

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



ALEXANDER C. SCHOCH, *GENERAL COUNSEL*

RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

MEMORANDUM

TO: Chairman Christi Craddick
 Commissioner Wayne Christian
 Commissioner Jim Wright

FROM: Jonathan Broker, Attorney
 Seth Boettcher, Attorney
 Scott Larson, Assistant General Counsel
 Office of General Counsel

THROUGH: Alexander C. Schoch, General Counsel

DATE: October 6, 2026

SUBJECT: Item 477; Proposed amendments to 16 TAC §§
 3.15 and 3.58

October 6, 2026		
Approved	Denied	Abstain
DS		
DS		
DS		

Attached is Staff's recommendation to publish proposed amendments to rules in 16 Texas Administrative Code §§3.15 and 3.58, relating to Surface Equipment Removal Requirements and Inactive Wells, and Certificate of Compliance and Transportation Authority; Operator Reports.

The amendments are proposed to codify required changes to the inactive well plugging extension application and approval process, and transfers of inactive wells, due to the 89th Legislature's enrollment of SB 1150. The proposed amendments codify SB 1150's creation of a new class of inactive well, the "15/25 well," which has been inactive for at least 15 years and was completed at least 25 years ago. The proposed amendments enact the four allowable plugging extension options for 15/25 wells.

Staff requests the Commission's approval to publish the proposed amendments in the Texas Register for public comment. If approved at conference on October 6, 2026, the proposal should appear in the October 23, 2026 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 than two additional weeks to review and submit comments to the Commission.

cc: Wei Wang, Executive Director
 David Lindley, Director, Oil and Gas Division

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1 The Railroad Commission of Texas proposes amendments to §§3.15, and 3.58, relating to Surface
2 Equipment Removal Requirements and Inactive Wells; and Certificate of Compliance and Transportation
3 Authority. The Commission proposes the amendments to implement Senate Bill 1150, 89th Texas
4 Legislature (Regular Session, 2025). The bill amends Texas Natural Resources Code §89.023 to require
5 operators to plug wells that have been inactive for more than 15 years, and completed more than 25 years
6 prior to the operator submits an application for a plugging extension (“15/25 wells”), unless the
7 Commission finds that granting a plugging extension is warranted based on: (1) the operator’s prior
8 history of restoring inactive wells to active operation; (2) the operator’s financial hardship in complying
9 with its duty to plug 15/25 wells; (3) the operator includes the inactive well in a compliance plan that
10 addresses the inactive well before September 1, 2042; or (4) the operator files an individual performance
11 bond not less than the full cost calculation for plugging an inactive well that runs with and covers the
12 lifetime of the well. The bill also requires the Commission to adopt rules requiring operators involved in
13 the transfer of an inactive well to jointly submit a transfer application, confirming that the well is in
14 compliance, the transfer was a business practice performed in good faith, and that the new operator will
15 ensure continued compliance. Additionally, SB 1150 prevents plugging extensions based on an operator’s
16 prior history of restoring inactive wells to active operation, or an operator’s financial hardship, from
17 transferring with the inactive well.

18 The bill also adds new Texas Natural Resources Code §§89.049, 89.050, and 89.051, requiring
19 the Commission to produce and deliver to the Governor, Lieutenant Governor, and Legislature, an annual
20 report that includes: (1) the number of inactive wells in the state; (2) the age and length of inactivity of
21 each inactive well; (3) the number of inactive wells for which an plugging extension has been granted; (4)
22 the financial assurance methods available for inactive wells, and the number of wells using each available
23 financial assurance method; (5) the number of wells that were plugged in the preceding year, both by
24 operators and by the Commission with state funds; (6) the number of inactive wells restored to active
25 operation in the preceding year; (7) a summary of the number of operators of inactive wells, including the
26 total number of operators and wells that are in compliance, are delinquent, have been delinquent for over
27 a year, or have been granted a plugging extension; (8) the number of organization reports that the
28 Commission has not renewed or approved, including the operator’s total well count and total amount of
29 financial assurance; and, (9) the annual cost calculation for plugging an inactive well. §89.050 requires an
30 operator whose inactive well was completed at least 15 years ago to submit an annual report to the
31 Commission containing the results of a fluid level or hydraulic pressure test for the inactive well. Lastly,
32 §89.051 grants the Commission the power to adopt any necessary rules to regulate and monitor inactive

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1 wells, while considering the risk to public safety or the environment, the wellbore and wellhead integrity,
2 and regional risk considerations.

