VICTORY OIL COMPANY LLC

461 WEST 6th STREET, SUITE 300, SAN PEDRO, CALIFORNIA 90731
(310) 519-9500 FAX (310)519-7221

April 10, 2015

Mr. Doug Patteson
Central Valley Regional Water Quality Control Board
1685 E Street
Fresno, California 93706

Re: Victory Oil Company LLC - California Water Code Directive Pursuant to Section 13267

Dear Mr. Patteson:

In accordance with our telephone conversation on April 9, 2015, enclosed is a Certification from Victory Oil Company LLC ("Victory"), in the form that you advised me would comply with the California Water Code Directive Pursuant to Section 13267, dated April 1, 2015 (a copy of which is enclosed herewith; the "Order"). As you and I discussed, and which you confirmed that your records reflect, Victory no longer owns the leases referenced in Attachment A to the Order, which leases were conveyed by Victory to LDD Energy, LLC on October 14, 2014. However, you indicated that in order for Victory to comply fully with the Order, Victory would have to provide a certification stating that it does not have any active discharges of oil field produced waters to land, including but not limited to ponds.

If you have any questions concerning the enclosed Certification or if anything further must be done by Victory to comply with the Order, please call me as soon as possible. Thank you for your assistance.

Very truly yours,

John S. Peterson
General Counsel

Enclosures

TAFT OFFICE - P.O. BOX 1109, TAFT, CALIFORNIA 93268 (661) 765-4181

CERTIFICATION

The undersigned, the President of Victory Oil Company LLC ("Victory"), does hereby certify and declare, under penalty of perjury under the laws of California, to the Central Valley Regional Water Quality Control Board, that Victory does not have any active discharges of oil field produced waters to land, including but not limited to ponds.

The foregoing statement is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

IN WITNESS WHEREOF, this Certification is executed on April 10, 2015.

Victory Oil Company LLC

By: _____
Eric C. Johnson, President

H:\VOCLLC\Certification to CVRWQCB (4-10-15)

CALIFORNIA
Water Boards

EDMUND G. BROWN JR.
GOVERNOR

MATTHEW RODRIQUEZ
SECRETARY FOR
ENVIRONMENTAL PROTECTION

Central Valley Regional Water Quality Control Board

1 April 2015

Eric G. Johnson
Victory Oil Company LLC
461 W. 6th Street, Suite 300
San Pedro, CA 90731

CERTIFIED MAIL
7014 3490 0001 7023 0759

CALIFORNIA WATER CODE DIRECTIVE PURSUANT TO SECTION 13267. You are legally obligated to respond to this Order. Please read this Order carefully.

Victory Oil Company LLC (hereafter Discharger) has been identified as the owner or operator of petroleum production wastewater disposal ponds (ponds). A list of the ponds (and the leases and oil fields where they are located) that the California Regional Water Quality Control Board, Central Valley Region (Central Valley Water Board) identifies as under your control is presented in Attachment A. Ponds for the disposal of wastewater generated during the course of petroleum production have the potential to affect the quality of groundwater (a water of the State). Groundwater underlying the areas where your ponds are located have beneficial uses as identified in the Water Quality Control Plan for the Tulare Lake Basin (Basin Plan).

This order requires the collection and analysis of wastewater samples collected from each of the ponds listed in Attachment A to characterize the discharge. Each sample is to be analyzed for each of the constituents listed in Attachment B. These data are needed to comprehensively characterize wastewater in each pond and provide data needed to evaluate the threat to the quality of waters of the State. If more than one pond is connected in series (i.e., one pond drains directly to the next with no other source of inflow) then only the upstream pond must be sampled. This order is not intended to require the collection of duplicative data. If during the 12 months (one year) prior to the date of this order, samples required by this order have been analyzed from one or more of the ponds for the required constituents, that data can be submitted for the appropriate order requirements.

This order also requires Discharger to identify any discharge(s) of oil field wastewater to land that is not identified in Attachment A. Discharger must also collect and analyze wastewater samples in accordance with Attachment B from any additionally identified discharge to characterize the discharge.

