

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 25, 2025

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB1150** by Middleton (Relating to the plugging of and reporting on inactive wells subject to the jurisdiction of the Railroad Commission of Texas; authorizing an administrative penalty.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1150, As Passed 2nd House: 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:

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

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from <i>Oil & Gas Regulation 5155</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	(\$6,036,855)	7.0
2027	(\$4,882,756)	7.0
2028	(\$14,884,216)	86.0
2029	(\$10,980,356)	86.0
2030	(\$10,541,996)	86.0

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 allow inactive well operators to file an individual performance bond in an amount not less than the full cost calculation for plugging an inactive well (as established by the RRC) to gain an extension of the deadline for plugging an inactive well. Provisions relating to the plugging of inactive wells and deadline extensions for said plugging would be implemented beginning September 1, 2027. 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 establish an administrative penalty for violations 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 inspections would begin in fiscal year 2028. 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 apart from any penalty revenues that may be assessed and collected from implementing the provisions of the bill.

Based on the information provided by RRC, it is assumed that 7.0 new positions would be required in fiscal year 2026 and fiscal year 2027, and 86.0 new positions would be required in each fiscal year after. Salary costs would include \$767,746 in fiscal year 2026 and fiscal year 2027, and \$6,353,031 in each fiscal year after. The initial 7.0 FTEs would be needed to begin to develop the program and begin IT work on system modifications, and to finalize rulemaking and program procedures prior to implementation. Upon implementation, the increased 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. They would also be required to inspect inactive wells to determine potential well-plugging costs to determine individual performance bonds. 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. 5.0 Compliance Analysts and one support staff are required for the individual performance bond determinations. Costs reflected in the table above also include \$218,193 for employee benefits in fiscal year 2026 and fiscal year 2027, and \$1,805,531 in each year after; \$11,516 for payroll contributions in fiscal year 2026 and fiscal year 2027 and \$95,295 in each year after; \$105,000 for standard operating expenses in fiscal year 2026, \$52,500 in fiscal year 2027, \$1,237,500 in fiscal year 2028, and \$645,000 in each fiscal year after; and \$2,873,000 in fiscal year 2028 for new equipment. Costs reflected also include \$4,934,400 in fiscal year 2026, \$3,832,800 in fiscal year 2027, \$2,519,859 in fiscal year 2028, \$2,081,499 in fiscal year 2029, and \$1,643,139 in fiscal year 2030 for software development costs.

Based on information provided by the Comptroller of Public Accounts, the revenue impact from new administrative penalties cannot be determined because the number of violations that would occur, the number of penalties that would be assessed, and the associated penalty revenue that would be collected is unknown.

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 \$4,934,400 in fiscal year 2026, \$3,832,800 in fiscal year 2027, \$2,519,859 in fiscal year 2028, \$2,081,499 in fiscal year 2029, and \$1,643,139 in fiscal year 2030.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

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