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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

COMMITTEE TO PROTECT OUR AGRICULTURAL WATER; MIKE HOPKINS, an individual; JOHN WEDEL, an individual,

Plaintiffs,

v.

OCCIDENTAL OIL AND GAS CORPORATION, a Texas corporation; WESTERN STATES PETROLEUM ASSOCIATION (WSPA), a non-profit trade association; CALIFORNIA INDEPENDENT PETROLEUM ASSOCIATION (CIPA) a non-profit trade association; CHEVRON U.S.A. INC., a Pennsylvania corporation; CALIFORNIA DIVISION OF OIL, GAS & GEOTHERMAL RESOURCES (DOGGR); EDMUND G. BROWN, an individual; TIMOTHY R. KUSTIC, an individual; MARK NECHODOM, an individual; LORELEI H. OVIATT, an individual; CALIFORNIA RESOURCES CORPORATION (DOE 1), a Delaware corporation; and DOES 2 through 100,

Defendants.

Case No.: 2:15-cv-04149-FMO-JPRx

DECLARATION OF DEREK CHERNOW

DECLARATION OF DEREK CHERNOW

1. I am over eighteen years of age and a resident of the City of Sacramento, California. Unless otherwise specified, I have personal knowledge of the facts and statements set forth in this declaration, and if called upon to testify, I could and would competently testify thereto.

2. In 2008, Governor Arnold Schwarzenegger appointed me as the Chief Deputy Director of the California Department of Conservation. I held this position for three years until I was terminated in November of 2011.

3. After my appointment, I was part of the leadership team that hired Elena Miller to serve as the State Oil & Gas Supervisor in 2009. The California Public Resources Code section 3106(a) provides the following description of the basic duties of the State Oil & Gas Supervisor:

> *"The supervisor shall so 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, including pipelines not subject to regulation . . . within an oil and gas field, so as to prevent, as far as possible, damage to life, health, property, and natural resources; damage to underground oil and gas deposits from infiltrating water and other causes; loss of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances."*

4. The State Oil & Gas Supervisor is also the senior staff member in charge of the Division of Oil, Gas & Geothermal Resources' ("DOGGR") operations. Because the Supervisor wears both an enforcement hat and a permitting hat, she was obligated to pay careful attention to permitting to "*prevent, as far as possible, damage to life, health, property, and natural resources.*" The Supervisor would investigate accidents on oilfields and determine the appropriate fines to issue for safety violations.

5. As Chief Deputy Director and later as Acting Director of the California Department of Conservation, I understood that one of my job duties was to ensure and improve California's compliance with the Safe Drinking Water Act. This is a Federal law that requires protection of groundwater from underground injections of waste water from oil

production processes. This water, often called brine or produced water, is so dirty, it cannot be used for hydraulic fracturing and must be disposed of in a manner that prevents it from migrating into fresh water.

6. Miller's first responsibility upon becoming the State Oil & Gas Supervisor was to ensure compliance with the Safe Drinking Water Act. She thus prepared a memorandum to describe the responsibilities to all DOGGR employees and ensure full compliance to protect the water as required.

7. Also in 2010, the United States Environmental Protection Agency began an audit to ensure all fresh water was protected under existing policies.

8. The protection of water became particularly significant in 2011 because oil companies had greatly increased their requests for injection wells. These oil companies sought permits to inject for stimulation of oil production as well as to inject waste water and waste gas.

9. One of the injection wells that created the most controversy was the gas disposal well, which would allow oil companies to inject waste gas underground. George Robin from the United States Environmental Agency advised us that DOGGR had no authority to issue any such permits under the Safe Drinking Water Act.

10. On or about February 28, 2011, I learned that Senator Michael Rubio introduced a bill to give DOGGR such authority. California Independent Petroleum Association ("CIPA") reported to DOGGR employees that it had sponsored the bill.

11. In early 2011, an oil company (PXP) sought new permits for injection wells in Inglewood, California. PXP's documentation showed that it needed to remediate eleven (11) of its wells. On March 29, 2011, I spoke with PXP over the phone. PXP demanded to receive "an injection permit **before** remediation, since it could take a year to remediate all the wells." During the call, PXP told me it was "*being pressured by other operators who don't want to see a precedent for having to remediate wells as a condition for permitting.*" Attached hereto and incorporated herein by this reference as **Exhibit 1** is a true and correct copy of the email I sent describing my conversation with PXP.

12. The problems from underground injection well activity caught national media attention on June 21, 2011 when a Chevron employee was killed when an idle well created a sink hole.

13. And three weeks later, on July 18, 2011, the EPA concluded its audit of California's compliance with the Safe Drinking Water Act and issued findings to support the program that Miller, as the State Oil & Gas Supervisor, had implemented the prior year. The EPA further set forth goals to improve compliance with the Safe Drinking Water Ac to make sure the state protected California's fresh underground water basins.

