

JIM WRIGHT, CHAIRMAN
CHRISTI CRADDICK, COMMISSIONER
WAYNE CHRISTIAN, COMMISSIONER



ALEXANDER C. SCHOCH, GENERAL COUNSEL

RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

MEMORANDUM




TO: Chairman Jim Wright
 Commissioner Christi Craddick
 Commissioner Wayne Christian

FROM: Seth Boettcher, Attorney
 Office of General Counsel

THROUGH: Alexander C. Schoch, General Counsel
 Scott Larson, Assistant General Counsel

DATE: August 19, 2025

SUBJECT: Item 921: Proposed amendments to §§ 3.15 and 3.107 pursuant to House Bill 2663, 89th Legislative Session, 2025

August 19, 2025		
Approved	Denied	Abstain
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Attached is Staff's recommendation to propose amendments to 16 Texas Administrative Code § 3.15, relating to Surface Equipment Removal Requirements and Inactive Wells, and 16 Texas Administrative Code § 3.107, relating to Penalty Guidelines for Oil and Gas Violations. The amendments are proposed to implement provisions of House Bill 2663, 89th Texas Legislature (Regular Session, 2025).

The proposed amendments to § 3.15 add a reference to Texas Natural Resources Code § 89.029, which was amended by House Bill 2663. Additional amendments to § 3.15 add wording that an operator who is applying for a plugging extension for a well that has been inactive for at least 10 years to affirm that equipment associated with provided electric service has been removed. This new provision does not apply to equipment owned by an electric utility.

The proposed amendments to the Figure in § 3.107 incorporate the penalty mandated by House Bill 2663.

The proposed amendments will necessitate changes to Form W-3C to reflect the amendments to 16 Texas Administrative Code §§ 3.15 and 3.107.

Staff requests the Commission's approval to publish the proposed amendments in the *Texas Register* for public comment. If approved at conference on August 19th, the proposal should appear in the September 5th issue of the *Texas Register*. The proposal and an online comment form would also be made available on the Commission's website, giving interested persons more time to review and submit comments to the Commission.

cc: Wei Wang, Executive Director
Danny Sorrels, Deputy Executive Director
David Lindley, Assistant Director, Oil and Gas Division
Scott Larson, Assistant General Counsel, Office of General Counsel

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1 The Railroad Commission of Texas proposes amendments to §3.15, relating to Surface
2 Equipment Removal Requirements and Inactive Wells, and §3.107, relating to Penalty Guidelines for Oil
3 and Gas Violations, to implement House Bill 2663, 89th Texas Legislature (Regular Session, 2025). The
4 bill amends Texas Natural Resources Code §89.029 to require an operator who is applying for a plugging
5 extension for a well that has been inactive for at least 10 years to affirm to the Commission it has
6 removed all equipment associated with providing electric power to the production site, unless the
7 equipment is owned by a utility provider, as defined by Texas Utilities Code §31.002. The bill also
8 requires the Commission to assess a penalty of up to \$25,000 if an operator falsely files this affirmation.

9 The Commission proposes amendments in §3.15(f)(2)(A) to add a reference to Texas Natural
10 Resources Code §89.029.

11 The Commission proposes amendments in §3.15(f)(2)(A)(ii) to add wording that an operator who
12 is applying for a plugging extension for a well that has been inactive for at least 10 years to affirm that
13 equipment associated with providing electric service has been removed. This new provision does not
14 apply to equipment owned by an electric utility.

15 The Commission proposes amendments to the Figures in §3.107(j) to add the new penalty.

16 David Lindley, Assistant Director, Oil and Gas Division, has determined there will be no cost to
17 the Commission as a result of the proposed amendments. Mr. Lindley has determined that for the first five
18 years the amendments will be in effect, there will be no fiscal implications for local governments as a
19 result of enforcing the amendments.

20 Mr. Lindley has also determined that the public benefit anticipated as a result of enforcing or
21 administering the amendments will be the reduction of wildfire risks, improvements in well-site safety,
22 proper decommissioning of inactive wells through a well operator's written affirmation regarding the
23 removal of equipment associated with providing electric service to the well's production site, and
24 penalties issued to operators that do not comply with the new provisions.

25 Mr. Lindley has determined that for each year of the first five years that the amendments will be
26 in effect, there will be no additional economic costs for persons required to comply as a result of
27 Commission adoption of the proposed amendments. A person who violates the rule may have an
28 additional cost of paying the penalty.

29 In accordance with Texas Government Code, §2006.002, the Commission has determined there
30 will be no adverse economic effect on rural communities, small businesses or micro-businesses resulting
31 from the proposed amendments; therefore, the Commission has not prepared the economic impact
32 statement or the regulatory flexibility analysis required under §2006.002.

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1 The Commission has determined that the proposed rulemaking will not affect a local economy;
2 therefore, pursuant to Texas Government Code, §2001.022, the Commission is not required to prepare a
3 local employment impact statement for the proposed rule.

4 The Commission has determined that the proposed amendments do not meet the statutory
5 definition of a major environmental rule as set forth in Texas Government Code, §2001.0225; therefore, a
6 regulatory analysis conducted pursuant to that section is not required.

7 During the first five years that the rule would be in effect, the proposed amendments would not:
8 create or eliminate a government program; create or eliminate any employee positions; require an increase
9 or decrease in future legislative appropriations; increase fees paid to the agency; create a new regulation;
10 increase or decrease the number of individuals subject to the rule's applicability; expand, limit, or repeal
11 an existing regulation; or affect the state's economy.

