

Superior Court of California County of Orange



Case Number : 30-2017-00931311-CU-BC-CJC

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Attorneys for Plaintiff
SA ATHNASSIA, LLC

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE

9 SA ATHNASSIA, LLC, a California Limited)
10 Liability Company)
11 Plaintiff,)
12 v.)
13 C.E. ALLEN COMPANY, Inc. d/b/a AllenCo)
14 Defendant)

Case No.: 30-2017-00931311-CU-BC-CJC
Judge: Judge Randall J. Sherman
**SA ATHNASSIA, LLC'S COMPLAINT
FOR BREACH OF CONTRACT**

18 Plaintiff, SA Athnassia, LLC, now alleges as follows:

19 **PARTIES**

20 1. Plaintiff, SA Athnassia, LLC (Athnassia), is and at all times
21 relevant a limited liability company existing under the laws of the State of California and
22 conducting business in the County of Orange, State of California.
23

24 2. Defendant, C.E. Allen Company, Inc., d/b/a AllenCo, is and at all times relevant a
25 corporation existing under the laws of the State of California and conducting business, among
26 other places, in the County of Orange, State of California.
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FACTS

3. At all times relevant, Plaintiff, Athnassia, is the owner of a commercial property located at 818 Pacific Coast Highway in Huntington Beach, California.

4. Plaintiff purchased this property and its abandoned oil well in 2013.

5. Plaintiff, had the well legally transferred on the Department of Oil, Gas and Geothermal Resources (DOGGR) records on December 19, 2013.

6. Plaintiff purchased this commercial corner lot in downtown Huntington Beach for the purpose of developing a multiuse residential commercial structure.

7. As a condition of developing the property, Plaintiff was required to do work on an oil well which was abandoned almost 50 years ago and go through a process called re-abandonment per new procedures setup by DOGGR.

8. On June 6, 2014, Plaintiff received a permit from DOGGR to conduct well operations for the purpose of re-abandoning the underground oil well. A copy of this four page permit is attached and incorporated as Exhibit "A".

9. On June 7, 2014, DOGGR provided a Notice of Intention to re-abandon the well located on Plaintiff's property. A copy of this four page Notice is attached and incorporated as Exhibit "B".

10. While Plaintiff was getting permission from the government to re-abandon the well as a condition to develop their property, they were searching for drilling companies experienced in following the DOGGR requirements to re-abandon their well. As part of this process they were referred to Defendant, C.E. Allen Company, Inc., d/b/a AllenCo (AllenCo).

1 11. On or about June 18, 2014, the representative of Plaintiff, Mr. Keith Bohr, entered
2 into a re-abandonment contract with Defendant, AllenCo, for \$150,000. A copy of this contract
3 is attached and incorporated as Exhibit "C".
4

5 12. At all times, AllenCo represented that it was experienced in the business of re-
6 abandoning oil wells and was familiar with the requirements of the government and, specifically,
7 DOGGR.

8 13. Defendant, AllenCo, started work on June 20, 2014 to secure the oil well at the
9 site and begin the work to re-abandon the oil well.
10

11 14. The government required among other things that safety equipment be installed
12 before the re-abandonment operations and DOGGR issued a Blowout Prevention Equipment
13 Memorandum on June 25, 2014.

14 15. Defendant, AllenCo, provided daily service or well reports providing a summary
15 of what happened each day at the site to re-abandon the well.
16

17 16. By July 3, 2014, Defendant, AllenCo, had reached 835 ft. At that depth, they
18 claimed to have been drilling out wood and cement.

19 17. Defendant, AllenCo, knew and was contractually required to follow the permit
20 issued by DOGGR to re-abandon the well requiring, at the minimum, the following actions:
21

22 a.) Clean the well out to 2,923 ft. deep

23 b.) Fill all portions of the well not plugged with cement with an inert mud fluid with
24 specific structural characteristics.

25 c.) They were supposed to put holes in the pipe or casing underground at certain
26 depths for the purpose of filling the casing with concrete and having it extrude through the holes.
27
28

1 d.) A total of 10 different cement plugs with an average height of 100 ft. were
2 required to be placed in the abandoned well to prevent any possibility of oil or other fluids
3 transferring from one depth to another.
4

5 e.) Section 25 of the permit required that inspectors from DOGGR be physically
6 present when each of these 10 plugs were put in place and to further witness the cleaning out of
7 the well to more than 2,900 ft. and witness the finishing off of the well just below the surface.
8

9 18. Regrettably, and will be described in further detail below, Defendant, AllenCo,
10 did none of these things.

11 19. Instead, on or about July 19, 2014, Defendant, AllenCo, without their permission
12 of DOGGR or Plaintiff, put approximately 134 cubic feet of class 6 cement down the abandoned
13 well starting at a depth of only 765 ft and going up to a depth of about 572 ft. A copy of
14 AllenCo's daily Service Report for July 19, 2014 is attached and incorporated as Exhibit "D".
15

16 20. On July 21, 2014, Defendant, AllenCo, also, without the permission of or
17 consulting either the Plaintiff or DOGGR, put mud in the hole from 541 ft. underground to 459
18 ft. underground and then pumped in an additional 140 cubic feet of cement from 459 ft.
19 underground to 295 ft. underground. A copy of AllenCo's daily Service Report for July 21, 2014
20 is attached and incorporated as Exhibit "E".
21

22 21. The next day and further contravention of their requirements to properly abandon
23 the hole and without consulting either Plaintiff or DOGGR they put another 100 cubic ft. of
24 cement to the surface and then removed the rig they were using to abandon the well.
25

26 22. On July 28, 2014, after the well had been completely capped, sealed and tested,
27 they called out DOGGR and had C. Wicker inspect the venting of the now back filled well.
28

1 23. Due to Defendant, AllenCo, failing to inform Plaintiff or DOGGR that they had
2 not followed the correct procedures to re-abandon the well, their failure to follow the permit or
3 inform either the government or the owner as to what work was actually done, these serious
4 deficiencies were not discovered by the government until January 2015.

