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

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14 **EMERGENCY ORDER TO PERFORM**
15 **REMEDIAL WORK, NO. 1161**

16
17 **Operator: Griffin Resources LLC**

18 **Wells: K.C.L. Lease Well #A84 (API Number 02908241)**

19
20 **I. Introduction**

21 The State Oil and Gas Supervisor (Supervisor), acting through the Division of Oil, Gas, and
22 Geothermal Resources (Division) and under the authority of Division 3 of the Public Resources Code
23 (PRC; commencing with PRC section 3000) and title 14 of the California Code of Regulations
24 (Regulations), may order tests and remedial work concerning oil and natural gas field operations which,
25 in his judgment, are necessary to prevent damage to life, health, property, and natural resources (See
26 PRC sections 3106 and 3224).

27 Acting through the State Oil and Gas Supervisor, and under the authority of the Public Resources
28 Code (PRC) and California Code of Regulations, title 14 (Regulations), the California Department of

1 Conservation, Division of Oil, Gas, and Geothermal Resources may determine that an emergency exists
2 in connection with oilfield operations. In so determining, the Division may issue an order that directs
3 the Operator to take any action that the Supervisor deems necessary to protect life, health, property, or
4 natural resources. (PRC §§3013, 3106, 3224, 3226).

5 For the reasons described in this Order, the Supervisor determined on September 11, 2019 that
6 conditions at Well #A84 poses a threat of harm to life, health, property or natural resources in light of
7 the wells location, prior non-compliance history, and lack of state required hydro testing for the South
8 KCL pipeline. At all times relevant to this Order, Griffin Resources has been identified as the
9 “operator” (Operator), as defined in PRC section 3009, of the “well(s)” as defined in PRC section 3008,
10 subdivision (a), and is conducting “operations” as defined in Regulations section 1720, subdivision (f).

11 **II. Definitions**

12 **PRC section 3008, subdivision (a)**, defines “Well” to mean, among other things, “any oil or gas
13 well or well for the discovery of oil or gas; any well on lands producing or reasonably presumed to
14 contain oil or gas,” and “any well drilled for the purpose of injecting fluids or gas for stimulating oil or
15 gas recovery[.]”

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

19 **PRC section 3010** defines production facility to mean “any equipment attendant to oil and gas
20 production or injection operations[.]”

21 **Regulations section 1720, subdivision (f)**, defines “Operations” to mean “any one or all of the
22 activities of an operator covered by Division 3 of the Public Resources Code.”

23 **III. Statutory and Related Authority**

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

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

1 abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as far as
2 possible, damage to life, health, property, and natural resources; damage to underground oil and gas
3 deposits from infiltrating water and other causes; losses of oil, gas, or reservoir energy, and damage to
4 underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the
5 addition of, detrimental substances.”

6 **PRC section 3270** requires the Division, by regulation, to prescribe minimum facility
7 maintenance standards for all product facilities in the state. The regulations shall include “other facility
8 or equipment maintenance that the supervisor deems important for the proper operation of production
9 facilities and that the supervisor determines are necessary to prevent damage to life, health, property,
10 and natural resources[.]”

11 **PRC section 3224** authorizes the Supervisor to order “remedial work as in his judgment are
12 necessary to prevent damage to life, health, property, and natural resources[.]”

13 **PRC section 3226** states: “[I]f the supervisor determines that an emergency exists, the
14 supervisor may order or undertake the actions he or she deems necessary to protect life, health, property,
15 or natural resources.” PRC section 3226 also allows the Supervisor, based the Supervisor’s final or
16 affirmed order, to appoint agents to enter the premises and perform necessary remedial work if the
17 operator did not complete the remedial work as ordered. Any amount the Supervisor expends to
18 complete the necessary remedial work constitutes a lien against the operator’s real or personal property
19 according to PRC section 3423.

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

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

25 **Regulations section 1722.1.1** requires each well location shall have posted in a conspicuous
26 place a clearly visible, legible, permanently affixed sign with the name of the operator, name or number
27 of the lease, and number of the well.
28

1 **Regulations section 1773.1** requires all production facilities storing and/or processing fluids,
2 except valves, headers, manifolds, pumps, compressors, wellheads, pipelines, flowlines and gathering
3 lines shall have secondary containment. The secondary containment shall be capable of containing the
4 equivalent volume of liquids from the single piece of equipment with the largest gross capacity within
5 the secondary containment and shall be capable of confining liquid for a minimum of 72 hours.

6 **Regulations section 1773.3** requires all tanks be properly identified with the operator's tank
7 identification number, tank type (production, stock, water, etc.), and with appropriate materials hazard
8 placards or labels.

