1) Submit for approval to the District Deputy of the Division's Inland District office a written plan and schedule describing the work that will be done to remedy, promptly and permanently, the conditions identified in **Table 2**. This plan and schedule must include, for each well, a description of the work to be done, the date the work shall begin, and the anticipated date by which the work shall be completed.
- 2) Commence and continue to completion all work necessary to remedy the conditions identified in **Table 2**, effectuating a prompt and permanent halt to the leakage of gas or oil and water from these wells.

If **Amrich Energy, Inc.** does not, in good faith, commence the remedial work ordered within **thirty days** after service of this order, and continue to completion the remedial work ordered

1 within **six months** after service of this order, the Division may contract with a third party to
2 have the work performed at **Amrich Energy, Inc.’s** expense, pursuant to Public Resources Code
3 section 3226.

4 **VII. Operator’s Right to Appeal**

5 The operator may appeal from this Order pursuant to the procedures described in Article
6 6 (Appeals and Review) of Division 3 of the Public Resources Code, commencing with Public
7 Resources Code section 3350. (Pub. Resources Code, § 3225, subd. (d).) To file an appeal, a
8 written notice of appeal may be mailed to the following address:

9 Department of Conservation
10 Director’s Office of Appeals
11 801 K Street, MS 24-03 (Legal Office)
12 Sacramento, California 95814-3530

13 The deadline to file an appeal is 10 (ten) days from the date of the service of the Order.² (Pub.
14 Resources Code, § 3350, subd. (a).) Failure to file a timely notice of appeal will waive the right
15 to challenge this Order. If the operator timely files a written notice of appeal, the operator will
16 be notified of the date, time, and place scheduled for the appeal hearing. Following the hearing,
17 the operator will receive a written decision that affirms, sets aside, or modifies the Order. An
18 appeal from an order of the State Oil and Gas Supervisor is decided by the Director of the
19 Department of Conservation, or a designated representative acting under the authority of the
20 Director.

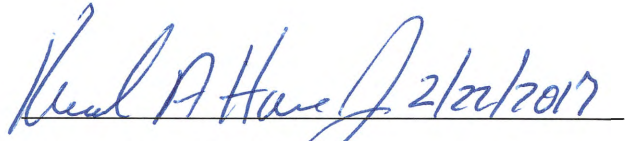
21 **VIII. Other Potential Actions to Enforce This Order**

22 Failure to comply with Section VI (Operator’s Required Actions) of this Order could
23 result in further enforcement actions, including an order of the Supervisor imposing civil
24 penalties. (Pub. Resources Code, § 3236.5.) The Supervisor may also deny approval of
25 proposed well operations until existing operations are brought into compliance with this Order.

26 ² If the order is served by mail, the time to file an appeal shall be extended as provided in Code of Civil Procedure section
27 1013.

1 (Pub. Resources Code, § 3203, subd. (c).) In addition, failure to comply with applicable
2 provisions of the Public Resources Code, including those underlying this Order, may be
3 prosecuted as a criminal misdemeanor, punishable by a fine of \$100 (one hundred dollars) to
4 \$1000 (one thousand dollars), imprisonment of up to six months, or both. (Pub. Resources
5 Code, § 3236.)

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7 **DATED: February 22, 2017**

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10 Kenneth A. Harris Jr.
11 State Oil and Gas Supervisor

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