

1 Department of Conservation, Division of Oil, Gas, and Geothermal Resources
2 Legal Office for the STATE OIL AND GAS SUPERVISOR
3 801 K Street, MS 24-03
4 Sacramento, California 95814-3530
5 Telephone (916) 323-6733
6 Facsimile (916) 445-9916

7 **STATE OF CALIFORNIA**
8 **NATURAL RESOURCES AGENCY**
9 **DEPARTMENT OF CONSERVATION**
10 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**

11 **SECOND EMERGENCY ORDER TO**
12 **PROVIDE DATA AND TAKE SPECIFIED ACTIONS**

13 **RE:**

14 **ALISO CANYON GAS STORAGE FACILITY**

15 [Pub. Resources Code, §§ 3013, 3106, 3224, 3226, 3300, and 3403.5.]

16 [Cal. Code Regs., tit. 14, §§ 1724, 1724.6, 1724.7, subd. (e), and 1724.10]

17
18 **Emergency Order No. 1106**

19 **December 10, 2015**

20 **Operator: Southern California Gas Company (S4700)**

21 **Aliso Canyon Field**

22 **Los Angeles County**

23
24 **BY**

25 **Kenneth A. Harris Jr.**

26 **STATE OIL AND GAS SUPERVISOR**

1
2 **I. Introduction**

3 Under the authority of the Public Resources Code (PRC), the State Oil and Gas
4 Supervisor (Supervisor) may order tests and remedial work concerning oil field operations
5 which, in his judgment, are necessary to prevent damage to life, health, property, and natural
6 resources. (See PRC §§ 3106 and 3224.) Further, the Supervisor is to ensure that “no damage
7 occurs to the environment by reason of injection and withdrawal of gas” in underground gas
8 storage facilities. (PRC § 3403.5.) To that end, the Supervisor may request from the operator
9 any data that are pertinent and necessary for the Division of Oil, Gas, and Geothermal Resources
10 (Division), and its District Deputy, to properly evaluate underground injection projects. (See,
11 e.g., Cal. Code Regs., tit. 14, §§ 1724.6 and 1724.7, subd. (e).) The operator must maintain
12 those data and make them available to Division personnel to show, among other things, that no
13 damage to life, health, property, or natural resources is occurring by reason of the project. (Cal.
14 Code Regs., tit. 14, § 1724.10, subd. (h).) Moreover, in an emergency, “the [S]upervisor may
15 order or undertake the actions he or she deems necessary to protect life, health, property, or
16 natural resources.” (PRC § 3226.)

17 At all times relevant to this Order, **Southern California Gas Company**¹ (SoCal Gas or
18 Operator) is the “operator,” as defined in PRC section 3009, of certain “wells,” as defined in
19 PRC section 3008, subdivision (a), and is conducting “operations” as defined in California Code
20 of Regulations, title 14, (Regulations) section 1720, subdivision (f), at a gas storage project (see
21 Regulations section 1724.9) in the Aliso Canyon Field in Los Angeles County (Field).

22 Based on data in Division files, discussions with Operator, and Division site visits, the
23 Supervisor determined that there is an uncontrolled flow of fluids (see Regulations
24 section 1722.5) from well “Standard Sesnon” 25, API no. 037-00776 (“SS 25”) and a waste of
25 gas in the Field, which Operator is and has been addressing. Operator’s efforts to address the
26 upset have included ongoing tests and remedial work. The efforts have not yet remedied the

27 ¹ The Operator Code for Southern California Gas Company is S4700.

1 uncontrolled flow of fluids or stopped the waste of gas. Finding that an emergency exists, and
2 in order to protect life, health, property, and natural resources, the Supervisor needs immediate
3 access to data to monitor and address the uncontrolled flow of fluids and current and future
4 remedial work. **Therefore, according to PRC sections 3013, 3106, 3224, 3226, 3300, and**
5 **3403.5, and Regulations sections 1724.6, 1724.7, subdivision (e), and 1724.10, subdivisions**
6 **(a), (h), and (k), the Supervisor hereby orders Operator to provide the data and take the**
7 **actions identified below.**

8 9 **II. Definitions**

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

11 **PRC section 3008, subdivision (a)**, defines “**Well**” to include “any well drilled for the
12 purpose of injecting fluids or gas for stimulating oil or gas recovery, repressuring or pressure
13 maintenance of oil or gas reservoirs, or disposing of waste fluids from an oil or gas field; [and]
14 any well used to inject or withdraw gas from an underground storage facility[.]”

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

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

21 22 **III. Statutory and Related Authority**

23 **PRC section 3013** states that the oil and gas law (Division 3 of the PRC, commencing
24 with section 3000) “shall be liberally construed to meet its purposes” and grants the Supervisor
25 “all powers” that may be necessary to carry out those purposes.

