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7 **STATE OF CALIFORNIA**
8 **NATURAL RESOURCES AGENCY**
9 **DEPARTMENT OF CONSERVATION**
10 **DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES**
11 **EMERGENCY ORDER TO IMPLEMENT IMPROVED**
12 **SECURITY MEASURES, TRANSPORT OIL RIG AND**
13 **WELL-CONTROL EQUIPMENT AND MATERIALS TO**
14 **RINCON ISLAND, INSTALL BRIDGE PLUGS ON CERTAIN**
15 **WELLS, MONITOR AND TEST CERTAIN WELLS, AND**
16 **PERFORM NECESSARY**
17 **REMEDIAL WORK**

18 **NO. 1114**

19 **Dated: August 8, 2016**

20 **Operator: Rincon Island Limited Partnership**

21 **BY**

22 **Kenneth A. Harris Jr.**

23 **STATE OIL AND GAS SUPERVISOR**

24 **1**

25 **ORDER NO. 1114; EMERGENCY ORDER TO IMPLEMENT IMPROVED SECURITY MEASURES,**
26 **TRANSPORT OIL RIG AND WELL-CONTROL EQUIPMENT AND MATERIALS TO RINCON ISLAND,**
27 **INSTALL BRIDGE PLUGS ON CERTAIN WELLS, MONITOR AND TEST CERTAIN WELLS, AND**
28 **PERFORM NECESSARY REMEDIAL WORK**

1 **I. Introduction**

2 Pursuant to Public Resources Code (PRC) section 3106, subdivision (a), the State's
3 Oil and Gas Supervisor ("Supervisor") is charged with supervising the operation and
4 maintenance of oil and gas wells and facilities to prevent, as far as possible, damage to
5 life, health, property and natural resources. This Emergency Order is issued by the
6 Supervisor to prevent such damage potentially resulting from an uncontained release of
7 hydrocarbon fluids or gases into the offshore environment from oil wells on Rincon
8 Island in Ventura County.

9 Rincon Island is a manmade island situated in ocean waters under the jurisdiction of
10 the State of California. The ocean waters and coastline surrounding the Island are
11 "sensitive coastal resource area[s]" under the California Coastal Act. The Island is in
12 close proximity to the Channel Islands National Marine Sanctuary, an area protected by
13 federal law. The California Legislature has declared that protection of California's
14 coastal resources is of "paramount concern." (Public Resources Code, section 30001.)

15 The Island is controlled by Rincon Island Limited Partnership ("RILP") through a
16 lease from the California State Lands Commission ("SLC"). Certain wells on the Island
17 (i.e., wells 8A, 50A, and possibly others) are under significant pressure from the
18 underground hydrocarbon-bearing formations which the wells access. Pressure from the
19 reservoir on oil and gas wells is controlled by well mechanical conditions and wellhead
20 infrastructure (casing heads, tubing, gauges, seals, valves, etc.). The well mechanical
21 conditions and wellhead infrastructure on the wells on Rincon Island are of doubtful
22 and/or unknown integrity and, in some instances, inoperative. The wellhead infrastructure
23 could fail, or be damaged, resulting in an uncontrolled pressurized release of hydrocarbon
24 fluids on to the Island itself or into the surrounding marine environment. In fact, certain
25 wells cannot even have the pressure checked or adequately monitored because the

1 wellhead valves are inoperative. Wellhead infrastructure cannot be safely repaired,
2 replaced or maintained without the use of an oil rig.

3 On February 23, 2016, Division staff inspected the Island and its oil and gas
4 production facilities. One result of this inspection was the Supervisor's issuance of Order
5 No. 1112, which was limited in scope to above-ground well infrastructure and facilities.
6 Order No. 1112 listed more than sixty violations visible to the naked eye regarding
7 infrastructure situated on the surface of the Island, but Order No. 1112 did not address
8 issues concerning the condition, integrity, or functionality of the wells or wellhead
9 infrastructure or other "down-hole" aspects of the wells on the Island.