3 The Commission proposes amendments in §3.15(a)(1) and §3.15(a)(6) to add definitions for
4 “15/25 well” and “full cost calculation for plugging an inactive well.” Current subsections (a)(1) – (4) are
5 redesignated as subsections (a)(2) – (5), and current subsections (a)(5) – (8) are redesignated as (a)(7) –
6 (a)(10), as a result of these proposed amendments.

7 The Commission proposes amendments throughout §3.15, beginning in §3.15(c)(4), to require
8 operators to perform fluid level tests or hydraulic pressure tests on inactive wells that were completed at
9 least 15 years ago. This amendment is also proposed in §3.15(e)(5), 3.15(n), 3.15(n)(3), 3.15(n)(7),
10 3.15(o), 3.15(o)(4), and 3.15(o)(7).

11 The Commission also proposes amendments in §3.15(e)(1) to add references to documentation
12 that is submitted under subsection (f) or new subsection (h).

13 The Commission proposes amendments in §§3.15(f) and 3.15(g) to acknowledge that the current
14 plugging extensions are only available for inactive land wells that are not 15/25 wells.

15 Proposed new §3.15(h) specifies the application process for a plugging extension for a 15/25
16 well. Under new subsection (h)(1) – (3), all applications for plugging extensions for 15/25 wells: (1) only
17 apply to inactive land wells, not bay or offshore wells; (2) only valid for one year, renewable concurrently
18 with the operator’s organization report; and (3) require documentation identifying nonoperators, as that
19 term is defined by Texas Natural Resources Code §89.002(3). Proposed new subsection (h)(3), regarding
20 the identification of nonoperators, specifies that the operator must use good faith and reasonable efforts in
21 identifying nonoperators, which entails examining Commission filings, current county tax rolls, and other
22 reliable and readily available sources of information.

23 Proposed new §3.15(h)(4) addresses how the operator may apply for each of the four available
24 plugging extensions for 15/25 wells. SB 1150 authorized four different types of plugging extensions that
25 the operator may apply for, and the Commission may approve. The details of each plugging extension
26 application are proposed in subsection (h)(4)(A) – (D). These plugging extension application options
27 include: (A) a written request that the Commission, by order, determine that the operator’s history of
28 restoring inactive wells to active operation warrants the approval of its 15/25 well plugging extension
29 application; (B) a written request that the Commission, by order, determine that the operator’s financial
30 hardship warrants the approval of its 15/25 well plugging extension; (C) a compliance plan that identifies
31 the inactive well and sets forth the operator’s commitment to plugging or restoring the 15/25 well to
32 active operation by the statutory deadline of September 1, 2042; and (D) an individual performance bond

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1 that is greater than or equal to the full cost calculation of plugging the 15/25 well, and runs with and
2 covers the lifetime of the inactive well.

3
4 *Application based on the operator's prior history of restoring inactive wells to active operation.*

5 The proposed new amendments regarding what is required in an application for a 15/25 well
6 plugging extension based on the operator's prior history of restoring inactive wells are in new
7 §3.15(h)(4)(A)(i) – (v). Under the new proposed clauses for the “prior history” plugging extension, the
8 operator would be required to include documentation that identifies: (i) all of the operator's wells; (ii) the
9 active or inactive status of each well; (iii) the length of inactivity of each inactive well; (iv) the date an
10 inactive well was restored to active operation, if it has been restored; and (v) all Commission assigned
11 permit numbers, oil and gas lease numbers, API well numbers, and production report filing dates for each
12 active well that was previously inactive.

13
14 *Application based on the operator's financial hardship.*

15 Proposed new subsection (h)(4)(B)(i) – (iv) details the requirements for an application for a 15/25
16 well plugging extension based on the operator's financial hardship. These proposed rules require an
17 operator's application to include: (i) sworn financial statements, certified by a certified public accountant,
18 containing financial information for at least the three fiscal years prior to the operator's organization
19 report renewal date; (ii) an attestation signed by the operator or its representative, confirming that its
20 financial hardship warrants a plugging extension; (iii) objective evidence demonstrating a reasonable
21 basis and justification for the approval of its plugging extension application; and (iv) any other relevant
22 information the Commission may consider in reviewing its plugging extension application. The proposed
23 rule language for “any other relevant information” references Texas Natural Resources Code §89.023(e),
24 which defines what the Commission may consider in deciding whether to grant an operator's plugging
25 extension application based on financial hardship.

