

1 DEPARTMENT OF CONSERVATION
2 Division of Oil, Gas, and Geothermal Resources
3 801 K Street, MS 24-03 (Legal Office)
4 Sacramento, California 95814-3530
5 Telephone (916) 323-6733
6 Facsimile (916) 445-9916
7

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

12 **EMERGENCY ORDER TO**
13 **PERFORM REMEDIAL WORK**

14 **NO. 1143**

15 **Dated: January 18, 2019**

16 **Operator: MDR Hotels, LLC.**

17 **Field: Playa Del Rey**

18 **Well: DOW R.G.C. 10 (API 0403713798)**

19 **BY**
20 **Kenneth A. Harris, Jr.**
21 **STATE OIL AND GAS SUPERVISOR**
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1 **I. Introduction**

2 On the afternoon of January 11, 2019, well DOW R.G.C. 10 in Marina del Rey released
3 fluids and gas. Despite the use of blow-out prevention equipment, an uncontrolled release of
4 fluids, including gas, occurred spraying about 60 feet into the air.

5 DOW R.G.C. 10 was first drilled in 1931. It has not been used for production since it
6 was plugged with cement in the 1950s. When the uncontrolled release occurred, the well was
7 being brought into compliance with current standards for unused wells, a process called "re-
8 abandonment" of the well. The operator was re-abandoning the well as part of a commercial
9 construction project in a populated section of Marina del Rey.

10 The uncontrolled release suggests that the well's pressure is higher than the Operator
11 expected and causes the Division of Oil, Gas, and Geothermal Resources (Division) to question
12 the structural integrity of the well. Immediate action is necessary to secure the well site and
13 stabilize the well to prevent another uncontrolled release. The well is in a dense urban area on
14 the coast and any such release threatens damage to life, health, property, and natural resources.
15 The well must also be tested and evaluated. The entire well must be plugged and abandoned to
16 current standards which will require sealing any conduit for pressurized fluids, including gas.
17 The Operator must monitor air quality to protect public health and safety.

18 The State Oil and Gas Supervisor (Supervisor) has determined that an emergency exists,
19 and that this order is necessary to prevent damage to life, health, property, and natural resources.

20 **II. Factual and Procedural Summary**

21 At all times relevant to this Order, MDR Hotels, LLC (Operator) was the "Operator," as
22 defined in PRC section 3009, of the herein identified "well," as defined in PRC section 3008,
23 subdivision (a), located in the Playa Del Rey Field, and was conducting "operations" as defined
24 in Regulations section 1720, subdivision (f).

25 On or about June 5, 2018, the Operator received approval to re-abandon DOW R.G.C. 10.
26 As part of its permit to re-abandon the well, the Operator was required to install and maintain
27 blowout prevention equipment as defined by the Division's publication No. MO7.

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1 On or about January 11, 2019, during well-abandonment activities, pressure built up
2 within the well casing which caused an uncontrolled release of fluid, including gas, from the
3 well thereby causing the Division to question the structural integrity of the well. The well must
4 now be properly plugged and abandoned which includes the sealing of any conduit for
5 pressurized gas to escape.

6 From January 11 through January 16, 2019, Division staff maintained 24-hour
7 supervision of DOW R.G.C. 10, coordinated with state and local emergency responders, and
8 instructed the Operator in regaining well control and planning to protect life, health, property,
9 and natural resources. The Operator's proposals for maintaining well control and proceeding
10 with re-abandonment were determined to be insufficient to protect life, health, property, and
11 natural resources. Because of the serious concerns about the structural integrity of the well and
12 the sensitive location of the well, efforts to secure the site and properly plug and abandon the
13 well must be undertaken without delay.

14 Acting through the State Oil and Gas Supervisor, and under the authority of the Public
15 Resources Code (PRC) and California Code of Regulations, title 14 (Regulations), the
16 California Department of Conservation, Division of Oil, Gas, and Geothermal Resources may
17 determine that an emergency exists in connection with oilfield operations. In so determining,
18 the Division may issue an order that directs the Operator to take any actions that the Supervisor
19 deems necessary to protect life, health, property, or natural resources. (PRC, §§ 3013, 3106,
20 3224, 3226.)

