

1 Department of Conservation, Division of Oil, Gas, and Geothermal Resources
2 STATE OIL AND GAS SUPERVISOR
3 801 K Street, MS 24-03 (Legal Office)
4 Sacramento, California 95814-3530
5 Telephone (916) 323-6733
6 Facsimile (916) 445-9916
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9 **STATE OF CALIFORNIA**
10 **NATURAL RESOURCES AGENCY**
11 **DEPARTMENT OF CONSERVATION**
12 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**
13
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15 **ORDER TO:**
16 **PAY CIVIL PENALTY**
17

18 **NO. 1111**

19 **Dated: March 18, 2016**

20 **Operator: The Termo Company (T1200)**
21

22
23 **BY**

24 **Kenneth A. Harris Jr.**

25 **STATE OIL AND GAS SUPERVISOR**
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1 **I. Introduction**

2 Under the authority of Public Resources Code (PRC) section 3106, the State Oil
3 and Gas Supervisor (Supervisor), head of the Division of Oil, Gas, and Geothermal
4 Resources (Division), supervises the operation of oil and gas wells within the State of
5 California so as to prevent, as far as possible, damage to life, health, property, and natural
6 resources.

7 At all times relevant to this Order, **The Termo Company**¹ (hereinafter Operator)
8 was the “operator,” as defined in PRC section 3009, of the “well,” as defined in PRC
9 section 3008, subdivision (a), numbered 7A (API # 037-00660)(hereinafter Well), and
10 was conducting “operations” as defined in California Code of Regulations, title 14
11 (Regulations), section 1720, subdivision (f), in the Aliso Canyon Field in Los Angeles
12 County.

13 Therefore, pursuant to PRC sections 3103, 3106, 3236.5, and 3300, and
14 Regulations sections 1775 and 1777, **the Supervisor hereby Orders Operator to pay a**
15 **total civil penalty of \$75,000.00 for its violations of PRC section 3300, and**
16 **Regulations sections 1775, subdivision (a), and 1777, subdivision (a), as specified**
17 **below and according to applicable law.**

18 **II. Definitions**

19 **PRC section 3008, subdivision (a),** defines “Well” to mean “any oil or gas well
20 or well for the discovery of oil or gas; any well on lands producing or reasonably
21 presumed to contain oil or gas; any well drilled for the purpose of injecting fluids or gas
22 for stimulating oil or gas recovery, repressuring or pressure maintenance of oil or gas
23 reservoirs, or disposing of waste fluids from an oil or gas field; any well used to inject or
24 withdraw gas from an underground storage facility; or any well drilled within or adjacent

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27 ¹ The Operator Code the Division uses for The Termo Company is T1200.

1 to an oil or gas pool for the purpose of obtaining water to be used in production or
2 repressuring operations.”

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

6 **Regulations section 1720, subdivision (f)**, defines “Operations” to mean “any
7 one or all of the activities of an operator covered by Division 3 of the Public Resources
8 Code [i.e., the oil and gas statutes, commencing with PRC section 3000].”

9 **III. State Oil and Gas Supervisor Authority**

10 **PRC section 3013** states that the oil and gas statutes (Division 3 of the PRC,
11 commencing with Section 3000) “shall be liberally construed to meet its purpose, and the
12 director and supervisor, acting with the approval of the director, shall have all powers ...
13 which may be necessary to carry out the purposes of this division.”

14 **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the
15 drilling, operation, maintenance, and abandonment of wells and the operation,
16 maintenance, and removal or abandonment of tanks and facilities attendant to oil and gas
17 production ... so as to prevent, as far as possible, damage to life, health, property, and
18 natural resources [.]”

19 **IV. Operator Acts and Omissions**

20 On January 23, 2016, The Jet Propulsion Laboratory and South Coast Air Quality
21 Management District (SCAQMD) conducted aerial surveillance² over the Aliso Canyon
22 Field (Field) with a forward looking infrared (FLIR) camera. The FLIR camera detected
23 what appeared to be a gas leak at Operator’s Del Aliso 1 lease in the Field. Based on this

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26 ² The aerial surveillance was being conducted as an ongoing part of the monitoring process of Southern California
27 Gas Company’s well Standard Sesnon 25.

