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West

S.B. No. 1150

A BILL TO BE ENTITLED

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), and (h) 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 the operator's:

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

1 (B) financial hardship, as determined by the
2 commission based on whether the operator was a reasonably prudent
3 operator, in complying with the provisions of this section warrants
4 the granting of the extension;

5 (2) the inactive well is included in a compliance plan
6 submitted to and approved by the commission or the commission's
7 delegate in which the operator commits to plugging or restoring the
8 inactive well to operation by September 1, 2042; or

9 (3) the operator of the inactive well files with the
10 commission an individual performance bond in an amount that is not
11 less than the full cost calculation for plugging an inactive well,
12 as established by the commission, that runs with and covers the
13 lifetime of the well, regardless of a change in the operator.

14 (d) When considering whether to approve an operator's
15 compliance plan under Subsection (c)(2), the commission or the
16 commission's delegate shall consider:

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

18 (2) current economic conditions;

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

21 (4) whether the operator has submitted to the
22 commission with the organization report required by Section [91.142](#)
23 a plan of action for how the well operator will plug or bring the
24 operator's inactive well into production or operate the well as an
25 injection well or other type of operation;

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

1 those violations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (7) a summary of the number of operators of inactive
21 wells based on organization reports submitted to the commission
22 under Section 91.142, including the total number, based on the
23 reports, of operators and inactive wells that are in compliance,
24 are delinquent, are delinquent for longer than a year, or have been
25 granted an extension under Section 89.023;

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

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

3 (i) the associated well count; and
4 (ii) the total amount of financial security
5 submitted by the operator; and

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

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

11 Sec. 89.050. OPERATOR REPORT. (a) In this section, "well
12 completion age" means the number of years following the date that
13 the relevant well completion report is filed with the commission.

14 (b) For each inactive well with a well completion age of
15 more than 15, an operator must submit an annual report to the
16 commission with information regarding the results of a successful
17 fluid level test or hydraulic pressure test of the well conducted in
18 accordance with commission rules. The report must include
19 appropriate documentation of the results of the test.

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

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

25 (1) the risk to public safety or the environment;
26 (2) wellbore and wellhead integrity, including the
27 ability to monitor casing pressure; and

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

4 SECTION 3. Not later than December 1, 2026, the Railroad
5 Commission of Texas shall submit to the governor, lieutenant
6 governor, and legislature the first report required by Section
7 89.049, Natural Resources Code, as added by this Act.

8 SECTION 4. (a) Subject to Subsection (b) of this section,
9 this Act takes effect September 1, 2025.

10 (b) The changes made by this Act to Section 89.023, Natural
11 Resources Code, take effect September 1, 2027.