21 For the reasons described in this Order, including the likely loss of the structural integrity
22 of the well, the Supervisor determined that an emergency exists which poses an immediate
23 danger to life, health, property, or natural resources. Therefore, according to PRC sections
24 3013, 3106, 3208.1, 3224, and 3226, and Regulations section 1722.5, among others, and as set
25 forth below in Section VI and VII, the Supervisor is requiring the Operator to immediately and
26 properly plug and abandon Well Dow R.G.C. 10 (API 0403713798) and all associated casing by
27 sealing off any conduit for pressurized gas to escape and in a manner consistent with PRC
28 sections 3208, 3219 and 3220.

1 The Supervisor further orders that the Operator prepare a report detailing the causal
2 factors that contributed to the uncontrolled release of fluids, including gas (Root Cause Analysis
3 Report) which occurred on or about January 11, 2019, during the well reabandonment effort.
4 The Supervisor is required to supervise the drilling, operation, maintenance, and abandonment
5 of wells to prevent, as far as possible, damage to life, health, property, and natural resources
6 pursuant to PRC section 3106. The Operator and Supervisor must understand the causal factors
7 associated with the uncontrolled release to confirm the necessary steps to effectively remediate
8 the well and protect the public.

9 **III. Definitions**

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

11 **PRC section 3008, subdivision (a)** defines “Well” to mean, among other things, “any
12 well on lands producing or reasonably presumed to contain oil or gas[.]”

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

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

19 **IV. Statutory and Related Authority**

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

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

27 **PRC section 3208** states that a well is properly abandoned when it has been shown, to
28 the satisfaction of the Supervisor, that all proper steps have been taken to isolate all oil-bearing

1 or gas-bearing strata encountered in the well, and to protect underground or surface water
2 suitable for irrigation or farm or domestic purposes from the infiltration or addition of any
3 detrimental substance and to prevent subsequent damage to life, health, property, and other
4 resources. For purposes of this subdivision, proper steps include the plugging of the well,
5 decommissioning the attendant production facilities of the well, or both, if determined necessary
6 by the Supervisor.

7 **PRC section 3208.1** authorizes the Supervisor to order the reabandonment of any
8 previously abandoned well if the Supervisor or the district deputy has reason the question the
9 previous abandonment.

10 **PRC section 3219** states that “any person engaged in operating any oil or gas well
11 wherein high pressure gas is known to exist, and any person drilling for oil or gas in any district
12 where the pressure of oil or gas is unknown shall equip the well with casings of sufficient
13 strength, and with such other safety devices as may be necessary, in accordance with methods
14 approved by the Supervisor, and shall use every effort and endeavor effectually to prevent
15 blowouts, explosions, and fires.”

16 **PRC section 3220** states that “[t]he owner or Operator of any well on lands producing or
17 reasonably presumed to contain oil or gas shall properly case it with water-tight and adequate
18 casing, in accordance with methods approved by the Supervisor or the district deputy, and shall,
19 under his direction, shut off all water overlying and underlying oil-bearing or gas-bearing strata
20 and prevent any water from penetrating such strata. The owner or Operator shall also use every
21 effort and endeavor to prevent damage to life, health, property, and natural resources; to shut out
22 detrimental substances from strata containing water suitable for irrigation or domestic purposes
23 and from surface water suitable for such purposes; and to prevent the infiltration of detrimental
24 substances into such strata and into such surface water.”

25 **PRC section 3222** provides: “The owner or Operator of any well shall, at the request of
26 the Supervisor, demonstrate that water from any well is not penetrating oil-bearing or gas-
27 bearing strata or that detrimental substances are not infiltrating into underground or surface
28 water suitable for irrigation or domestic purposes. The owner or Operator shall give the district

1 deputy adequate notice of the time at which he will demonstrate the test for shutoff in the well.”

