

July 2, 2015

VIA CERTIFIED US Mail

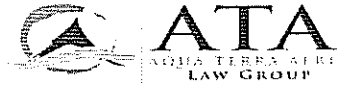
Public Prosecutors (See attached service list)	
President/CEO Macpherson Energy Corporation 100 Wilshire Blvd., Suite 800 Santa Monica, CA 90401	Phil Sorbet Agent for Service of Process Macpherson Energy Corporation 24118 Round Mountain Rd. Bakersfield, CA 93308
President/CEO Macpherson Oil Company 100 Wilshire Blvd., Suite 800 Santa Monica, CA 90401	Scott B. Macpherson Agent for Service of Process Macpherson Oil Company 100 Wilshire Blvd., Suite 800 Santa Monica, CA 90401

NOTICE OF VIOLATION OF CALIFORNIA HEALTH & SAFETY CODE § 25249.5 et seq. AND 60-DAY NOTICE OF INTENT TO SUE UNDER HEALTH & SAFETY CODE § 25249.5 et seq. (California Safe Drinking Water and Toxic Enforcement Act, a.k.a. "Proposition 65")

Dear Hon. Prosecutors, Macpherson Energy Corporation and Macpherson Oil Company:

This office represents Environmental Research Center, Inc. ("ERC"), a California nonprofit public benefit corporation. ERC is dedicated to safeguarding the public from health hazards, reducing the use and misuse of toxic substances, encouraging corporate responsibility and ensuring safe drinking water for consumers. ERC brings this action in the public interest, pursuant to Health & Safety Code § 25249.7 (d).

ERC has identified violations of California's Safe Drinking Water & Toxic Enforcement Act of 1986, codified at Health & Safety Code § 25249.5 et seq. (also commonly referred to as "Proposition 65" or "Prop. 65"). This letter serves to provide the public prosecutors, in addition to Macpherson Energy Corporation and Macpherson Oil Company ("Violators") with ERC's notification of these violations and the intent to sue in the public interest, based thereon. "Macpherson Energy Corporation holds the majority of ownership in Macpherson Oil Company..." (See <http://www.macphersonenergy.com/about-us/>).



Pursuant to Health & Safety Code § 25249.7, subdivision (d), ERC intends to bring an enforcement action in the public interest sixty (60) days after effective service date of this Notice unless the public prosecutors commence and diligently prosecute an action against Violators for the same alleged violations. For general information regarding Proposition 65 please see the attached Appendix A, entitled "The Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65): A Summary," which was prepared by the lead agency (Office of Environmental Health Hazard Assessment of the California Environmental Protection Agency) designated under the statute. The specific details of the violations alleged and the subject of this Notice are provided below.

Violators, individually and/or collectively and including each owner and/or operator operate one or more of the following underground water disposal well ("Well"):

API Number	Well Name	Latitude	Longitude
2918114	Bishop 6	35.489736	118.934084

Violators are "person[s] in the course of doing business" as defined in Health & Safety Code § 25249.11, who discharge, deposit or release Proposition 65-listed chemicals, contaminated injectate or produced water into existing and/or present sources of drinking water or into underground sources of drinking water not designated by the Safe Drinking Water Act of 1974 (42 U.S.C. §300(f) *et seq.*) as exempt, including but not limited the aquifer that include the Olcese zone in the Sharktooth area of the Round Mountain field ("Aquifer"). The Well is regulated under permits issued by Division of Oil, Gas, and Geothermal Resources ("DOGGR"). Violators are also regulated under the State Water Resources Control Board's ("SWRCB") authority to regulate and monitor groundwater sources of drinking water.

Information available to ERC indicates that the Violators operate 27 water disposal wells injecting into non-exempt, non-hydrocarbon-bearing aquifers in California.

On August 18, 2014 and May 15, 2015, the SWRCB issued Water Code § 13267 Investigation Orders to Violator Macpherson Oil Company stating that the Wells "have been injecting fluids produced by oil or gas extraction activities into aquifers that may not have been properly designated as exempt aquifers under the federal Safe Drinking Water Act." On the same days, DOGGR issued Emergency Orders to Immediately Cease Injection Operations to Violator Macpherson Oil Company, stating that "an emergency exists in connection with underground injection operations for the well(s)" and that "injection into these wells poses danger to life, health, property, and natural resources." The state has listed the Well among those with the "greatest potential risk for public health."

