

**NOTICE OF VIOLATION**

October 21, 2016

Reports #V116-0499 to # V116-0542

Mr. William Armstrong, Agent  
Armstrong Petroleum Corp.  
P.O. Box 1547  
Newport Beach, CA 92659

Dear Mr. Armstrong:

**LEASE INSPECTION OF ARMSTRONG PETROLEUM CORPORATION LEASES IN THE WEST NEWPORT FIELD**

On September 8, 2016, Division of Oil, Gas, and Geothermal Resources (Division) Engineering Geologist Raul Lima, and Energy and Mineral Resources Engineer Stacy Sor conducted a lease inspection at Armstrong Petroleum Company's "Banning", "Hank 2 Lease", and "Pacific Electric" leases in the West Newport oil field. This letter itemizes violations of California's Public Resources Code (PRC) and California Code of Regulations (CCR) based upon observations made during the lease inspection.

CCR section 1722.1.1(a) States that "Each well location shall have posted in a conspicuous place a clearly visible, legible, permanently affixed sign with the name of the operator, name or number of the lease, and number of the well. These signs shall be maintained on the premises from the time drilling operations cease until the well is plugged and abandoned."

Well Number	API Number	Observation	Violation Number
"Banning" 37R-2	059-21009	Sign Indicates Incorrect Operator	V116-0499
"Banning" 135	059-00215	Sign Indicates Incorrect Operator	V116-0500
"Banning" 145	059-20085	Sign Indicates Incorrect Operator	V116-0501
"Banning" 149	059-20090	Sign Indicates Incorrect Operator	V116-0502
"Banning" 235	059-20627	Sign Indicates Incorrect Operator	V116-0503
"Banning" 253	059-20683	Sign Indicates Incorrect Operator	V116-0504
"Banning" 274	059-20776	Sign Indicates Incorrect Operator	V116-0505
"Banning" 275	059-20767	Sign Indicates Incorrect Operator	V116-0506
"Banning" 306	059-05922	Sign Indicates Incorrect Operator	V116-0507
"Banning" 310	059-05908	Sign Indicates Incorrect Operator	V116-0508
"Banning" 350	059-21619	Sign Indicates Incorrect Operator	V116-0509
"Banning" 351	059-21620	Sign Indicates Incorrect Operator	V116-0510
"Banning" 352	059-21656	Sign Indicates Incorrect Operator	V116-0511
"Banning" 353	059-21655	Sign Indicates Incorrect Operator	V116-0512
"Banning" 444	059-21255	Sign Indicates Incorrect Operator	V116-0513
"Banning" 445	059-21116	Sign Indicates Incorrect Operator	V116-0514
"Banning" 451	059-21111	Sign Indicates Incorrect Operator	V116-0515

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Well Number	API Number	Observation	Violation Number
"Banning" 456	059-21260	Sign Indicates Incorrect Operator	V116-0516
"Banning" 459	059-21262	Sign Indicates Incorrect Operator	V116-0517
"Banning" 581	059-21710	Sign Indicates Incorrect Operator	V116-0518
"Banning" 582	059-21707	Sign Indicates Incorrect Operator	V116-0519
"Banning" 583	059-21708	Sign Indicates Incorrect Operator	V116-0520
"Banning" 700	059-21675	Sign Indicates Incorrect Operator	V116-0521
"Banning" 701	059-21616	Sign Indicates Incorrect Operator	V116-0522
"Banning" 702	059-21676	Sign Indicates Incorrect Operator	V116-0523

The well signs at the listed wells do not identify the current operator. Armstrong Petroleum Corp. must install a sign identifying the current operator by November 21, 2016, and notify the Division so that Division personnel can confirm that the violations have been corrected.

**Inadequate Well Cellar Covers** CCR section 1777(c)(3) states that "Well cellars shall be covered and kept drained. Grating or flooring shall be installed and maintained in good condition so as to exclude people and animals. Cellars should be protected from as much runoff water as practical."