The Central Valley Water Board's authority to require technical reports derives from Section 13267 of the California Water Code, which specifies, in part, that:

(www) A regional Board ... in connection with any action relating to any plan or requirement authorized by this division, may investigate the quality of any waters of the State within its region.

(b)(1) In conducting an investigation specified in subdivision (a), the regional board may require that any person who has discharged, or is suspected of having discharged or discharging, or who proposes to discharge waste within its region, or any citizen or domiciliary, or political agency or entity of this state who has discharged, discharges, or is suspected of having discharged or discharging, or who proposes to discharge, waste outside of its region that could affect the quality of waters within its region shall furnish, under penalty of perjury, technical or monitoring program reports which the regional board requires. The burden, including costs, of these reports shall bear a reasonable relationship to the need for the report and the benefit to be obtained from the reports. In requiring those reports, the regional board shall provide the person with a written explanation with regard to the need for the reports, and shall identify the evidence that supports requiring that person to provide the reports.

The Central Valley Water Board is concerned about the potential impacts to water quality posed by the discharge of oil field produced waters in surface ponds. The technical information and reports required by this order are necessary to assess the potential threat to water quality. The need to understand the potential impacts to water quality justify the need for the information and reports required by this order. Based on the nature and possible consequences of the discharges of waste, the burden of providing the required information, including the reporting costs, bears a reasonable relationship to the need for the report, and the benefits to be obtained. Discharger is required to submit this information and reports because it is the operator of the ponds listed in Attachment A of this order.

The unauthorized discharge of waste containing oil field waste constituents to land, including unlined ponds, may result in the degradation of water quality and creates or threatens to create, a condition of pollution in groundwater. Significant concentrations of salinity (measured as TDS and EC), significant contributors to salinity such as chloride and sulfate, and boron are present in oil field wastewater. Other potential constituents such as, but not limited to, metals, radionuclides, and organic compounds pose a threat to water quality. The concentrations of these waste constituents in wastewater being discharged needs to be known to evaluate the threat. In addition, all locations where these discharges are occurring needs to be known.

Underlying groundwater can be degraded if mixed with oil field wastewater. Elevated concentrations of oil field waste constituents could impair the groundwater for municipal and domestic supply and agricultural supply uses.

Under the prescribed authority of California Water Code section 13267, the Central Valley Water Board directs Discharger to:

1. **By 15 June 2015**, submit a technical report containing the following information:

   A. Identification of any discharges of oil field produced waters to land, including but not limited to ponds, since April of 2014 that are not listed in Attachment A;

   B. Collect representative samples of wastewater within each of the ponds. Samples must be analyzed in accordance with the water quality analysis and reporting requirements contained in Attachment B to this Order;[1]

   If a representative sample cannot feasibly be collected from one or more of the sources discharging to a surface impoundment(s), then a comment will need to be added to the technical report required by this Order demonstrating that collection of a representative sample from a specific source is not feasible within the required timeframe, and propose an alternative sampling procedure and expeditious time schedule for obtaining a representative sample for each source. Alternative sampling procedures and time schedules are subject to approval by the Assistant Executive Officer of the Central Valley Regional Water Quality Control Board.

   C. All available information for each of the surface impoundment(s), including dimensions (i.e., length, width, and depth), latitude and longitude, Assessor's Parcel Numbers of the lease, duration of the discharge (in months), and the volume of wastewater discharged per year.

   D. A location map that includes the following information:

      i. All surface impoundment(s) at the Facility,
      ii. Include the boundary lines for all leases at the Facility, and
      iii. Legend with the name of the surface impoundment(s).

2. **By 15 April 2015**, Discharger needs to contact Dane S. Johnson of this office at (559) 445-5525 if you have received this Order and cannot collect the required samples.

[1] All previously obtained analytical data for oil field produced wastewater samples collected at the Facility, if any, with a description of the source and location for each analysis may be submitted in the alternative for re-running tests if the sample(s) was collected and analyzed within 12 months (one year) of the date of this order.

The technical report required by this Order must be submitted to the attention of:

Ronald Holcomb
Central Valley Water Board
1685 E Street
Fresno, CA 93706

Based on the information submitted in the technical report, additional information or action may be required.

