



NOTICE OF VIOLATION

August 23, 2019

V19-0032

Mr. Nadim Hosn
Chevron U.S.A. Inc.
9525 Camino Media
Bakersfield, CA 93311

VIOLATION: SURFACE EXPRESSIONS

FIELD: Cymric; McPhee Lease; SEC. 36 T.29S R.21E

DATE OF SURFACE EXPRESSIONS: Ongoing - April 01, 2019- Present

REFERENCE:

Public Resources Code (PRC) section 3106, subdivision (a);
California Code of Regulations, title 14, (CCR) sections 1724.11, 1724.6, 1724.7, and
1724.10

Dear Mr. Hosn:

On June 20, 2019, Chevron U.S.A. Inc. (Chevron) reported volumes related to a series of surface expressions from 2018 and earlier that are directed into the Gauge Setting 5 (GS-5) Separation Plant (35.355161, -119.668697). Since these expressions are continuing to flow after April 01, 2019, **these collection of surface expressions are in violation of, at least, CCR section 1724.11, subdivision (a).**

We understand that Chevron built such a structure on or before 2012 to focus flow and contain these smaller surface expression events within the vicinity. However, as indicated above, and detailed below and on the attached exhibits, **the continued existence of the GS-5 related surface expressions are violations and need to be stopped.**

On May 18, 2018, Chevron reported to DOGGR regarding flow at GS-5 was back to "normal" from a series of surface expressions within the area (Exhibit A). In the documentation Chevron provided to the Division of Oil, Gas, and Geothermal Resources (DOGGR) during a Root Cause Analysis (RCA) meeting on June 07, 2018 (Exhibit B), flow at GS-5 has increased from an average daily rate of approximately 250 Barrels Per Day (BPD), to a sharp increase of approximately 1,100 BPD, with several events well above 2,500 BPD as of August 2016. The oil/water ratio was estimated by Chevron to be 60 to 80 percent oil. In concluding their RCA discussion, Chevron reported the daily flow considered approximately 1,100 BPD to be the basis for "normal" flow.

On May 10, 2019, Chevron reported a surface expression at Cymric SEC. 1 T.30S R.21E, (Known as 1Y) to both DOGGR and California Governor's Office of Emergency Services (CalOES) OES #19- 3040 (Exhibit A). In addition, a separate event occurred on June 08, 2019. Chevron also reported this event to CalOES (19-3668). As of August 20, 2019, this event has yielded more than 31,903 barrels of recovered fluid from the expressions. DOGGR estimates that the recovered fluid water/oil ratio is 70/30, based on surrounding well samples.

On June 20, 2019, Chevron presented an RCA of the May 10, 2019 surface expression to DOGGR. During the RCA meeting with Chevron, flow rates presented for the GS-5 facility, indicated continual increasing flow, with a peak rate of 3,000 BPD (Exhibit C). For reference, GS-5 is approximately 1,050' NNW of the May 10, 2019 surface expression. Resulting fluid levels of GS-5 since the May 10, 2019 event and nearby subsequent events on June 08, June 23, and July 23, 2019, have indicated no decrease in fluid, but a continued increase. Initial comments by Chevron leads DOGGR to believe these are separate events, and not related.

As of April 1, 2019, all surface expressions are violations and Chevron must stop the continued flow of all expressions and work to ensure the absence of reoccurrences. As such, the Acting State Oil and Gas Supervisor requires Chevron to perform the following legally-required actions to begin to address the occurrence of the surface expressions at GS-5:

1. Under CCR sections 1724.6, subdivision (d), and 1724.7, subdivision (a), within 30 days Chevron must plan, prepare, and submit data in support of the Underground Injection Control (UIC) project #19024123, to wholly demonstrate to DOGGR's satisfaction that injected fluid will be confined to the approved injection zone under CCR section 1724.7, subdivisions (a)(1) through (a)(3).
2. Under the above authority, within 30 days Chevron must also provide casing diagrams, directional surveys and associated well log files in Log ASCII Standard (.las) format for all wells that reside, or intersect within a minimum 1,200-foot radius around GS-5 Separation Plant (35.355161, -119.668697) in order for DOGGR to conduct an evaluation of wells under CCR 1724.8 (a) (1-3)
3. Under CCR section 1724.10, subdivisions (i)(1) through (5), Chevron must provide the DOGGR with a well-testing plan to be conducted within 30 days on wells within the 1,200-foot radius of Gauge Setting 5 (GS-5) Separation Plant (35.355161, -119.668697)
4. Under CCR section 1724.10, subdivision (k), within 30 days Chevron must provide DOGGR with daily cyclic steam injection and production rates in electronic table format for periods, covering the past 10 years, for all wells that reside, or intersect within a minimum 1,200-foot radius around GS-5 Separation Plant (35.355161, -119.668697)

As indicated above, the occurrence of a surface expression is a violation of CCR section 1724.11, subdivision (a). In addition to any civil penalties that may issue for the occurrences of surface expressions since this prohibition went into effect on April 1,

2019, failure to follow the above requirements, and remedy the current ongoing violations, may result in an additional Notice of Violation and/or enforcement actions. Such enforcement actions could include the issuance of a civil penalty and/or a remedial work order pursuant to PRC sections 3236.5 and/or 3224, respectively.