9 **Regulations section 1773.5** requires the following within six months after the determination that
10 a production facility is Out-of-Service:

- 11 1) Out-of-Service production facilities shall have fluids, sludge, hydrocarbons, and solids removed
12 and shall be disconnected from any pipelines and other in-service equipment.
- 13 2) Out-of-Service production facilities shall be properly degassed in accordance with local air
14 district requirements.
- 15 3) Clean-out doors or hatches on Out-of-Service tanks shall be removed and a heavy gauge steel
16 mesh grating (less than 1" spacing) shall be secured over the opening to allow for visual
17 inspection and prevent unauthorized access.
- 18 4) Out-of-Service tanks and vessels shall be labeled with Out-of-Service or OOS. "Out-of-Service"
19 or "OOS" shall be painted in bold letters at least one foot high, if possible, on the side of the tank
20 or vessel at least five feet from the ground surface, or as high as possible, along with the date it
21 was taken out of service.
- 22 5) Out-of-Service production facilities shall have valves and fittings removed or secured to prevent
23 unauthorized use.
- 24 6) Pipelines associated with Out-of-Service tanks and pressure vessels shall be removed or flushed,
25 filled with an inert fluid, and blinded.
- 26 7) Out-of-Service production facilities shall not be reactivated unless all needed repairs have been
27 completed and the production facility is in compliance with all applicable testing and inspection
28 requirements.

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

3 **Regulations section 1774.1 requires:**

- 4 (a) Operators shall visually inspect all aboveground pipelines for leaks and corrosion at least
5 once a year.
- 6 (b) Operators shall inspect all active gas pipelines in sensitive areas that are 10 or more years old
7 for leaks or other defects at least once a year, or at a frequency approved by the Supervisor
8 and listed in the operator's Pipeline Management Plan. The operator shall conduct the
9 inspection in accordance with applicable regulatory standards or, in the absence thereof, an
10 accepted industry standard that is specified by the operator and listed in the Pipeline
11 Management Plan.
- 12 (c) The Supervisor may order such tests or inspections deemed necessary to establish the
13 reliability of any pipeline system. Repair, replacement, or cathodic protection may be
14 required.
- 15 (d) Operators shall conduct pressure testing in accordance with subdivision (f)(2) on any pipeline
16 that has had a leak resulting in the release of a fluid in a quantity that triggers reporting of the
17 release under any regulatory, statutory, or other legal requirement. The pipeline shall not be
18 returned to service unless the pressure testing has been successfully completed. Test results
19 shall be provided to the Division for review within seven days following the test.
- 20 (e) Pipe clamps, wooden plugs or screw-in plugs shall not be used for permanent repair of
21 pipeline leaks.
- 22 (f) The operator shall perform periodic mechanical integrity testing on all active
23 environmentally sensitive pipelines that are gathering lines, all urban pipelines over 4” in
24 diameter, and all active gas pipelines in sensitive areas. The mechanical integrity testing shall
25 be conducted every two years, or at an alternative frequency approved by the Supervisor
26 based on demonstrated wall thickness and remaining service life over a period of at least two
27 years. The testing frequencies shall be specified in the operator's Pipeline Management Plan.
28 Pipelines less than 10 years old are exempt from the testing requirements of this subdivision.

1 Subject to review and approval by the Division, the operator shall identify effective
2 mechanical integrity testing methods based on pipeline type and use. The mechanical
3 integrity testing methodology for compliance with this subdivision shall be specified in the
4 operator's Pipeline Management Plan and shall include at least one of the following:

- 5 (1) Nondestructive testing using ultrasonic or other techniques approved by the Supervisor,
6 to determine wall thickness;
- 7 (2) Pressure testing using:
- 8 (A) The guidelines recommended by industry standards, such as the American
9 Petroleum Institute, American Society of Mechanical Engineers for oil or gas
10 pipelines; or
- 11 (B) The method approved by the State Fire Marshal, Pipeline Safety Division for
12 liquid pipelines or US Department of Transportation, Pipeline and Hazardous
13 Materials Safety Administration for gas pipelines;
- 14 (3) Internal inspection devices such as a smart pig, as approved by the Supervisor; or
- 15 (4) Any other method approved by the Supervisor that ensures mechanical integrity so as to
16 protect life, health, property and natural resources.

17 Copies of mechanical integrity test results shall be maintained in a local office of the
18 operator for ten years and made available to the Division, upon request. The operator
19 shall assess all test results to determine continued safe operations and that risks identified
20 in the Pipeline Management Plan are adequately addressed. The operator shall repair and
21 retest or remove from service any pipeline that fails the mechanical integrity test. The
22 operator shall promptly notify the Division in writing of any pipeline taken out of service
23 due to a test failure.

- 24 (g) Vapor recovery pipelines are exempt from mechanical integrity testing under subdivision (f)
25 if they are equipped with safeguards, such as oxygen detectors and are leak tested at least
26 annually. The operator shall document the safeguards and inspection regime in its Pipeline
27 Management Plan.
- 28

1 (h) A county board of Supervisors, a city council, or another state agency may petition the
2 Supervisor to include other pipelines within their jurisdiction as environmentally sensitive or
3 within a sensitive area. The request must be in writing and based on findings of a competent,
4 professional evaluation that shows there is a probability of significant public danger or
5 environmental damage if a leak were to occur.

