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8 **STATE OF CALIFORNIA**
9 **NATURAL RESOURCES AGENCY**
10 **DEPARTMENT OF CONSERVATION**
11 **GEOLOGIC ENERGY MANAGEMENT DIVISION**

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13
14 **ORDER TO CEASE AND DESIST OPERATIONS**

15 **NO. 1208**

16 **Operator: Royale Energy, Inc. (R4085)**

17 **Field: Lone Star Gas and Arbuckle Gas**
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1 I. Introduction

2 The State Oil and Gas Supervisor (Supervisor), acting through the Geologic Energy
3 Management Division (CalGEM) and under the authority of Division 3 of the Public Resources
4 Code (PRC) and California Code of Regulations, title 14 (Regulations) upon determination that
5 a production facility is being operated in violations of the standards prescribed in PRC section
6 3270, may issue a cease and desist order to a production operator requiring the operator to
7 cease operation until the operator demonstrates to the satisfaction of the Supervisor that the
8 violation has been corrected. (PRC, § 3270.3.)

9 Based on CalGEM's records, Royale Energy, Inc. (Operator) is an "operator" (as defined
10 in PRC section 3009) and is responsible for the wells and associated production facilities at
11 Lone Star Gas, and Arbuckle Gas Fields (Facilities). **Attachment A**, incorporated herein,
12 contains a list of operator's wells at the Lone Star Gas and Arbuckle Gas Fields. Operator
13 operates two active gas pipelines at these fields, both located in sensitive areas, within 300
14 feet of buildings designed for human occupancy. Under applicable provisions of Regulations
15 section 1774.2, Operator was required to submit a copy of its pipeline management plan for
16 all pipelines to CalGEM by October 1, 2019.

17 As described below in this order, the Supervisor has determined that Operator failed to
18 timely submit a complete pipeline management plan in violation of Regulations section
19 1774.2. In addition, Operator failed to conduct integrity pipeline testing in violation of
20 Regulations section 1774.1, subdivision (i). Therefore, pursuant to PRC sections 3013, 3106, 3226,
21 3270, 3270.3 and Regulations sections 1722, 1774.1, 1774.2 and 1777, the Supervisor is ordering
22 Operator to cease and desist operations of the two pipelines until the violations have been
23 corrected and CalGEM has received and reviewed successful mechanical integrity tests.

24 II. Definitions

25 The following definitions apply to the terms used in this Order:

26 **PRC section 3008, subdivision (a)**, defines "well" to mean, among other things, "any oil
27 or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably

1 presumed to contain oil or gas."

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

5 **PRC section 3010** defines "production facility" to mean "any equipment attendant to oil
6 and gas production or injection operations including, but not limited to, tanks, flowlines,
7 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
8 equipment, and pipelines that are not under the jurisdiction of the State Fire Marshal pursuant
9 to Section 51010 of the Government Code." (See also Regulations, § 1760, subd. (r).)

10 **Regulations section 1760, subdivision (k)**, defines "production facility" to mean "any
11 equipment attendant to oil and gas production...including, but not limited to, tanks, flowlines,
12 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
13 equipment, production safety systems, separators, manifolds, and pipelines that are not under
14 the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code,
15 excluding fire suppressant equipment."

16 **Regulations section 1760, subdivision (f)**, defines "Environmentally sensitive" to mean
17 any of the following:

18 (1) A production facility within 300 feet of any public recreational area, or a building intended
19 for human occupancy that is not necessary to the operation of the production operation,
20 such as residences, schools, hospitals, and businesses.

21 (2) A production facility within 200 feet of any officially recognized wildlife preserve or
22 environmentally sensitive habitat that is designated on a United States Geological Survey
23 topographical map, designated waterways, or other surface waters such as lakes, reservoirs,
24 rivers, canals, creeks, or other water bodies that contain water throughout the year.

25 (3) A production facility within the coastal zone as defined in Section 30103(b) of the Public
26 Resources Code.

