LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION
Revision 1

April 3, 2025

TO: Honorable Drew Darby, Chair, House Committee on Energy Resources

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2766** by Geren (Relating to the plugging of certain inactive wells subject to the jurisdiction of the Railroad Commission of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2766, As Introduced: an impact of $0 through the biennium ending August 31, 2027.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2026	$0
2027	$0
2028	$0
2029	$0
2030	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *Oil & Gas Regulation* 5155	*Change in Number of State Employees from FY 2025*
2026	($13,335,397)	75.0
2027	($9,911,597)	75.0
2028	($8,871,817)	75.0
2029	($8,652,737)	75.0
2030	($8,433,557)	75.0

Fiscal Analysis

The bill would amend the Natural Resources Code to restrict the number of years a well can be inactive and adds additional requirements for both operators and Railroad Commission (RRC). The bill would also create the Inactive Well Annual Report, would require the RRC to administratively review and approve requests to transfer inactive wells from one operator to another, and would require the RRC to adopt rules to implement the provisions of the bill.

The bill would require the RRC to prepare and submit a report to the Governor, Lieutenant Governor, and each member of the Legislature on or before September 1, 2026, and each subsequent year information required by the bill.

Methodology

Based on the analysis of the RRC, implementing the provisions of the bill would require well site inspections of inactive wells to gather data and determine the risk to the health and safety of the public and the environment. The agency assumes it would develop a system to prioritize inspections and would also require: (1) modifying the Producer's Transportation Authority and Certificate of Compliance (P-4) and the Oil Field Cleanup (OFCU) legacy systems to move the system to a newer platform; (2) modifying the Oil and Gas disposal/injection testing and injection well testing processes (H-5 and H-15) systems; and (3) modifying and upgrading the agency's well plugging (W-3A, W-3 and W-3X) and Surface Equipment Removal for an Inactive Well (W-3C) systems.

For the purposes of this analysis, the table above assumes General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 (GR-D 5155) would be used to cover the cost of implementing the provisions of the bill. If revenue collections and the GR-D 5155 fund balance should become insufficient to pay for all costs, this analysis assumes that General Revenue Funds would be used instead. Based on information provided by the RRC, this analysis assumes revenues would not be generated from implementing the provisions of the bill.

Based on the information provided by RRC, it is assumed that 75 new positions each year would be required, with salary costs totaling $5,288,021 in fiscal year 2026 and continuing in each subsequent fiscal year. These FTEs would be required to create a new team dedicated to inactive well compliance and for field inspectors to assist with the review of Inactive Well Compliance Plans. According to the agency, forty Engineer Specialist III positions would be required as inspectors to determine any potential health and safety hazards to the public or environmental risks posed by inactive wells, and to determine well specific factors like wellhead/wellbore integrity, pressure, and fluid levels, and regional considerations like penetration of corrosion, presence of hydrogen sulfide gas, and formation pressure. Costs reflected in the table above also include $1,502,856 each fiscal year for employee benefits costs, $79,320 each fiscal year for payroll contributions, $1,125,000 each fiscal year for standard operating expenses, and $2,873,000 in fiscal year 2026 for new equipment. Costs reflected also include $2,467,200 in fiscal year 2026, $1,916,400 in fiscal year 2027, $876,720 in fiscal year 2028, $657,540 in fiscal year 2029, and $438,360 in fiscal year 2030 for software development costs.

Technology

Based on the information provided by RRC, technology costs related to updating multiple systems and developing additional data integrations and workflows for inactive well analysis and reporting would include $2,467,200 in fiscal year 2026, $1,916,400 in fiscal year 2027, $876,720 in fiscal year 2028, $657,540 in fiscal year 2029, and $438,360 in fiscal year 2030.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JMc, RStu, MW, JOc, TUf