6 (1) Within 30 days of receipt of a petition, the Supervisor shall notify any affected operator.

7 (2) Within 60 days of notification to the operators, the Supervisor shall schedule a hearing
8 with the petitioner and operators to allow all parties to be heard.

9 (3) Within 30 days after the conclusion of the hearing, the Supervisor shall make a
10 determination as to whether the areas or pipelines should be considered environmentally
11 sensitive.

12 (i) For pipelines that are subject to mechanical integrity testing under subdivision (f), but that
13 were not subject to mechanical integrity testing under subdivision (f) prior to January 1,
14 2018, mechanical integrity testing is not required to be completed until January 2, 2020. For
15 these pipelines, mechanical integrity testing shall be scheduled, completed, and mechanical
16 integrity test results documented per subdivision (f) prior to January 2, 2020.

17 **Regulations section 1774.2 requires:**

18 (a) Operators shall prepare a pipeline management plan for all pipelines, and current operators as
19 of October 1, 2018, shall submit a copy of the plan to the Supervisor no later than October 1,
20 2019. The operator shall maintain an up-to-date copy and provide it to the Supervisor upon
21 request.

22 The plan shall be updated within 90 days whenever pipelines are acquired, installed, altered,
23 or at the request of the Supervisor. Pipelines that have been abandoned to the standards
24 specified in Section 1776(f) are exempt from this requirement.

25 (b) The pipeline management plan shall include the following:

26 (1) A listing of information on each pipeline including, but not limited to: pipeline type,
27 grade, actual or estimated installation date of pipeline, design and operating pressures,
28 and any available leak, repair, inspection and testing history.

1 (2) A description of the testing method and schedule for all pipelines.

2 (3) A description of preventative maintenance performed for associated appurtenances,
3 instrumentation, and equipment (e.g. valves, actuators, gauges, sensors, etc.) to ensure
4 safe pipeline operations.

5 (4) A list and maps of all pipelines that indicate which lines pass through sensitive areas,
6 environmentally sensitive areas, urban areas, and designated waterways. The operator
7 shall clearly indicate where information has been provided about pipelines that are not
8 subject to regulation by the Division.

9 (5) A description of the product transferred in each pipeline.

10 (c) The Supervisor may establish additional requirements or modifications to a pipeline
11 management plan, based on individual circumstances, to ensure life, health, property, and
12 natural resources are protected adequately.

13 (d) A plan prepared pursuant to California Code of Regulations Title 8, Section 6533 may fulfill
14 the requirements of this section if the plan is determined to be adequate by the appropriate
15 Division district deputy.

16 **Regulations section 1775, subdivisions (a) and (c)**, requires Operator to address oilfield wastes,
17 harmful chemicals, unused equipment, scrap and other trash so as not to cause damage to life, health,
18 property, freshwater aquifers or surface waters, other natural resources, or such that its operations
19 become a public nuisance or a menace to public safety. Unused equipment and scrap attendant to
20 oilfield operations shall be removed from a production or injection operations area and/or stored in such
21 a manner as to not cause damage to life, health, or property, or become a public nuisance or a menace to
22 public safety. Trash and other waste materials attendant to oilfield operations shall be removed and
23 disposed of properly.

24 **Regulations section 1777, subdivision (a)**, requires, among other things, that Operators
25 maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to
26 safeguard life, health, property, and natural resources.

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- 1 d. Construct secondary containment that is compliant with California Code of
2 Regulations section 1773.1.
- 3 e. Install fencing that is compliant with California Code of Regulations section
4 1777(d), which incorporates by reference Regulations sections 1778(a) and/or
5 1778(e).
- 6 f. If the Operator intends to return pipelines to service, the Operator will need to
7 demonstrate compliance with oil and gas laws and regulations and orders prior to
8 returning pipelines to service to the Division, which includes, but is not limited to
9 necessary inspection and testing requirements in Regulations section 1774.1 and
10 1774.2. Otherwise, disconnect all pipelines from out of service production
11 facilities in a manner that is in compliance with California Code of Regulations
12 sections 1773.5(a) and (b).

13 **VI. Operator's Appeal Rights**

14 Operator may appeal this Order by filing a written notice of appeal with the Director of the
15 Department of Conservation as described in PRC section 3351, subdivision (c). If Operator timely files
16 a notice of appeal in writing, Operator will be informed of the appeal hearing date, time, and place.
17 After the close of the hearing, Operator will receive a written decision that affirms, sets aside, or
18 modifies the Order.

19 If the work is not immediately commenced and continued to completion within 30 days of this
20 order, the Supervisor may appoint necessary agents to enter the premises and perform the work
21 consistent with PRC section 3226. Any amount the Supervisor expends will constitute a lien against
22 Operator's real and/or personal property. (PRC, § 3226.)