26 The Commission proposes new subsection (h)(4)(B)(iii)(I) – (III) to provide examples of what
27 information may demonstrate a reasonable basis and provide justification for granting a plugging
28 extension application based on the operator's financial hardship. The examples include additional costs:
29 (I) specific to the wellbore's construction; (II) relating to road construction, brush clearing, or other
30 actions necessary to access the inactive well site; and (III) relating to the inactive well's location,
31 including subsurface factors.

32 The Commission also proposes new subsection (h)(4)(B)(iv)(I) – (V), providing the operator with

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1 an opportunity to supply information relevant to what the Commission may consider in deciding whether
2 to grant an operator's plugging extension application based on financial hardship. Referencing Texas
3 Natural Resources Code §89.023(e), this information includes: (I) the operator's prior investment in
4 plugging or maintenance of wells; (II) the operator's history of compliance or noncompliance; (III) the
5 current economic conditions; (IV) the percentage of the operator's total well count that are inactive wells;
6 and (V) any additional information the operator believes is relevant and would like the Commission to
7 consider with its application.

8
9 *Application based on the operator's creation of a compliance plan.*

10 The Commission proposes new subsection (h)(4)(C), allowing operators to apply for a plugging
11 extension for a 15/25 well if it is included in a compliance plan in which the operator commits to
12 plugging or restoring the well to active operation by September 1, 2042, as required by statute. The
13 proposed rules in subsection (h)(4)(C)(i)(I) – (VI) describe what the compliance plan must include: (I) the
14 age and length of inactivity for each well included in the compliance plan; (II) the operator's total well
15 count, denoting how many are active and inactive; (III) a schedule that specifies how many wells will be
16 plugged or restored to active operation annually, in an amount that is not less than the operator would
17 need to plug or restore to active operation each year to achieve compliance by the statutory deadline,
18 September 1, 2042; (IV) the wells the operator has plugged or restored to active operation in the last P-5
19 organization report renewal period; (V) the full cost calculation of plugging or restoring to active
20 operation for all the wells included in the compliance plan; and (VI) an attestation confirming the
21 operator's ability to adhere to its compliance plan.

22 The Commission also proposes new subsection (h)(4)(C)(ii)(I) – (III) to grant operators the
23 opportunity to include other information in its compliance plan that the Commission will consider in
24 deciding whether to approve the compliance plan and plugging extensions for the included 15/25 wells.
25 This information may relate to: (I) the current economic conditions; (II) the operator's record of
26 compliance or noncompliance; (III) any additional financial assurance the operator has submitted under
27 Texas Natural Resources Code §§89.023(a)(3) or 89.027.

28 The Commission also proposes new subsection (h)(4)(C)(iii) to require operators with an
29 approved compliance plan and plugging extension to annually provide the Commission with the status of
30 every inactive well in the approved compliance plan with its annual operator report, and the plugging
31 extension status of all other 15/25 wells that are not included in the compliance plan.

32

1 *Application based on an individual performance bond*

2 The Commission proposes new subsection (h)(4)(D) allowing operators to obtain a plugging
3 extension for a 15/25 well if the operator files with the Commission an individual performance bond that
4 is equal to at least the full cost calculation for plugging the inactive well.

5 The Commission proposes new §3.15(i) to describe the actions the Commission may take on each
6 type of plugging extension application for a 15/25 well. In the proposed new subsection (i)(1), the
7 Commission will notify the operator if the application for a plugging extension for a 15/25 well is
8 complete or incomplete. If the application is incomplete, the operator will have 90 days to correct its
9 application. Once the application is complete, the Commission will review the application and required
10 documentation, and approve the plugging extension, if warranted. Proposed subsection (i)(1)(A) – (D)
11 describes the criteria that may signify whether approval is warranted or not.

12
13 *Commission action on an application based on the operator's prior history in restoring inactive wells to*
14 *active operation.*

15 The Commission proposes new subsection (i)(1)(A)(i) – (ii) to set forth the criteria for when
16 approval would be warranted for an application that is based on the operator's prior history in restoring
17 inactive wells to active operation. Under subsection (i)(1)(A)(i), the Commission proposes that operators
18 with less than 10 inactive wells warrant approval of their plugging extensions if they have restored at least
19 one well to active operation in the preceding year. For operators with more than 10 inactive wells, the
20 Commission proposes new subsection (i)(1)(A)(ii). Approval would be warranted if the operator has
21 restored at least ten percent of its total inactive well population to active operation, in the preceding year.