27 (4) Any production facility which the Supervisor determines may be a significant potential

1 threat to life, health, property, or natural resources in the event of a leak, or that has a history
2 of chronic leaks.

3 **Regulations section 1760, subdivision (v)** defines "Sensitive area" to mean any of the
4 following:

5 (1) An area containing a building intended for human occupancy, such as a residence,
6 school, hospital, or business that is located within 300 feet of an active gas pipeline and that is
7 not necessary to the operation of the pipeline.

8 (2) An area determined by the Supervisor to present a significant potential threat to life,
9 health, property, or natural resources in the event of a leak from an active gas pipeline.

10 (3) An area determined by the Supervisor to have an active gas pipeline that has a history of
11 chronic leaks.

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

13 **PRC section 3013** states that the oil and gas conservation laws (commencing with PRC
14 section 3000) "shall be liberally construed to meet its purposes" and grants the Supervisor "all
15 powers" that may be necessary to carry out those purposes.

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

21 **PRC section 3225, subdivision (b)**, requires the Supervisor in an order requiring an
22 operator to cease and desist operations pursuant to Section 3270.3 to specify the operations
23 that the operator is required to cease and desist and to provide a detailed explanation of the
24 steps that the operator shall take before the Supervisor will permit the operations to resume.

25 **PRC section 3226** states in part that within 30 days after service of an order pursuant to
26 Sections 3224 and 3225, or Section 3237, [...], the owner or operator shall commence in
27 good faith the work ordered and continue it until completion.

1 **PRC section 3270** mandates that CalGEM prescribe by regulation minimum facility
2 maintenance standards for all production facilities in the state.

3 **PRC section 3270.3** authorizes the Supervisor, upon his or her determination that a
4 production facility is being operated in violation of the standards prescribed in Section 3270
5 subdivision (a), to issue a cease and desist order to a production facility operator requiring the
6 operator to cease operation until the operator demonstrates, to the satisfaction of the
7 Supervisor, that the violation has been corrected.

8 **PRC Section 3270.5** states:

9 (a) (1): By January 1, 2018, the division shall review and evaluate, and update as appropriate,
10 its existing regulations regarding all active gas pipelines that are four inches or less in diameter,
11 located in sensitive areas, and 10 years old or older. The division shall make a written finding of
12 its review and evaluation of these pipelines.

13 (2) In its review and evaluation, the division shall consider existing pipeline integrity, pipeline
14 leak detection, and other pipeline assessment requirements imposed by other regulators to
15 determine which of these forms of assessment meet the division's needs. (3) The regulations
16 shall ensure the integrity and operation of these active gas pipelines pursuant to Sections 3106
17 and 3270.

18 (b) (1) By January 1, 2018, an operator of an active gas pipeline in a sensitive area shall submit
19 to the division, as part of compliance with pipeline management plan requirements pursuant
20 to Section 1774.2 of title 14 of the California Code of Regulations, an up-to-date and accurate
21 map identifying the location of the pipeline and other up-to-date and accurate locational
22 information of the pipeline as determined and in a format specified by the division. (2) The
23 division shall perform random periodic spot check inspections to ensure that the information
24 submitted pursuant to paragraph (1) is accurately reported. (3) The division shall maintain a list
25 of active gas pipelines in sensitive areas.

26 (c) For purposes of this section, the following terms are defined as follows:

27 (1) "Active gas pipeline" means an in-service gas pipeline regardless of diameter that is within

1 the division's jurisdiction.

2 (2) "Sensitive area" means any of the following:

3 (A) An area containing a building intended for human occupancy, such as a residence,
4 school, hospital, or business, that is located within 300 feet of an active gas pipeline and that is
5 not necessary to the operation of the pipeline.

6 (B) An area determined by the Supervisor to present significant potential threat to life, health,
7 property, or natural resources in the event of a leak from an active gas pipeline.