1 information, Division personnel went to the area where the camera detected the leak to
2 attempt to identify the source of the leak. Approximately three hundred feet from the
3 Well's wellhead, located at the top of a steep grade and behind a tree, Division personnel
4 discovered a hole measuring approximately nine inches in diameter that was producing
5 an audible volume of gas. Using a FLIR camera, Division personnel confirmed a
6 "notable volume" of gas coming from the hole. Division personnel then observed that
7 the hole was a terminus of a pipeline measuring approximately two and three-eighths
8 inches in diameter and that disturbance to the area surrounding the hole indicated that
9 heavy equipment, such as a bulldozer, had recently been used. Before leaving, Division
10 personnel also observed that the gas had a mild sweet smell.

11 Division personnel then walked back down to the Well and was approached by
12 Sonny Ordoyne (Ordoyne), a representative for the Operator. Ordoyne explained to
13 Division personnel that the pipeline was part of Operator's emergency relief gas system
14 (or System), which was being used because gas could not be transmitted to the Southern
15 California Gas Company's system in the Field. Ordoyne then closed a valve to shut
16 down the pipeline system. However, when Ordoyne closed the valve, the flow of gas did
17 not stop; it only decreased, which Division personnel verified with the FLIR camera. At
18 that time, Division personnel notified Operator that there would be subsequent
19 communication from the Division and left the site.

20 On January 24, 2016, Division personnel made another site visit to the Well with
21 staff from SCAQMD. They encountered Ordoyne who was accompanied by another
22 man. The two men claimed that the leak observed the previous day was the result of a
23 faulty relief valve, but the valve was now replaced. The SCAQMD representatives spoke
24 to Ordoyne and indicated that SCAQMD would follow up with Operator as well.

25 On January 28, 2016, Division local District personnel conducted a site inspection
26 of the Well. By that time, Operator had removed the pipeline that the previous Division
27 personnel observed, documented, and photographed four days earlier. In its stead,

1 Operator had placed a threaded connection and a bull nose pipe cap at the piping
2 connected to the casing for the Well. Division local District personnel observed new
3 Teflon tape in connection with the bull nose.

4 In the area of the hole that was previously leaking, Division local District
5 personnel observed oil staining in the soil where the gas flowing under pressure had
6 displaced the dirt. Because the venting gas would carry only minute amounts as it
7 escaped, this staining indicated that the pipeline had existed in the area for more than just
8 a few days. Division local District personnel also photographed areas of crushed grass
9 and disturbed earth where the pipeline had previously lain. Although the pipeline was
10 removed before this inspection, Division local District personnel observed that the
11 pipeline had only been connected to the wellhead, not to any casing gas recovery
12 pipelines. Based on this, Division local District personnel concluded that the pipeline
13 only vented gas from the Well.

14 After the inspection, the Division asked the Operator to provide reasons for the
15 site conditions as well as the venting of the gas. In an electronic mail correspondence
16 (email) dated January 28, 2016, Vice President of Operations Norbert "Bill" Buss (Buss)
17 stated that a leak had been detected in a pipe that was part of a larger system of pipelines
18 that collect gas from oil well casings and gas traps. The system's outlet is a compressor
19 suction where gas is compressed into a gas sales line. The detected pipe had a faulty
20 relief valve that was allowing gas to escape.

21 Buss offered that the leak may have been due to either an overpressure situation
22 causing the relief valve to open or an incomplete closure of the valve during the prior
23 opening. He stated that a bull plug was installed downstream of the pipe on January 25,
24 2016, to prevent any future leakage. He also added that Operator had been experiencing
25 intermittent problems with high gas pressure since "the first of January" because,
26 apparently, Southern California Gas Company had begun enforcing a rule that required a
27 minimum gas delivery temperature of fifty degrees Fahrenheit.

1 Based on the incorrect and inconsistent statements made by Buss in his email,
2 District staff determined that the actions taken by the Operator were invalid and
3 inappropriate for the Field. Moreover, the initial investigation into the leak area, and
4 later inspection of Operator's facilities, revealed violations of the PRC and Regulations.