22
23 *Commission action on an application based on the operator's financial hardship.*

24 Proposed new subsection (i)(1)(B), sets forth criteria for approval of a plugging extension based
25 on the operator's financial hardship. The criteria are listed in proposed new subsection (i)(1)(B)(i) – (v).
26 Approval would be warranted if: (i) the difference between the operator's total annual revenue, and the
27 full cost calculation for plugging all of its 15/25 wells, is negative; (ii) the difference between the
28 operator's total assets, and the operator's full cost calculation for plugging all its 15/25 wells is negative;
29 (iii) the difference in the operator's earnings before interest, taxes, depreciation and amortization, and
30 one-fifteenth of the full cost calculation for plugging all of its 15/25 wells, is negative; (iv) paying one-
31 fifteenth of the full cost calculation for plugging all of its 15/25 wells would result in the operator seeking
32 bankruptcy relief; or (v) paying one-fifteenth of the full cost calculation for plugging all of its 15/25 wells

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would cause the operator to default on one or more of its material debt obligations.

Commission action on an application based on the operator's creation of a compliance plan.

Proposed new subsection (i)(1)(C) sets forth criteria for approval of a compliance plan, and thus the plugging extension for an included 15/25 well. The criteria are listed in proposed new subsection (i)(1)(C)(i) – (v). Approval would be warranted if the compliance plan: (i) specifies a number of wells to be plugged or restored to active operation that will enable the operator to achieve compliance for all of its 15/25 wells by the statutory deadline, September 1, 2042; (ii) the number of wells to be plugged or restored to active operation each year is not less than the amount the operator would need to achieve compliance by the statutory deadline; (iii) the minimum amount of 15/25 wells an operator will plug or restore to active operation each year is not less than the total amount of 15/25 wells, divided by the remaining number of years until the statutory deadline; (iv) each year, the operator reasonably prioritizes the 15/25 wells to be plugged or restored to active operation based on the age and length of inactivity of the inactive well, and any potential hazards to public health and safety or the environment of the inactive well; and (v) if renewing a compliance plan, whether the operator has plugged above the minimum number of wells required by clause (iii).

Commission action on an application based on a performance bond.

Proposed new subsection (i)(1)(D) sets forth criteria that if met would warrant approval of a plugging extension based on an operator's performance bond. The criteria are listed in proposed new subsection (i)(1)(D)(i) – (iii). If the operator provides a performance bond with its application for plugging extensions for a 15/25 well, approval is warranted if it meets the following criteria: (i) it is an amount equal to the full cost calculation for plugging the 15/25 well; (ii) it runs with and covers the lifetime of the well, regardless of a change of operator; and (iii) it is issued by a third-party bank authorized to do business in Texas.

Proposed new subsection (i)(2) provides that the Commission may deny an application for a plugging extension for a 15/25 well if approval is not warranted, but shall deny under any of the factors listed in subsection (i)(2)(A) – (G). In subparagraph (A), the Commission proposes to deny an application if a nonoperator of the well is an entity or individual who was a previous P-5 operator of the 15/25 well, and is currently barred from being on an organization report under Texas Natural Resources Code §91.114(2). In subparagraph (B), the Commission proposes to deny an application for a plugging extension of a 15/25 well if the operator has been penalized for falsely filing documents with the

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Commission, under Texas Natural Resources Code §91.143. In subparagraph (C), the Commission proposes to deny a plugging extension application for a 15/25 well if the well poses potential hazards to the health and safety of the public or the environment. In subparagraph (D), the Commission proposes to deny an application for a plugging extension for a 15/25 well based on the operator's financial hardship, if the operator's financial hardship is due to the operator's fault or negligence. In subparagraph (E), the Commission proposes to deny an application for a plugging extension for a 15/25 well if the operator has been previously penalized for a violation that was a safety or pollution-related violation that caused a significant impact to public safety or the environment, was accompanied by conditions that indicated a significant impact to public safety or the environment was imminent, or was the result of deliberate disregard of Commission rules and regulations related to public safety or environmental protection. In subparagraph (F), the Commission proposes to deny an application for a plugging extension for a 15/25 well if the operator is renewing its compliance plan, and the operator, in bad faith, deviated from the previous year's approved compliance plan. In subparagraph (G), the Commission proposes to deny an application for a plugging extension for a 15/25 well if the performance bond is not issued by a bank authorized to do business in Texas.