Violators are and have been in violation of the Safe Drinking Water Act, its DOGGR permits, SWRCB drinking water program regulations, Proposition 65 and are subject to enforcement from the



SWRCB due to the fact that Macpherson Oil Company has been injecting Prop. 65-listed chemicals within the last year into potential, present or existing drinking water sources above state and/or federal Maximum Contaminant Levels, Proposition 65 Safe Harbor Limits, OEHHA Public Health Goals, SWRCB Drinking Water Action Levels.

Violators have unlawfully discharged and continue to unlawfully discharge Proposition 65-listed chemicals into the Water Disposal Well, Bishop 6, in violation of the Safe Drinking Water Act and into the Aquifer, which are existing or potential drinking water sources.

Information available to ERC indicates that the Violators have been and/or are discharging, releasing or depositing produced water, waste water or injectate from oil and gas production operations at or near the Well. Information available to ERC indicates that such produced water, waste water and/or injectate discharged from Violators' Well, is consistently discharged by Violator in significant amounts, contains significant amounts of Prop. 65-listed chemicals and is not in compliance with all applicable laws and regulations. Therefore, Violators knowingly discharged, deposited or released a significant amount of Proposition 65-listed chemicals into existing and/or present drinking water sources, thereby posing carcinogenic and reproductive toxicity threats to the public and its drinking water sources.

Identity of Chemicals

These discharges include chemicals listed in Proposition 65 and are prohibited from being discharged into an existing and/or present source of drinking water. The violations of Proposition 65 alleged in this Notice of Violation ("NOV") are past and ongoing discharges, deposits or releases of:

- Arsenic;
- Lead;
- Benzene;
- Toluene;
- Ethylbenzene;
- Polynuclear aromatic hydrocarbons (including Benzo[b]fluoranthene and Benzo[a]pyrene);
- Radionuclides;
- Chrysene;
- Shale Oils;
- Soot, tar, oil, grease and mineral oils; and
- Vanadium

All of the chemicals listed above have been on the Proposition 65 list longer than twenty



months. (Health & Safety Code § 25249.9(a).) The above-listed Proposition 65 reproductive or developmental toxics and/or carcinogens (“Listed Chemicals”) have been knowingly deposited, discharged or released, continue to be knowingly deposited, released or discharged, and are likely to continue to be knowingly deposited, released or discharged in the future into water or onto or into land where such chemical(s) pass or probably will pass into any source of drinking water. The Violators have been and/or are knowingly discharging, releasing or depositing the Listed Chemicals into the Well and into the Aquifer. The Violators, through the operations of the Well and discharge of the Listed Chemicals, violated, violate and threaten to violate the discharge/release prohibition contained in Health & Safety Code § 25249.5.

Sources of Drinking Water

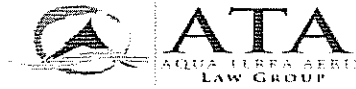
The Violators have and continue to knowingly discharge, deposit or release the Listed Chemicals into water, or onto land where each chemical passed, passes or probably will pass into the Aquifer that includes the Olcese zone in the Sharktooth area of the Round Mountain field, a present and/or existing source of drinking water that is not exempt under the federal Safe Drinking Water Act.

A “source of drinking water” means either a present source of drinking water or water which is identified or designated in a water quality control plan adopted by a regional water board as being suitable for domestic or municipal uses. (Health & Safety Code § 25249.11(d).) Moreover, “water” is defined to include both surface and groundwater. (California Code of Regulations, title 27, Section 25102(w).)