5 **A. Unreasonable Waste of Gas (PRC, § 3300)**

6 PRC section 3300 states that "[t]he unreasonable waste of natural gas by the act,
7 omission, sufferance, or insistence of the lessor, lessee or operator of any land containing
8 oil or gas, or both, whether before or after the removal of gasoline from the gas, is
9 opposed to the public interest and is unlawful. The blowing, release, or escape of gas
10 into the air shall be prima facie evidence of unreasonable waste."

11 Through its representatives, Operator admitted it was intentionally venting gas
12 from the Well when the pressure became too high. Ordoyne acknowledged that what
13 Division personnel observed was Operator's emergency relief gas system that was being
14 used because it could not transmit gas to Southern California Gas Company. Ordoyne
15 also acknowledged that the System could be turned on and off at any time. Further,
16 Buss's email admits that the leak may have been caused by an incomplete closure of the
17 valve from a prior opening, indicating that Operator had intentionally allowed the gas to
18 leak at some prior time.

19 PRC section 3300 prohibits the unreasonable waste of natural gas. However, all
20 the facts here, including the admissions of Operator's agents, indicate that Operator's
21 pipeline system was specifically designed to allow Operator to intentionally and willfully
22 release and waste natural gas when the pressure within the Well casing became too high.
23 This release was in large enough quantities that it was detectable by aerial flyover.
24 Moreover, the placement of the pipeline in the ground with the terminus hole beneath a
25 tree strongly suggests that Operator knew that the pipeline was violative and, therefore,
26 took measures to conceal it by placing the pipeline in an area hidden by terrain,
27 vegetation and distance. When the Division was alerted to the leak and pipeline,

1 Operator destroyed it before it could be inspected just days later. As such, the Supervisor
2 finds that Operator's waste of natural gas and concealment of its venting procedures were
3 inherently unreasonable and violated PRC section 3300.

4 **B. Improper Disposal of Oil Field Waste (Regulations, § 1775, subd. (a))**

5 Regulations section 1775, subdivision (a), mandates that oilfield wastes, including
6 oil, water, chemicals, mud, and cement "be disposed of in such a manner as not to cause
7 damage to life, health, property, freshwater aquifers or surface waters, or natural
8 resources, or be a menace to public safety."

9 As previously stated, Ordoyne told Division personnel that the pipeline was part of
10 Operator's emergency relief system, which was used when gas pressure built in the
11 Well's casing. Buss further acknowledged that the leak may have been the result of a
12 prior opening of the pipeline. The facts show that Operator was intentionally disposing
13 of the unwanted gas, residual oil, and contaminants through uncontained and
14 unauthorized venting into the air and soil. The air sampling data shows that several other
15 chemical compounds were also released. Operator's actions potentially exposed people
16 and the local environment to hazardous chemicals and other contaminants. Based on
17 these facts, the Supervisor finds that Operator violated Regulations section 1775,
18 subdivision (a).

19 **C. Failure to Maintain and Monitor Production Facility (Regulations, § 1777,**
20 **subd. (a))**

21 Regulations section 1777, subdivision (a), requires operators to "maintain
22 production facilities in good condition and in a manner to prevent leakage or corrosion
23 and to safeguard life, health, property, and natural resources."

24 In direct contrast to the requirements of the regulation, this part of Operator's
25 facility was intentionally designed to encourage leakage in order to control rising gas
26 pressure. As stated above, both Ordoyne and Buss acknowledged that the pipeline
27 existed exclusively to bleed gas off the Well casing. The unauthorized venting of natural

1 gas, as well as other gases, from the casing system was a waste of natural resources, was
2 a hazard to life and health, and was inconsistent with good oilfield practice. In light of
3 this, the Supervisor finds that Operator violated Regulations section 1777, subdivision
4 (a).

