



August 8, 2016

**SENT CERTIFIED MAIL AND E-MAIL**

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Ms. Susan Whalen  
Sr. VP and General Counsel  
Rincon Island Limited Partnership  
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Dear Mr. O'Brien and Ms. Whalen:

This will respond to Mr. O'Brien's letter dated August 1, 2016 to State Lands Commission Chief Counsel Mark Meier (labeled "NOD Response"), and provide current information concerning the Division of Oil, Gas and Geothermal Resources' (Division's) enforcement order number 1112 and other matters.

The Division does not agree with Mr. O'Brien's characterization of the procedural and substantive status of Order 1112. The Division stipulated to a stay of Rincon Island Limited Partnership's administrative appeal of Order 1112 to allow for promised progress to be made toward remediating the violations cited in the Order. The Division has not "agreed to stay its enforcement" of deficiencies on Rincon Island, as stated in your letter. What progress has been made since April has been minor and superficial, such as painting over rust on wellheads and replacing some gauges. The Division does not view such actions as an exercise of "good faith." Any and all violations of statutory or regulatory requirements on Rincon Island (or any oil lease held by RILP), whether cited by the Division or other agencies, should be cured as soon as possible in the interest of public and environmental safety. That is what was ordered of RILP. That has not occurred.

The Division has grave concerns about the integrity and safety of the wells and facilities on the Island. Most importantly, certain wells on the Island are under pressure and the wellhead infrastructure, intended to contain that pressure, is questionable at best. While Order number 1112 addressed surface-oriented violations, the Division has issued a new emergency enforcement order to specifically address (1) the heightened risk presented by pressurized wells with questionable wellhead integrity, (2) the fact that security on the Island is woefully insufficient, and (3) the fact that there is no drill rig on the Island which would be absolutely necessary to address any wellhead integrity failure that might occur there. This last point is of particular concern given RILP's ongoing failure to maintain access to the Island for transport of a rig. If a release were to occur on the Island, it could take days or weeks before necessary equipment could be mobilized. A copy of this order is attached for your convenience.

Please understand that the Division is firmly committed to requiring RILP to properly maintain, remediate, repair or replace any and all wells or other facilities on Rincon Island (or elsewhere) in a manner which meets regulatory standards and which constitutes good oilfield practices. The overall substandard condition of the wells and facilities on the Island, coupled

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with the uncertainty regarding the "down-hole" integrity at the facility and RILP's unwillingness or inability to ensure appropriate access for a drill rig on to the Island, belies many potential risks. Please provide any response to this correspondence to me in writing should you deem it necessary to do so.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kenneth A. Harris, Jr.", written in a cursive style.

Kenneth A. Harris, Jr.  
State Oil and Gas Supervisor

cc: via email

Jennifer Lucchesi, Executive Officer, CSLC  
Marina Voskanian, Division Chief, CSLC  
Seth Blackmon, Esq., CSLC  
David Bunn, Director, Department of Conservation  
Thomas Gibson, Esq., General Counsel, California Natural Resources Agency  
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