12 Comments on the proposal may be submitted to Rules Coordinator, Office of General Counsel,
13 Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967; online at
14 www.rrc.texas.gov/general-counsel/rules/comment-form-for-proposed-rulemakings; or by electronic mail
15 to rulescoordinator@rrc.texas.gov. The Commission will accept comments until 5:00 p.m., on Monday,
16 October 6, 2025. The Commission finds that this comment period is reasonable because the proposal and
17 an online comment form will be available on the Commission's web site more than two weeks prior to
18 Texas Register publication of the proposal, giving interested persons additional time to review, analyze,
19 draft, and submit comments. The Commission encourages all interested persons to submit comments no
20 later than the deadline. The Commission cannot guarantee that comments submitted after the deadline
21 will be considered. For further information, call Mr. Lindley at (512) 463-6217. The status of
22 Commission rulemakings in progress is available at [www.rrc.texas.gov/general-counsel/rules/proposed-](http://www.rrc.texas.gov/general-counsel/rules/proposed-rules)
23 [rules](http://www.rrc.texas.gov/general-counsel/rules/proposed-rules). Once received, all comments are posted on the Commission's website at
24 <https://rrc.texas.gov/general-counsel/rules/proposed-rules/>. If you submit a comment and do not see the
25 comment posted at this link within three business days of submittal, please call the Office of General
26 Counsel at (512) 463-7149. The Commission has safeguards to prevent emailed comments from getting
27 lost; however, your operating system's or email server's settings may delay or prevent receipt.

28 The Commission proposes the amendments under Texas Natural Resources Code, §81.051 and
29 §81.052, which provide the Commission with jurisdiction over all persons owning or engaged in drilling
30 or operating oil or gas wells in Texas and the authority to adopt all necessary rules for governing and
31 regulating persons and their operations under commission jurisdiction; Texas Natural Resources Code
32 §§85.042, 85.202, 86.041 and 86.042, which require the Commission to adopt rules to control waste of oil

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and gas; and Texas Natural Resources Code, §89.023, which authorizes the Commission to adopt rules relating to the definition of active operation.

Statutory authority: Texas Natural Resources Code, §§81.051, 81.052, 85.042, 85.202, 86.041, 86.042, 89.023.

Cross-reference to statute: Texas Natural Resources Code, Chapter 81, 85, 86, and 89.

§3.15. Surface Equipment Removal Requirements and Inactive Wells.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise:

(1) Active operation--Regular and continuing activities related to the production of oil and gas for which the operator has all necessary permits. In the case of a well that has been inactive for 12 consecutive months or longer and that is not permitted as a disposal or injection well, the well remains inactive for purposes of this section, regardless of any minimal activity, until the well has reported production of at least five barrels of oil for oil wells or 50 Mcf of gas for gas wells each month for at least three consecutive months, or until the well has reported production of at least one barrel of oil for oil wells or at least one Mcf of gas for gas wells each month for 12 consecutive months.

(2) Cost calculation for plugging an inactive well--The cost, calculated by the Commission or its delegate, for each foot of well depth plugged based on average actual plugging costs for wells plugged by the Commission for the preceding state fiscal year for the Commission Oil and Gas Division district in which the inactive well is located.

(3) Delinquent inactive well--An inactive well for which, after notice and opportunity for a hearing, the Commission or its delegate has not extended the plugging deadline.

(4) Enhanced oil recovery (EOR) project--A project that does not include a water disposal project and is:

(A) a Commission-approved EOR project that uses any process for the displacement of oil or other hydrocarbons from a reservoir other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or biological process;

(B) a certified project described by Texas Tax Code, §202.054; or

(C) any other project approved by the Commission or its delegate for EOR.

(5) Good faith claim--A factually supported claim based on a recognized legal theory to a continuing possessory right in a mineral estate, such as evidence of a currently valid oil and gas lease or a recorded deed conveying a fee interest in the mineral estate.

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(6) Inactive well--An unplugged well that has been spudded or has been equipped with cemented casing and that has had no reported production, disposal, injection, or other permitted activity for a period of greater than 12 months.

(7) Operator designation form--A certificate of compliance and transportation authority or an application to drill, recomple, and reenter that has been approved by the Commission or its delegate.

(8) Physical termination of electric service to the well's production site--Disconnection of the electric service to an inactive well site at a point on the electric service lines most distant from the production site toward the main supply line in a manner that will not interfere with electrical supply to adjacent operations, including cathodic protection units.

(b) Plugging of inactive bay and offshore wells required.

(1) An operator of an existing inactive bay or offshore well as defined in §3.78 of this title (relating to Fees and Financial Security Requirements) must:

(A) restore the well to active operation as defined by Commission rule;

(B) plug the well in compliance with a Commission rule or order; or

(C) obtain the approval of the Commission or its delegate of an extension of the deadline for plugging an inactive bay or offshore well.

(2) The Commission or its delegate may not approve an extension of the deadline for plugging an inactive bay or offshore well if the plugging of the well is otherwise required by Commission rules or orders.

(c) Extension of deadline for plugging an inactive bay or offshore well. The Commission or its delegate may administratively grant an extension of the deadline for plugging an inactive bay or offshore well as defined by Commission rules if:

(1) the operator has a current organization report;

(2) the operator has, and on request provides, evidence of a good faith claim to a continuing right to operate the well;

(3) the well and associated facilities are otherwise in compliance with all Commission rules and orders; and

(4) for a well more than 25 years old, the operator successfully conducts and the Commission or its delegate approves a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil, and gas.

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(d) Plugging of inactive land wells required.

(1) An operator that assumes responsibility for the physical operation and control of an existing inactive land well must maintain the well and all associated facilities in compliance with all applicable Commission rules and orders and within six months after the date the Commission or its delegate approves an operator designation form must either:

(A) restore the well to active operation as defined by Commission rule;

(B) plug the well in compliance with a Commission rule or order; or

(C) obtain approval of the Commission or its delegate of an extension of the deadline for plugging an inactive well.

(2) The Commission or its delegate may not approve an extension of the deadline for plugging an inactive land well if the plugging of the well is otherwise required by Commission rules or orders.

(3) Except for an operator designation form filed for the purpose of a name change, the Commission or its delegate may not approve an operator designation form for an inactive land well until the operator satisfies the requirements of paragraph (1)(C) of this subsection.

(4) If an operator fails to restore the well to active operation as defined by Commission rule, plug the well in compliance with a Commission rule or order, or obtain an extension of the deadline for plugging an inactive well within six months after acquiring an inactive well, the Commission or its delegate may, after notice and opportunity for hearing, revoke the operator's organization report.