10 In Order No. 1112, the Supervisor ordered RILP to "remediate, repair, or replace the
11 oil wells, tanks, or other attendant production facilities and infrastructure present on
12 Rincon Island[.]" RILP timely appealed Order No. 1112 pursuant to the Division's
13 enabling statutes and the California Administrative Procedures Act. On June 3, 2016
14 RILP and the Division stipulated to effectively stay the administrative appeal processes
15 for Order No. 1112, citing as the basis for the stipulation RILP's progress towards
16 remediating, repairing, or replacing wellhead infrastructure, and/or production facilities.

17 On June 14, 2016, Division inspectors re-inspected the Island based on RILP's
18 representations regarding its alleged progress with respect to addressing the violations
19 cited in Order 1112. While certain "cosmetic" improvements had been made to some of
20 facilities on the Island (minor amounts of rust removal, painting of valves and pipelines,
21 covers placed over trip hazards, etc., as well as the replacement of minor infrastructure
22 such as gauges), the inspectors found that there had been no meaningful remediation,
23 repairs, or replacement to the wellhead infrastructure to the satisfaction of the Supervisor.

24 A release of hydrocarbon fluids resulting from failing wellhead infrastructure is
25 typically controlled by an oil and gas rig and associated well-control equipment and

1 materials, and none of this is present on the Island. In the event of an uncontrolled
2 pressurized release of hydrocarbon fluids on the Island, there may be no way to regain
3 control of the release without a rig and well control equipment and materials being
4 present, and one must be present in order to maximize the ability to prevent an
5 uncontrolled release of hydrocarbon fluids.

6 In addition to the danger presented by the unknown and questionable integrity of the
7 wellhead infrastructure for certain pressurized wells on the Island, basic security on the
8 Island is insufficient. Trespassers currently can and do access the Island by foot or vessel.
9 Without adequate security on the Island, either by conventional eye-witness observation
10 and inspection, electronic surveillance, electronic sensors or monitoring, or a
11 combination thereof, the risk of an uncontrolled release as a result of vandalism or
12 sabotage is increased. Without appropriate personnel, electronic surveillance, electronic
13 sensors or monitoring, no appropriately timely method exists to detect a release or other
14 hazardous situation.

15 Pursuant to Public Resources Code section 3224, the Supervisor may order oil and gas
16 operators in California to undertake efforts which in the Supervisor's judgment are
17 necessary to prevent damage to life, health, property or natural resources. This Order
18 requires RILP to undertake immediate actions as described below. Based on the facts
19 and evidence described herein, the Supervisor in the exercise of his judgment is ordering
20 RILP to:

21 -immediately begin implementing improved security measures for Rincon Island
22 (as further detailed below);

23
24 -arrange for an appropriate and fully functional oil and gas well rig and associated
25 equipment to be moved to the Island by vessel and remain present on the Island;

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2 -install bridge plugs to either the top of a landed liner, the uppermost perforations,
3 the casing cementing point, the water shut-off holes, or the oil and gas zone,
4 whichever is highest in the well, for wells 8A and 50A, and verify casing integrity
5 from the bridge plug to the surface, and bleed off wellbore pressure;

6
7 -immediately begin testing, including but not limited to fluid level tests, and
8 monitoring of all other wells and wellhead infrastructure (excluding wells 8A and
9 50A) on the Island for the existence of pressure in any aspect of the Wells, and for
10 the potential for any failure of integrity or functionality within any part of any well
11 or wellhead infrastructure, in a manner satisfactory to the Supervisor; and

12
13 -immediately address all well integrity issues identified by the required testing and
14 monitoring.

15 **II. The Interested Parties**

16 **The Division of Oil, Gas and Geothermal Resources (DOGGR)**, a division of the
17 California Department of Conservation, pursuant to Public Resources Code section 3106
18 and other legal authorities, regulates and permits the operation and maintenance of oil
19 and gas wells, and facilities attendant to oil and gas production, so as to prevent damage
20 to life, health, property and natural resources. The Supervisor is the chief executive of
21 the Division.