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

24 PRC section 3236 makes it a misdemeanor for any person who violates, fails, neglects, or refuses
25 to comply with any of the provisions of the oil and gas conservation laws commencing at PRC section
26 3000. The misdemeanor is punishable by a fine of not less than one hundred dollars (\$100) nor more
27 than one thousand dollars (\$1,000), or by imprisonment not exceeding six months, or by both the fine
28 and imprisonment for each separate offense. PRC section 3359 makes it a misdemeanor to fail or

1 neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a
2 separate and distinct offense. (PRC, § 3359.)

3 Failure to comply with Section V (Required Remedial Actions) could result in additional
4 enforcement orders and/or actions by the Division or other entities. For example, the Supervisor could
5 deny approval of proposed well operations until compliance is achieved, order the plugging and
6 abandonment of the associated well, and/or assess a civil penalty. (PRC, §§ 3203, subd. (c), 3236.5,
7 3237, subd. (a)(3)(C).)

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9 DATED: 9/13/19



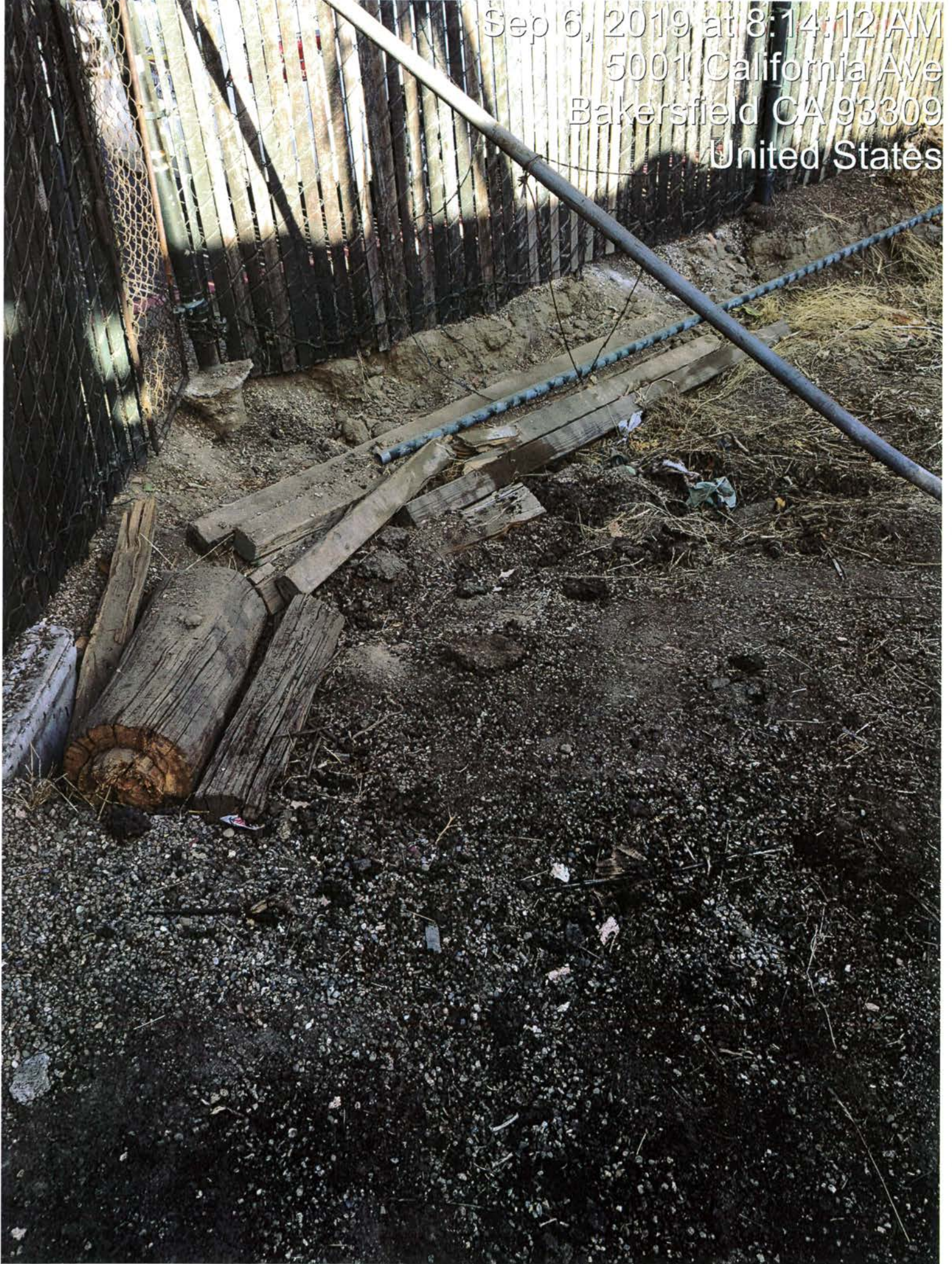
10 Jason Marshall
11 Acting State Oil and Gas Supervisor