(5) The Commission or its delegate may approve an organization report that is delinquent or has been revoked if the Commission or its delegate simultaneously approves extensions of the deadline for plugging the operator's inactive wells.

(e) Extension of deadline for plugging an inactive land well. The Commission or its delegate may administratively grant an extension of the deadline for plugging an inactive land well if:

(1) the Commission or its delegate approves the operator's Application for an Extension of Deadline for Plugging an Inactive Well (Commission Form W-3X);

(2) the operator has a current organization report;

(3) the operator has, and on request provides evidence of, a good faith claim to a continuing right to operate the well;

(4) the well and associated facilities are otherwise in compliance with all Commission rules and orders; and

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(5) for a well more than 25 years old, the operator successfully conducts and the Commission or its delegate approves a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil, and gas.

(f) Application for an extension of deadline for plugging an inactive land well.

(1) This subsection does not apply to a bay well or an offshore well as those terms are defined in §3.78 of this title.

(2) An operator must include the following in an application for an extension of the deadline for plugging an inactive well:

(A) an affirmation made by an individual with personal knowledge of the physical condition of the inactive well pursuant to the provisions of Texas Natural Resources Code, §89.029 and §91.143, stating the following: that the operator has physically terminated electric service to the well's production site; and either:

(i) if the operator does not own the surface of the land where the well is located and the well has been inactive for at least five years but for less than 10 years as of the date of renewal of the operator's organization report, that the operator has emptied or purged of production fluids all piping, tanks, vessels, and equipment associated with and exclusive to the well; or

(ii) if the operator does not own the surface of the land where the well is located, and the well has been inactive for at least 10 years as of the date of renewal of the operator's organization report, that the operator has removed:

(I) all surface equipment and related piping, tanks, tank batteries, pump jacks, headers, fences, and firewalls; has closed all open pits; and has removed all junk and trash, as defined by Commission rule, associated with and exclusive to the well; and

(II) all equipment associated with providing electric service to the well's equipment production site, except for equipment owned by an electric utility, as defined by Section 31.002, Utilities Code; and

(B) documentation that the operator has satisfied at least one of the following requirements:

(i) for all inactive land wells that an operator has operated for more than 12 months, the operator has plugged or restored to active operation, as defined by Commission rule, 10% of the number of inactive land wells operated at the time of the last annual renewal of the operator's organization report;

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(ii) if the operator is a publicly traded entity, for all inactive land wells, the operator has filed with the Commission a copy of the operator's federal documents filed to comply with Financial Accounting Standards Board Statement No. 143, Accounting for Asset Retirement Obligations, and an original executed Uniform Commercial Code Form 1 Financing Statement, filed with the Secretary of State, that names the operator as the "debtor" and the Railroad Commission of Texas as the "secured creditor" and specifies the funds covered by the documents in the amount of the cost calculation for plugging all inactive wells;

(iii) the filing of a blanket bond on Commission Form P-5PB(2), Blanket Performance Bond, a letter of credit on Commission Form P-5LC, Irrevocable Documentary Blanket Letter of Credit, or a cash deposit, in the amount of either the lesser of the cost calculation for plugging all inactive wells or \$2 million;

(iv) for each inactive land well identified in the application, the Commission has approved an abeyance of plugging report and the operator has paid the required filing fee;

(v) for each inactive land well identified in the application, the operator has filed a statement that the well is part of a Commission-approved EOR project;

(vi) for each inactive land well identified in the application that is not otherwise required by Commission rule or order to conduct a fluid level or hydraulic pressure test of the well, the operator has conducted a successful fluid level test or hydraulic pressure test of the well and the operator has paid the required filing fee;

(vii) for each inactive land well identified in the application, the operator has filed Commission Form W-3X and the Commission or its delegate has approved a supplemental bond, letter of credit, or cash deposit in an amount at least equal to the cost calculation for plugging an inactive land well for each well specified in the application; or

(viii) for each time an operator files an application for a plugging extension and for each inactive land well identified in the application, the operator has filed Commission Form W-3X and the Commission or its delegate has approved an escrow fund deposit in an amount at least equal to 10% of the total cost calculation for plugging an inactive land well.

(g) Commission action on application for plugging extension.

(1) The Commission or its delegate shall administratively grant all applications for plugging extensions that meet the requirements of Commission rules.

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(2) The Commission or its delegate may administratively deny an application for a plugging extension for an inactive well if the Commission or its delegate determines that:

(A) the applicant does not have an active organization report at the time the plugging extension application is filed;

(B) the applicant has not submitted all required filing fees and financial assurance for the requested plugging extension and for renewal of its organization report; or

(C) the applicant has not submitted a signed organization report for the applied-for extension year that qualifies for approval regardless of whether the applicant has complied with the inactive well requirements of this section.

(3) Except as provided in paragraph (2) of this subsection, if the Commission or its delegate determines that an organization report should be denied renewal solely because it does not meet the inactive well requirements of this section, a Commission delegate shall, within a reasonable time of not more than 14 days after receipt of the applicant's administratively complete organization report renewal packet, including all statutorily required fees and financial assurance:

(A) notify the operator of the determination;

(B) provide the operator with a written statement of the reasons for the determination; and

(C) notify the operator that it has 90 days from the expiration of its most recently approved organization report to comply with the requirements of this section.

(4) If, after the expiration of the 90-day period specified in paragraph (3)(C) of this subsection, the Commission or its delegate determines that the operator remains out of compliance with the requirements of this section, the Commission delegate shall mail the operator a written notice of this determination. The operator may request a hearing. If the operator fails to timely file a request for hearing and the required hearing fee, the Commission shall enter an order denying the plugging extension request and denying renewal of the operator's organization report without further notice or opportunity for hearing.

(5) To request a hearing, the operator must file a written request for hearing and the hearing fee of \$4,500 with the Hearings Division, no later than 30 days from the date the written notice was mailed to the operator. In the request for hearing, the operator must identify by its assigned American Petroleum Institute (API) number each inactive well for which the operator is seeking a hearing to contest the determination that the well remains out of compliance. At the time an operator files a request for hearing under this subsection, the operator shall provide a list of affected persons to be given notice of the

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1 hearing. Affected persons shall include the owners of the surface estate of each tract on which a well that
2 is the subject of the hearing request is located, the director of the Commission's Enforcement Section, and
3 the district director of each Commission district in which the wells are located. The applicant's failure to
4 diligently prosecute a hearing requested under this subsection may result in the application being
5 involuntarily dismissed for want of prosecution on the motion of any affected person or on the
6 Commission's own motion.