14. On August 5, 2011, a lobbyist for the Western States Petroleum Association ("WSPA") sent an email to my supervisor, Janelle Beland, asking why "*DOGGR now requires companies to do an Area of Review.*" He further wrote on August 8, 2011 and noted that "*This AOR issue will impact all companies.*" Ms. Beland wrote to him to explain how this law had been on the books "for over 25 years." She noted that "*The problem, at this point, appears to be that the industry is not responding to that notification and providing the missing information.... I'd like to understand why...*" Attached hereto and incorporated herein by this reference as **Exhibit 2** is a true and correct copy of that correspondence received by email from Ms. Beland.

15. On September 12, 2011, WSPA held a meeting with the State Oil & Gas Supervisor to discuss a document entitled the "Proposed Interim Solution." Elena Miller, the Supervisor, later requested that I review the document.

16. I reviewed the "Proposed Interim Solution." I understood this "solution" proposed that if an operator sought an injection well permit for conversion of a prior oil well, DOGGR must approve the permit *without* an area of review (AOR). No geological studies or engineering studies to confirm the safety of drinking water would be required under this plan. Attached hereto and incorporated herein by this reference as **Exhibit 3** is a true and correct copy of that document, though I do not recognize the handwritten comments.

17. I concluded that the "Proposed Interim Solution" would violate the Safe Drinking Water Act, and it could not be approved. The U.S. Environmental Protect Agency

agreed.

18. On or about September 27, 2011, I learned that CIPA reported that it intended to sue DOGGR for alleged permitting delays. It was unclear why CIPA complained of delays because most of the issues related to engineering or geological studies that oil companies like Occidental refused to provide. Such documents would have shown that underground water sources were protected before an oil company started injecting underground.

19. The oil industry then pressured the State Oil & Gas Supervisor to use "discretion" to approve injection wells without compliance with the Safe Drinking Water Act. Even assuming she had such discretion, we recognized the use of that discretion would require review of the permit under the California Environmental Quality Act. This would be more cumbersome than complying with the Safe Drinking Water Act.

20. In early October of 2011, I was in Secretary's Laird's office during one of our weekly meetings. During the meeting, Laird took a phone call from Governor Brown. Laird finished the call and, when he hung up, he told me the Governor just received a call from Gray Davis who served as counsel for Occidental. Occidental wanted Governor Brown to fire me and the State Oil & Gas Supervisor because of the alleged delays in permitting.

21. That same month, Brown's office requested documents about the permitting process as it related to Occidental. In accordance with this request, on October 14, 2011, I sent documents regarding waste gas disposal wells and Occidental's California Operations to the senior officials handling an inquiry from Governor Brown. In my email, I stated that I was "*willing to follow any direction as required. If direction is different than what the Department is currently pursuing, I would appreciate as explicit direction as possible.*" Attached hereto and incorporated herein by this reference as **Exhibit 4** is a redacted copy of that email. The redactions were not there when I wrote the email, and I don't know why it was redacted.

22. On or about October 19, 2011, I heard of press reports that Occidental was being hurt by an alleged slowdown in approvals for permits.

23. On October 27, 2011, I received an email from the State Oil & Gas Supervisor who reported that Occidental's environmental engineer confirmed he had "*the necessary*

information for us to consider categorical exemptions [under the California Environmental Quality Act]. However, he's been told to stand down (by a lawyer is all I know) and not give us anything. There is apparently a meeting in Bakersfield at Oxy's offices this afternoon to discuss whether they give us what we need or continue to give us nothing." Attached hereto and incorporated herein by this reference as **Exhibit 5** is a true and correct copy of the email with this summary of the Occidental telephone call.

24. On or about October 28, 2011, Governor Brown's office and his senior advisor, Cliff Rechtschaffen, scheduled a meeting with me. During the meeting, Rechtschaffen stated that DOGGR must immediately fast track permit approval. Rechtschaffen presented a document which internally we called the "Temporary Assistance Program" or TAP. The State Oil & Gas Supervisor sent the document to the United States Environmental Protection Agency on November 2, 2011. Attached hereto and incorporated herein by this reference as **Exhibit 6** is a true and correct copy of the email communication without the actual attachment.

25. On November 2, 2011, I attended another meeting with Miller which Rechtschaffen joined over the phone. Miller told Rechtschaffen the proposal violated the Safe Drinking Water Act, and that the EPA had agreed that the proposal modeled the WSPA proposal we had already rejected. Rechtschaffen told us this was an order from Governor Brown and must be followed.

26. The following day, on November 3, 2011, my assistant received a phone call from the Appointments' Office and asked me to attend a meeting in the afternoon. I met at the meeting Mona Pasquil and John Laird. I then learned that the Governor Brown's office terminated me as the acting Director of the Department of Conservation.