26 **PRC section 3106, subdivision (a)**, authorizes the Supervisor to “supervise the drilling,
27 operation, maintenance, and abandonment of wells and the operation, maintenance, and removal

1 or abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as
2 far as possible, damage to life, health, property, and natural resources ... [and] loss of oil, gas, or
3 reservoir energy[.]”

4 **PRC section 3224** requires the Supervisor to “order such tests or remedial work as in his
5 judgment are necessary to prevent damage to life, health, property, and natural resources[.]”

6 **PRC section 3226** states: “Notwithstanding any other provisions of Section 3224, 3225,
7 or 3237, if the supervisor determines that an emergency exists, the supervisor may order or
8 undertake the actions he or she deems necessary to protect life, health, property, or natural
9 resources.”

10 **PRC section 3300** states that “[t]he blowing, release, or escape of gas into the air shall be
11 prima facie evidence of unreasonable waste.”

12 **PRC section 3403.5** states that “[t]he supervisor is required to maintain surveillance over
13 [underground gas storage] facilities to insure that the original reserves are not lost, that drilling
14 of new wells is conducted properly, and that no damage occurs to the environment by reason of
15 injection and withdrawal of gas.”

16 **Regulations section 1724** specifies the types of well records that an operator must
17 maintain and includes “[s]uch other information as the Supervisor may require for the
18 performance of his or her statutory duties.”

19 **Regulations section 1724.6** allows the Supervisor to require from an operator “any data
20 that, in the judgment of the Supervisor, are pertinent and necessary for the proper evaluation of
21 the proposed project.”

22 **Regulations section 1724.7, subdivision (e)**, requires the following, where applicable:
23 “Other data as required for large, unusual, or hazardous projects, for unusual or complex
24 structures, or for critical wells. Examples of such data are: isogor maps, water-oil ratio maps,
25 isobar maps, equipment diagrams, and safety programs.”

26 **Regulations section 1724.10, subdivision (a)**, requires that any changes to an injection
27 project “shall not be carried out without Division approval.”

1 Lawrence Livermore National Laboratory, and the Sandia National Laboratory (collectively, the
2 “National Laboratories”) that will provide independent expertise to assist the Division in
3 monitoring and evaluating Operator’s actions. This group of scientists will, with particular
4 expertise in the areas of rock mechanics, well completion, cementing, fluid dynamics, materials
5 and corrosion, review data and information that the Division has received and continues to
6 receive from Operator. The Division expects Operator to perform the following tasks, as
7 discussed in part or in whole in recent technical meetings between the Division and Operator, to
8 ensure the Division’s access to additional data it requires.

9
10 **V. Actions Required of Operator**

11 Based on the facts, and in accord with the legal authorities, described in this Order, the
12 Supervisor has determined that an emergency exists and that he needs Operator to take the
13 following actions to advance the process of monitoring and addressing the uncontrolled flow of
14 fluids and waste of gas at Operator’s gas storage injection project in the Field. **Therefore, IT IS**
15 **HEREBY ORDERED, pursuant to PRC sections 3013, 3106, 3224, 3226, 3300, and 3403.5,**
16 **and Regulations sections 1724, 1724.6, 1724.7, subdivision (e), and 1724.10 that Operator:**

17
18 (A) Expeditiously and aggressively pursue options to maximize the capture of leaking
19 gas, in order to minimize releases while the relief wells are constructed and other actions
20 are implemented to permanently shut in the well.

21 (B) Prepare and deliver to the Division no later than Monday, December 14, 2015, at
22 1700 hours, an updated detailed schedule for the completion of relief well number 1.

23 (C) Prepare and deliver to the Division no later than Wednesday, December 16, 2015,
24 at 1700 hours, a detailed schedule for the completion of additional well pad preparation,
25 mobilization of a drilling rigs, and spudding of additional relief wells.

1 (D) Develop and deliver to the Division no later than Tuesday, December 22, 2015, at
2 1700 hours, a list of engineering approaches and options along with risks and mitigation
3 measures to plug and abandon well SS 25 once a relief well has penetrated well SS 25.

4 (E) Allow the Division access to contractors for any and all discussions, plans, and
5 issues with respect to any efforts related to the closure of SS 25, as well as having
6 contractor's representative from the well control firm and drilling rig(s) and company(s)
7 in attendance in morning briefings.

8 (F) Expeditiously and aggressively pursue options to safely maximize the capture of
9 gas and to minimize releases while relief wells are constructed and other actions are
10 implemented to permanently shut in the well.

11 (G) Immediately notify the Division's onsite representative of any planned non-
12 emergency changes to all schedules which SoCal Gas supplies to the Division.