The State Water Resources Control Board, Tulare Lake Basin Water Quality Control Plan (“Basin Plan”) establishes Water Quality Objectives for Inland Ground Waters such as the Aquifer. Pursuant to the Sources of Drinking Water Policy, all ground waters in the Basin are designated as municipal unless specifically exempted and approved. (Tulare Lake Basin Plan at p. II-2.) Moreover, Water Quality Objectives require that all covered waters be maintained free of toxic substances, alone or in combination, in concentrations that produce detrimental physiological responses in human, plant, animal or aquatic life. The Sources of Drinking Water Policy and Water Quality Objectives are intended to protect Beneficial Uses of Ground Waters such as the Aquifer.

The State Water Resources Control Board’s Resolution No. 88-63 states: “[a]ll surface and ground waters of the State are considered to be suitable, or potentially suitable, for municipal or domestic water supply and should be so designated by the Regional Boards.”

Since 1983, DOGGR has been granted primary responsibility from the United States Environmental Protection Agency (“EPA”) to implement the requirements of the federal Safe Drinking Water Act, including the permitting of certain kinds of underground injection control or waste water



disposal wells. The EPA approves the areas where injection into groundwater aquifers may be allowed, areas that the EPA has determined are exempt under the federal Safe Drinking Water Act (“SDWA”). In 2012, the EPA performed a review of aquifer exemptions, and found that DOGGR was allowing water disposal well injection into non-exempt aquifers. DOGGR confirmed this, and found that injection of oil production waste water had occurred in the subject Wells.

Violators own and/operate the Well, which is an underground injection control well for waste/produced water generated from oil and gas production. Information available to ERC indicates that the Well discharged into the Aquifer, known to have less than 3,000 milligrams per liter of total dissolved solids, thereby making it a high quality present and/or existing drinking water sources. Furthermore, the depth of the injection zone for the Well is less than 1,000 feet below ground surface, and the injection zone is/was within one horizontal mile of at least one water well.

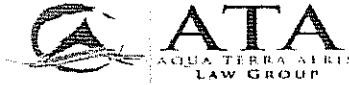
Accordingly, the USEPA, SWRCB and DOGGR have designated the Well as being located and discharging into an Aquifer not exempted from the Safe Drinking Water Act’s designation as a present or existing source of drinking water. Therefore, the Violators’ discharges, releases, and/or depositions of the Listed Chemicals into this sources of drinking water, or into or onto land where each passed, passes or probably will pass into a source of drinking water, are violations of Proposition 65’s discharge prohibition.

Violator’s Industrial Activities and Pollutant Sources

Violator has engages in the following industrial activities as part of its gas and/or oil production activities with the Well:

- Well API No. 02918114 (Bishop 6) lies at an elevation of 1,102 feet in the Sierra Nevada foothills along the eastern flank of the San Joaquin Valley of central California, approximately five miles northeast of the urban area of the City of Bakersfield, Kern County, three miles north of the Kern River, and three miles south of Poso Creek. (Latitude 35.489736, Longitude -118.934084.) It was initially drilled in 1945 to a depth of 2,684 feet below ground surface (fbgs) and constructed with an 8 5/8 inch diameter steel casing perforated from 2,661 to 2,684 fbgs in the Vedder sands. In 1974 the well was plugged back to 2,430 fbgs and converted to an injection well, perforated in the Olcese Formation from 840 to 1,130 fbgs. That same year, the well was permitted for injection into the Olcese Formation, a non-exempt drinking water aquifer protected under the Safe Drinking Water Act.

The Well is now used for disposal of produced water from oil and gas extraction activities. Necessarily as part of the above-described industrial activities, produced water (containing Prop. 65 Chemicals) is generated and is disposed of by Violator at the Well.



Sources of pollutants associated with the industrial activities at the production wells generating the produced water or injectate going into the Well, and ultimately the Aquifer, include but are not limited to, oil contaminated water, chemicals used in hydraulic fracturing, enhanced oil recovery waste, partially cleaned-up produced water, cementing and water treatment chemicals. Wastes generated by oil and gas production operations engaged in by Violators include but are not limited to, waste water, produced water, water from enhanced oil recovery, injectate, and other types of water.

