

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
HEARINGS SECTION**

**OIL AND GAS DOCKET NO. 06-0248442**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY TOPAZ MINERAL OPERATIONS, LLC (862572), AS TO THE TOPAZ WATERFLOOD UNIT (13412) LEASE, WELL NOS. 10 I, 15 I, 17 I AND TANK BATTERY, TOPAZ (CLARKSVILLE) FIELD, RED RIVER COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 28, 2006, and that the respondent, Topaz Mineral Operations, LLC (862572), failed to appear or respond to the notice. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. Topaz Mineral Operations, LLC (862572), ("Respondent") was given a Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 Organization Report, was returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was returned to the Commission marked "unclaimed" on September 5, 2006. The returned certified receipts (green cards) that were attached to the Original Complaint and the Notice of Opportunity for Hearing mailed to the Respondent's Manager; Joseph Z. Ornelas, and Attorney; Paul Pruitt, were signed and returned to the Commission on August 14 and 17, 2006. The certified receipts have been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Joseph Z. Ornelas, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
4. Paul Pruitt, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
6. Respondent designated itself to the Commission as the operator of Well Nos. 10 I, 15 I, 17 I and the Tank Battery on the Topaz Waterflood Unit (13412) Lease, ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on September 20, 2005.
7. According to Commission records the Respondent's Form P-5 (Organization Report) is delinquent. Respondent had a \$50,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. A Commission district office inspection was conducted on April 6, 2006 for the Topaz Waterflood Unit (13412) Lease. The Respondent had caused or allowed an unauthorized discharge of saltwater (in excess of 10,000 ppm chloride), measuring approximately 50-100 barrels, from two leaking tanks at the Tank Battery.
9. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
10. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach onto the ground and percolate through soils into groundwater supplies.
11. Commission records show that Well No. 10 I on the Topaz Waterflood Unit (13412) Lease, was permitted as a saltwater injection well by Permit No. 15130, dated October 21, 1999. Well Nos. 15 I and 17 I were permitted as saltwater injection wells by permit No. 15130, dated October 27, 1999. Commission records show that Permit No. 15130 requires an MIT test for Well Nos. 10 I, 15 I and 17 I, every 5 years.
12. Commission records show that the last MIT tests performed on Well Nos. 10 I, 15 I and 17 I, on the Topaz Waterflood Unit (13412) Lease, were performed June 24, 2005, June 21, 2005 and June 22, 2005, and all three wells failed their test.
13. The Respondent has not demonstrated good faith since it failed to place the subject lease and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

### **CONCLUSIONS OF LAW**

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed or have occurred.

3. Respondent is in violation of Commission Statewide Rules 8(d)(1) and 46(j).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires that the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer or casing have sufficient mechanical integrity.
6. Respondent is responsible for maintaining the subject lease and subject wells in compliance with applicable Commission rules according to Statewide Rules 8, 14, 46, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
7. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531(c).
8. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Joseph Z. Ornelas and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.
9. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Paul Pruitt and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.

**IT IS ORDERED THAT** within 30 days from the day immediately following the date this order becomes final:

1. Topaz Mineral Operations, LLC (862572) , shall place the Topaz Waterflood Unit (13412) Lease, Well Nos. 10 I, 15 I and 17 I and Tank Battery, Topaz (Clarksville) Field, Red River County, Texas in compliance with Commission rules and regulations;
2. Topaz Mineral Operations, LLC (862572), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND FIVE HUNDRED DOLLARS (\$6,500.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Noncompliance with the provisions of this order is subject to enforcement by the Attorney General and subject to civil penalties of up to \$10,000.00 per day per violation.

Done this 5th day of December 2006.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated December 5, 2006)

ME/sa