Proposed new subsection (i)(3) states the Commission will notify an operator when an application for a plugging extension for a 15/25 well is denied and will provide an opportunity for hearing to challenge the denial. The operator will have 30 days to request a hearing from the date of the denial letter and the burden of proof will be on the party requesting the hearing.

Current subsections (h) – (k) are redesignated as subsections (j) – (m) with no other proposed changes.

The Commission proposes to redesignate current subsection (l) as subsection (n). Proposed amendments to §3.15(n)(3) and (n)(6) specify that, although a hydraulic pressure test, if approved by the Commission, is still valid for up to five years, the operator must provide the test results annually to the Commission in accordance with Texas Natural Resources Code §89.050.

Current subsections (m) – (p) are redesignated as subsections (o) – (r) with no other proposed changes, except those previously discussed.

Proposed new §3.58(a)(5) codifies SB 1150's amendments to the transfer rules for inactive wells. Proposed subsection (a)(5) requires a transfer of an inactive well to be filed on a Commission form signed by both operators involved in the transfer. New subsection (a)(5)(A) – (C) requires that the operators confirm that the well is currently in compliance, the transfer was done in good faith, and the receiving operator will ensure continued compliance.

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1 Proposed new subsection (a)(6) confirms that a plugging extension based on the operator's prior
2 history in restoring inactive wells to active operation, or the operator's financial hardship, is not
3 transferable.

4 David Lindley, Director, Oil and Gas Division, has determined there will be costs to the
5 Commission as a result of the enrollment of SB 1150, which required these amendments. At the time of
6 proposal, no funds have been appropriated from the General Revenue Fund to the Commission to
7 implement SB 1150. Based on the fiscal analysis provided to the Legislature during the 89th Legislative
8 Session, to implement SB 1150 and these amendments, Mr. Lindley expects the additional costs to the
9 Commission to total \$6,036,855 in year 1 after the effective date, \$4,882,756 in year 2, \$14,884,216 in
10 year 3, \$10,980,356 in year 4, and \$10,541,996 in year 5. These cost estimates are based on the
11 Commission's need to implement new technology systems, hire information technology personnel and
12 contractors, hire and retain 86 full-time employees, purchase additional motor vehicles, equipment, and
13 other administrative and operating expenses. Mr. Lindley has determined that for the first five years the
14 amendments will be in effect, there will be no fiscal implications for local governments as a result of
15 enforcing the amendments.

16 Mr. Lindley has also determined that the public benefit anticipated as a result of enforcing or
17 administering the amendments will be a reduction in the amount of wells that remain inactive indefinitely,
18 and ultimately placed on the orphaned well list, becoming the responsibility of the Commission to plug,
19 and financial burden of Texas.

20 Mr. Lindley has determined that for each year of the first five years that the amendments will be
21 in effect, there will be no additional economic costs for persons required to comply as a result of
22 Commission adoption of the proposed amendments. Should an operator choose to apply for a plugging
23 extension for 15/25 wells that SB 1150 has created, and these amendments have implemented, the
24 operator may have additional costs to create a compliance plan, financial statements, or filing a
25 performance bond for the full cost calculation of plugging the 15/25 well; however, these plugging
26 extensions are options available to the operator. They are not obligatory costs. An operator's duty to plug
27 inactive wells has not changed because of these amendments, and thus, the amendments do not cause
28 additional economic costs to regulated persons.

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. To the contrary, these rules may

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1 have a positive economic effect on rural communities, small businesses, or micro-businesses, as SB 1150
2 and these amendments intent is to decrease the number of inactive wells, and ultimately, the number of
3 orphaned wells, which should increase economic opportunity via growth in the well plugging industry,
4 and potentially increased property values as a result of a decrease in inactive wells and orphaned wells.