27. Attached hereto as **Exhibits 7 and 8** are a true and correct copy of emails sent to or received by me that were redacted. I do not have knowledge as to why these documents required redaction or were not produced in their full form. For example, Exhibit 8 is an August 26, 2011 email from Elena Miller to me that enclosed a spreadsheet listing all of the permits being sought by Vintage (Occidental's subsidiary in California). Ms. Miller advised

me that Occidental had not submitted the proper engineering and geological studies for these permits.

I declare under a penalty of perjury and under the laws of the United States and the State of California that the foregoing is true and correct. This declaration executed at Sacramento California on August 21, 2015.

Derek Chernow

EXHIBIT “1”

From: Chernow, Derek
To: Miller, Elena
Subject: PXP
Date: Tuesday, March 29, 2011 1:30:17 PM

Martini did call me and we spoke for 10 minutes about Inglewood. In a nutshell:

- PXP thought that after we all met in Bako, they would provide the list of wells to remediate and schedule.
- He thought we coincided our permit with the same day the issued their schedule.
- Upset that we didn't have conversations with PXP between Bako visit and issuing permit.
- Argued only 1 of the 11 wells pose a significant threat.
- DOGGR's request is based in "theoretical, not realistic" scenarios for exposure.
- Argued DOGGR already signed off on P&A for the wells we want remediated.
- Wants injection permit **before** remediation, since it could take a year to remediate all the wells.
- PXP is reviewing all options. Will be submitting a letter for permit modification on condition #9.
- PXP argues we don't have a legal basis for our conditions.

I said:

- I haven't read PXP's letter to DOGGR thoroughly, since it came in on Friday and I was in interviews yesterday.
- Rowdy (PXP VP) said to me in Bako that PXP was willing to do "whatever it took" to meet our terms and get the injection permit.
- I asked him when the wells were P&A'd. He admitted it was in the 1950's and 60's. I said "you have to admit that doesn't meet current standards".

Bottom line: PXP is getting pressured by other operators who don't want to see a precedent for having to remediate wells as a condition for permitting! (he admitted at end of call).

EXHIBIT “2”

From: Janelle Beland
To: Chernow, Derek
Subject: FW: DOGGR permitting discussions
Date: Monday, August 08, 2011 6:05:30 PM

From: Janelle Beland
Sent: Monday, August 08, 2011 5:41 PM
To: 'Paul Deiro'
Cc: Ed Manning
Subject: RE: DOGGR permitting discussions

Understood.

However, I have a concern about the characterization of AORs as being some new requirement. Below you say "since AOR's are now required..."

I'd like to understand why this is being seen as something new. It's been on the books for over 25 years.

14 CCR 1724.7 was approved by OAL in 1978. It was amended in 1984 and then there were some typos corrected in 1996.

Pursuant to title 14, section 1724.7, subdivision (a), **every injection project must be supported by an engineering study that includes casing diagrams for all idle, plugged and abandoned, and deeper-zone producing wells within the area affected by the project.** The regulation requires casing diagrams in the engineering study evidencing that plugged and abandoned wells in the area will not have an adverse effect on the project or cause damage to life, health, property, or natural resources. If there are wells within the area of influence of proposed injection that could allow injection fluids to migrate outside of the intended zone, then approval to conduct injection operations would be conditioned on addressing those problem wells.

Also, on the flow charts you sent over ALL of them recognize that an AOR is conducted. And, none of the flow charts have a box for what happens when a permit application fails to include all information required by regulation and statute. We've already changed the process on our end by virtue of the fact that companies are being notified when an application is submitted whether there is information that is missing. The problem, at this point, appears to be that the industry is not responding to that notification and providing the missing information. Instead, they want to fight about whether the requested/required information is necessary.

I'd like to understand why Aera is refusing to submit casing diagrams since this is a major impediment to processing the permit applications. This seems to be an emerging pattern since we have also found out that Oxy has a similar problem submitting casing diagrams.

From: Paul Deiro [mailto:pdeiro@ka-pow.com]

Sent: Monday, August 08, 2011 1:51 PM
To: Paul Deiro; Janelle Beland
Cc: Ed Manning
Subject: RE: DOGGR permitting discussions

Janelle,

Tomorrow's meeting:

We would like to introduce the flow charts (you should have already, but I will bring) during our meeting with the Secretary, but the issue outlined below has trumped the importance of the flow charts. This issue needs some discussion because, if not resolved, the permitting flow charts are moot. Since AOR's are now required for all injection wells, perhaps we can discuss a more specific AOR and an AOR requirement that allows for wells/project to move forward concurrently as the AOR is in the process.

Also, Aera does not want this issue discussed specific to any Aera projects in front of other companies. This AOR issue will impact all companies.

Thanks Janelle.

Paul

From: Paul Deiro
Sent: Friday, August 05, 2011 12:25 PM
To: 'janelle.beland@resources.ca.gov'
Cc: Ed Manning
Subject: RE: DOGGR permitting discussions

Janelle -

Here is a summary of the AOR issue I was talking about yesterday – this summary is not specific to Aera, but the general issue came up during their meeting with Elena last week.

