

BILL ANALYSIS

S.B. 1146
By: Birdwell
Energy Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that orphaned wells present a continued challenge in Texas despite a robust state-managed well plugging program. The bill sponsor has also informed the committee that orphan wells can incur environmental risk and create public safety concerns and that the presence of orphaned wells can obstruct safe and reliable exploration and production activities on otherwise viable tracts of land. S.B. 1146 seeks to expedite the plugging of orphaned wells and alleviate the financial burden on the state by authorizing operators to contract for the plugging of orphaned wells that are located on leases upon which they are operating. The bill allows operators to exercise due diligence in plugging wells that may compromise nearby production operations and take orphaned wells off the state's rolls without incurring liability for being a good neighbor.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 2 of this bill.

ANALYSIS

S.B. 1146 amends the Natural Resources Code to authorize an operator in good standing who is the owner of an interest in a current oil and gas lease or the mineral estate of a tract of land on which an orphaned well is located or the owner of the surface estate of a tract of land on which an orphaned well is located to contract with a well plugger who is approved by the Railroad Commission of Texas (RRC) to plug or replug the well. The bill defines "operator in good standing" and "orphaned well" by reference to statutory provisions relating to the orphaned well reduction program. The bill requires a well plugger who enters into such a contract to do the following:

- not later than the 30th day before the date the well is to be plugged or replugged, mail notice of the plugger's intent to plug or replug the well to the well's operator or the surface owner, as applicable, at the operator's or surface owner's address as shown by RRC records; and
- plug or replug the well in accordance with RRC rules.

The bill establishes that an operator in good standing or a surface owner who enters into such a contract does not assume responsibility for the physical operation and control of the orphaned well and exempts the operator or surface owner, respectively, from liability for any plugging or replugging responsibility or damages that may occur as a result of acts done or omitted to be done relating to plugging or replugging the well under these provisions of the bill. The bill establishes that paying money to or contracting with a well plugger to plug or replug an orphaned

well under these provisions of the bill is not an admission that the person paying the money or contracting for the plugging or replugging of the well is obligated to plug or replug the well. The bill makes evidence that a person has paid money to or contracted with a well plugger to plug or replug a well under these provisions of the bill inadmissible against the person in a suit in which the person's obligation to plug or replug the well is an issue and makes the introduction of the evidence a compulsory ground for mistrial. The bill authorizes the RRC to require a plugging or replugging operation conducted under these provisions to be supervised by an RRC employee and establishes that such a plugging or replugging operation is not considered complete until approved by the RRC. The bill exempts from these provisions the owner of the surface estate of a tract of land on which an orphaned well is located if the surface owner was the operator who abandoned the well. The bill requires the RRC to adopt any rules reasonably necessary to implement these provisions, including rules prescribing procedures for the approval by the RRC of a well plugging or replugging operation conducted under such provisions.

S.B. 1146 includes a private person who has paid money to the RRC to plug or replug a well under statutory provisions relating to abandoned wells among the entities who are exempt from liability for any damages that may occur as a result of acts done or omitted to be done by them in a good-faith effort to carry out provisions relating to abandoned wells.

EFFECTIVE DATE

September 1, 2025.