7 (6) If an operator files a timely plugging extension application that is not properly
8 administratively denied for the reasons specified in paragraph (2) of this subsection, then the operator's
9 previously approved organization report shall remain in effect until the Commission approves its plugging
10 extension application or enters a final order denying the application.

11 (h) Revocation of extension. The Commission or its delegate may revoke an extension of the
12 deadline for plugging an inactive well if the Commission or its delegate determines, after notice and an
13 opportunity for a hearing, that the applicant is ineligible for the extension under the Commission's rules or
14 orders.

15 (i) Removal of surface equipment for land wells inactive more than 10 years. Requirements to
16 remove surface equipment for land wells inactive more than 10 years do not excuse an operator from
17 compliance with all other applicable Commission rules and orders including the requirements in Chapter
18 4 of this title (relating to Environmental Protection).

19 (1) An operator of an inactive land well must leave a clearly visible sign as required by
20 §3.3 of this title (relating to Identification of Properties, Wells, and Tanks) at the wellhead of the well and
21 must maintain wellhead control as required by §3.13 of this title (relating to Casing, Cementing, Drilling,
22 and Completion Requirements).

23 (2) An operator may not store surface equipment removed from an inactive land well on
24 an active lease.

25 (3) An operator may be eligible for a temporary extension of the deadline for plugging an
26 inactive land well or a temporary exemption from the surface equipment removal requirements if the
27 operator is unable to comply with the requirements of subsection (f)(2)(A) of this section because of
28 safety concerns or required maintenance of the well site and the operator includes with the application a
29 written affirmation of the facts regarding the safety concerns or maintenance.

30 (4) An operator may be eligible for an extension of the deadline for plugging a well
31 without complying with the surface equipment removal requirements for inactive land wells if the well is
32 located on a unit or lease or in a field associated with an EOR project and the operator includes a

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statement in the written affirmation that the well is part of such a project. The exemption provided by this subsection applies only to the equipment associated with current and future operations of the project.

(j) Abeyance of plugging report.

(1) An operator that files an abeyance of plugging report must:

(A) pay an annual fee of \$100 for each inactive land well covered by the report;

(B) use Commission Form W-3X on which the operator must specify the field and the covered wells within that field; and

(C) for each well, include a certification signed and sealed by a person licensed by the Texas Board of Professional Engineers or the Texas Board of Professional Geoscientists stating that the well has:

(i) a reasonable expectation of economic value in excess of the cost of plugging the well for the duration of the period covered by the report, based on the cost calculation for plugging an inactive well;

(ii) a reasonable expectation of being restored to a beneficial use that will prevent waste of oil or gas resources that otherwise would not be produced if the well were plugged; and

(iii) documentation demonstrating the basis for the affirmation of the well's future utility.

(2) Except as provided in paragraph (3) of this subsection, the Commission or its delegate may not transfer an abeyance of plugging report to a new operator of an existing inactive land well. The new operator of an existing inactive land well must file a new abeyance of plugging report or otherwise comply with the requirements of this subchapter not later than six months after the date the Commission or its delegate approves the new operator's request to be recognized as the operator of the well.

(3) The Commission or its delegate may transfer an abeyance of plugging report in the event of a change of name of an operator.

(k) Enhanced oil recovery (EOR) project.

(1) An inactive well is considered to be part of an EOR project if the well is located on a unit or lease or in a field associated with a Commission-approved EOR project.

(2) Except as provided in paragraph (3) of this subsection, the Commission and its delegate may not transfer a statement that an inactive well is part of an EOR project to a new operator of an existing inactive well. A new operator of an existing inactive well must file a new statement stating that the well is part of such an EOR project or otherwise comply with the provisions of this section not

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1 later than six months after the date the Commission or its delegate approves the new operator's request to
2 be recognized as the operator of the well.

3 (3) The Commission or its delegate may transfer a statement that a well is part of an EOR
4 project in the event of a change of name of an operator.

5 (I) Fluid level or hydraulic pressure test for inactive wells more than 25 years old.

6 (1) At least three days prior to the test, the operator must give the district office notice of
7 the date and approximate time the operator intends to conduct a fluid level or hydraulic pressure test. The
8 district office may require that a test be witnessed by a Commission employee. The district office may
9 allow an operator to conduct a test even if notice of the test is provided to the district office fewer than
10 three days prior to the test.

11 (2) No operator may conduct a test other than a fluid level or hydraulic pressure test
12 without prior approval from the district director or the director's delegate.

13 (3) For each inactive well that is more than 25 years old and that has been inactive more
14 than 10 years, the operator must perform either a fluid level test once every 12 months or a hydraulic
15 pressure test once every five years and obtain the approval of the Commission or its delegate of the results
16 of said tests.

17 (4) Notwithstanding the provisions of paragraph (1) of this subsection, an operator may
18 conduct a hydraulic pressure test without prior approval from the district director or the director's
19 delegate, provided that the operator gives the district office written notice of the date and approximate
20 time for the test at least three days prior to the time the test will be conducted; the production casing is
21 tested to a depth of at least 250 feet below the base of usable quality water strata or 100 feet below the top
22 of cement behind the production casing, whichever is deeper; and the minimum test pressure is greater
23 than or equal to 250 psig for a period of at least 30 minutes.

24 (5) Using Commission Form H-15, each operator must file in the Commission's Austin
25 office the results of a successful fluid level test within 30 days of the date the test was performed. The
26 results, if approved, are valid for a period of one year from the date of the test. Upon request by the
27 Commission or its delegate, the operator must file the actual test data.