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

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

7 **PRC section 3357** authorizes the Supervisor with authority to require technical or
8 monitoring reports.

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

11 **Regulations section 1722.5** states that “[b]lowout prevention and related well control
12 equipment shall be installed, tested, used, and maintained in a manner necessary to prevent an
13 uncontrolled flow of fluid from a well. Division of Oil, Gas, and Geothermal Resources
14 publication No. MO 7, “Blowout Prevention in California,” shall be used by Division personnel
15 as a guide in establishing the blowout prevention equipment requirements specified in the
16 Division's approval of proposed operations.”

17 **Regulations section 1723** provides general requirements which apply to plugging and
18 abandoning wells.

19 **Regulations section 1723.1** applies to plugging of Oil or Gas Zones.

20 **V. Alleged Acts/Omissions**

21 Upon information and belief, Operator experienced serious well control issues which led
22 to a degradation of the well's mechanical integrity resulting in a loss of well control and an
23 uncontrolled release of fluid, including gas, on or about January 11, 2019. Operator's
24 subsequent actions to the uncontrolled release of January 11, 2019, have not been consistent
25 with the actions required to properly control the well and protect life, health, property, and
26 natural resources.

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VI. Operator's Required Actions (Emergency)

Based on information and belief arising from the above referenced facts, and in accord with the legal authorities described in this Order, the Supervisor has 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 section 1722.5, among others, that Operator shall perform the work and acts identified below:

1. **Immediately initiate and maintain continuous ("24/7") well control operations until the anomalous gas zone(s) that contributed to the January 11, 2019 event (described above) are permanently isolated from the wellbore.**
2. **If not already completed, within twelve hours, establish a safety perimeter to limit public access to the well site and surrounding area. The safety perimeter shall be sufficient to prevent public persons from exposure to hazards associated with well control and plugging and abandonment operations.**
3. **If not already completed, within twelve hours, begin monitoring and recording of well pressure, and report well pressure to the Division daily. Monitoring and recording shall be done continuously.**
4. **If not already completed, within twelve hours, acquire adequate blowout prevention equipment and achieve well control to protect natural resources and public health and safety until the well is properly plugged and abandoned.**
5. **If not already completed, within twelve hours, and every twelve hours thereafter, conduct inspections of the well site, construction site, harbor, and surrounding area for signs of gas or other fluids surfacing. Inspections should include thermal imaging and/or other technologies designed to detect methane gas emissions. Utilize air monitoring equipment capable of detecting methane concentrations of 1% of the lower explosive limit (LEL) or less. Report inspection results to the Division daily.**

- 1 6. Within twelve hours, develop and submit to the Division a plan presenting
2 Operator's rationale and actions to:
- 3 a. Establish the safety perimeter;
- 4 b. Monitor air quality at the well site, within and outside the safety perimeter to
5 ensure public safety;
- 6 c. Monitor well pressure, fluid level, and other well conditions.
- 7 7. Within twenty-four hours, develop and submit to the Southern District office,
8 for review and approval by the Supervisor, a well-control and well-abandonment
9 program which will include the following:
- 10 a. Stabilization of the well;
- 11 b. Removing all debris, as practical, from inside the production casing of the
12 well,
- 13 c. Diagnostic testing to determine lithology and gas migration pathways
14 within and immediately outside the well to include but not limited to a
15 gamma ray, temperature, and noise log;
- 16 d. Evaluating casing and cement integrity. This will include, but is not
17 limited to, an ultrasonic cement evaluation log and appropriate magnetic
18 flux casing inspection;
- 19 e. Identifying anomalous gas-bearing zones behind casing;
- 20 f. A detailed chemical evaluation of any fluids released, including but not
21 limited to natural gas; and
- 22 g. Any other actions deemed necessary to eliminate the threat of gas
23 migration and properly abandon the well.
- 24 8. Preserve and secure all records and evidence acquired by the operator and/or
25 any third-party contractors related to the plugging and abandonment work
26 associated with the well, which includes but is not limited to the blow out
27 prevention equipment.
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1 **VII. Operator's Required Actions (Non-Emergency)**

