S.B. No. 1150

AN ACT

relating to the plugging of and reporting on inactive wells subject to the jurisdiction of the Railroad Commission of Texas; authorizing an administrative penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Section 89.023, Natural Resources Code, is amended by amending Subsection (b) and adding Subsections (c), (d), (e), (f), (g), (h), (i), and (j) to read as follows:

(b)  Notwithstanding Subsection (a) and subject to Subsection (c), an operator may not obtain an extension of the deadline for plugging an inactive well by complying with Subsection (a) [~~that subsection~~] if:

(1)  the well:

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

(B)  was completed more than 25 years before the date the operator submitted the request for the extension; or

(2)  the plugging of the well is otherwise required by commission rules or orders.

(c)  The commission may grant an extension of the deadline for plugging an inactive well described by Subsection (b)(1) if:

(1)  on request of the operator, the commission by order determines that:

(A)  the operator's demonstrated history of returning inactive wells to operation warrants the granting of the extension; or

(B)  the operator's financial hardship in complying with Subsection (b)(1) warrants the granting of the extension;

(2)  the inactive well is included in a compliance plan submitted to and approved by the commission or the commission's delegate in which the operator commits to plugging or bringing the inactive well into production or operation as an injection well or other type of operation by September 1, 2042; or

(3)  the operator of the inactive well files with the commission 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 commission, that runs with and covers the lifetime of the well, regardless of a change in the operator.

(d)   An operator asserting financial hardship as the basis for an extension under Subsection (c)(1)(B) shall submit to the commission an attestation signed by the operator's authorized representative. The attestation must include:

(1)  a statement that the commission should consider an extension of the deadline for plugging an inactive well described by Subsection (b)(1) because of the operator's financial hardship; and

(2)  a sworn financial statement certified by a certified public accountant.

(e)  When considering whether to grant an operator's request for the extension of the deadline for plugging an inactive well under Subsection (c)(1)(B), the commission may consider:

(1)  the attestation, including the statement and financial statement, submitted to the commission under Subsection (d);

(2)  the operator's prior investment in the plugging or maintenance of wells;

(3)  the operator's history of compliance, including any history of previous violations and the seriousness of those violations;

(4)  current economic conditions;

(5)  the operator's percentage of inactive wells compared to the operator's total well count; and

(6)  any other information as required by commission rules.

(f)  When considering whether to approve an operator's compliance plan under Subsection (c)(2), the commission shall consider:

(1)  age and length of inactivity of the well;

(2)  current economic conditions;

(3)  the operator's percentage of inactive wells compared to the operator's total well count;

(4)  whether the operator has submitted to the commission with the organization report required by Section 91.142 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;

(5)  the well operator's record of compliance, including any history of previous violations and the seriousness of those violations;

(6)  any financial assurance made by the well operator under Subsection (a)(3) or Section 89.027;

(7)  any potential hazards to the health and safety of the public or the environment posed by the inactive well; and

(8)  any good faith demonstrated by the well operator.

(g)  If the commission or its delegate denies an operator's request for the approval of a compliance plan under Subsection (c)(2), the operator may request a hearing from the commission regarding that determination.

(h)  The commission shall adopt rules requiring each operator involved in the transfer of an inactive well to jointly submit to the commission a written affirmation stating:

(1)  the well is in compliance with the requirements of this section;

(2)  the transfer was a business practice performed in good faith; and

(3)  the operator to whom the inactive well was transferred will ensure continued compliance with this section.

(i)  An extension granted under Subsection (c)(1) is not transferable to another operator.

(j)  The commission shall establish an administrative penalty for a violation of this section in an amount determined by the commission.

SECTION 2.  Subchapter C, Chapter 89, Natural Resources Code, is amended by adding Sections 89.049, 89.050, and 89.051 to read as follows:

Sec. 89.049.  ANNUAL REPORT. Not later than December 1 of each year, the commission shall produce and deliver to the governor, lieutenant governor, and legislature a report that includes:

(1)  the number of inactive wells in this state;

(2)  the age and length of inactivity of each inactive well;

(3)  the number of inactive wells for which an extension of the deadline to plug the inactive well has been granted by the commission under Section 89.023;

(4)  the financial assurance methods used by operators of inactive wells, including the number of wells using each financial assurance method available;

(5)  the number of wells plugged in the preceding year, including a breakdown of wells plugged by operators versus wells plugged by the commission using state money;

(6)  the number of inactive wells returned to production or put into use as an injection well or other operation in the preceding year;

(7)  a summary of the number of operators of inactive wells based on organization reports submitted to the commission under Section 91.142, 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 an extension under Section 89.023;

(8)  the number of organization reports the commission has not renewed or approved under Section 91.142, including:

(A)  for each report that has not been renewed or approved:

(i)  the associated well count; and

(ii)  the total amount of financial security submitted by the operator; and

(B)  the total amount of financial security collected from each operator who filed a report that has not been renewed or approved; and

(9)  the annual cost calculation for plugging an inactive well, as described by Section 89.023(a).

Sec. 89.050.  OPERATOR REPORT. For each inactive well for which 15 years have elapsed from the date on which the relevant well completion report was filed with the commission, an operator must submit an annual report to the commission with information regarding the results of a successful fluid level test or hydraulic pressure test of the well conducted in accordance with commission rules. The report must include appropriate documentation of the results of the test.

Sec. 89.051.  RULEMAKING. (a) The commission shall adopt rules as necessary to regulate and monitor inactive wells under this chapter.

(b)  In adopting rules under this section, the commission shall consider:

(1)  the risk to public safety or the environment;

(2)  wellbore and wellhead integrity, including the ability to monitor casing pressure; and

(3)  regional risk considerations, including penetration of corrosive or over-pressured formations and completion in zones containing hydrogen sulfide.

SECTION 3.  Not later than December 1, 2026, the Railroad Commission of Texas shall submit to the governor, lieutenant governor, and legislature the first report required by Section 89.049, Natural Resources Code, as added by this Act.

SECTION 4.  Not later than December 31, 2026, the Railroad Commission of Texas shall adopt rules as necessary to implement Chapter 89, Natural Resources Code, as amended by this Act. Rules adopted under this section must take effect September 1, 2027.

SECTION 5.  (a) Subject to Subsection (b) of this section, this Act takes effect September 1, 2025.

(b)  Section 89.023, Natural Resources Code, as amended by this Act, takes effect September 1, 2027.

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I hereby certify that S.B. No. 1150 passed the Senate on April 22, 2025, by the following vote: Yeas 30, Nays 1; and that the Senate concurred in House amendments on May 26, 2025, by the following vote: Yeas 30, Nays 1.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_    Secretary of the Senate

I hereby certify that S.B. No. 1150 passed the House, with amendments, on May 23, 2025, by the following vote: Yeas 128, Nays 0, one present not voting.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_    Chief Clerk of the House

Approved:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_             Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_           Governor