DEPARTMENT OF CONSERVATION
Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 24-03
Sacramento, California 95814-3530
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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

EMERGENCY ORDER TO
PERFORM REMEDIAL WORK

No. 1121
Dated: March 23, 2018
Operator: Hammond Canyon II, Inc.
Field: Cañada Larga Oil Field

Wells: ACL 1 (111-00511), ACL 2 (111-00512), ACL 3 (111-00513)
and associated facilities

BY
Kenneth A. Harris Jr.
STATE OIL AND GAS SUPERVISOR
I. Introduction

Acting through the State Oil and Gas Supervisor (Supervisor), and under the authority of the Public Resources Code (PRC) and California Code of Regulations, title 14 (Regulations), the California Department of Conservation, Division of Oil, Gas, and Geothermal Resources (Division) may determine that an emergency exists in connection with oilfield operations. In so determining, the Division may issue an order that directs the operator to take any actions that the Supervisor deems necessary to protect life, health, property, or natural resources and ensure that detrimental substances are not infiltrating into underground or surface water suitable for irrigation or domestic purposes. (PRC, §§ 3106, 3222, 3224, 3226.)

At all times relevant to this Order, Hammond Canyon II, Inc.¹ (Operator) was the “operator,” as defined in PRC section 3009, of the herein identified “wells,” as defined in PRC section 3008, subdivision (a), located on the ACL Lease, and is conducting oilfield “operations” as defined in Regulations section 1720, subdivision (f).

On or about March 13, 2018, oil leaked from Operator’s wells and/or tank facility, and infiltrated a nearby stream.

For the reasons described in this Order, the Division determined that an emergency exists at Operator’s oilfield operations which pose an immediate danger to life, health, property, or natural resources. Therefore, according to PRC sections 3013, 3106, 3222, 3224, and 3226, and Regulations sections 1714, 1722, subdivision (a), 1774, 1775, and 1777, among others, and as set forth below in Section V, the Supervisor is requiring Operator to immediately and effectively isolate the three ACL wells on the ACL Lease, empty the two leaking tanks, and repair or replace Operator’s entire secondary containment. Operator is also required to provide two reports, within time periods specified herein. One report must explain Operator’s plan to keep this site in a leak free condition. The second report will consist of a root cause analysis by Operator determining what caused the leaks, and the failure of the secondary containment.

¹ On paperwork submitted to the Division, Operator has referenced itself as “Hammond Canyon #2, Inc.” but is listed as “Hammond Canyon II, Inc.” by the California Secretary of State. This latter format shall be used herein, but these are considered to be the same business entity.
II. Definitions

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

PRC section 3008, subdivision (a) defines “Well” to mean, among other things, “any well drilled for the purpose of injecting fluids or gas for stimulating oil or gas recovery[.]”

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

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

III. Statutory and Related Authority

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

PRC section 3106, subdivision (a), authorizes the Supervisor to “supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as far as possible, damage to life, health, property, and natural resources[.]”

PRC section 3200 states in part that an operator “shall designate an agent...”

PRC section 3222 provides: “The owner or operator of any well shall, at the request of the supervisor, demonstrate that ... detrimental substances are not infiltrating into underground or surface water suitable for irrigation or domestic purposes.”

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

PRC section 3226 states: “[I]f the supervisor determines that an emergency exists, the supervisor may order or undertake the actions he or she deems necessary to protect life, health, property, or natural resources.”

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Regulations section 1714 states: “[T]emporary approval to commence . . . operations may be granted by the Supervisor or a representative of the Supervisor when such operations are necessary to avert a threat to life, health, property, or natural resources.”

Regulations section 1722, subdivision (a), requires Operator to conduct all operations “in accordance with good oilfield practice.”

Regulations section 1774 requires Operator to maintain all pipelines “in accordance with good oil field practice and applicable standards[].”

Regulations section 1775 requires Operator to address oilfield wastes, harmful chemicals, unused equipment, scrap and other trash so as not to cause damage to life, health, property, freshwater aquifers or surface waters, other natural resources, or such that its operations become a public nuisance or a menace to public safety.

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

Regulations section 1777.1 gives the Supervisor authority to require the operator to conduct frequent inspections based on a history of noncompliance.

IV. Alleged Acts/Omissions

On May 19, 2001, Operator designated Shawn Hawley as its agent of record. According to Mr. Hawley, in January 2018, the Operator told Mr. Hawley to “shut in” the ACL wells and tank facility. Mr. Hawley advised Division personnel that, in accordance with that direction from Operator, Mr. Hawley closed valves on the power source servicing each well, and on lines connecting wells ACL 1 and ACL 2 to the tank facility. Mr. Hawley stated that at that time, in January 2018, the two tanks (stock tank and produced water tank) were only half full.