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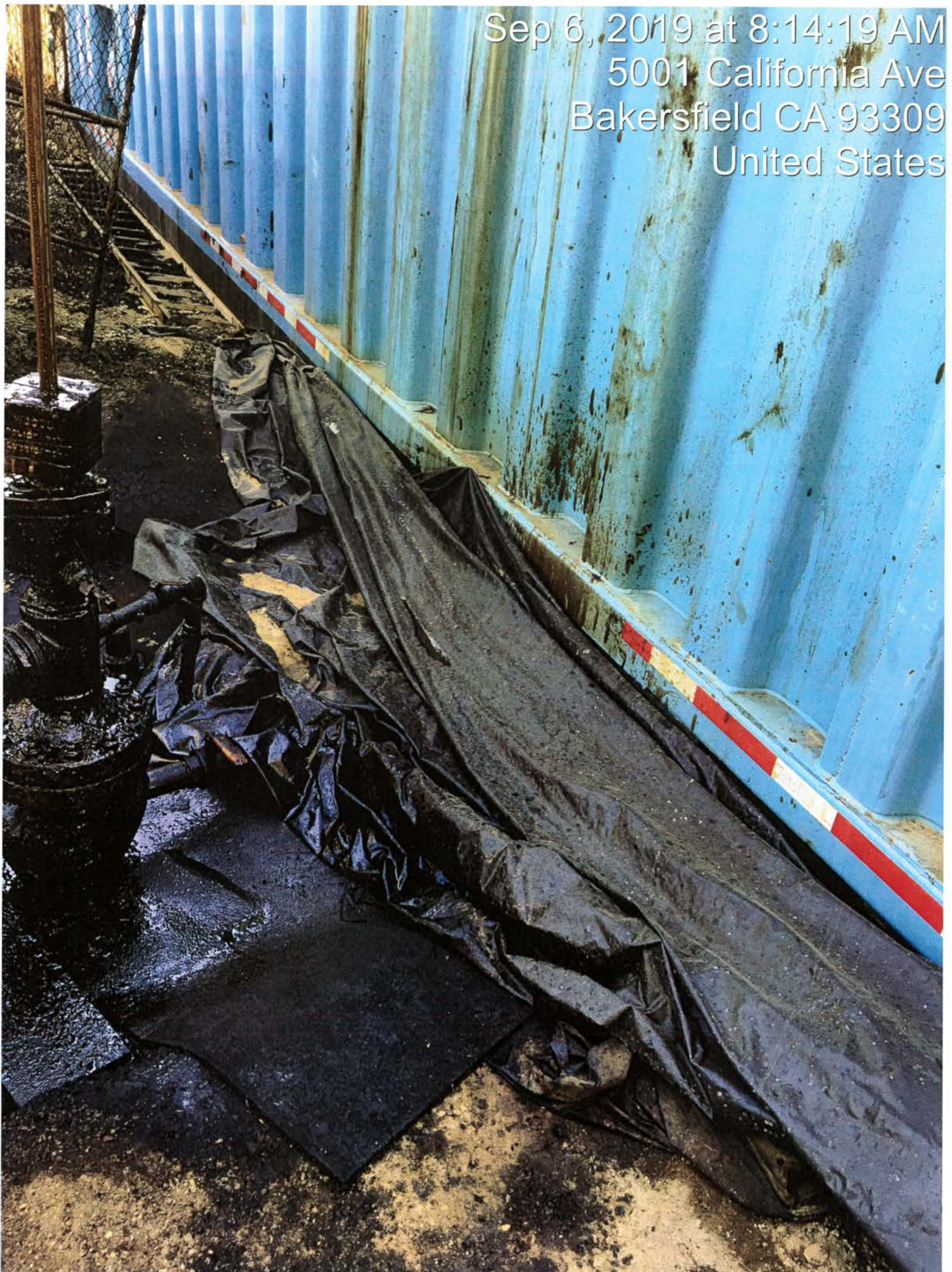
EXHIBIT A