8 (C) An area determined by the Supervisor to have an active gas pipeline that has a history of
9 chronic leaks.

10 (d) This section does not affect or limit the authority of the Supervisor pursuant to Section 3106,
11 3270, or any other section of this code, or any regulation implementing those sections.

12 **Regulations section 1722, subdivision (a),** requires Operator to conduct all operations
13 "in accordance with good oilfield practice."

14 **Regulations section 1774.1, subdivision (f)** states:

15 "The operator shall perform periodic mechanical integrity testing on all active
16 environmentally sensitive pipelines that are gathering lines, all urban pipelines over 4" in
17 diameter, and all active gas pipelines in sensitive areas. The mechanical integrity testing shall
18 be conducted every two years, or at an alternative frequency approved by the Supervisor
19 based on demonstrated wall thickness and remaining service life over a period of at least two
20 years. The testing frequencies shall be specified in the operator's Pipeline Management Plan.
21 Pipelines less than 10 years old are exempt from the testing requirements of this subdivision.
22 Subject to review and approval by the Division, the operator shall identify effective
23 mechanical integrity testing methods based on pipeline type and use. The mechanical
24 integrity testing methodology for compliance with this subdivision shall be specified in the
25 operator's Pipeline Management Plan and shall include at least one of the following:

26 (1) Nondestructive testing using ultrasonic or other techniques approved by the
27 Supervisor, to determine wall thickness;

1 (2) Pressure testing using:

2 (A) The guidelines recommended by industry standards, such as the American
3 Petroleum Institute, American Society of Mechanical Engineers for oil or gas
4 pipelines; or

5 (B) The method approved by the State Fire Marshal, Pipeline Safety Division for
6 liquid pipelines or US Department of Transportation, Pipeline and Hazardous
7 Materials Safety Administration for gas pipelines;

8 (3) Internal inspection devices such as a smart pig, as approved by the Supervisor; or

9 (4) Any other method approved by the Supervisor that ensures mechanical integrity so
10 as to protect life, health, property, and natural resources.

11 Copies of mechanical integrity test results shall be maintained in a local office of the
12 operator for ten years and made available to the Division, upon request. The operator shall
13 assess all test results to determine continued safe operations and that risks identified in the
14 Pipeline Management Plan are adequately addressed. The operator shall repair and retest or
15 remove from service any pipeline that fails the mechanical integrity test. The operator shall
16 promptly notify the Division in writing of any pipeline taken out of service due to a test failure."

17 **Regulations section 1774.1, subdivision (i)** states: "For pipelines that are subject to
18 mechanical integrity testing under subdivision (f), but that were not subject to mechanical
19 integrity testing under subdivision (f) prior to January 1, 2018, mechanical integrity testing is not
20 required to be completed until January 2, 2020. For these pipelines, mechanical integrity
21 testing shall be scheduled, completed, and mechanical integrity test results documented per
22 subdivision (f) prior to January 2, 2020."

23 **Regulations section 1774.2** states:

24 (a) Operators shall prepare a pipeline management plan for all pipelines, and current
25 operators as of October 1, 2018, shall submit a copy of the plan to the Supervisor no later than
26 October 1, 2019. The operator shall maintain an up-to-date copy and provide it to the
27 Supervisor upon request. The plan shall be updated within 90 days whenever pipelines are

1 acquired, installed, altered, or at the request of the Supervisor. Pipelines that have been
2 abandoned to the standards specified in Section 1776(f) are exempt from this requirement.

3 (b) The pipeline management plan shall include the following:

4 (1) A listing of information on each pipeline including, but not limited to: pipeline type,
5 grade, actual or estimated installation date of pipeline, design and operating pressures,
6 and any available leak, repair, inspection, and testing history.

7 (2) A description of the testing method and schedule for all pipelines.

8 (3) A description of preventative maintenance performed for associated
9 appurtenances, instrumentation, and equipment (e.g. valves, actuators, gauges,
10 sensors, etc.) to ensure safe pipeline operations.