22 **Rincon Island Limited Partnership (RILP)**¹ (hereinafter at times referred to as

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25 ¹ The Division's Operator Code for RILP is R2805.

1 “Operator”) is the “operator” (as defined in Public Resources Code section 3009) of the
2 wells located on Rincon Island, situated in Ventura County, California. Rincon Island is
3 under the custody and control of RILP as part of its lease of state lands from SLC, by
4 way of lease PRC 1466.

5 Though not a party to this administrative enforcement proceeding, the **State Lands**
6 **Commission (SLC)**, pursuant to Public Resources Code sections 6216, 6301 and other
7 legal authorities, leases state lands to oil and gas operators to provide for the extraction of
8 minerals and oil and gas from such lands. SLC has separate regulatory and lease
9 compliance enforcement authority over its lessees, including RILP.

10 **III. Definitions**

11 **PRC section 3008, subdivision (a)**, defines “Well” to mean “any oil or gas well or
12 well for the discovery of oil or gas; any wells on lands producing or reasonably presumed
13 to contain oil or gas; any well drilled for the purpose of injecting fluids or gas for
14 stimulating oil or gas recovery, re-pressuring or pressure maintenance of oil or gas
15 reservoirs, or disposing of waste fluids from an oil or gas field; any well used to inject or
16 withdraw gas from an underground storage facility; or any well drilled within or adjacent
17 to an oil or gas pool for the purpose of obtaining water to be used in production or re-
18 pressuring operations.”

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

1 **California Code of Regulations (hereinafter "Regulations") section 1720,**
2 **subdivision (f),** defines "Operations" to mean "any one or all of the activities of an
3 operator covered by Division 3 of the Public Resources Code [i.e., the oil and gas
4 statutes, commencing with PRC section 3000]."

5 "Idle well" means a well that has not produced oil or natural gas, or been used for
6 injection, for six consecutive months during the last 5 (five) or more years. (Pub.
7 Resources Code, § 3008, subd. (e).)

8 "Long-term idle well" means a well that has not produced oil or natural gas, or been
9 used for injection, for six consecutive months during the last 10 (ten) or more years. (Pub.
10 Resources Code, § 3008, subd. (e).)

11 "Production facility" means any equipment attendant to oil and gas production or
12 injection operations. (Pub. Resources Code, § 3010.)

13 The term "wellhead infrastructure," as used in this Emergency Order, means any
14 and all components at the surface of an oil or gas well that provide the structural and
15 pressure-containing interface for the safe drilling and production of an oil or gas well.

16 **IV. Facts and Reasoning**

17 Since 1996, RILP has been the operator of record for the wells within State lease PRC
18 1466. State lease PRC 1466 includes within its boundary Rincon Island, a manmade
19 island situated close to shore off the California coastline in Ventura County, California.
20 Rincon Island is situated within a "sensitive coastal resource area" within the meaning of
21 Public Resources Code section 30116, as the area provides scenic and recreational values
22 and opportunities to the people of the State of California. Rincon Island and its
23 surrounding area is in close proximity (less than 20 miles) to Channel Islands National
24 Park.

1 The Island is traditionally² accessed by authorized persons by motor vehicles by way
2 of a “causeway,” or pier, running from shore to the Island, and may be alternatively
3 accessed by ocean-going vessels via a wharf constructed on the Island. Since 2007, the
4 causeway has been restricted and/or precluded from use such that any heavy equipment,
5 including an oil drilling or workover rig (and other necessary equipment) cannot be
6 transported to the Island. Despite continuous discussions, admonitions, representations
7 by RILP, applications for and modifications of Coastal Development Permits, and
8 preparation of engineering plans and revisions to plans, RILP has still not repaired the
9 causeway to allow for transport of an oil rig or other necessary equipment on to the
10 Island. The wells on the Island are “idle wells” under state law, and RILP demonstrates
11 no credible intent to return the wells to production.