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EXHIBIT B

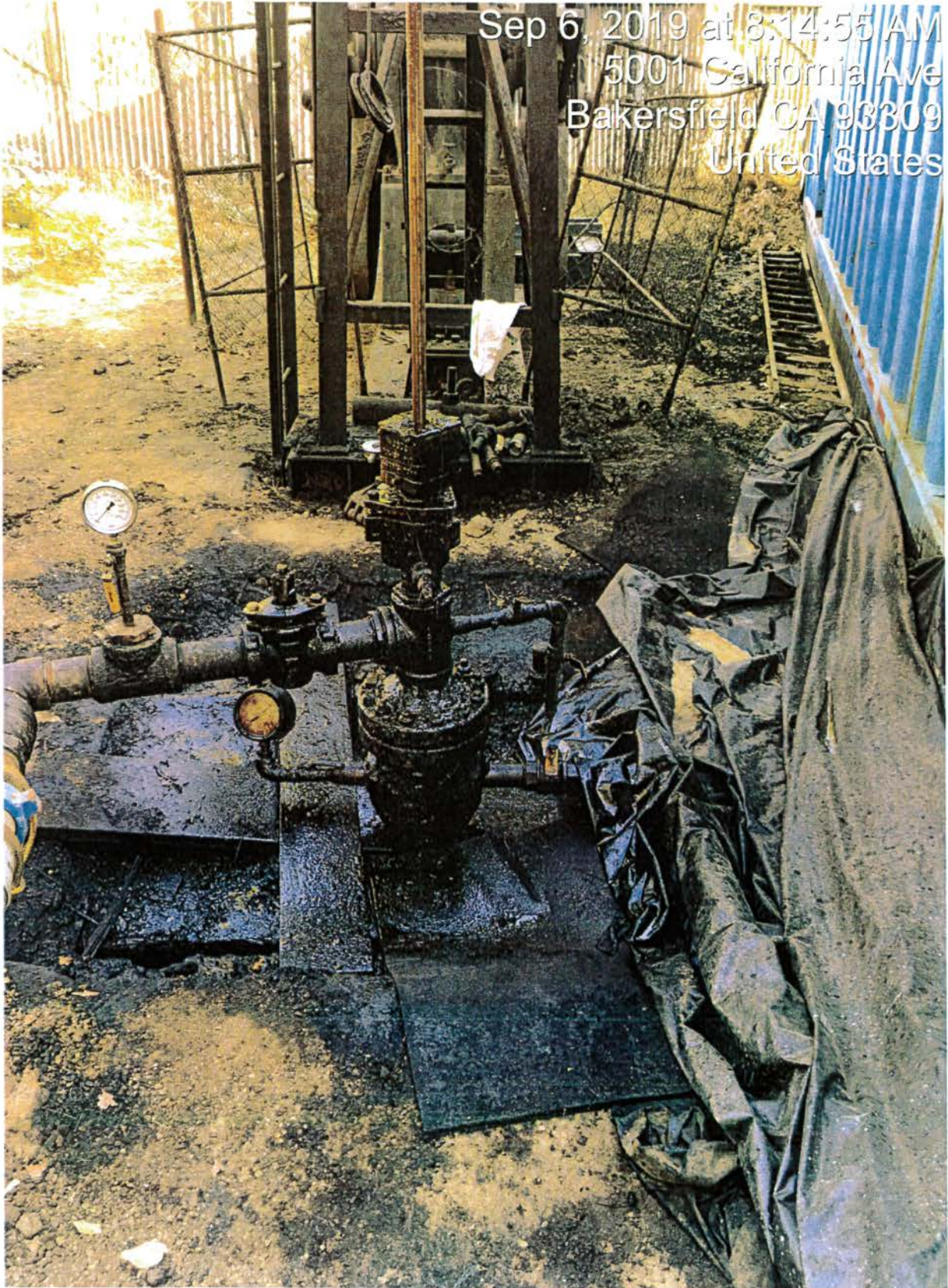
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EXHIBIT C