2 Based on information and belief arising from the above referenced facts, and in accord
3 with the legal authorities described in this Order, the Supervisor has determined that remedial
4 work is necessary to prevent damage to life, health, property and natural resources. Therefore,
5 **IT IS HEREBY ORDERED**, pursuant to PRC sections 3013, 3106, 3222, 3224, and
6 3357(b)(1), and Regulations section 1722.5, among others, that Operator shall perform the work
7 and acts identified below:

- 8
- 9 **A. Within 60 days following receipt of this Order, complete a root cause analysis**
10 **detailing the causal factors which led to loss of well control and the release of**
11 **fluids, including gas, which occurred on or about January 11, 2019 during the**
12 **Operator's reabandonment efforts of DOW R.G.C. 10.**
- 13 **a. The Analysis must be facilitated by an independent third party acceptable**
14 **to the Supervisor and must document the decision-making process and all**
15 **factors contributing to the uncontrolled release, including geology and**
16 **reservoir characterization.**
- 17 **b. The report must include findings and any lessons learned.**
- 18 **c. Within 10 days of receipt of this Order, develop and submit the protocol for**
19 **the analysis, for review, and approval by the Supervisor.**
- 20 **d. Prior to beginning any testing, provide the Southern District Office with the**
21 **scheduled date, time, and location of the testing to allow for a Division**
22 **representative to witness any testing.**
- 23 **e. Ensure the contractor performing the root cause analysis distributes all**
24 **reports, whether final or draft, in their entirety to the Supervisor at the**
25 **same time they are made available to Operator.**

26 **VIII. Operator's Appeal Rights**

27 The Operator may appeal this Order by filing a written notice of appeal with the Director
28 of Conservation as described in PRC section 3350. Failing to file a notice of appeal within the

1 timeframe prescribed in PRC section 3350, subdivision (a), waives Operator's right to challenge
2 this Order and makes the Order final.

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

6 The filing of an appeal of this Order will not operate as a stay of any remedial actions
7 which are issued pursuant to the Supervisor's emergency order authority according to PRC
8 section 3226. (PRC, § 3350, subd. (b)(1).) Therefore, **regardless of whether Operator timely**
9 **files a notice of appeal of the "Operator's Required Actions (Emergency)" in section VI**
10 **above, Operator must immediately perform the work described herein.** If the work is not
11 immediately commenced and continued to completion, the Supervisor may appoint necessary
12 agents to enter the premises and perform the work. Any amount the Supervisor expends will
13 constitute a lien against Operator's real and/or personal property. (PRC, § 3226.) If Operator
14 believes that it will be irretrievably injured by performing the work required by this Order
15 pending the appeal's outcome, Operator may seek an order from the appropriate superior court
16 restraining the Division from enforcing the Order pending the outcome of the appeal. (PRC, §
17 3350, subd. (b)(4).)

18 **IX. Other Potential Actions to Enforce This Order**

19 Failing to comply with Sections VI or VII (Operator's Required Actions – Emergency
20 and Non-Emergency) of this Order could subject Operator to further enforcement action.

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

25 Further, PRC section 3236 makes it a misdemeanor for any person to violate, fail,
26 neglect, or refuse to comply with any of the provisions of the oil and gas law. The misdemeanor
27 is punishable by a fine of not less than one hundred dollars (\$100) nor more than one thousand
28 dollars (\$1,000), or by imprisonment not exceeding six months, or by both the fine and

1 imprisonment for each separate offense. PRC section 3359 makes it a misdemeanor to fail or
2 neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect
3 is a separate and distinct offense. (PRC, § 3359.)
4

5 DATED: January 18, 2019



6
7 Kenneth A. Harris, Jr.

8 State Oil and Gas Supervisor
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10 See attached PROOF OF SERVICE for distribution list
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