New policy – DOGGR now requires companies to do an Area of Review for all injector well applications.

AOR – A company is required to analyze and provide information to DOGGR on all wells, working and abandon, with a ¼ mile radius of the wells that you are applying for a permit.

Scenario –

A company has a 110 year old oil field that has in excess of 500 wells and submits an application to do 4 new injector wells within this existing oil field. To even get in a position of the approval of the 4 wells, they would have to do an AOR on 500 wells. This can take 4 months or longer by a company. DOGGR's review of the submitted AOR can take up to 12-18 months.

Company complaints –

If companies had an idea what DOGGR is targeting – reabandonment of old wells – they can target those wells and identify if there is a need. The problems seems to be that DOGGR isn't sure what they are looking for, which has made this process schizophrenic without consistency and predictability.

From: Paul Deiro [mailto:pdeiro@ka-pow.com]
Sent: Thursday, July 21, 2011 10:17 AM
To: Kealii Bright; Janelle Beland
Cc: Ed Manning; Eloy Garcia
Subject: DOGGR permitting discussions

Kealii and Janelle,

In an effort to continue our discussions with Secretary Laird on this topic, I was hoping we can schedule our next meeting. I have attached three sets of flow charts that are intended to outline a permitting structure for three types of wells that will bring predictability, a structured process, and adds consistency.

As we did at the last meeting, a group of WSPA companies would like to discuss the flow charts with the Secretary. It is our expectation that we would have a final meeting with the Secretary specifically on CEQA at a future date. We are preparing the CEQA document now and I will forward once it is completed.

Please let me know when we can schedule the next meeting. Thank you both for your patience.

Paul

Paul Deiro
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EXHIBIT “3”

WSPA 9/12/11 from WSPA 2.

Proposed Interim Solution

(Pending Development of a Long-Term Solution to UIC Issues)

Area of Review

I. Timely Issuance of Individual Well Permits to Conduct Well Operations (PTC) Permits (NOIs) under Approved UIC Projects with prior AORs[1]

- DOGGR agrees to issue individual well PTCs in connection with existing approved UIC projects for which an AOR was previously conducted where:
  - The new well(s) are inside the approved project boundary; and
  - The new well(s) meet all relevant conditions imposed at the time of project approval
- Potential corrective action would be addressed as described below.

II. Timely Issuance of Individual Well PTCs under Approved UIC Projects without AORs

- DOGGR agrees to issue PTCs for wells that are part of UIC projects which were previously approved without an AOR, either before or after the US EPA's Primacy Delegation, in each of the following circumstances:
  - Infill or replacement injector wells within the boundaries of the project and all applicable project approval conditions are met (e.g., well count is not exceeded)
  - Cyclic injection wells within an approved steamflood project (non-diatomite)
  - Applications to upgrade, redrill, repair or rework existing wells
  - Wells that would not increase reservoir pressure above the fracture gradient
  - Wells that would inject into a zone that is hydraulically connected to a hydrocarbon producing interval
  - Wells that are located in a field where no USDWs are present or where aquifers are EPA exempt

underground source of drinking water

- Where available information confirms the existence of a problem requiring corrective action, (i.e., actual damage to life, health, property or natural resources is occurring), the operator may

[1] WSPA maintains that AORs may only be required at the UIC project level (e.g., opening a new field, expanding an existing field, injecting into a new zone for the first time, converting from steam flood to water flood , drilling a new wastewater disposal well, etc.).

drill the new well, but must complete necessary corrective action (remediation, exclusion zone, etc.) prior to commencement of injection operations. Examples include:

- Surface expressions are evident in the vicinity of the well, or a path has been identified that will allow fluids to migrate to the surface
- There is evidence that fluid is migrating from the injection zone to a USDW
- A well is determined to have inadequate annular cement above the top of the proposed injection zone and DOGGR demonstrates that adverse environmental or safety concerns are present

■ Where the evidence is inconclusive as to the existence of a potential threat to life, health, property or natural resources, the operator may drill the well and commence injection operations, but must:

- Further evaluate or monitor the situation to determine whether there is actual damage or threat; and if so
- Conduct such corrective action as may be determined to be necessary, concurrent with ongoing injection operations

■ Corrective action is presumed to be unnecessary in the following circumstances unless there is reasonable evidence to support a finding of damage, or threatened damage, to life, health, property or natural resources:

- Wells were plugged and abandoned in accordance with regulations in effect at the time
- Wells are located in an area where there are no USDWs or where aquifers are EPA exempt
- Current status of wells have adequate zonal isolation to protect USDWs
- Annular cement is present above the top of the injection zone or at a higher level
- Wells contain an internal cement plug or mud in the hole
- The proposed injection zone is overlain by producing zones or permitted waste water injection intervals
- The proposed injection zone is between layered hydrocarbon zones where the reservoir pressure in the layered zones is the same or about the same (whether or not cement is present)
- Other situations where the preponderance of evidence supports the conclusion that operation of the new well will not result in damage to life, health, property or natural resources