Mr. Hawley further advised Division personnel that well ACL 3 had previously been shut in and does not have a flowline that feeds into the production system.
On or about March 13, 2018, an oil spill was detected at and flowing from Operator’s ACL tank facilities in the Canáda Larga oil field. The California State Office of Emergency Services contacted the Division on the evening of March 13, 2018, about the spill.

Also on the evening of March 13, 2018, Shawn Hawley left a voicemail message on a phone in the DOGGR Ventura field office, advising that a spill had occurred.

Division staff conducted an initial inspection of the spill on March 14, 2018. Staff observed that oil and produced fluids appeared to have flowed from a hatch on top of one of the storage tanks (labeled Produced Water Tank T2) and from seams on the other storage tank (labeled Produced Oil tank T1), then flowed down the side of the tanks and into and out of secondary containment, which failed to contain the spill. From the secondary containment, oil then entered a creek that ultimately feeds into the Ventura River, traveling downstream away from the tank facility in Sulphur Canyon. The distance the spill traveled was estimated at approximately 1400 feet down Sulphur Canyon.

V. Operator’s Required Actions

Based on information and belief arising from the facts, and in accord with the legal authorities described in this Order, the Supervisor determined that an emergency exists and immediate action is necessary to protect life, health, property, or natural resources. Therefore, **IT IS HEREBY ORDERED**, pursuant to PRC sections 3013, 3106, 3222, 3224, and 3226, and Regulations sections 1714, 1722, subdivision (a), 1774, 1775, and 1777, among others, that Operator shall perform the work identified below.

A. Immediately isolate the three (3) oil and gas wells known as ACL 1 (111-00511), ACL 2 (111-00512), ACL 3 (111-00513) located on the ACL lease from the existing oil production system.

B. Immediately empty the two (2) tanks used to store oil and produced fluids from the ACL lease.

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C. Immediately repair and/or replace the entire secondary containment around the
ACL tank facilities so that the secondary containment is capable of containing
tank fluids as required in California Code of Regulations Section 1773.1(b),
1773.1(c), and 1773.1(e)
D. Submit to the Division's district office a plan identifying how Hammond Canyon
II, Inc. will maintain the ACL wells and tank facility in a leak free condition.
The plan shall be submitted to the Division within 30 days from the date of this
order.

E. Evaluate, determine and explain to the Supervisor the cause of the leak/spill
from the ACL wells and tank facility and the failure of the secondary
containment ("root cause analysis"). Operator shall submit its root cause
analysis report to the Coastal District – Ventura field office within 90 days from
the date of this order.

VI. Operator's Appeal Rights

Operator may appeal this Order by filing a written notice of appeal with the Director of
Conservation as described in PRC section 3350. Failing to file a notice of appeal within the
timeframe prescribed in PRC section 3350, subdivision (a), waives Operator's right to challenge
this Order and makes the Order final.

If Operator timely files a notice of appeal, Operator will be informed of the appeal
hearing date, time, and place. After the close of the hearing, Operator will receive a written
decision that affirms, sets aside, or modifies the Order.

Because this is an emergency order issued according to PRC section 3226, the filing of an
appeal of this Order will not operate as a stay of this Order. (PRC, § 3350, subd. (b)(1).)
Therefore, regardless of whether Operator timely files a notice of appeal of this Order,
Operator must immediately perform the work described herein. If the work is not
immediately commenced and continued to completion, the Supervisor may appoint necessary
agents to enter the premises and perform the work. Any amount the Supervisor expends will
constitute a lien against Operator’s real and/or personal property. (PRC, § 3226.) If Operator believes that it will be irretrievably injured by performing the work required by this Order pending the appeal’s outcome, Operator may seek an order from the appropriate superior court restraining the Division from enforcing the Order pending the outcome of the appeal. (PRC, § 3350, subd. (b)(4).)

VII. Court Order and Other Potential Actions to Enforce This Order

Failing to comply with Section V (Operator’s Required Actions) of this Order could subject Operator to further enforcement action. For example, the Supervisor could deny approval of proposed well operations until compliance is achieved, order the plugging and abandonment of the wells ACL 1 (111-00511), ACL 2 (111-00512), ACL 3 (111-00513), and/or assess a civil penalty. (PRC, §§ 3203, subd. (c), 3236.5, 3237, subd. (a)(3)(C).)

Further, PRC section 3236 makes it a misdemeanor for any person who violates, fails, neglects, or refuses to comply with any of the provisions of the oil and gas law. The misdemeanor is punishable by a fine of not less than one hundred dollars ($100) nor more than one thousand dollars ($1,000), or by imprisonment not exceeding six months, or by both the fine and imprisonment for each separate offense. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an order of the Supervisor. Each day’s further failure, refusal, or neglect is a separate and distinct offense. (PRC, § 3359.)

PRC section 3236.5 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may in the future impose a civil penalty based on the facts and omissions underlying this emergency order.