5 **V. Supervisor's Civil Penalty Imposition**

6 **PRC section 3236.5, subdivision (a)**, states that "A person who violates this
7 chapter or a regulation implementing this chapter is subject to a civil penalty not to
8 exceed twenty-five thousand dollars (\$25,000) for each violation. [...] The civil penalty
9 shall be imposed by an order of the supervisor pursuant to Section 3225 upon a
10 determination that a violation has been committed by the person charged. The imposition
11 of a civil penalty under this section shall be in addition to any other penalty provided by
12 law for the violation. When establishing the amount of the penalty pursuant to this
13 section, the supervisor shall consider, in addition to other relevant circumstances, all of
14 the following:"

15 **A. Violations of PRC section 3300 and Regulations section 1775,**
16 **subdivision (a)**

17 **1. Extent of Harm Caused by the Violations**

18 The Supervisor finds that the waste and improper disposal of natural gas raised the
19 potential for significant harm. At a time when there was an ongoing, significant,
20 newsworthy gas leak in the same Field, Operator chose to purposefully contribute to the
21 overall natural gas waste and methane emissions. Moreover, air samples taken by
22 SCAQMD show that other dangerous volatile organic and possible cancer-causing
23 compounds were being released into the air.

24 **2. Persistence of the Violations**

25 The Supervisor finds that the violations were persistent. When the natural gas was
26 bled from the wellhead, it would carry trace amounts of oil that would be expelled as a
27 mist. Eventually, when allowed to vent long enough, the oil built up and penetrated the

1 ground near the terminus of the pipeline. The oil spots discovered were large enough to
2 indicate that leakage had been occurring for longer than a few hours or days. Buss's
3 email suggests that the vent line was turned off and on over periods of time determined
4 by Operator. Based on the size of the spots and the information provided by Buss,
5 Operator had been venting the natural gas periodically for weeks or even months.

6 **3. Pervasiveness of the Violations**

7 The Supervisor finds that the violations are pervasive. Operator vented gas in
8 such quantities that it was detectable by aerial surveillance. Further, the entities
9 conducting the flyover were able to clearly distinguish this leak from the other leak in the
10 Field.

11 **4. Operator's Prior Violations**

12 To the best of the Division's knowledge at this time, Operator has no prior
13 violations.

14 **5. Other Relevant Circumstances**

15 The Supervisor finds that the venting of the gas was an intentional act by Operator
16 to bleed off pressure from the Well casing. In addition, the placement of the pipeline
17 appears to be a deliberate act of concealment. Even armed with GPS coordinates,
18 Division personnel spent some time finding the hole and pipeline since the Operator
19 placed them such that they were not open and obvious. If not for the aerial surveillance
20 of the Field, it is unknown how long the intentional bleeding would have occurred
21 without discovery. Finally, once the pipeline was discovered, Operator destroyed the
22 evidence of its existence before Division personnel could fully inspect it. The brazen
23 nature of this violation shows that Operator held little to no regard for the statutes and
24 regulations or, more importantly, public health and safety. Based on the factors, relevant
25 circumstances, and seriousness of Operator's actions the Supervisor imposes a penalty of
26 \$25,000.00 each for its violations of PRC section 3300 and Regulations section 1775,
27 subdivision (a).

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2 **B. Violation of Regulations section 1777, subdivision (a)**

3 **1. Extent of the Harm Caused by the Violation**

4 The Supervisor finds that the violation raised the potential for significant harm.
5 Operator intentionally designed the section of its facility described above to vent natural
6 gas, methane, and other hazardous compounds into the atmosphere when well pressure
7 built in the Well casing. Operator purposefully contributed to the overall chemical
8 emissions that caused many nearby residents to evacuate their homes and businesses.

9 **2. Persistence of the Violation**

10 The Supervisor finds that the violation was persistent. As previously stated,
11 Buss's emails and the size of the oil spots discovered near the terminus of the pipeline
12 indicate that gas had been vented periodically over the course of weeks or months.

13 **3. Pervasiveness of the Violation**

14 The Supervisor finds that the violations are pervasive. Operator vented gas in
15 such quantities that it was detectable by aerial surveillance. Further, the entities
16 conducting the flyover were able to clearly distinguish this leak from the other leak in the
17 Field.

18 **4. Operator's Prior Violations**

19 To the best of the Division's knowledge at this time, Operator has no prior
20 violations.

21 **5. Other Relevant Circumstances**

22 The Supervisor finds that the installation of the violative pipeline was an
23 intentional act by Operator to bleed off pressure from the Well casing. In addition, the
24 placement of the pipeline appears to be a deliberate act of concealment. Even armed with
25 GPS coordinates, Division personnel spent some time finding the hole and pipeline since
26 the Operator placed them such that they were not open and obvious. If not for the aerial
27 surveillance of the Field, it is unknown how long the intentional bleeding would have

1 occurred without discovery. Finally, once the pipeline was discovered, Operator
2 destroyed the evidence of its existence before Division personnel could fully inspect it.
3 The brazen nature of this violation shows that Operator held little to no regard for the
4 statutes and regulations or, more importantly, public health and safety. Based on the
5 factors, relevant circumstances, and seriousness of Operator's actions the Supervisor
6 imposes a penalty of \$25,000.00 for its violation of Regulations section 1777, subdivision
7 (a).