Approximate Time Period of Violations

Information available to ERC indicates that the Violators have been violating, continue to violate and threatens to violate by knowingly discharging, depositing, and/or releasing the Listed Chemicals from its Well(s) into ground waters, or onto land where the Listed Chemicals pass, have passed or probably will pass into existing and/or present sources of drinking water for a number of years, and has since 2010. Information available to ERC indicates that the Violators have been discharging into the subject Well in 2015.

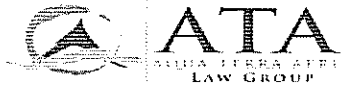
As part of ERC's public interest mission and to rectify these ongoing violations of California law, ERC is interested in resolving these violations expeditiously, without the necessity of costly and protracted litigation. ERC is located at 3111 Camino Del Rio North, Suite 400, San Diego, CA 92108 and can be contacted at the same address. However, ERC has retained counsel and is represented in this matter. Thus, please direct all communications regarding this notice to ERC's enforcement counsel: Matthew C. Maclear at Aqua Terra Aeris (ATA) Law Group, 7425 Fairmount Ave., El Cerrito, CA 94530, and (415) 568-5200.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew C. Maclear".

Matthew C. Maclear
Aqua Terra Aeris Law Group
Attorneys for Noticing Party
Environmental Research Center, Inc.

Enclosure: Appendix A – Prop. 65 Summary



CERTIFICATE OF SERVICE

I, the undersigned, declare under penalty of perjury under the laws of the State of California that the following is true and correct:

I am a citizen of the United States, over the age of 18 years of age, and am not a party to the within entitled action. My business address is 306 Joy Street, Fort Oglethorpe, Georgia 30742. I am a resident or employed in the county where the mailing occurred. The envelope or package was placed in the mail at Fort Oglethorpe, Georgia.

On July 2, 2015, I served the following documents: **NOTICE OF VIOLATIONS OF CALIFORNIA HEALTH & SAFETY CODE §25249.5 ET SEQ.; "THE SAFE DRINKING WATER AND TOXIC ENFORCEMENT ACT OF 1986 (PROPOSITION 65): A SUMMARY"** on the following parties by placing a true and correct copy thereof in a sealed envelope, addressed to the party listed below and depositing it at a U.S. Postal Service Office with the postage fully prepaid for delivery by Certified Mail:

President/CEO Macpherson Energy Corporation 100 Wilshire Blvd., Suite 800 Santa Monica, CA 90401	Phil Sorbet Agent for Service of Process Macpherson Energy Corporation 24118 Round Mountain Rd. Bakersfield, CA 93308
President/CEO Macpherson Oil Company 100 Wilshire Blvd., Suite 800 Santa Monica, CA 90401	Scott B. Macpherson Agent for Service of Process Macpherson Oil Company 100 Wilshire Blvd., Suite 800 Santa Monica, CA 90401

On July 2, 2015, I verified the following documents **NOTICE OF VIOLATIONS, CALIFORNIA HEALTH & SAFETY CODE §25249.5 ET SEQ.; ADDITIONAL SUPPORTING INFORMATION FOR CERTIFICATE OF MERIT AS REQUIRED BY CALIFORNIA HEALTH & SAFETY CODE §25249.7(d)(1)** were served on the following party when a true and correct copy thereof was uploaded on the California Attorney General's website, which can be accessed at <https://oag.ca.gov/prop65/add-60-day-notice>:

Office of the California Attorney General
Prop 65 Enforcement Reporting
1515 Clay Street, Suite 2000
Oakland, CA 94612-0550



On July 2, 2015, I served the following documents: **NOTICE OF VIOLATIONS, CALIFORNIA HEALTH & SAFETY CODE §25249.5 ET SEQ.; CERTIFICATE OF MERIT** on the following party by placing a true and correct copy thereof in a sealed envelope, addressed to each of the parties below, and depositing it at a U.S. Postal Service Office with the postage fully prepaid for delivery by Priority Mail.

District Attorney, Kern County
1215 Truxtun Avenue
Bakersfield, CA 93301

Executed on July 2, 2015, in Fort Oglethorpe, Georgia.

A handwritten signature in black ink that reads 'Phyllis Dunwoody'. The signature is written in a cursive style and is positioned above a horizontal line.

Phyllis Dunwoody