III. Concurrent Operations where an operator commences drilling and injection for a UIC project while preparing an AOR:

■ Where the evidence is inconclusive as to the existence of a potential threat to life, health, property or natural resources, the operator must:

- Further evaluate or monitor the situation to determine whether there is actual damage or threat; and if so
- Conduct such corrective action as may be determined to be necessary, concurrent with ongoing injection operations

■ AOR review timing for concurrent operations:

- DOGGR and the operator will work together to identify a reasonable time frame for completion of the AOR (after commencement of drilling and injection) taking into account the number of wells involved and other relevant factors
- If an operator submits technical data to request that an AOR boundary be reduced, DOGGR will have 30 days to oppose the technical justifications or the proposal will be deemed to have been approved

IV. Limitations on AORs for New and Expanded UIC Projects

■ DOGGR will approve applications for new UIC projects without requiring an AOR in areas where no USDWs are present or where only EPA-exempt aquifers are present

■ DOGGR will approve applications to expand existing UIC projects for which there is no prior AOR on the basis of an "interim" AOR that includes only those wells within the footprint of the new injection well pattern

EXHIBIT “4”

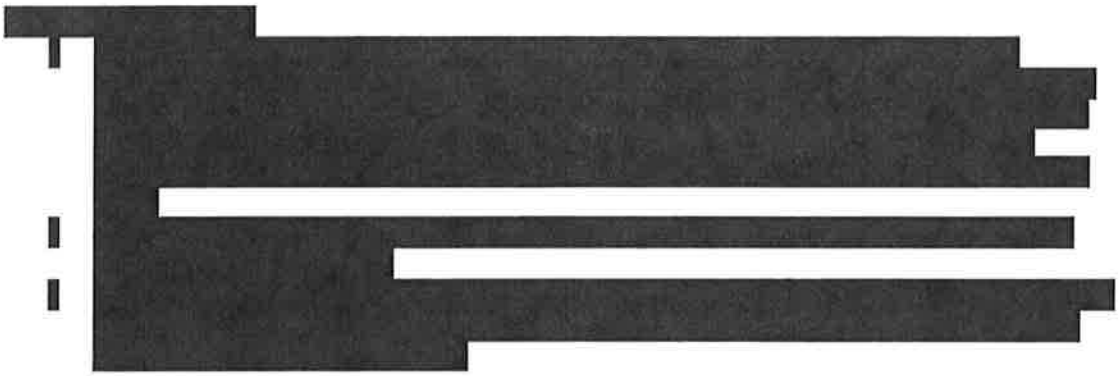
From:	Chernow, Derek
To:	"John Laird"; "Janelle Beland"
Cc:	[redacted]
Subject:	Gov. Request
Date:	Friday, October 14, 2011 5:14:12 PM
Attachments:	Permitting update 10-14-11.docx Waste Gas background 10-14-11.docx Vintage Categorical Exemption Requests for Three Wells - 10-14-2011.pdf

Secretary,

Attached are a few documents for your review and consideration:

- Injection Permit – proposal
- Waste Gas Disposal – background
- Waste Gas Disposal – proposal

I have also attached a recent letter to Vintage denying exemption requests to CEQA, so you have a better understanding of what is sent and how it is stated.



I am willing to follow any direction as required. If direction is different than what the Department is currently pursuing, I would appreciate as explicit direction as possible.

I am around all weekend, should you need anything. Cell is 916-204-8581.

Thank you.

Derek Chernow
Department of Conservation
801 K Street, 24th Floor
Sacramento, CA 95814
(916) 322-1080 p; (916) 445-0732 f
derek.chernow@conservation.ca.gov

EXHIBIT “5”

From: DCHERNOW on behalf of Chernow, Derek
To: Miller, Elena
Subject: RE: Following Up
Date: Thursday, October 27, 2011 3:20:32 PM

As my grandmother would say... "oy vey"

From: Miller, Elena
Sent: Thursday, October 27, 2011 3:17 PM
To: Chernow, Derek
Subject: FW: Following Up

D,

Insider information just in . . . Joe Ashely is ready to come back to DOGGR with the necessary information for us to consider categorical exemptions. However, he's been told to stand down (by a lawyer is all I know) and not give us anything. There is apparently a meeting in Bakersfield at Oxy's offices this afternoon to discuss whether they give us what we need or continue to give us nothing.

The plot thickens . . . cue 'monster mash' music.

E

From: Miller, Elena
Sent: Thursday, October 27, 2011 3:14 PM
To: 'Joe_Ashley@oxy.com'
Cc: Lagomarsino, Adele
Subject: Following Up

Joe,

A quick note to follow-up from my voicemail to you last Thursday. We are here when Oxy is ready to work through these CEQA-permitting matters. Though Tian is out for another week, Adele Lagomarsino is acting as lead for the Division's environmental unit. Any questions you may have can be directed to her attention.