12 SLC and Division staff have repeatedly raised with RILP the fact that certain wells on
13 the Island are capable of natural flow of fluids to the surface from pressure within the
14 underground formation. In response, RILP has represented to SLC (among other
15 representations) that it would use its “best efforts” to repair all wellheads in need of
16 appropriate and necessary maintenance in order to prevent a wellhead failure and the
17 potential for an uncontrolled flow of hydrocarbon fluids to the surface. To the knowledge
18 of the Division, no such repairs or maintenance have occurred.

19 In their current condition, certain wells on the island represent a threat to life, health,
20 property, and natural resources and immediate action is necessary to mitigate the risks of
21 well failure. As previously noted, certain wells are under significant pressure, and the

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24 ² At this time, the Division is informed and believes that the island is not accessible by motor vehicle. RILP allowed
the causeway’s weight certification to lapse, and substantial remedial work is necessary for recertification.

1 wellhead infrastructure appears badly deteriorated. More importantly, the subsurface
2 condition of the wells and/or wellhead infrastructure is entirely unknown and cannot be
3 determined or addressed without the use of an oil rig and associated equipment. During
4 the June 14, 2016 inspection, RILP representatives twice plainly stated to the Division's
5 inspectors that RILP "didn't want to mess with" certain components of wellhead
6 infrastructure for fear that RILP did not have the necessary equipment on the Island to
7 address the possible failure of the wells or wellhead infrastructure.

8 Without a rig and related well-control equipment on the Island, the failure of a
9 wellhead to control a pressurized well, whether due to mechanical failure, an act of
10 vandalism, or otherwise, could possibly result in an uncontrolled release of hydrocarbon
11 fluids on to the Island, in the atmosphere, or into the surrounding marine environment.
12 The only current method for accessing the Island for well work is to move an oil rig and
13 associated equipment by barge or other vessel, as the causeway is not functional for
14 vehicular use and RILP refuses to repair the causeway.

15 Well or wellhead failure could result in an uncontrolled release of hydrocarbons and
16 persist for several hours without anyone's knowledge, and for days or weeks without any
17 effective method of regaining control of the release. This is of particular concern because
18 the wells are located in a sensitive coastal area where such a release could drastically
19 affect marine resources, air quality, natural resources, scenic values, and recreational
20 opportunities.

21 Exacerbating these risks, security measures on the Island are not objectively sufficient
22 or satisfactory to the Supervisor. Trespassers have been noted on the Island on several
23 occasions, and there have been no practical or serious efforts by RILP to prevent trespass
24 onto the Island. Given the environmentally sensitive location and the questionable
25 condition of certain wellheads, the possibility of careless or malicious conduct by such

1 trespassers also represents an immediate threat to life, health, property, and natural
2 resources.

3 **V. Authority of the State Oil and Gas Supervisor**

4 **PRC section 3106** charges the Supervisor to supervise the drilling, operation,
5 maintenance, and abandonment of oil and gas wells to “prevent, as far as possible,
6 damage to life, health, property, and natural resources [...]”

7 **PRC section 3224** provides that the Supervisor shall order Operators to take action
8 which, in his or her judgement, is necessary to prevent damage to life, health, property,
9 and natural resources.

10 **PRC section 3226** provides, in pertinent part, “Notwithstanding any other provisions
11 of Section 3224, 3225, or 3237, if the supervisor determines that an emergency exists, the
12 supervisor may order or undertake the actions he or she deems necessary to protect life,
13 health, property, or natural resources.”

14 **PRC section 3013** provides that Division 3 of the Public Resources Code (sections
15 3000 through 3865) pertinent to oil and gas, shall be construed to allow the Supervisor to
16 have all powers necessary to carry out the purposes of the Division.