8 **VI. Operator's Required Actions**

9 For the above stated reasons, **IT IS HEREBY ORDERED**, pursuant to PRC
10 sections 3103, 3106, 3300, and 3236.5, and Regulations sections 1775, subdivision (a),
11 and 1777, subdivision (a), that, immediately upon this Order becoming final, **The Termo**
12 **Company pay a total civil penalty amount of \$75,000.00.** Operator shall make the
13 check payable to "Department of Conservation, Division of Oil, Gas, and Geothermal
14 Resources" and submit the check to State Oil and Gas Supervisor, California Department
15 of Conservation, Division of Oil, Gas, and Geothermal Resources, 801 K Street, MS 24-
16 03 (Legal Office), Sacramento, CA 95814-3530.

17 **VII. Operator's Right to Appeal**

18 Operator may appeal this Order by filing a written notice of appeal with the
19 Supervisor as described in Article 6 (Appeals and Review) of Division 3 of the PRC,
20 commencing with PRC section 3350. (PRC, § 3225, subd. (d).) Failure to timely file a
21 notice of appeal will waive Operator's right to challenge this Order. If not timely
22 appealed, this Order will become final. When the order becomes final, the required
23 actions become due, as described above in Section VI (Operator's Required Actions). If
24 Operator timely files a notice of appeal, the Supervisor will work with Operator
25 concerning the appeal hearing date, time, and place. Following the hearing, Operator will
26 receive a written decision that affirms, sets aside, or modifies the Order.

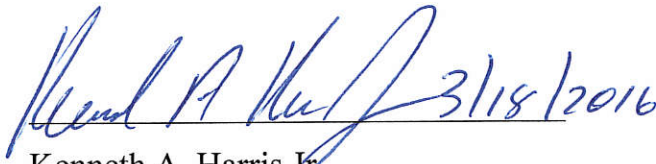
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1 **VIII. Other Potential Actions to Enforce This Order**

2 Failure to comply with Section VI (Operator's Required Actions) of this Order
3 could subject Operator to further enforcement action, including the possibility that the
4 Supervisor may deny approval of proposed well operations until Operator is in
5 compliance with this Order. (PRC, § 3203, subd. (c).)

6 In addition, the Supervisor may request prosecution of a criminal action under
7 PRC section 3236, which makes failing, neglecting, or refusing to comply with
8 applicable provisions of the PRC, a misdemeanor punishable by a fine of \$100 (one
9 hundred dollars) to \$1,000 (one thousand dollars), imprisonment of up to six (6) months
10 or both.

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13 DATED: March 18, 2016

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17 Kenneth A. Harris Jr.
18 State Oil and Gas Supervisor

19 Cert. mail. rec. no.: 70150640000183799725

PROOF OF SERVICE BY CERTIFIED U.S. MAIL

- 1) I am at least 18 years of age, not a party to this action, and I am a resident of or employed in the county where the mailing took place.
- 2) My business address is: Department of Conservation, Division of Oil, Gas, and Geothermal Resources, 801 K St., MS-1805, Sacramento, California 95814-3530.
- 3) I served a copy of the following documents:
ORDER TO PAY A CIVIL PENALTY, ORDER NO. 1111
by enclosing them in an envelope and placing the envelope for collection and mailing by certified U.S. mail on the date and at the place shown in item 4 following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.
- 4) The envelope was addressed and mailed as follows:
 - a. Name of person served:
Norbert "Bill" W. Buss
 - b. Address:
The Termo Co.
P.O. Box 2767
Long Beach, CA 90801
 - c. Date mailed: March 18, 2016
 - d. Place of mailing: Sacramento, California
- 5) I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: 3/18/16

Name: Dana T. Lolmaugh

Signature: 