5
6 24. On or about January 29, 2015, DOGGR issued a report that AllenCo's and SA
7 Athnassia's operations to re-abandon the well were not approved. A copy of this report on
8 operations is attached and incorporated as Exhibit "F".

9
10 25. On March 18, 2015, DOGGR issued a Notice of Violation to Plaintiff that the
11 well had not been abandoned stating "The abandonment operation was not implemented
12 according to Permit P#114-0414 issued on June 6, 2014 variances were not obtained prior to
13 deviating from the approved abandonment program." A copy of this Notice of Violation is
14 attached and incorporated as Exhibit "G".

15
16 26. On or about April 10, 2015, Rich Loverne, a Division Engineer with DOGGR
17 interviewed Mick R. Beyer, Manager for Defendants, AllenCo about their original attempt to
18 "work below 835." DOGGR was critical of AllenCo's failure to get below 835 ft. underground.

19 27. On August 24, 2015, DOGGR issued a scathing letter to Plaintiff regarding
20 Plaintiff and AllenCo's ineffective efforts to re-abandon the well. In response to consider all
21 these efforts to be a diligent attempt the government replied, "The Division denies this request.
22 Nobody else but the operator placed the unauthorized cement plug inside the 8 5/8" casing at
23 765' which has made getting back inside the 8 5/8" casing difficult. It is the responsibility of the
24 operator to correct their mistakes." A copy of the August 24, 2015 letter from Curtis M. Welty,
25 PG Senior Oil and Gas Engineer of DOGGR is attached and incorporated as Exhibit "H".
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FIRST CAUSE OF ACTION

BREACH OF CONTRACT

28. Plaintiff reincorporates all of their allegations as listed above as if incorporated in full at this point.

29. Plaintiff hired Defendant, AllenCo, because of their experience in abandoning and reabandoning wells and relied up on their expertise and complying with the government requirements to re-abandon the well on the property that they had recently purchased.

30. Plaintiff never excused their performance of Defendant, AllenCo, to not follow the direction of DOGGR nor ever gave them any permission or excuse not to follow the requirements of the permit to re-abandon the well.

31. Beginning in July 2014, Defendant, AllenCo, seriously breached their contract by failing to communicate to DOGGR or Plaintiff that they were unable to reach 2,900 ft. and, in fact, stopped at 835 ft. underground.

32. They further breached their contract by unilaterally filling the well casing with concrete and mud from 835 ft. underground to the surface.

33. As consequence of Defendant, AllenCo's, breach of their contract and failure to follow the correct procedures to re-abandon the well, Plaintiff has suffered consequential damages of the following:

- a.) All the monies paid to AllenCo have been effectively wasted,
- b.) All the monies paid to architects and engineers to design a building to go on the lot are also now a complete waste as no building can be put on top of a well that was not properly abandoned. Plaintiff has lost over \$280,000 in design work for a building that can now

1 never be built due to AllenCo's breach of contract and their actual damages are subject to what
2 they are able to prove at trial.

3
4 c.) Due to AllenCo's failure to properly abandon this well, the market value of
5 Plaintiff's property is severely diminished as a significant portion now cannot be built upon.
6 These damages are subject to prove but in no event less than \$600,000.

7 34. Because Defendant, AllenCo, failed to follow DOGGR's requirements as an
8 additional consequence, the Plaintiff is required to hire yet another firm to try and undue the
9 mistakes caused by Defendant, AllenCo.

10
11 35. This cost and damage claim has yet to be finalized and it is also in excess of an
12 additional \$200,000 subject to prove at trial.

13 36. Plaintiff has additional damages in funds paid to DOGGR and the city of
14 Huntington Beach pertaining to Defendant, AllenCo's, reabandoning of the well which they failed
15 to achieve.

16
17 37. Plaintiff also has additional damages in hiring consultants and attorneys as a
18 direct consequence of Defendant, AllenCo's, breach of their contract.

19 **PRAYER**


20 SA Athnassia, LLC asks for judgment against AllenCo as follows:

21 1. For all consequential and compensatory damages in amounts subject to proof but
22 in no event less than \$1,000,000.

23 2. For such other relief as the Court deems just and proper.

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25 Dated: July 10, 2017

26 Law Office of Robert L. Wilkes

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28 
Robert L. Wilkes
Attorney for Plaintiff, SA Athnassia, LLC

VERIFICATION

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STATE OF CALIFORNIA, COUNTY OF ORANGE

I have read the foregoing SA ATHNASSIA, LLC'S COMPLAINT FOR BREACH OF CONTRACT and know its contents.

I am a party to this action. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I am informed and believe that they are true.

Executed on July 8, 2017, in Santa Ana, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

SA Athnassia, LLC

Dated: July 8, 2017

Emad Bolous
By: Emad Bolous, Manager