If you have any questions, please call the Inland District Deputy Cameron Campbell at (661) 322-4031

Sincerely,



Cameron Campbell
District Deputy, Inland District

EXHIBIT A
Cymric; 2018-19 Gauge Setting 5 and 1Y Surface Expressions



EXHIBIT B
GS 5 Rates provided June 07, 2018

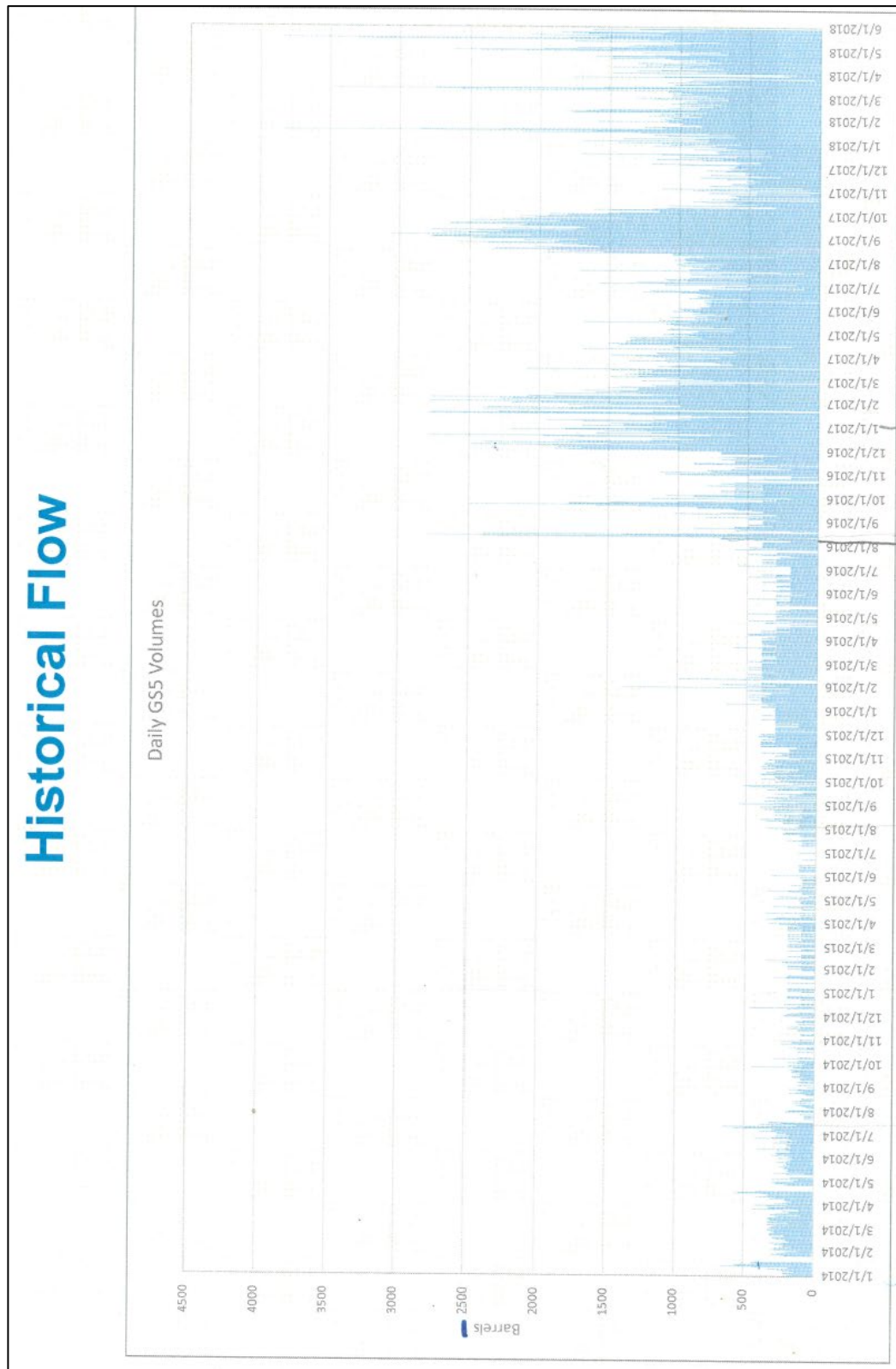


EXHIBIT C
GS 5 Rates provided July 11, 2019