I appreciate that you have a large organizational structure to proceed through before coming back to DOGGR.

I look forward to moving forward with these matters.

Sincerely,

Elena M. Miller
State Oil & Gas Supervisor
Department of Conservation
Division of Oil, Gas & Geothermal Resources

(916) 323-1782
(916) 323-0424 facsimile

EXHIBIT “6”

From: Miller, Elena
To: "Albright.David@epamail.epa.gov"
Cc: Habel, Rob; Chernow, Derek
Subject: FW: DOGGR_CM6040 Scan to Email
Date: Wednesday, November 02, 2011 8:48:47 AM
Attachments: DOGGR_CM6040_11012011161826.pdf

David,

Thank you for the time to talk yesterday concerning a number of topics. As promised, please find attached the document discussed. This was provided to us during a meeting at the Governor's Office on 10/28/11 - prepared by Lianne Randolph of the CA Natural Resources Agency. I agree with your point that this has similarities to what was prepared by WSPA late September/early October.

I look forward to hearing any additional comments you may have to the direction given by the Administration in the enclosed document.

I have been called to attend a meeting this morning with Derek at the CA Natural Resources Agency - a meeting that is to include Cliff Reichshaffen from the Governor's Office by phone.

Thank you.

Elena

EXHIBIT “7”

From: Miller, Elena
To: Chernow, Derek
Subject: FW: Oxy UIC Draft Manual
Date: Sunday, February 20, 2011 12:47:39 PM

Derek,

[redacted]

Keep up the good work.

Elena

From: Carrie_Fox@oxy.com [mailto:Carrie_Fox@oxy.com]
Sent: Sunday, February 20, 2011 12:05 PM
To: Miller, Elena
Subject: RE: Oxy UIC Draft Manual

Elena-

My expectation was to talk to Jerry and figure out what constitutes a complete UIC application. I figured the handbook would be a good starting point for our conversation because it is where I would integrate his feedback. My goal was to capture his thoughts to minimize the ping-pong of questions from Sacramento to local districts to our business units; ultimately making the process more efficient. We are in a cycle, for the majority of UIC applications in the state, of receiving continuous comments and requests by the Division for information that was not required previously. I want to take the time to understand the changing rational, capture it in our handbook and apply it to our business unit submissions. I don't know how to accomplish this goal without speaking to Jerry. To your question, I've shown the handbook to people at the Division and we've discussed it, but I haven't left hardcopies with them.

I appreciate your advice, but our environmental people have had numerous conversations with yours and the uncertainty continues. I do not mean to pester, but this project is a priority for our management and I was told to try and make the situation, at the very least,

more predictable. We secured significant resources to execute this work and our senior operations people need to make strategic decisions concerning the investment.

What are you referring to regarding the engineering and the environmental tracks starting at different times? I checked twice this week and we have no record of submitting a notice of intention to drill any planned wells in 11Z that are contingent on the CEQA review. Are you referring to something outside of an NOI? Regarding the comments we received from SJVAPCD and CDFG. I am not an attorney, but at what point does the Division make a decision regarding the CEQA document and the comments they've received? Can an entity that makes comments during the initial review period hold up a project indefinitely by supplying additional comments?

Mike is the man. Just so you know, I will tell him what you said and he will prance around the office for a week.

Thanks again for the advise,

Carrie

From: Miller, Elena [mailto:Elena.Miller@conservation.ca.gov]
Sent: Monday, February 14, 2011 5:40 PM
To: Fox, Carrie M
Subject: RE: Oxy UIC Draft Manual

Carrie,

I don't understand what your expectations were for DOGGR's most senior UIC engineers if you can't share the UIC draft handbook you've generated for their comments? Jerry Salera and Tim Kustic haven't seen it – have you given it in hard copy to anyone at the Division?

With respect to Gunslinger – I'll request that your environmental staff be point of contact from Oxy to work with our environmental staff on this one. I'm hearing from around the Division/DOC that various Oxy folks are inquiring on the status of the CEQA document. I was told by Tian-Ting Shih and/or Adele Lagomarsino that they responded to an inquiry last week also. The status remains as follows: the public comment period ended on 12/4/10 and Oxy provided responses to the comments from CDFG and SJVAPCD. Your responses were sent to them on 1/11/11. We will continue to make contact with them, but I am told that CDFG in Fresno is down to one person reviewing all CEQA documents. In short, we need to know from both whether they accept Oxy's responses or whether they have additional comments. This is the normal course of business for CEQA review. For additional consideration, my records indicate that Oxy's project application came in 13 months before a complete CEQA filing. I do understand the drill rig scheduling constraints, but what we have here are two processes (engineering & environmental) running on separate tracks. The one did not leave the station the same day as the other – 13 months is an enormous amount of time for a CEQA submission to follow a project submission.