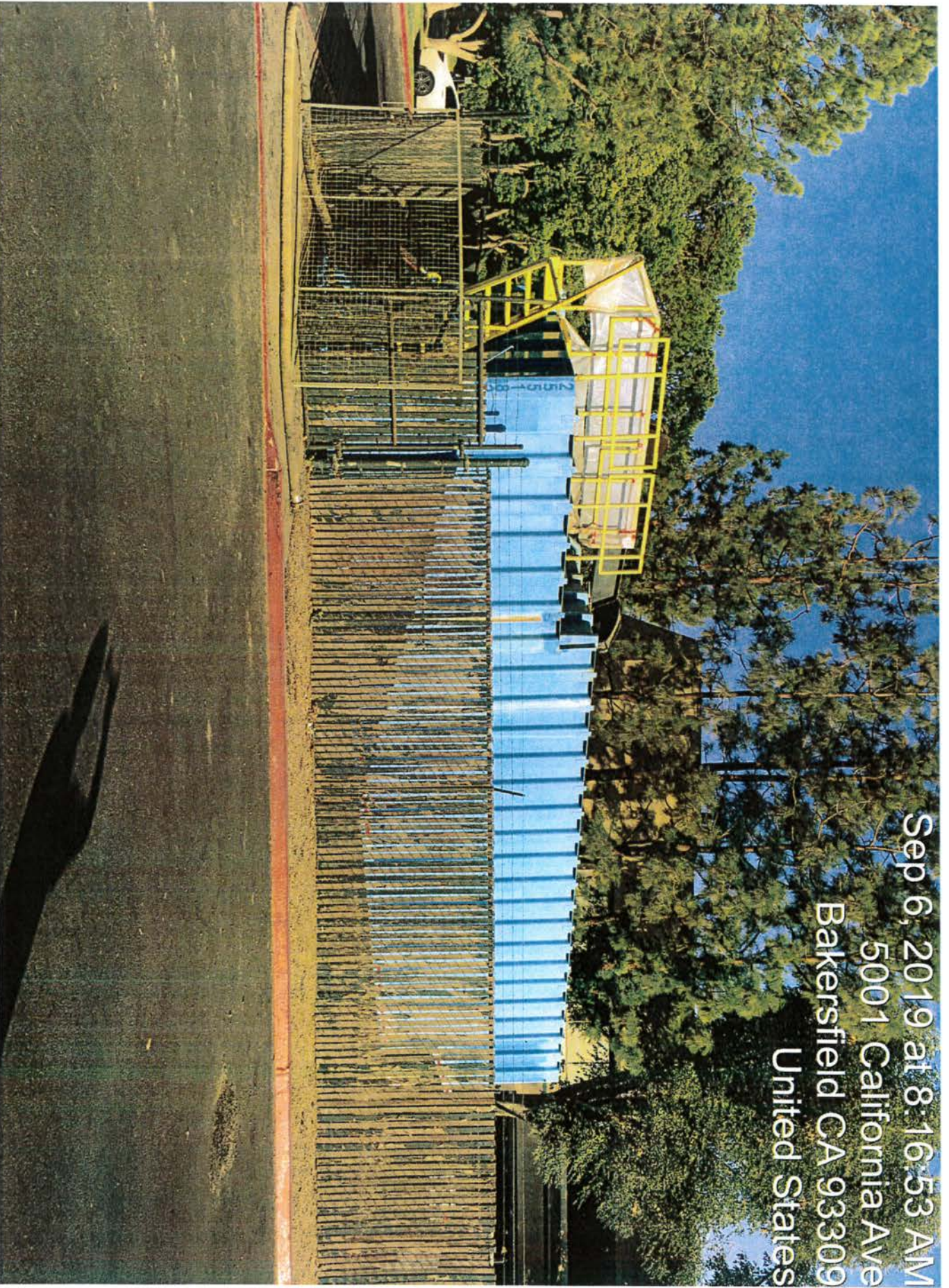
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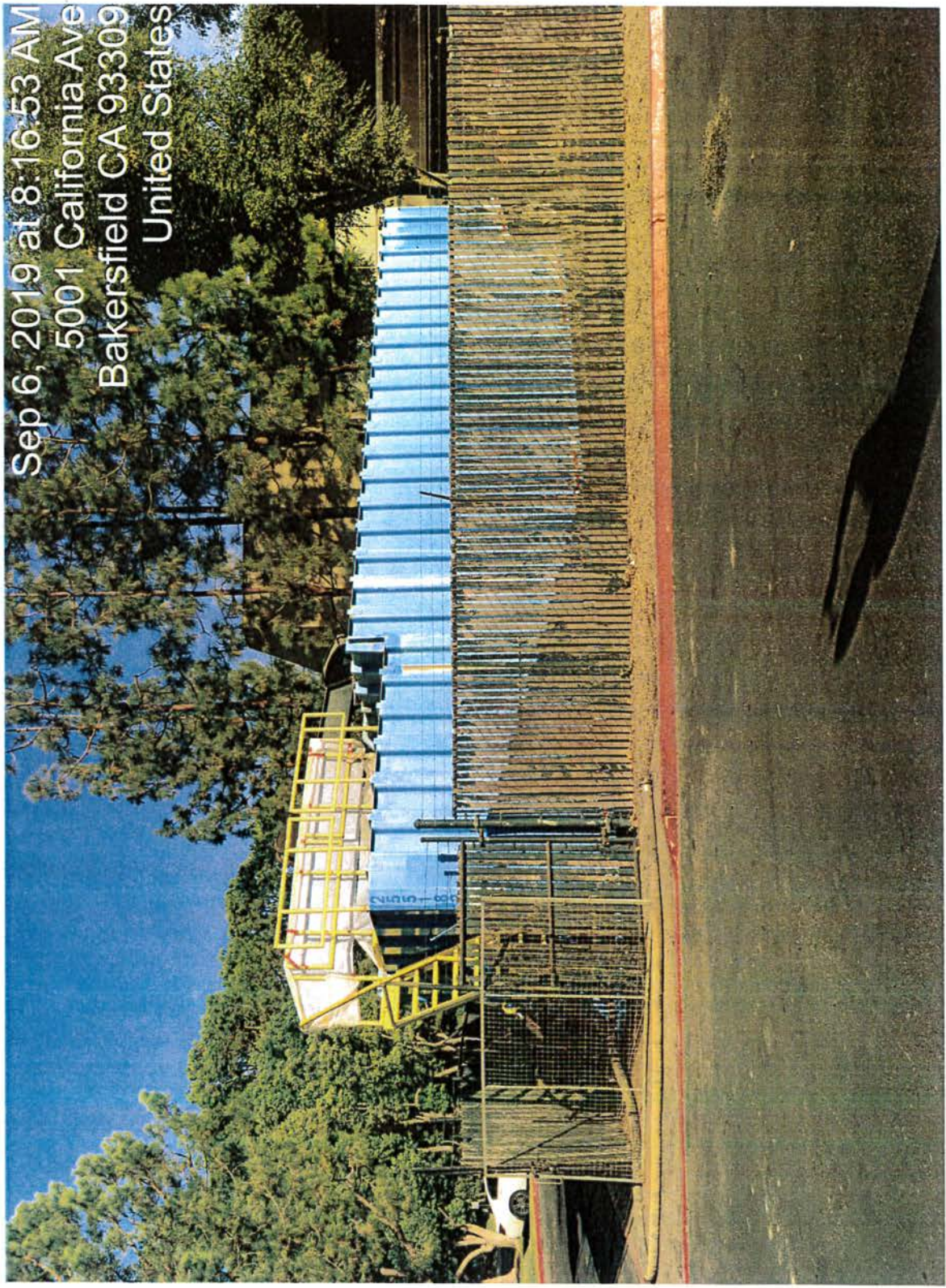
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EXHIBIT E

