

BILL ANALYSIS

C.S.S.B. 1150
By: Middleton
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that the state has a growing problem of inactive oil and gas wells, many of which have been left unplugged for decades, and that these wells pose serious environmental and public health risks, including groundwater contamination, methane leaks, and structural hazards. The bill sponsor has also informed the committee that while the operators of oil and gas wells are required to plug inactive wells, many of those wells end up becoming abandoned and orphaned, ultimately becoming the responsibility of the Railroad Commission of Texas (RRC) to plug, which increases the burden on the RRC and state funds. The bill sponsor has further informed the committee that the current system allows operators to extend plugging deadlines indefinitely, often without a clear timeline for compliance, leading to an increasing number of orphaned wells that eventually become the responsibility of taxpayers and resulting in a backlog of inactive wells with the RRC.

C.S.S.B. 1150 seeks to address some of these policy gaps by making the existing process for obtaining an extension of the deadline for plugging an inactive well inapplicable to a well that has been inactive for more than 15 years and was completed more than 25 years before the date of the extension request and by setting out new procedures for obtaining an extension for such a well that would require a demonstrated history of returning inactive wells to operation, an approved compliance plan with a commitment to plugging or restoring the well by a specified date, or payment of a performance bond. The bill would also establish certain reporting requirements relating to inactive wells.

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 SECTIONS 1 and 2 of this bill.

ANALYSIS

C.S.S.B. 1150 amends the Natural Resources Code to prohibit an operator from obtaining an extension of the deadline for plugging an inactive well by complying with the conditions for such an extension that are prescribed under current law if the well has been inactive for more than 15 years and was completed more than 25 years before the date the operator submitted the request for the extension. The bill authorizes the Railroad Commission of Texas (RRC) to grant an extension of the deadline for plugging such an inactive well under any of the following conditions:

- if, on request of the operator, the RRC by order determines that the operator's demonstrated history of returning inactive wells to operation warrants the granting of the extension;
- if the inactive well is included in a compliance plan submitted to and approved by the RRC or the RRC's delegate in which the operator commits to plugging or restoring the inactive well to operation by September 1, 2040; or
- if the operator of the inactive well files with the RRC an individual performance bond in an amount that is not less than the full cost calculation for plugging an inactive well, as established by the RRC, that runs with and covers the lifetime of the well, regardless of a change in the operator.

The bill requires the RRC or the RRC's delegate, when considering whether to approve an operator's compliance plan, to consider the following:

- age and length of inactivity of the well;
- current economic conditions;
- the operator's percentage of inactive wells compared to the operator's total well count;
- whether the operator has submitted to the RRC with the operator's organization report a plan of action for how the well operator will plug or bring the operator's inactive well into production or operate the well as an injection well or other type of operation;
- the well operator's record of compliance, including any history of previous violations and the seriousness of those violations;
- any applicable financial assurance made by the well operator;
- any potential hazards to the health and safety of the public or the environment posed by the inactive well; and
- any good faith demonstrated by the well operator.

The bill authorizes the operator, if the RRC or its delegate denies an operator's request for the approval of a compliance plan, to request a hearing from the RRC regarding that determination.

C.S.S.B. 1150 requires the RRC to adopt rules requiring each operator involved in the transfer of an inactive well to jointly submit to the RRC a written affirmation stating the following:

- the well is in compliance with the requirements of provisions relating to the extension of a deadline for the plugging of an inactive well;
- the transfer was a business practice performed in good faith; and
- the operator to whom the inactive well was transferred will ensure continued compliance with such provisions.

C.S.S.B. 1150 makes an extension granted under the bill's provisions based on the operator's request and the RRC's determination that the operator's demonstrated history of returning inactive wells to operation warrants the granting of the extension nontransferable to another operator.

C.S.S.B. 1150 requires the RRC to establish an administrative penalty for a violation of provisions relating to the extension of a deadline for the plugging of an inactive well in an amount determined by the RRC.

C.S.S.B. 1150 requires the RRC, not later than December 1 of each year, to produce and deliver to the governor, lieutenant governor, and legislature a report that includes the following:

- the number of inactive wells in Texas;
- the age and length of inactivity of each inactive well;
- the number of inactive wells for which an extension of the deadline to plug the inactive well has been granted by the RRC;
- the financial assurance methods used by operators of inactive wells, including the number of wells using each financial assurance method available;
- the number of wells plugged in the preceding year, including a breakdown of wells plugged by operators versus wells plugged by the RRC using state money;

- the number of inactive wells returned to production or put into use as an injection well or other operation in the preceding year;
- a summary of the number of operators of inactive wells based on organization reports submitted to the RRC, including the total number, based on the reports, of operators and inactive wells that are in compliance, are delinquent, are delinquent for longer than a year, or have been granted a plugging deadline extension;
- the number of organization reports the RRC has not renewed or approved, including the following:
 - for each report that has not been renewed or approved, the associated well count and the total amount of financial security submitted by the operator; and
 - the total amount of financial security collected from each operator who filed a report that has not been renewed or approved; and
- the annual cost calculation for plugging an inactive well, as described under current law relating to plugging deadline extensions.

The bill requires the RRC to submit the first report to the governor, lieutenant governor, and legislature not later than December 1, 2026.

C.S.S.B. 1150 requires an operator, for each inactive well for which 15 years have elapsed from the date on which the relevant well completion report was filed with the RRC, to submit an annual report to the RRC with information regarding the results of a successful fluid level test or hydraulic pressure test of the well conducted in accordance with RRC rules. The bill requires the report to include appropriate documentation of the test results.

C.S.S.B. 1150 requires the RRC to adopt rules as necessary to regulate and monitor inactive wells under statutory provisions relating to abandoned wells. The bill requires the RRC to consider the following in adopting the rules:

- the risk to public safety or the environment;
- wellbore and wellhead integrity, including the ability to monitor casing pressure; and
- regional risk considerations, including penetration of corrosive or over-pressured formations and completion in zones containing hydrogen sulfide.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 1150 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

With respect to the conditions under which the RRC may grant an extension of the deadline for plugging a well that has been inactive for more than 15 years and was completed more than 25 years before the date the operator submitted the request for the extension, the engrossed and substitute differ as follows:

- the substitute omits the provision of the engrossed that authorized an extension to be granted if, on request of the operator, the RRC by order determines that the operator's financial hardship, as determined by the RRC based on whether the operator was a reasonably prudent operator, in complying with provisions relating to the extension of a deadline for the plugging of an inactive well warrants the granting of the extension; and
- while both versions authorize an extension to be granted if the inactive well is included in a compliance plan submitted to and approved by the RRC or the RRC's delegate in which the operator commits to plugging or restoring the inactive well to operation by a certain date, the engrossed specified a date of September 1, 2042, whereas the substitute specifies a date of September 1, 2040.

Both the engrossed and substitute require an operator, for certain inactive wells, to submit an annual report to the RRC with information regarding the results of a successful fluid level test or hydraulic pressure test of a well conducted in accordance with RRC rules. However, the substitute specifies that such a report is required for each inactive well for which 15 years have elapsed from the date on which the relevant well completion report was filed with the RRC, whereas the engrossed specified that such a report is required for each inactive well with a well completion age of more than 15 and defined "well completion age" as the number of years following the date that the relevant well completion report is filed with the RRC.

The substitute omits the provision from the engrossed that made the bill's provisions relating to the extension of a deadline for the plugging of an inactive well effective September 1, 2027.