Well Number	API Number	Observation	Violation Number
"Banning" 350	059-21619	Cellar Cover Inadequate	V116-0524
"Banning" 351	059-21520	Cellar Cover Inadequate	V116-0525
"Banning" 145	059-20085	Cellar Cover Inadequate	V116-0526
"Banning" 274	059-20776	Cellar Cover Inadequate	V116-0527
"Banning" 353	059-21655	Cellar Cover Inadequate	V116-0528
"Banning" 456	059-21260	Cellar Cover Inadequate	V116-0529
"Banning" 702	059-21676	Cellar Cover Inadequate	V116-0530

The well cellars for the listed wells are not covered properly. Armstrong Petroleum Corp. must repair the well cellars for the listed wells so that they are in good condition and exclude people and animals by November 21, 2016, and notify the Division so that Division personnel can confirm that the violations have been corrected.

**Fluids in Well Cellars** CCR section 1777(c)(3) states that "Well cellars shall be covered and kept drained. Grating or flooring shall be installed and maintained in good condition so as to exclude people and animals. Cellars should be protected from as much runoff water as practical."

Well Number	API Number	Observation	Violation Number
"Banning" 459	059-21260	Fluids In Well Cellar	V116-0531
"Banning" 582	059-21707	Fluids In Well Cellar	V116-0532

The well cellars for the listed wells contain fluids. Armstrong Petroleum Corp. must drain the well cellars for the listed wells; repair the piping, wellhead equipment, and/or wells so that fluids do not accumulate in the well cellars by November 21, 2016; and notify the Division so that Division personnel can confirm that the violations have been corrected.

**Failed Zonal Isolation** CCR section 1777(a) states that "Production facilities, including flow lines and wellheads, shall be maintained properly to prevent leakage and protect life, health, property, and natural resources."

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Well Number	API Number	Observation	Violation Number
"Banning" 582	059-21707	Fluids Bubbling in Well Cellar	V116-0533

Fluids were observed to be bubbling in the well cellar of this well and the well casing was observed to be moving from side to side indicating inadequate zonal isolation. Armstrong Petroleum Corp. must conduct appropriate mechanical integrity testing of this well to identify the depth of damaged casing and/or cement, either repair the failed casing and/or cement or abandon the well by November 21, 2016, and notify the Division so that Division personnel can confirm that the violation has been corrected.

**Unremediated Spill** CCR section 1777(a) states that "Operators 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."

CCR section 1775(a) states "Oilfield wastes, including but not limited to oil, water, chemicals, mud, and cement, shall be disposed of in such a manner as not to cause damage to life, health, property, freshwater aquifer's or surface waters, or natural resources, or be a menace to public safety. Disposal sites for oilfield wastes shall also conform to State Water Resources Control Board and appropriate California Regional Water Quality Control Board regulations."

Well Number	API Number	Observation	Violation Number
"Banning" 456	059-21260	Stained Soil Near Well	V116-0534
"Banning" 445	059-21116	Stained Soil Near Well	V116-0535
"Banning" 37R-2	059-21009	Stained Soil Near Well	V116-0536
"Banning" 235	059-20627	Stained Soil Near Well	V116-0537
"Banning" 135	059-00215	Stained Soil Near Well	V116-0538
"Banning" 350	059-21619	Stained Soil Near Well	V116-0539
"Banning" 700	059-21675	Stained Soil Near Well	V116-0540
"Banning" 701	059-21616	Stained Soil Near Well	V116-0541
"Banning" 583	059-21708	Stained Soil Near Well	V116-0542

Soil adjacent to the pumping units and well heads of the listed wells are stained by unremediated spills. Armstrong Petroleum Corp. must clean up the unremediated spills by November 21, 2016, and notify the Division so that Division personnel can confirm that the violations have been corrected.

Failure to comply with the laws of California and this Division may result in enforcement action including, but not limited to, issuance of a civil penalty and/or order pursuant to Public Resources Code Sections 3106, 3224, 3235 and 3236.5.

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If you have any questions, please contact Kathleen Andrews at (714) 816-6847  
or [kathleen.andrews@conservation.ca.gov](mailto:kathleen.andrews@conservation.ca.gov).

Sincerely,

Chris McCullough  
Environmental and Facilities Unit Supervisor

cc: Daniel J. Dudak, District Deputy  
Lease Inspection File  
Costa Mesa Fire Dept., 77 Fair Drive, Costa Mesa, CA 92626  
"Banning" 582 (059-21707) Well File