

BILL ANALYSIS

Senate Research Center

S.B. 1150
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Natural Resources
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas oil and natural gas industry recognizes that the orphaned well population in Texas is growing and is committed to being part of the solution. Orphaned wells must be properly and safely plugged to protect public health and safety, the environment, and natural resources. The orphaned well population in Texas, as of August 2024, was 8,347 wells. In fiscal year 2024, the Railroad Commission of Texas (RRC) plugged 1,750 wells, but only reduced the net orphaned well population by 73 wells. Orphaned wells originate from the population of wells classified by the RRC as inactive. Laws and regulations associated with maintenance and plugging of inactive wells have not been updated since 2009, when the Texas Legislature passed H.B. 2259. Under current law and RRC rules, as long as an operator has a good faith claim to title and a well is in compliance with applicable rules, the well can remain inactive indefinitely. Because there is no deadline by which an operator must plug or reactivate an inactive well, the roster of inactive wells has swollen over time and ultimately feeds into the orphaned well population.

S.B. 1150 provides that a well must be plugged (or returned to production) once it reaches 15 years of inactivity and 25 years of life (since well completion). S.B. 1150 authorizes the RRC to grant an applicant's exception to this plugging requirement, taking into consideration the operator's demonstrated history of returning inactive wells to active status. The bill also allows a phase-in period if the operator develops an RRC-approved compliance plan, committing to plug or restore the well to active operation over a 15-year period from the effective date of the bill, by September 1, 2040. In considering the compliance plan, the RRC must evaluate a number of factors, including the number of years the well has been inactive, current economic conditions, the well operator's percentage of inactive wells, and plans of action for an operator to bring wells into production or plug.

As proposed, S.B. 1150 amends current law relating to the plugging 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 1 (Section 89.023, Natural Resources Code) and SECTION 3 (Section 89.032, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 89.023, Natural Resources Code, by amending Subsection (b) and adding Subsections (c) through (g), as follows:

(b) Prohibits an operator, notwithstanding Subsection (a) (relating to authorizing the Railroad Commission of Texas (RRC) to grant an extension of the deadline for plugging an inactive well under certain circumstances), from obtaining an extension of the deadline for plugging an inactive well by complying with that subsection:

- (1) creates this subdivision from existing text and makes no further changes; or
- (2) if the inactive well:

(A) has been an inactive well for more than 15 years; and

(B) 25 years have elapsed since the well was completed, unless:

(i) RRC approves an order granting an applicant's exception to plugging the inactive well; or

(ii) the inactive well is included in an approved compliance plan under Subsection (e), in which the operator of the well commits to plug, or restore to active operation, the inactive well within a time period ending on September 1, 2040.

(c) Requires RRC, when considering a request under Subsection (b)(2)(B)(i) for an exception to plugging an inactive well, to consider an operator's demonstrated history of returning inactive wells to active status.

(d) Provides that an exception approved by order of RRC under Subsection (b)(2)(B)(i) is not transferrable to another operator and is required to terminate upon transfer of the well, except that a new operator of that well is authorized to seek an additional exception under Subsection (b) for that well.

(e) Authorizes an operator to request RRC or its delegate to approve a compliance plan for inactive wells. Requires RRC or its delegate, in approving a compliance plan pursuant to Subsection (b)(2)(B)(ii), to consider certain factors.

(f) Authorizes an operator, if RRC or its delegate denies the operator's request for approval of a compliance plan pursuant to Subsection (e), to request a hearing and order of RRC.

(g) Requires RRC to adopt rules that provide for administrative review and approval of requests to transfer an inactive well to another operator to ensure that wells of the receiving operator are in compliance with this section.

SECTION 2. Amends Subchapter B-1, Chapter 89, Natural Resources Code, by adding Section 89.031, as follows:

Sec. 89.031. ANNUAL REPORT BY COMMISSION. Requires RRC, on or before September 1, 2026, and each year thereafter, to prepare and submit to the governor, lieutenant governor, and each member of the legislature a report on inactive wells that includes certain information.

SECTION 3. Amends Subchapter B-1, Chapter 89, Natural Resources Code, by adding Section 89.032, as follows:

Sec. 89.032. COMMISSION RULEMAKING. (a) Requires RRC by rule to adopt requirements for inactive wells. Requires RRC, in its rulemaking, to consider the following factors: risk to public safety and/or the environment, wellbore integrity and wellhead integrity including the ability to monitor casing pressures, and regional considerations of risk such as penetration of corrosive or overpressured formations, and completion in zones containing hydrogen sulfide.

(b) Requires that RRC's rules include requirements that within one year of the 15th anniversary of a well becoming inactive, the operator of that well submit a report to RRC that:

(1) demonstrates completion of a successful fluid level test or a mechanical integrity test of the well conducted in accordance with the RRC's rules in effect at the time of the test, with a phase-in period for wells that require testing on the effective date of the rule; and

(2) includes documentation of the results of a successful fluid level test and reporting of pressure on the production casing prior to testing.

SECTION 4. Effective date: September 1, 2025.