It was my hope that your conversation with Marni would be fruitful. We have all enjoyed working with Mike, he is always welcome at any DOC/DOGGR meeting. He has a grace that I wish more

people in government affairs understood the value of in working with stakeholders.

Take care.

Elena M. Miller
State Oil & Gas Supervisor
Department of Conservation
Division of Oil, Gas & Geothermal Resources
(916) 323-1782
(916) 323-0424 facsimile

From: Carrie_Fox@oxy.com [mailto:Carrie_Fox@oxy.com]
Sent: Sunday, February 13, 2011 11:23 AM
To: Miller, Elena
Subject: RE: Oxy UIC Draft Manual

Elena-

I am checking with the internal folks to see if I can submit the UIC handbook in electronic form to the division.

On a side note, who should I speak to about the status of the Gunslinger project's MND? As I understand it, we've talked to Adele and Tian-Ting quite a few times since we submitted responses in December to comments we received from fish and game and the SJV air district. We are running into a major operations wall with our commitments to the rig and I was hoping you might have some advise.

Thank you for suggesting I speak with Marni. McGraw piggybacked on my time, but think it was a good conversation anyway.

Hope you are having a nice weekend,

Carrie

From: Miller, Elena [mailto:Elena.Miller@conservation.ca.gov]
Sent: Thursday, February 10, 2011 2:44 PM
To: Fox, Carrie M
Subject: Oxy UIC Draft Manual

Carrie,

Please send me a copy of the manual that you've put together and are seeking feedback on. I'd like to review it.

Thanks.

Elena M. Miller
State Oil & Gas Supervisor
Department of Conservation
Division of Oil, Gas & Geothermal Resources
(916) 323-1782
(916) 323-0424 facsimile

EXHIBIT “8”

From: Miller, Elena
To: Chernow, Derek
Subject: FW: Vintage Permits To Date
Date: Friday, August 26, 2011 12:49:22 PM
Attachments: VintagePermitsToDate.pdf

Derek,

[redacted]

[redacted]

[redacted]

Elena

From: Jorgenson, Heidi
Sent: Friday, August 26, 2011 12:44 PM
To: Miller, Elena
Subject: Vintage Permits To Date

EXHIBIT “9”

From: Miller, Elena
To: Chernow, Derek
Subject: FW: OSD-001 Zonal Isolation Review
Date: Wednesday, July 27, 2011 12:38:07 PM

I'm sending only in the event you want to take some of this for your own talking points. I was firm below, but remained positive that we can get this done if they'll give us what we need.

Elena

-----Original Message-----
From: Miller, Elena
Sent: Wednesday, July 27, 2011 12:01 PM
To: 'Mike_McGraw@oxy.com'
Subject: RE: OSD-001 Zonal Isolation Review

Mike,

The suggestions for categories or groups of wells that I provided last night were examples for Oxy to consider - the issue of existing cement on the front side or back side of a well can be one of the categories that Oxy can list wells by. The examples of categories I provided to you last night dovetail with what Cypress engineers have told Oxy engineers - but overall the message is that wells need to be grouped so that the DOGGR engineers can expedite their review of the casing diagrams. As an example, I would expect that your engineers will assert that where a well is cemented on the front and backside that no remediation needs to occur. This would fall under my hypothetical "Category III", but while being such it also falls under the direction given by D1 engineers - categorize the wells by the amount of cement in the well.

The process of DOGGR's review is an interactive one where flexibility must exist since the work of the operator and the regulator is about engineering work particular to individual wells and their attendant circumstances. Each well presents its own set of circumstances, Oxy needs to provide DOGGR with the data so that we can work with you on getting to the end goal - permits. We are in this together and there is no alternative to getting those permits out the door - how soon we get them out though is dependent upon Oxy providing the necessary data. A year ago it had a lot to do with DOGGR having inadequate staffing for UIC engineering review.

I have seen what came out yesterday regarding Oxy's earnings. Considering how often I speak to you, Carrie Fox, your executives from around the state, lobbyists, and engineers, I'm disappointed that your executives believe that there is a lack of transparency within DOGGR. In the alternative, I believe that the level of opaqueness within Oxy is causing these projects to languish unnecessarily. If you are going to be the key to bring some transparency to the process, I'm pleased. I've done everything I need to do to get my team in District 1 and Sacramento ready to get these projects reviewed. There are currently a total of 12 UIC projects in the AOR review process in District 1 (various operators)- to have twelve at once demonstrates tremendous progress and brings truth to my promise of building a robust UIC team.

Departing District 1 and switching gears to District 4, I was made aware weeks ago while meeting with Carrie Fox and Oxy attorneys that there were field rules drafted from over three years ago that have never been implemented in District 4. I looked into it, found no reason for them to have languished so long, and have assigned managers to get them finalized. I'm told that they should be done by the end of next week.