17 **VI. Operator’s Required Actions**

18 For the reasons stated above, **IT IS HEREBY ORDERED**, pursuant to Public
19 Resources Code sections 3106, 3224, and 3226 that **RILP shall immediately:**

20 **A. implement security measures satisfactory to the Supervisor in order to**
21 **eliminate and/or minimize the risk of:**

- 22 **1. trespassers gaining access to the Island, from land or sea; and**
23 **2. an occurrence of undetected damage to, or release from, any of the**
24 **Island’s facilities resulting in a release of hydrocarbon fluids or other**
25 **hazardous or potentially hazardous substances;**

- 1 **B. arrange for an oil rig and associated equipment to be brought to the Island**
2 **via vessel such that the wells or wellhead infrastructure on the Island can be**
3 **entered, reentered, maintained, repaired, replaced, or worked for any other**
4 **purpose deemed necessary by the Supervisor;**
- 5 **C. install bridge plugs into wells 8A and 50A to either the top of a landed liner,**
6 **the uppermost perforations, the casing cementing point, the water shut-off**
7 **holes, or the oil and gas zone, whichever is highest in the well, for wells 8A**
8 **and 50A, and verify casing integrity and bleed off wellbore pressure;**
- 9 **D. evaluate all other wells and associated wellhead infrastructure, in a manner**
10 **satisfactory to the Supervisor, to determine:**
- 11 **1. the integrity and/or functionality of all wellhead infrastructure and**
12 **2. whether or not any other wells (i.e., any wells not referred to above in**
13 **directive "C.") are pressurized. If any are sufficiently pressurized to allow**
14 **fluid flow to the surface, RILP shall install bridge plugs in those wells as**
15 **soon as practically feasible at whichever of the following locations is**
16 **highest in the well: the top of a landed liner, the uppermost perforations,**
17 **the casing cement point, the water shut-off holes, or the oil and gas zone;**
18 **and**
- 19 **E. address all well integrity issues identified by the required testing and**
20 **monitoring.**

21 **VII. Operator's Right to Appeal**

22 Operator may appeal this Order by filing a written notice of appeal with the
23 Supervisor as described in Article 6 (Appeals and Review) of Division 3 of the Public
24 Resources Code, commencing with PRC section 3350. (PRC, § 3225, subd. (d).)

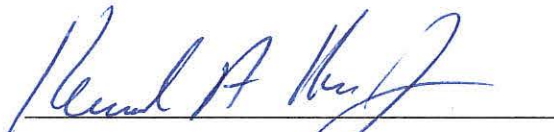
25 **However, this is an Emergency Order issued per Public Resources Code section**

1 **3226 and, per Public Resources Code section 3350, subdivision (b), the filing of an**
2 **appeal of this Emergency Order shall not operate as a stay of the Order. As such,**
3 **Operator shall immediately commence the work ordered. If Operator has not, in**
4 **good faith, commenced the work ordered, the Division may contract for**
5 **performance of the work at RILP's expense pursuant to Public Resources Code**
6 **section 3226.**

7 Any costs incurred by the Supervisor to obtain compliance with this order, plus a
8 \$2,010 (Two Thousand and Ten Dollar) service fee, shall constitute a lien against real or
9 personal property of the operator per Public Resources Code section 3423.

10 If the operator does not submit a timely written appeal, this Emergency Order will
11 become a final order. If the operator submits a timely written appeal, the operator will
12 receive notice of the appeal hearing date, time, place, and scope of issues to be heard on
13 appeal at the appeal hearing. The hearing will be held in the district in which the
14 majority of the wells are located, unless the operator's request for another location is
15 granted. Following the hearing, the operator will receive a written decision that affirms,
16 sets aside, or modifies the appealed order.

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18 DATED: August 8, 2016

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21 Kenneth A. Harris Jr.
22 State Oil and Gas Supervisor

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28 Cert. mail. rec. no.: 7013225000090104329