

By: Geren

H.B. No. 2766

A BILL TO BE ENTITLED

AN ACT

relating to the plugging of certain inactive wells subject to the jurisdiction of the Railroad Commission of Texas.

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) through (g) to read as follows:

(b) Notwithstanding Subsection (a), an operator may not obtain an extension of the deadline for plugging an inactive well by complying with that subsection:

(1) if the plugging of the well is otherwise required by commission rules or orders; 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) the commission 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.

1       (c) When considering a request under Subsection  
2 (b)(2)(B)(i) for an exception to plugging an inactive well, the  
3 commission shall consider an operator's demonstrated history of  
4 returning inactive wells to active status.

5       (d) An exception approved by order of the commission under  
6 Subsection (b)(2)(B)(i) is not transferrable to another operator  
7 and shall terminate upon transfer of the well, except that a new  
8 operator of that well may seek an additional exception under  
9 Subsection (b) for that well.

10       (e) An operator may request the commission or its delegate  
11 to approve a compliance plan for inactive wells. In approving a  
12 compliance plan pursuant to Subsection (b)(2)(B)(ii), the  
13 commission or its delegate shall consider the following factors:

14               (1) the number of years the well has been inactive and  
15 its age;

16               (2) current economic conditions;

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

19               (4) any plan of action by the well operator to plug or  
20 bring its inactive wells into production, injection, or other  
21 service operation, which must include a compliance report to be  
22 submitted to the commission annually with the operator's P-5  
23 renewal;

24               (5) whether the operator has financial assurance to  
25 cover the actual plugging costs of each well;

26               (6) the well operator's record of compliance, the  
27 history of any previous violations, and the seriousness of any

1 previous violations;

2 (7) any potential hazards to the health and safety of  
3 the public or environmental risks posed by the inactive well; and

4 (8) the demonstrated good faith of the well operator.

5 (f) If the commission or its delegate denies an operator's  
6 request for approval of a compliance plan pursuant to Subsection  
7 (e), the operator may request a hearing and order of the commission.

8 (g) The commission shall adopt rules that provide for  
9 administrative review and approval of requests to transfer an  
10 inactive well to another operator to ensure that wells of the  
11 receiving operator are in compliance with this section.

12 SECTION 2. Subchapter B-1, Chapter 89, Natural Resources  
13 Code, is amended by adding Section 89.031 to read as follows:

14 Sec. 89.031. ANNUAL REPORT BY COMMISSION. On or before  
15 September 1, 2026, and each year thereafter, the commission shall  
16 prepare and submit to the governor, lieutenant governor, and each  
17 member of the legislature a report on inactive wells that includes:

18 (1) the number of inactive wells in Texas;

19 (2) the age and length of inactivity for the inactive  
20 wells;

21 (3) the quantity of inactive wells that use each  
22 method for extending the deadline under this chapter for plugging  
23 inactive wells;

24 (4) the identification of the financial assurance  
25 methods being used by operators for inactive wells under this  
26 chapter, and the quantity of the number of inactive wells for each  
27 category of financial assurance;

1           (5) the number of inactive wells and total wells that  
2 were plugged in the prior 12 months, including a breakdown by  
3 commission district of wells plugged by industry and by the  
4 commission using state-managed funds;

5           (6) the number of inactive wells that were returned to  
6 production, injection, or other service operation in the prior 12  
7 months;

8           (7) P-5 status statistical summary of the number of  
9 operators of inactive wells including the total number of operators  
10 and total number of inactive wells for the status categories of  
11 active P-5, P-5 Extension, Delinquent P-5, and P-5 delinquent  
12 greater than 12 months;

13           (8) the number of P-5 Organization Reports revoked  
14 under Section 91.114, the associated well count, the total amount  
15 of financial assurance in place for those operators, and the amount  
16 of financial assurance collected; and

17           (9) the annual cost calculation for plugging an  
18 inactive well, as defined in Section 89.002 (a)(9).

19           SECTION 3. Subchapter B-1, Chapter 89, Natural Resources  
20 Code, is amended by adding Section 89.032 to read as follows:

21           Sec. 89.032. COMMISSION RULEMAKING. (a) The commission  
22 shall by rule adopt requirements for inactive wells. In its  
23 rulemaking, the commission shall consider the following factors:

24           (1) risk to public safety and/or the environment;  
25           (2) wellbore integrity and wellhead integrity  
26 including the ability to monitor casing pressures; and

27           (3) regional considerations of risk such as

1 penetration of corrosive or overpressured formations, and  
2 completion in zones containing hydrogen sulfide.

3 (b) The commission's rules shall include requirements that  
4 within one year of the 15th anniversary of a well becoming inactive,  
5 the operator of that well submit a report to the commission that:

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

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

14 SECTION 4. This Act takes effect September 1, 2025.