28 (6) Using Commission Form H-5 or Form H-15, each operator must file in the district
29 office the results of a successful hydraulic pressure test, including the original pressure recording chart or
30 its electronic equivalent, within 30 days of the date the test was performed. The results, if approved, are
31 valid for a period of five years from the date of the test, unless the Commission or its delegate requires the

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operator to perform testing more frequently to ensure that the well does not pose a threat of harm to natural resources.

(7) An operator of an inactive well that is more than 25 years old may not return that inactive well to active operation unless the operator performs either a successful fluid level test of the well within 12 months prior to the return to activity or a successful hydraulic pressure test of the well within five years prior to the return to activity.

(m) Fluid level or hydraulic pressure test for inactive land well less than 25 years old.

(1) At least three days prior to the test, each operator must give the district office notice of the date and approximate time the operator intends to conduct a fluid level or hydraulic pressure test. The district office may require that a test be witnessed by a Commission employee. The district office may allow an operator to conduct a test even if notice of the test is provided to the district office fewer than three days prior to the test.

(2) No operator may conduct a test other than a fluid level or hydraulic pressure test without prior approval from the district director or the director's delegate.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, an operator may conduct a hydraulic pressure test without prior approval from the district director or the director's delegate, provided that the operator gives the district office written notice of the date and approximate time for the test at least three days prior to the time the test will be conducted; the production casing is tested to a depth of at least 250 feet below the base of usable quality water strata or 100 feet below the top of cement behind the production casing, whichever is deeper; and the minimum test pressure is greater than or equal to 250 psig for a period of at least 30 minutes.

(4) An operator that files documentation of a fluid level test or a hydraulic pressure test for an inactive land well less than 25 years old in order to obtain a plugging extension must pay an annual fee of \$50 for each well covered by the documentation.

(5) Using Commission Form H-15, each operator must file in the Commission's Austin office the results of a successful fluid level test within 30 days of the date the test was performed. The results, if approved, are valid for a period of one year from the date of the test. Upon request by the Commission or its delegate, the operator must file the actual test data.

(6) Using Commission Form H-5 or Form H-15, each operator must file in the district office the results of a successful hydraulic pressure test, including the original pressure recording chart or its electronic equivalent, within 30 days of the date the test was performed. The results, if approved, are valid for a period of five years from the date of the test, unless the Commission or its delegate requires the

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operator to perform testing more frequently to ensure that the well does not pose a threat of harm to natural resources.

(7) The Commission or its delegate may transfer documentation of the results of a fluid level or hydraulic pressure test to a new operator of an existing inactive land well that is less than 25 years old.

(n) Supplemental financial assurance.

(1) A supplemental bond, letter of credit, or cash deposit filed as part of an application for an extension for an inactive land well is in addition to any other financial assurance otherwise required of the operator or for the well.

(2) The Commission or its delegate may not transfer a supplemental bond, letter of credit, or cash deposit to a new operator of an existing inactive land well. A new operator of an existing inactive land well must file a new supplemental bond, letter of credit, or cash deposit or otherwise comply with the provisions of this section not later than six months after the date the Commission or its delegate approves an operator designation form.

(o) Escrow funds.

(1) An operator must deposit escrow funds with the Commission each time the operator files an application for an extension of the deadline for plugging an inactive well.

(2) The Commission or its delegate may release escrow funds deposited with the Commission only as prescribed by §3.78 of this title.

(p) Plugging more than 10% of inactive well inventory. If an operator plugs more than 10% of the number of inactive land wells during a 12-month organization report cycle, the Commission will count the number of plugged wells above 10% toward fulfillment of the 10% blanket option under subsection (f)(2)(B)(i) of this section during the next organization report cycle.

§3.107. Penalty Guidelines for Oil and Gas Violations.

(a) Policy. Improved safety and environmental protection are the desired outcomes of any enforcement action. Encouraging operators to take appropriate voluntary corrective and future protective actions once a violation has occurred is an effective component of the enforcement process. Deterrence of violations through penalty assessments is also a necessary and effective component of the enforcement process. A rule-based enforcement penalty guideline to evaluate and rank oil- and natural gas-related violations is consistent with the central goal of the Commission's enforcement efforts to promote compliance. Penalty guidelines set forth in this section will provide a framework for more uniform and

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1 equitable assessment of penalties throughout the state, while also enhancing the integrity of the
2 Commission's enforcement program.

3 (b) Only guidelines. This section complies with the requirements of Texas Natural Resources
4 Code, §81.0531 and §91.101, which provides the Commission with the authority to adopt rules, enforce
5 rules, and issue permits relating to the prevention of pollution. The penalty amounts shown in the tables in
6 this section are provided solely as guidelines to be considered by the Commission in determining the
7 amount of administrative penalties for violations of provisions of Texas Natural Resources Code, Title 3;
8 Texas Water Code, Chapters 26, 27, and 29, that are administered and enforced by the Commission; or
9 the provisions of a rule adopted or order, license, permit, or certificate issued under Texas Natural
10 Resources Code, Title 3, or Texas Water Code, Chapters 26, 27, and 29. This rule does not contemplate
11 automatic enforcement. Violations can be corrected by operators before being referred to legal
12 enforcement.

13 (c) Commission authority. The establishment of these penalty guidelines shall in no way limit the
14 Commission's authority and discretion to cite violations and assess administrative penalties. The guideline
15 minimum penalties listed in this section are for the most common violations cited; however, this is neither
16 an exclusive nor an exhaustive list of violations that the Commission may cite. The Commission retains
17 full authority and discretion to cite violations of Texas Natural Resources Code, Title 3; including Nat.
18 Res. Code §91.101, which provides the Commission with the authority to adopt rules, enforce rules, and
19 issue permits relating to the prevention of pollution; the provisions of Texas Water Code, Chapters 26, 27,
20 and 29, that are administered and enforced by the Commission; and the provisions of a rule adopted or an
21 order, license, permit, or certificate issued under Texas Natural Resources Code, Title 3, or Texas Water
22 Code, Chapters 26, 27, and 29, and to assess administrative penalties in any amount up to the statutory
23 maximum when warranted by the facts in any case, regardless of inclusion in or omission from this
24 section.