With the report required by this Order, Discharger shall provide under penalty of perjury under the laws of California a "Certification" statement to the Central Valley Water Board. The "Certification" shall include the following signed statement:

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

The Central Valley Water Board reserves the right to issue a Notice of Violation or pursue enforcement for Discharger's activities after reviewing the documentation provided in response to this Order.

The Technical Report is to be signed and stamped by a California Professional Engineer (Registered as a Civil Engineer) or a registered California Professional Geologist. Any laboratory analyses shall be performed by an analytical laboratory certified by the State of California for the analyses performed. Submissions pursuant to this Order shall include a statement by Discharger, or an authorized representative of Discharger, certifying (as described above) that the information submitted is true, complete, and accurate.

The failure to furnish the required report, or the submission of a substantially incomplete report or false information, is a misdemeanor, and may result in additional enforcement actions being taken against Discharger, including issuance of an Administrative Civil Liability Complaint pursuant to California Water Code section 13268. Liability may be imposed pursuant to California Water Code section 13268 in an amount not to exceed one thousand dollars ($1,000) for each day in which the violation occurs. All discharges to unpermitted ponds should cease pending review and submission of the technical information sought by this order.

Any person aggrieved by this action of the Central Valley Water Board may petition the State Water Resources Control Board (State Water Board) to review the action in accordance with

California Water Code section 13320 and California Code of Regulations, title 23, sections 2050 and following. The State Water Board must receive the petition by 5:00 p.m., within 30 days after the date of this directive, except that if the thirtieth day following the date of this directive falls on a Saturday, Sunday, or state holiday, the petition must be received by the State Water Board by 5:00 p.m. on the next business day. Copies of the law and regulations applicable to filing petitions may be found on the Internet at: www.waterboards.ca.gov/public_notices/petitions/water_quality or will be provided upon request.

If you have any questions regarding this matter, please contact Doug Patteson of this office at (559) 445-5577 or at doug.patteson@waterboards.ca.gov.

Clay L. Rodgers

Clay L. Rodgers
Assistant Executive Officer

cc: Julie Macedo, Office of Enforcement, State Water Resources Control Board, Sacramento
Mike Toland, California Division of Oil, Gas, and Geothermal Resources, Bakersfield

ATTACHMENT A

The following table contains the names of oil fields and lease(s) and the corresponding number of ponds that the Central Valley Water Board has identified as active and under your control:

OPERATOR	OIL FIELD	LEASE	NO. OF PONDS
Victory Oil Company LLC	Cymric	DeSmet	1
		Salt Creek	1

ATTACHMENT B

Water Quality Analysis

Wastewater samples collected from the ponds shall be analyzed by a laboratory certified by the Environmental Laboratory Accreditation Program using currently applicable United States Environmental Protection Agency-approved analytical methods for water for the following:

A. Total dissolved solids;

B. Metals listed in California Code of Regulations, title 22, section 66261.24. subdivision (a)(2)(A);

C. Benzene, toluene, ethylbenzene, and xylenes;

D. Total petroleum hydrocarbons as crude oil;

E. Polynuclear aromatic hydrocarbons (including acenaphthene, acenaphthylene, anthracene, benzo[a]anthracene, benzo[b]fluoranthene, benzo[a]pyrene, benzo[g,h,i]perylene, chrysene, dibenzo[a,h]anthracene, fluoranthene, fluorine, indeno[1,2,3-cd]pyrene, naphthalene, phenanthrene, and pyrene);

F. Radionuclides listed under California Code of Regulations, title 22, Table 64442;

G. Major and minor cations (including sodium, potassium, magnesium, and calcium);

H. Major and minor anions (including nitrate, chloride, sulfate, carbonate, bicarbonate, and bromide);

I. Trace elements (including lithium, strontium, boron, iron, and manganese).

Reporting Requirements

Water Quality information shall be submitted in a technical report that includes at a minimum:

A. Site plan(s) with the location(s) of where the samples were collected;

B. A description of how the samples, representative of the pond contents, were collected;

Table(s) of analytical results organized by pond number with the data also submitted electronically as an Excel spreadsheet.