11 (4) A list and maps of all pipelines that indicate which lines pass through sensitive areas,
12 environmentally sensitive areas, urban areas, and designated waterways. The operator
13 shall clearly indicate where information has been provided about pipelines that are not
14 subject to regulation by the division.

15 (5) A description of the product transferred in each pipeline.

16 (c) The Supervisor may establish additional requirements or modifications to a pipeline
17 management plan, based on individual circumstances, to ensure life, health, property, and
18 natural resources are protected adequately.

19 (d) A plan prepared pursuant to California Code of Regulations Title 8, Section 6533 may fulfill
20 the requirements of this section if the plan is determined to be adequate by the appropriate
21 district deputy.

22 **Regulations section 1777.2, subdivision (c)** requires Operator to notify the local district
23 office two days or more prior to conducting required tank or pipeline testing specified in
24 Regulations sections 1773.4 or 1774.1.

25 **Regulations section 1777**, among other things, requires Operator to "maintain
26 production facilities in good condition and in a manner to prevent leakage or corrosion and
27 to safeguard life, health, property, and natural resources."

1 **IV. Operator Information**

2 Based on CalGEM's records, at all times relevant to this Order, Royale Energy, Inc. Is or
3 was the "operator," as defined in PRC section 3009, of the "well(s)" as defined in PRC section
4 3008, subdivision (a) and "pipeline(s)" as defined in Regulations section 1760, subdivision (q),
5 and is conducting "operations" as defined in Regulations section 1720, subdivision (f).

6 **V. Alleged Acts/Omissions**

7 The Supervisor issues this Order based upon the following alleged violations:

- 8 • Failure to comply with pipeline management plan requirements in Regulations section
9 1774.2;
- 10 • Failure to comply with testing requirements in Regulations section 1774.1, subdivision (i);
- 11 • Noncompliance with a Notice of Violation issued to Operator on September 23, 2020,
12 stating the pipeline management plan submitted did not meet the requirements of
13 Regulations section 1774.2; and
- 14 • Noncompliance with a Notice of Violation issued to Operator, dated December 28, 2020,
15 2020, stating the Operator did not comply with testing requirements in Regulations section
16 1774.1, subdivision (i).

17 **A. Failure to Submit a Complete Pipeline Management Plan.**

18 On June 28, 2019, CalGEM sent a Notice to Operators informing operators of the
19 requirement to submit a pipeline management plan. **Attachment B** is the Notice to Operators
20 2019-12 dated June 28, 2019. CalGEM again notified Operator that its pipeline management
21 plan was past due on December 6, 2019 and provided a new date for submission by January
22 6, 2020. **Attachment C**, incorporated herein, is a Notice of Violation that CalGEM sent on
23 December 6, 2019 with a deadline to submit the pipeline management plan by January 6,
24 2020. In early 2020, CalGEM received a pipeline management plan from Operator.

25 **Attachment D**, incorporated herein, is the pipeline management plan submitted by Operator
26 to CalGEM. The pipeline management plan submitted by Operator failed to comply with
27 Regulations section 1774.2.(a) by not including all pipelines for leases operated by Operator.

Operator did not submit complete pipeline management plans for pipelines associated with the following wells operated by Operator:

- Allied-Redman-Stone Unit 1 well API 0403920059 located in the Chowchilla Gas Field;
- Anacapa 3-4 well API 0402120815 located in the Afton Gas Field;
- Lanai 3-3 well API 0402120734 located in the Afton Gas Field;
- Kauai 3-1 well API 0402120723 located in the Afton Gas Field;
- Federal 3-2 well API 0409520753 located in the Denverton Creek Gas Field;
- Dunnigan Hills 1 well API 0411321140 located in the Dunnigan Hills Gas Field;
- N. Crossroads 4 well API 0411321222 located in the Knights Landing Gas Field;
- Tyler Island 1 well API 0406720407 located in the Tyler Island Gas Field;
- Andrus Island East 1 well API 0406720501 located in the River Island Gas Field;
- Andrus Island 1 well API 0406720406 located in the River Island Gas Field;
- Andrus Island West 1 well API 0406720420 located in the River Island Gas Field;
- Elliott 1 well API 04 06720432 located in the River Island Gas Field;
- Federal 3-1 well API 0409520727 located in the Denverion Creek;
- CRC-RVGU 165 well 0406700119 located in the Rio Vista Gas Field; and
- CRC-RVGU 8-5 well API 0406720533 Rio Vista Gas Field.