25 (d) Factors considered. The amount of any penalty requested, recommended, or finally assessed
26 in an enforcement action will be determined on an individual case-by-case basis for each violation, taking
27 into consideration the following factors:

- 28 (1) the person's history of previous violations;
29 (2) the seriousness of the violation;
30 (3) any hazard to the health or safety of the public; and
31 (4) the demonstrated good faith of the person charged.

(e) Typical penalties. Regardless of the method by which the guideline typical penalty amount is calculated, the total penalty amount will be within the statutory limit.

(1) A guideline of typical penalties for violations of Texas Natural Resources Code, Title 3; the provisions of Texas Water Code, Chapters 26, 27, and 29, that are administered and enforced by the Commission; and the provisions of a rule adopted or an order, license, permit, or certificate issued under Texas Natural Resources Code, Title 3, or Texas Water Code, Chapters 26, 27, and 29, are set forth in Table 1.

Figure: 16 TAC §3.107(e)(1) (No change.)

(2) Guideline penalties for violations of §3.73 of this title, relating to Pipeline Connection; Cancellation of Certificate of Compliance; Severance, include additional penalty amounts that are based on four components. In combination, these four components yield the factor by which an additional penalty amount of \$1,000 is multiplied. The various combinations of the components are set forth in Table 1A.

(A) The first component is the length of the violation. A low rating means the violation has been in existence less than three months. A medium rating means the violation has been outstanding for more than three months and up to one year. A high rating means the violation has been outstanding for more than one year.

(B) The second component is production value. A low rating means the value of the production is less than \$5,000. A medium rating means the value of the production is more than \$5,000 and up to \$100,000. A high rating means the value of the production is more than \$100,000.

(C) The third component is the number of unresolved severances. A low rating means there are fewer than two unresolved severances. A medium rating means there are more than two and up to six unresolved severances. A high rating means there are more than six unresolved severances.

(D) The fourth component is the basis of the severance. The letter "N" indicates that the severance is not pollution related. The letter "Y" indicates that the severance is pollution related.

Figure: 16 TAC §3.107(e)(2)(D) (No change.)

(f) Penalty enhancements for certain violations. For violations that involve threatened or actual pollution; result in threatened or actual safety hazards; or result from the reckless or intentional conduct of the person charged, the Commission may assess an enhancement of the guideline penalty amount. The enhancement may be in any amount in the range shown for each type of violation as shown in Table 2.

Figure: 16 TAC §3.107(f) (No change.)

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(g) Penalty enhancements for certain violators. For violations in which the person charged has a history of prior violations within seven years of the current enforcement action, the Commission may assess an enhancement based on either the number of prior violations or the total amount of previous administrative penalties, but not both. The actual amount of any penalty enhancement will be determined on an individual case-by-case basis for each violation. The guidelines in Tables 3 and 4 are intended to be used separately. Either guideline may be used where applicable, but not both.

Figure 1: 16 TAC §3.107(g) (No change.)

Figure 2: 16 TAC §3.107(g) (No change.)

(h) Penalty reduction for accelerated settlement before hearing. The recommended monetary penalty for a violation may be reduced by up to 50% if the person charged agrees to an accelerated settlement before the Commission conducts an administrative hearing to prosecute a violation. Once the hearing is convened, the opportunity for the person charged to reduce the basic monetary penalty is no longer available. The reduction applies to the basic penalty amount requested and not to any requested enhancements.

(i) Demonstrated good faith. In determining the total amount of any monetary penalty requested, recommended, or finally assessed in an enforcement action, the Commission may consider, on an individual case-by-case basis for each violation, the demonstrated good faith of the person charged. Demonstrated good faith includes, but is not limited to, actions taken by the person charged before the filing of an enforcement action to remedy, in whole or in part, a violation or to mitigate the consequences of a violation.

(j) Penalty calculation worksheet. The penalty calculation worksheet shown in Table 5 lists the guideline minimum penalty amounts for certain violations; the circumstances justifying enhancements of a penalty and the amount of the enhancement; and the circumstances justifying a reduction in a penalty and the amount of the reduction.

Figure: 16 TAC §3.107(j)

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's authority to adopt.

Issued in Austin, Texas on August 19, 2025.

Filed with the Office of the Secretary of State on August 19, 2025.

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Figure: 16 TAC §3.107(j)

Table 5. Penalty Calculation Worksheet

	Oil & Gas Rule/Statute	General Description	Guideline Minimum Penalty from Table 1	Penalty Tally
1	16 TAC §3.2	Commission denied access	\$1,000	\$
2	16 TAC §3.3	failure to comply with well sign requirements	\$500	\$
3	16 TAC §3.3	failure to comply with entrance sign requirements	\$1,000	\$
4	16 TAC §3.3	failure to comply with tank battery sign requirements	\$1,000	\$
5	16 TAC §3.5(a)	no drilling permit: filed but not approved	\$5,000	\$
6	16 TAC §3.5(a)	no drilling permit: no application filed	\$10,000	\$
7	16 TAC §3.8(b)	pollution of surface or subsurface water	\$1,000 minimum	\$
8	16 TAC §3.8(d)(1)	improper disposal of oil and gas waste; enhance for actual or threatened pollution: dry pit area	\$500 base penalty plus \$0.30/sq. ft.	\$
9	16 TAC §3.8(d)(1)	improper disposal of oil and gas waste; enhance for actual or threatened pollution: wet pit area	\$500 base penalty plus \$0.50/sq. ft.	\$
10	16 TAC §3.8(d)(2)	use of prohibited pits: fresh water pit area	\$2,500 base plus \$0.25 sq. ft.	\$
11	16 TAC §3.8(d)(2)	use of prohibited pits: salt water or other fluid area	\$2,500 base plus \$0.75 sq. ft.	\$
12	16 TAC §3.8(d)(4)(G)(i)(I), (II)	reserve pits: fresh water pit area	\$2,500 base plus \$0.25 sq. ft.	\$
13	16 TAC §3.8(d)(4)(G)(i)(I), (II)	reserve pits: salt water or other fluid pit area	\$2,500 base plus \$0.75 sq. ft.	\$
14	16 TAC §3.8(d)(4)(G)(i)(III), (IV)	workover and other pits: dry	\$2,500	\$
15	16 TAC §3.8(d)(4)(G)(i)(III), (IV)	workover and other pits: wet	\$5,000	\$
16	16 TAC §3.9(1)	no permit to dispose or inject	\$5,000	\$
17	16 TAC §3.9(9)(A)	failure to comply with tubing and packer requirements	\$2,000	\$
18	16 TAC §3.9(9)(B)	no pressure observation valve	\$1,000 per valve	\$
19	16 TAC §3.9(12)	no test, failed test, or no Form H-5	\$5,000	\$
20	16 TAC §3.13(b)(1)(B)	open casing/tubing	\$1,000 to \$5,000	\$
21	16 TAC §3.13(b)(1)(C)	failure to comply with wellhead control requirements	\$5,000	\$