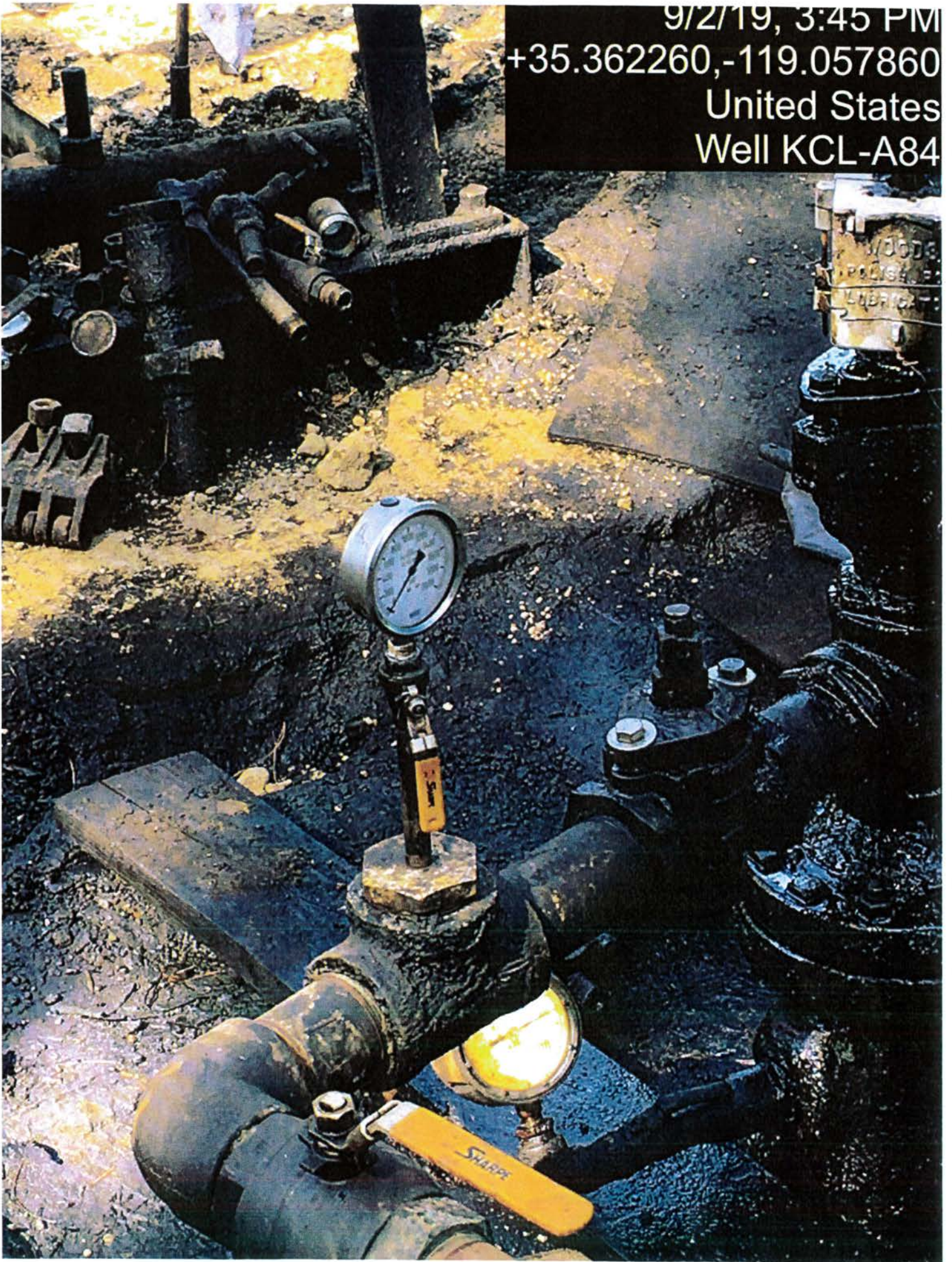
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EXHIBIT F

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