DATED: March 23, 2018

Kenneth A. Harris Jr.
State Oil and Gas Supervisor

Emergency Order to Perform Remedial Work; No. 1121
cc: Certified mail receipt number: 7016 1370 0000 0837 8722

Edward J. Conner
Hammond Canyon II, Inc.
c/o Granite Land Co.
28 Geary Street 250
San Francisco, CA 94108
ejc@conneroffice.com

Certified mail receipt number: 7013 2252 0000 9010 4336

Edward J. Conner
c/o Hammond Canyon I, Inc.
27 Maiden Lane, Suite 250
San Francisco, CA 94108

Certified mail receipt number: 7013 2250 0000 9010 4343

Shawn Hawley, Designated Agent
Hammond Canyon II, Inc.
249 Corte Linda
Santa Paula, CA 93060

Certified mail receipt number: 7015 0640 0001 8380 5952

Edward J. Conner
c/o Gisele M. Goetz
Hollister & Brace
1126 Santa Barbara Street
Santa Barbara, CA 93101

Certified mail receipt number: 7015 0640 0001 8380 5778

Hammond Canyon II, Inc.
c/o E Knill
122 Helena Avenue
Santa Barbara, CA 93101

Emergency Order to Perform Remedial Work; No. 1121
PROOF OF SERVICE BY CERTIFIED U.S. MAIL

1) I am at least 18 years of age, not a party to this action, and I am a resident of or employed in the county where the mailing took place.

2) My business address is:

Department of Conservation
Division of Oil, Gas, and Geothermal Resources
801 K Street, MS 18-05
Sacramento, CA 95814-3530

3) I served a copy of the following documents:

**EMERGENCY ORDER TO PERFORM REDMEDIAL WORK and ORDER NUMBER 1121, OPERATOR: HAMMOND CANYON II, INC.**

By enclosing them in an envelope and placing the envelope for collection and mailing by certified U.S. mail on the date and at the place shown in item 4 following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

4) The envelope was addressed and mailed as follows:
   a. Name of person(s) served:
      Original: Certified mail receipt number: 7013 2252 0000 9010 4336
         Edward J. Conner
         c/o Hammond Canyon I, Inc.
         27 Maiden Lane, Suite 250
         San Francisco, CA 94108

      cc: Certified mail receipt number: 7016 1370 0000 0837 8722
          Edward J. Conner
          Hammond Canyon II, Inc.
          c/o Granite Land Co.
          28 Geary Street 250
          San Francisco, CA 94108
          ejc@conneroffice.com

      Certified mail receipt number: 7013 2250 0000 9010 4343
      Shawn Hawley, Designated Agent
      Hammond Canyon II, Inc.
      249 Corte Linda
      Santa Paula, CA 93060

      Certified mail receipt number: 7015 0640 0001 8380 5952
      Edward J. Conner
      c/o Gisele M. Goetz
      Hollister & Brace
      1126 Santa Barbara Street
      Santa Barbara, CA 93101

cc’s continued on next page
Certified mail receipt number: 7015 0640 0001 8380 5778
Hammond Canyon II, Inc.
c/o E Knill
122 Helena Avenue
Santa Barbara, CA 93101

b. Date mailed: March 23, 2018
c. Place of mailing: Sacramento, California

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

Date: **March 23, 2018**

Name: **RACHAEL TADLOCK**

Signature: [Signature]
**Official Use**

### Certified Mail Fee
- Postmark
- Return Receipt (hand-copy) $______
- Return Receipt (electronic) $______
- Certified Mail Restricted Delivery $______
- Adult Signature Required $______
- Adult Signature Restricted Delivery $______

### Total Postage and Fees

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### Sent To
- Edward J. Conner
- 90 Granite Lane
- San Francisco, CA 94108

### Sender: Complete this Section
1. Article Addressed to:
   - Edward J. Conner
   - Hammond Canyon II, Inc.
   - c/o Granite Land Co.
   - 28 Geary Street 250
   - San Francisco, CA 94108

2. Article Number (Transfer from service label)
   - 9590 9402 2617 6336 5748 84

### Complete this Section on Delivery
- **A. Signature**
  - Agent
  - Addressee

- **B. Received by (Printed Name)**

- **C. Date of Delivery**

- **D. Is delivery address different from item 1?**
  - Yes
  - No

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**Domestic Return Receipt**

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**PS Form 3811, July 2015 PSC 7830-02-006-9059**
**SENTER: COMPLETE THIS SECTION**
- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Shawn Hawley, Designated Agent
Hammond Canyon II, Inc.
249 Corte Linda
Santa Paula, CA 93060

**COMPLETE THIS SECTION ON DELIVERY**

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<th>Addressee</th>
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B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes No
   If YES, enter delivery address below:

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</table>
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C/O Gisele M. Goetz
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