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	Oil & Gas Rule/Statute	General Description	Guideline Minimum Penalty from Table 1	Penalty Tally
22	16 TAC §3.13(b)(2)	failure to comply with surface casing requirements	\$2,000	\$
23	16 TAC §3.14(a)(2)	failure to file Form W-3A	\$2,500	\$
24	16 TAC §3.14(a)(3)	failure to notify of setting plugs	\$1,500	\$
25	16 TAC §3.14(b)(1)	failure to file Form W-3	\$5,000	\$
26	16 TAC §3.14(b)(2)	failure to plug onshore well	\$2,000 plus \$1/ft. of total depth	\$
27	16 TAC §3.14(b)(2)	failure to plug bay, estuary, or inland waterway well	\$15,000 plus \$2 per foot of total depth, subject to statutory maximum	\$
28	16 TAC §3.14(b)(2)	failure to plug offshore well	\$50,000 plus \$5 per foot of total depth, subject to statutory maximum	\$
29	16 TAC §3.14(d)(1)-(11)	failure to follow general plugging requirement	\$1,000	\$
30	16 TAC §3.14(d)(12)	failure to remove miscellaneous loose junk and trash	\$1,000	\$
31	16 TAC §3.14(d)(12)	failure to remove tanks, vessels, and related piping	\$2,500	\$
32	16 TAC §3.14(d)(12)	failure to empty tanks, vessels, and related piping	\$5,000	\$
33	16 TAC §3.15(l)(7)	failure to test prior to reactivating well	\$1,000	\$
34	16 TAC §3.15(f)(2)(A)	failure to disconnect electricity	\$5,000	\$
35	16 TAC §3.15(f)(2)(A)	failure to purge vessels	\$7,500	\$
36	16 TAC §3.15(f)(2)(A)	failure to remove equipment	\$10,000	\$
37	16 TAC §3.16(b) and (c)	failure to file completion records/logs	\$2,500	\$
38	16 TAC §3.17	Bradenhead violations: no valve; no access; or pressure on it	\$1,000 to \$2,500	\$
39	16 TAC §3.20(a)(1)	failure to notify of incident	\$2,500 to \$5,000	\$
40	16 TAC §3.21(a)-(i)	improper fire prevention	\$1,000	\$
41	16 TAC §3.21(j)	failure to comply with dike/firewall requirements	\$2,500	\$
42	16 TAC §3.21(k)	swabbing without authority	\$1,000 per well	\$
43	16 TAC §3.21(l)	failure to comply with electric power line requirements	\$2,000	\$
44	16 TAC §3.22	no nets	compliance	
45	16 TAC §3.35(a)	failure to notify of lost logging tool	\$5,000	\$

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	Oil & Gas Rule/Statute	General Description	Guideline Minimum Penalty from Table 1	Penalty Tally
46	16 TAC §3.35(b)	failure to properly abandon lost logging tool	\$5,000	\$
47	16 TAC §3.36(c)(5)(B)	improper storage tank signs in a non-public area	\$1,000	\$
48	16 TAC §3.36(c)(5)(B)	improper storage tank signs in a public area	\$2,000	\$
49	16 TAC §3.36(c)(6)(A)	improper entry signs in a non-public area	\$1,000	\$
50	16 TAC §3.36(c)(6)(A)	improper entry signs in a public area	\$2,000	\$
51	16 TAC §3.36(c)(6)(A)	improper entry signs in a populated public area	\$5,000	\$
52	16 TAC §3.36(c)(6)(B)	failure to fence specific area at a well	\$5,000	\$
53	16 TAC §3.36(c)(6)(B)	failure to fence specific area at a battery	\$10,000	\$
54	16 TAC §3.36(c)(6)(C)	materials provision	\$2,500	\$
55	16 TAC §3.36(c)(8)	failure to maintain H ₂ S equipment	\$5,000	\$
56	16 TAC §3.36(c)(9)(Q)	failure to update contingency plan	\$2,500	\$
57	16 TAC §3.36(c)(9)(N)	failure to notify of H ₂ S contingency plan activation	more than 6 hours up to 12 hours-\$5,000	\$
58	16 TAC §3.36(c)(9)(N)	failure to notify of H ₂ S contingency plan activation	12 hours or more-\$10,000	\$
59	16 TAC §3.36(c)(14)	failure to notify of H ₂ S release	more than 6 hours up to 12 hours-\$5,000	\$
60	16 TAC §3.36(c)(14)	failure to notify of H ₂ S release	12 hours or more-\$10,000	\$
61	16 TAC §3.36(c)(11)-(12), except (12)(F)	failure to follow requirements at drill/workover site; no injury	\$5,000	\$
62	16 TAC §3.36(c)(11)-(12), except (12)(F)	failure to follow requirements at drill/workover site; injury or death	\$10,000	\$
63	16 TAC §3.36(c)(12)(F)	failure to notify of drill stem test in H ₂ S formation	\$2,000	\$
64	16 TAC §3.36(c)(13)	failure to have H ₂ S trained personnel	\$5,000 per person	\$
65	16 TAC §3.36(d)(1)(E)	failure to file Form H-9; non-public area	\$1,000	\$
66	16 TAC §3.36(d)(1)(E)	failure to file Form H-9; public area	\$10,000	\$
67	16 TAC §3.36(d)(2)	failure to identify well as sour on completion report	\$10,000	\$
68	16 TAC §3.36(d)(3)	intentional failure to file written report of H ₂ S release	\$3,000	\$
69	16 TAC §3.36(d)(3)	failure to file written report of emergency H ₂ S release	\$5,000	\$