The pipeline management plan submitted by Operator failed to comply with Regulations section 1774.2.(b)(2) by not including a testing schedule for pipelines in the Lone Star Gas, Williams Gas, and Arbuckle Gas Fields. Finally, the pipeline management plan submitted by Operator failed to comply with Regulations section 1774.2.(b)(4) by not providing a list and map(s) of all pipelines that pass through sensitive areas for the Lone Star Gas, Williams Gas, and Arbuckle Gas Fields. CalGEM notified Operator that its pipeline management plan did not comply with Regulations section 1774.2 and provided a new date for submission by October 30, 2020. **Attachment E**, incorporated herein, is a Notice of Violation that CalGEM sent on September 23, 2020 with a deadline to submit a complete pipeline management plan by October 30, 2020. To date, CalGEM has not received a complete pipeline management plan

from Operator. **Attachment F**, incorporated herein, is verification from CalGEM staff working with the Pipeline and Facilities Program on July 9, 2021 that a complete pipeline management plan has not been received by CalGEM.

B. Failure to comply with Regulations section 1774.1, subdivision (i), by not conducting integrity testing for a pipeline in a sensitive area.

CalGEM staff determined that Operator has two active gas pipelines located in sensitive areas, within 300 feet of buildings designed for human occupancy. The first pipeline is located in the Lone Star Gas Field. CalGEM staff determined that the pipeline runs along Abel Road to the Vann Dryer Master Meter, and within 300 feet of a business. The second pipeline is located just outside the Arbuckle Gas Field boundary; it goes from the "Cardiff 1" well to the Tiahrt Master Meter. CalGEM staff determined this pipeline is within 300 feet of a residence. CalGEM notified Operator of the requirement to conduct mechanical integrity testing in a Notice of Violation dated December 28, 2020. CalGEM required Operator to submit a testing meeting the requirements of Regulations section 1774.1, subdivision (i) by January 2, 2020.

Attachment G, incorporated herein, is a Notice of Violation dated December 28, 2020. As of the date of this Order, Operator has not submitted mechanical integrity testing to CalGEM.

Attachment H, incorporated herein, is verification from CalGEM staff working with the Pipeline and Facilities Program on July 9, 2021 that mechanical integrity testing has not been received by CalGEM.

VI. Operator's Required Actions

Based on the above, and pursuant to PRC sections 3013, 3106, 3270, 3270.5 and Regulations sections 1773.5, subdivision (a)(1), 1774.2, and 1777 the Supervisor hereby orders Operator to:

- 1). Immediately upon the effective date of this Order, Operator shall cease and desist operation of the two active gas pipelines located in sensitive areas as follows: The two pipelines shall be immediately physically isolated with pipeline devices. Any valves used to isolate pipelines shall be locked and secured closed. In ceasing operations pursuant

1 to this Order, Operator shall ensure that all necessary steps are taken such that the
2 pipelines do not pose a risk to public health or safety or the environment in its non-
3 operational status. The Operator shall provide written notification to CalGEM after
4 isolating the two gas pipelines located in sensitive areas via email at the following email
5 address: CalGEMNorthern@Conservation.ca.gov. The notification shall include a
6 detailed description of how the pipelines were isolated. Operator shall cease and desist
7 operations of the two active gas pipelines until CalGEM authorizes Operator to resume
8 pursuant to paragraph VI.4.

