

BILL ANALYSIS

Senate Research Center
89R16786 JAM-F

C.S.S.B. 1146
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Natural Resources
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Orphaned wells are inactive, non-compliant wells that have been inactive for a minimum of 12 months, and the responsible operator's Organizational Report (Form P-5) has been delinquent for more than 12 months. When a well is orphaned, the state assumes the liability of the well in perpetuity. An operator on whose lease or mineral estate an orphaned well is located would have to take on the liability to plug the well, even though they never owned the well and did not orphan the well. Alternatively, an operator could adopt the well to bring it back into production, though not every orphaned well is suitable for this purpose. Aside from the potential environmental hazards and public safety concerns related to the existence of orphaned wells, some orphaned wells can also prohibit safe and reliable exploration and production in an area that would otherwise be suitable for production but for the orphaned well existing. Depending on the economics, an operator might wait for the state to prioritize and eventually plug a problematic orphaned well with allocated public funds or adopt the well and the associated liability and plug it themselves before producing nearby wells.

C.S.S.B. 1146 would allow owners of a surface estate or operators in good standing who own interest in a current oil and gas lease or mineral estate of a tract of land on which an orphaned well is located to contract with a well plugger approved by the Railroad Commission (RRC) to plug or replug the well without taking on the liability of the well. Additionally, C.S.S.B. 1146 provides liability protection to any private person who pays the RRC to plug or replug of an orphaned well. This program will expedite the plugging of certain orphaned wells and help increase oil and gas production in certain circumstances while reducing financial burden on the state.

C.S.S.B. 1146 amends current law relating to the plugging or replugging of certain inactive wells subject to the jurisdiction of the Railroad Commission of Texas.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 2 (Section 89.049, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 89.045, Natural Resources Code, as follows:

Sec. 89.045. LIABILITY FOR DAMAGES. Provides that certain persons, including any private person who has paid money to the Railroad Commission of Texas (RRC) to plug or replug a well under Section 89.084 (Money Paid Commission by Private Person), are not liable for any damages that may occur as a result of acts done or omitted to be done by them or each of them in a good-faith effort to carry out Chapter 89 (Abandoned Wells). Makes a nonsubstantive change.

SECTION 2. Amends Subchapter C, Chapter 89, Natural Resources Code, by adding Section 89.049, as follows:

Sec. 89.049. PLUGGING OR REPLUGGING OF ORPHANED WELL BY OIL AND GAS LESSEE OR MINERAL ESTATE OWNER. (a) Defines "operator in good standing" and "orphaned well."

(b) Authorizes 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 an RRC-approved well plugger to plug or replug the well.

(c) Requires a well plugger who enters into a contract under Subsection (b), not later than the 30th day before the date the well is to be plugged or replugged, to mail notice of the plugger's intent to plug or replug the well to the operator of the well or the surface owner, as applicable, at the operator's or surface owner's address as shown by the records of RRC, and plug or replug the well in accordance with RRC rules.

(d) Provides that an operator in good standing or a surface owner who enters into a contract under Subsection (b) does not assume responsibility for the physical operation and control of the orphaned well and is not liable 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 this section.

(e) Provides that paying money to or contracting with a well plugger to plug or replug an orphaned well under this section 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. Provides that evidence that a person has paid money to or contracted with a well plugger to plug or replug a well under this section is not admissible against the person in a suit in which the person's obligation to plug or replug the well is an issue, and introducing the evidence is a compulsory ground for mistrial.

(f) Authorizes RRC to require a plugging or replugging operation conducted under this section to be supervised by an RRC employee. Provides that a plugging or replugging operation conducted under this section is not considered complete until approved by RRC.

(g) Provides that this section does not apply to 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.

(h) Requires RRC to adopt any rules reasonably necessary to implement this section, including rules prescribing procedures for the approval by RRC of a well plugging or replugging operation conducted under this section.

SECTION 3. Effective date: September 1, 2025.