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	Oil & Gas Rule/Statute	General Description	Guideline Minimum Penalty from Table 1	Penalty Tally
70	16 TAC §3.46(a)	no permit to dispose or inject	\$5,000	\$
71	16 TAC §3.46(g)(1)	failure to comply with tubing and packer requirements	\$2,000	\$
72	16 TAC §3.46(g)(2)	no pressure observation valve	\$1,000 per valve	\$
73	16 TAC §3.46(j)	no test, failed test, or no Form H-5	\$5,000	\$
74	16 TAC §3.57	reclamation plant operation violation	\$1,000	\$
75	16 TAC §3.65(c), (d), or (f)	failure to file Form CI-D or Form CI-X	\$1,000	\$
76	16 TAC §3.65(g)	failure to provide critical customer information	\$2,500	\$
77	16 TAC §3.73(a)	failure to notify of pipeline connection	\$1,000	\$
78	16 TAC §3.73(h)	reconnecting, transporting from well/lease without approved Form P-4	\$1,000 minimum; see Table 1A for additional amount	\$
79	16 TAC §3.73(j)	reporting, producing, injecting, disposing without approved Form P-4	\$1,000 minimum; see Table 1A for additional amount	\$
80	16 TAC §3.81	failure to comply with brine mining injection well operation requirements	\$1,000	\$
81	16 TAC §3.95	failure to comply with underground salt formation liquid or liquefied hydrocarbon storage facility operation requirements	\$2,000	\$
82	16 TAC §3.96	failure to comply with underground productive or depleted reservoir gas storage facility operation requirements	\$2,000	\$
83	16 TAC §3.97	failure to comply with underground salt formation gas storage facility operation requirements	\$2,000	\$
84	16 TAC §3.98	failure to comply with hazardous waste disposal operation requirements	\$2,000	\$
85	16 TAC §3.99(d)(2)	failure to comply with protection/isolation of usable quality water requirements	\$2,500 per well	\$
86	16 TAC §3.99(e)	failure to comply with cathodic protection well construction requirements	\$1,000 per well	\$
87	16 TAC §3.99(g)	failure to file completion report	\$1,000 per well	\$
88	16 TAC §3.100(d)(2)	failure to permit seismic/core holes penetrating usable quality water	\$1,000 per hole	\$
89	16 TAC §3.100(f)	failure to properly plug seismic/core holes	\$1,000 per hole	\$
90	16 TAC §3.100(g)	failure to file final survey report	\$5,000 per survey	\$
91	16 TAC §3.106(b)	commenced construction of a sour gas pipeline facility without a permit	\$10,000	\$
92	16 TAC §3.106(e)	published notice with egregious errors/omissions	\$5,000	\$
93	16 TAC §3.106(f)	provided pipeline plat with egregious errors/omissions	\$5,000	\$

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	Oil & Gas Rule/Statute	General Description	Guideline Minimum Penalty from Table 1	Penalty Tally
				\$
94	Tex. Nat. Res. Code, §91.143	false filing	\$1,000 per form	\$
95	Tex. Nat. Res. Code, §89.029	false filing	\$1,000 to \$25,000	\$
965	Subtotal of guideline penalty amounts from Table 1 (lines 1-954, inclusive)			\$
976	Reduction for settlement before hearing: up to 50% of line 965 amt.		%	\$
987	Subtotal: amount shown on line 965 less applicable settlement reduction on line 976			\$
Penalty enhancement amounts for threatened or actual pollution from Table 2				
998	Agricultural land or sensitive wildlife habitat		\$1,000 to \$5,000	\$
10099	Endangered or threatened species		\$2,000 to \$10,000	\$
1010	Bay, estuary or marine habitat		\$5,000 to \$25,000	\$
1021	Minor freshwater source (minor aquifer, seasonal watercourse)		\$2,500 to \$7,500	\$
1032	Major freshwater source (major aquifer, creeks, rivers, lakes and reservoirs)		\$5,000 to \$25,000	\$
Penalty enhancement amounts for safety hazard from Table 2				
1043	Impacted residential/public areas		\$1,000 to \$15,000	\$
1054	Hazardous material release		\$2,000 to \$25,000	\$
1065	Reportable incident/accident		\$5,000 to \$25,000	\$
1076	Well in H2S field		up to \$10,000	\$
Penalty enhancement amounts for severity of violation from Table 2				
1087	Time out of compliance		\$100 to \$2,000 each month	\$
1098	Subtotal: amount shown on line 987 plus all amounts on lines 998 through 1087, inclusive			\$
Penalty enhancements for culpability of person charged from Table 2				
1109	Reckless conduct of operator		double line 1098 amount	\$
1110	Intentional conduct of operator		triple line 1098 amount	\$
Penalty enhancements for number of prior violations within past seven years from Table 3				
1121	One		\$1,000	\$
1132	Two		\$2,000	\$

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	Oil & Gas Rule/Statute	General Description	Guideline Minimum Penalty from Table 1	Penalty Tally
114 3	Three		\$3,000	\$
115 4	Four		\$4,000	\$
116 5	Five or more		\$5,000	\$
Penalty enhancements for amount of penalties within past seven years from Table 4				
117 6	Less than \$10,000		\$1,000	\$
118 7	Between \$10,000 and \$25,000		\$2,500	\$
119 8	Between \$25,000 and \$50,000		\$5,000	\$
120 9	Between \$50,000 and \$100,00		\$10,000	\$
121 0	Over \$100,000		10% of total amt.	\$
122 1	Subtotal: Line 987 amt. plus amts. on line 1109 and/or 1110 plus the amt. shown on any line from 1124 through 1210, inclusive			\$
123 2	Reduction for demonstrated good faith of person charged			\$
124 3	TOTAL PENALTY AMOUNT: amount on line 1221 less any amount shown on line 1232			\$