9 2). Within 30 days of the effective date of this Order, Operator shall submit to CalGEM
10 for review and approval the results of successful mechanical integrity tests, in
11 compliance with Regulations section 1774.1, subdivision (i). The Operator shall give
12 CalGEM written notification via email at the following email address:

13 CalGEMNorthern@conservation.ca.gov at least 48-hours before performing the
14 required mechanical integrity tests so a CalGEM field inspector can be present to
15 witness the tests. (Regulations section 1777.2, subd. (c).)

16 3). Within 30 days of the effective date of this Order, Operator shall submit for CalGEM's
17 review and approval a pipeline management plan consistent with Regulations section
18 1774.2 to WellSTAR and:

19 Department of Conservation

20 California Geologic Energy Management Division - Northern District

21 Attn: Kelly Morgan

22 801 K Street, MS 18-05

23 Sacramento, California 95814

24 Or via electronic mail to: CalGEMNorthern@conservation.ca.gov.

25 4). Operator shall not resume operations of the two pipelines without written approval
26 from CalGEM confirming that the violations have been corrected.

27 / / /

1 **VII. Operator's Appeal Rights**

2 Operator may appeal this Order by filing a timely written notice of appeal with the
3 Director as described in Article 6 (Appeals and Review) of Division 3 of the PRC, commencing
4 with PRC section 3350. (PRC, §§ 3225, subd. (d); 3236.5, subd. (c).) If this Order is mailed to you,
5 the Director must receive the appeal within (15) days from the date the Supervisor mails the
6 Order. To file an appeal, a written notice of appeal may be sent via U.S. mail to:

7 Department of Conservation
8 Director's Office of Appeals
9 801 K Street, MS 24-03 (Legal Office, Chief Counsel)
10 Sacramento, California 95814-3530

11 Or via electronic mail to: CALGEMAppeals@conservation.ca.gov

12 If Operator does not file a timely written notice of appeal, this Order will become a final
13 order.

14 If Operator files a timely written notice of appeal, Operator will be informed of the
15 appeal hearing date, time, and place. Following the hearing, Operator, and interested
16 parties, will receive a written decision that affirms, sets aside, or modifies the appealed order.

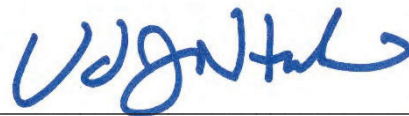
17 **VIII. Other Potential Actions to Enforce This Order**

18 CalGEM reserves all of its statutory and regulatory power, authorities, rights, and
19 remedies to protect public health or the environment. By issuing this Order, CalGEM does not
20 waive the right to take further enforcement action for violations of law, whether or not those
21 violations were identified in this Order. Failure to comply with Section VIII (Operator's Required
22 Actions) of this order could subject Operator to further enforcement action. CalGEM reserves
23 the right to assess a penalty at a later time against Operator for the violations identified in this
24 Order. A continuing failure to submit a pipeline management plan and conduct mechanical
25 integrity testing could subject Operator to additional civil penalties even if this order is
26 appealed.

27 PRC section 3236 makes it a misdemeanor for any person who violates, fails, neglects,

1 or refuses to comply with any of the provisions of the oil and gas conservation laws
2 commencing at PRC section 3000. PRC section 3236.5 authorizes the Supervisor to impose a
3 civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any
4 regulation that implements those statutes, and the Supervisor may in the future impose further
5 civil penalties based on the facts and omissions underlying this order. PRC section 3237
6 authorizes the Supervisor to order the plugging and abandonment of a well or the
7 decommissioning of a production facility if an operator has failed to comply with an order of
8 the Supervisor within the time provided by the order or has failed to challenge the order on a
9 timely basis. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an
10 order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct
11 offense. (PRC, § 3359.)

12
13
14 DATED: August 20, 2021



Uduak-Joe Ntuk
State Oil and Gas Supervisor