13 (H) File all necessary notices as required and within 24 hours to the following email
14 address:

15 dogdist2@conservation.ca.gov
16

17 **VI. Further Actions for Operator to Perform or Continue to Perform**

18 Based on the facts, and in accord with the findings and legal authorities described in
19 section V and elsewhere in this Order, **the Supervisor further orders Operator to perform or**
20 **continue to perform the following tasks:**

21
22 (A) Conduct daily briefings with the Division to report progress to stop the existing
23 leak and drill relief wells, identify for the Division issues that could result in
24 delays in these activities and present and discuss planned actions and strategies to
25 eliminate and/or minimize potential delays.
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- 1 (B) Work with Division staff, and the Division's contractors, agents, and advisors, to
2 confirm and/or adjust priorities and develop and/or modify schedules to protect
3 public health and safety and stop the release of fluids.
- 4 (C) Provide the Division, and Division's contractors, state agencies assisting with the
5 issue, and advisors, including experts from the National Laboratories, access to the
6 well site and attendant facilities, and immediate access to all relevant data and
7 information.
- 8 (D) Utilize surrounding wells to gather additional subsurface data to evaluate the
9 presence, extent, and concentration of storage gas.
- 10 (E) Reduce reservoir pressure in the vicinity of SS 25 by continuing to produce from
11 wells in proximity to SS 25.
- 12 (F) Maximize the rate of withdrawal from the reservoir to reduce reservoir pressure to
13 aid in the control and plugging of SS 25.
- 14 (G) Withdraw gas from SS 25 at as high a rate as is safe.
- 15 (H) Hire additional contractors, as necessary, that specialize in well control,
16 cementing, well fluid dynamics, well-killing techniques, and any and all other
17 specialties needed for sealing SS 25 as quickly and safely as possible.
- 18 (I) Provide all equipment, personnel, and supplies necessary to remediate SS 25
19 directly; ensure relief well Porter 39A (relief well number 1) is completed as
20 quickly and safely as possible; complete the preparation of a well pad, and
21 mobilization and assembly of a second drilling rig for a second relief well; and
22 spud, drill, and complete the second relief well as quickly and safely as possible.
- 23 (J) Hire contractors, as necessary, to assess slope stability and prepare for significant
24 rain events.
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- 1
- 2 (K) Continue to not inject gas into the gas storage facility until injection is authorized
- 3 by the Division.
- 4 (L) Meet with the public and local officials as requested to update them on current
- 5 status of progress.
- 6

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

8 Operator may appeal this Order to the Director of the Department of Conservation by

9 filing a written notice of appeal with the Supervisor as described in PRC section 3350. The

10 Legal Office for the State Oil and Gas Supervisor (801 K Street, MS 24-03, Sacramento,

11 California 95814-3530; Facsimile (916) 445-9916) accepts appeal notices on the Supervisor's

12 behalf. **Because this is an emergency order issued under PRC section 3226, the filing of an**

13 **appeal of this Order will not operate as an automatic stay of this Order.** (PRC § 3350,

14 subd. (b)(1).) Failing to file a notice of appeal within the timeframe prescribed in PRC

15 section 3350, subdivision (a), waives Operator's right to challenge this Order and makes the

16 Order final. If Operator timely files a notice of appeal, Operator will be informed of the appeal

17 hearing date, time, and place. After the close of the hearing, Operator will receive a written

18 decision that affirms, sets aside, or modifies the Order.

19

20 **VIII. Court Order and Other Potential Actions to Enforce This Order**

21 Failing to comply with Sections V (Actions Required Of Operator) and VI (Further

22 Actions for Operator to Perform or Continue to Perform) of this Order will subject Operator to

23 potential significant further enforcement action. **Such enforcement action can include a civil**

24 **penalty of up to \$25,000 per violation (PRC section 3236.5) and/or criminal prosecution, as**

25 **a misdemeanor, punishable by a fine up to \$1,000, imprisonment up to six months, or both,**

26 **for each offense (PRC section 3236).** Similarly, the Supervisor could deny approval of

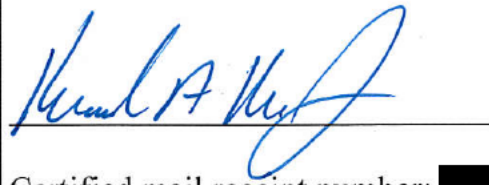
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1 proposed well operations until compliance is achieved and/or order the plugging and
2 abandonment of wells. (PRC §§ 3203, subd. (c), and 3237, subd. (a)(3)(C).)

3
4 DATED: December 10, 2015

5
6 Kenneth A. Harris Jr.
7 State Oil and Gas Supervisor

8
9 A handwritten signature in blue ink, appearing to read "Kenneth A. Harris Jr.", is written over a horizontal line.

10 Certified mail receipt number: A black rectangular redaction box covers the certified mail receipt number.