I appreciate candor. But most of all, I have the utmost of respect for those who ask me questions with the common goal of solving problems.

Enjoy the day.

Elena M. Miller
State Oil & Gas Supervisor
Department of Conservation
Division of Oil, Gas & Geothermal Resources
(916) 323-1782
(916) 323-0424 facsimile

-----Original Message-----
From: Mike_McGraw@oxy.com [mailto:Mike_McGraw@oxy.com]
Sent: Wednesday, July 27, 2011 10:39 AM
To: Miller, Elena
Subject: RE: OSD-001 Zonal Isolation Review

Elena,

Thank you for the additional information. I really appreciate you taking time to explain the situation to me. As the non-technical person I have to rely on what my folks in Long Beach tell me. There seems to be some conflicting guidance about the categories of wells the operations people are submitting. The district office told our operations people that the categories of wells are defined by the amount of cement they have, yet your clarification has more flexibility. Should we resubmit the well categories in light of your insight?

The operations people also tell me the other AORs were submitted before the district offices communicated the well categories. Should we remake the AORs and resubmit them based on the well categories? Generally, should the operations people resubmit outstanding AORs when the district asks for additional information?

If you heard or read any reports from Oxy's earnings call yesterday you get an appreciation of the growing pressure I am under to get a handle on permitting in California which is why I really do appreciate you helping me understand the process.

Thanks again.

Mike McGraw
Occidental Petroleum Corporation
Office (916) 503-1409
Cell (916) 708-3000

-----Original Message-----
From: Miller, Elena [mailto:Elena.Miller@conservation.ca.gov]
Sent: Tuesday, July 26, 2011 5:37 PM
To: McGraw, Mike
Subject: RE: OSD-001 Zonal Isolation Review

Mike,

Wilmington AOR:

I'd not seen this list but trust Dan Dudak has a copy if your engineers provided it to him last week. Did this list accompany a package of casing diagrams for each of these wells in the AOR? I don't believe they have but would like to know for certain.

I count roughly 161 wells total, with 1/8 (21) wells being identified by Oxy as having no zonal isolation. Has Oxy grouped those 21-22 wells

into categories as I've recommended? In other words, are there ones that Oxy agrees need to be abandoned (i.e. Category I); wells Oxy believes would need some remediation (Category II); wells that Oxy believes are adequate and need no work done for injection to occur safely (Category III). It is wholly ineffective to ask for over twenty wells to be grandfathered without an explanation or basis upon which to ask for such. As stated in our regulations, CCR Section 1724.10 (k), "additional requirements or modifications of the above requirements may be necessary to fit specific circumstances and types of projects." Simplifying, of Oxy wants the Division to exercise discretion then tell us what those "specific circumstances" are.

Share this with the masses, please. I'm trying to get everyone to a place of awareness that the minimum amount of information provided to the Division can accomplish a great deal in expediting our review of your UIC projects.

At last count I believe Oxy has 18 UIC projects under review in D1 for Wilmington Field, I believe that the list you sent me today constitutes the 18th. Of those projects, only two have completed AOR submissions by Oxy - and they are the two that are close to receiving project approvals. I received word from the District today that the public comment period for the Sansinena project approval ends on August 4th, so you should have the PAL in a week. And for everyone to be straight on this, that project was submitted on 8/26/2008. However, the date the AOR was completed and provided to DOGGR was 4/6/11. This means your project will be approved four months from the date the AOR was submitted. So, can we get those AORs submitted and get more projects out the door in the same or less time? I certainly hope that becomes the rule and not the exception.

Bridge Project:

Please identify what permit was submitted to D1 as the first of four for the bridge project we discussed yesterday. Please also provide any project plans prepared by Oxy to conduct the necessary work for the Port Authority to move forward with this critical transportation project. I've been to the project website and see what it will entail - I'd like to know what Oxy's work plan consists of and how the Division works into that plan.

As always, thank you for your assistance.

Elena M. Miller
State Oil & Gas Supervisor
Department of Conservation
Division of Oil, Gas & Geothermal Resources
(916) 323-1782
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-----Original Message-----
From: Mike_McGraw@oxy.com [mailto:Mike_McGraw@oxy.com]
Sent: Tuesday, July 26, 2011 9:20 AM
To: Miller, Elena
Subject: OSD-001 Zonal Isolation Review

Elena,

I wanted to follow up on our conversation yesterday with information on our abandoned wells in the Long Beach area. It is my understanding that this information was submitted to your staff in District 1 on July 20th, 2011, but I wanted to make sure you also had this information. The farthest right hand column indicates whether the well passed the zonal isolation criteria. A total of 22 wells did not pass the criteria, as indicated by the "No" notation. Please let me know if there is any additional information I can provide.

Thanks

Mike McGraw
Occidental Petroleum Corporation
Office (916) 503-1409
Cell (916) 708-3000