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

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

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

16 Comments on the proposal may be submitted to Rules Coordinator, Office of General Counsel,
17 Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967; online at
18 www.rrc.texas.gov/general-counsel/rules/comment-form-for-proposed-rulemakings; or by electronic mail
19 to rulescoordinator@rrc.texas.gov. The Commission will accept comments until 5:00 p.m., on Friday,
20 November 13, 2026. The Commission finds that this comment period is reasonable because the proposal
21 and an online comment form will be available on the Commission's web site more than two weeks prior
22 to Texas Register publication of the proposal, giving interested persons additional time to review,
23 analyze, draft, and submit comments. The Commission encourages all interested persons to submit
24 comments no later than the deadline. The Commission cannot guarantee that comments submitted after
25 the deadline will be considered. For further information, call Mr. Lindley at (512) 463-6217. The status of
26 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)
27 [rules](http://www.rrc.texas.gov/general-counsel/rules/proposed-rules). Once received, all comments are posted on the Commission's website at
28 <https://rrc.texas.gov/general-counsel/rules/proposed-rules/>. If you submit a comment and do not see the
29 comment posted at this link within three business days of submittal, please call the Office of General
30 Counsel at (512) 463-7149. The Commission has safeguards to prevent emailed comments from getting
31 lost; however, your operating system's or email server's settings may delay or prevent receipt.

32 The Commission proposes the amendments under Texas Natural Resources Code §81.051 and

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§81.052, which provide the Commission with jurisdiction over all persons owning or engaged in drilling or operating oil or gas wells in Texas and the authority to adopt all necessary rules for governing and regulating persons and their operations under Commission jurisdiction; Texas Natural Resources Code §§85.042, 85.202, 86.041 and 86.042, which require the Commission to adopt rules to control waste of oil and gas; Texas Natural Resources Code §89.023, which authorizes the Commission to adopt rules relating to plugging extensions; Texas Natural Resources Code §89.051, which requires the Commission to adopt rules necessary to regulate and monitor inactive wells.

Statutory authority: Texas Natural Resources Code §§81.051, 81.052, 85.042, 85.202, 86.041, 86.042, 89.023, 89.050, 89.051.

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) 15/25 well--An inactive land well that has been inactive for more than 15 years and was completed more than 25 years ago.

(2) [(4)] 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.

(3) [(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.

(4) [(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.

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

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

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

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

6 (6) Full cost calculation for plugging an inactive well--The total cost to plug an inactive
7 well in compliance with Commission regulations, including all direct and indirect costs associated with
8 third party goods and services, but not including any of the operator's overhead or other internal costs.
9 Direct and indirect costs include, but are not limited to:

10 (A) additional costs specific to the wellbore's construction or mechanics;

11 (B) additional costs related to road construction, brush clearing, or other
12 necessary actions to access the well site;

13 (C) additional costs related to the well's location in an H2S field;

14 (D) for RRC staff time for directly monitoring the well plugging and site
15 remediation activities; and

16 (E) for RRC indirect administration using the most recent Negotiated Indirect
17 Cost Rate Agreement used for federal grants.

18 (7) [(5)] Good faith claim--A factually supported claim based on a recognized legal
19 theory to a continuing possessory right in a mineral estate, such as evidence of a currently valid oil and
20 gas lease or a recorded deed conveying a fee interest in the mineral estate.

21 (8) [(6)] Inactive well--An unplugged well that has been spudded or has been equipped
22 with cemented casing and that has had no reported production, disposal, injection, or other permitted
23 activity for a period of greater than 12 months.

24 (9) [(7)] Operator designation form--A certificate of compliance and transportation
25 authority or an application to drill, recomplete, and reenter that has been approved by the Commission or
26 its delegate.

27 (10) [(8)] Physical termination of electric service to the well's production site--
28 Disconnection of the electric service to an inactive well site at a point on the electric service lines most
29 distant from the production site toward the main supply line in a manner that will not interfere with
30 electrical supply to adjacent operations, including cathodic protection units.

31 (b) (No change.)

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(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)-(3) (No change.)

(4) for a well more than 15 ~~[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.

(d) (No change.)

(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), including any documentation submitted under subsections (f) or (h);

(2)-(4) (No change.)

(5) for a well more than 15 ~~[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 that is not a 15/25 well.

(1)-(2) (No change.)

(g) Commission action on application for plugging extension for an inactive land well that is not a 15/25 well.

(1)-(6) (No change.)

(h) Application for an extension of deadline for plugging a 15/25 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) Plugging extensions approved under this subsection are only valid for one year, and must be annually renewed, concurrent with the operator's organization report renewal.

(3) An operator applying for a plugging extension under this subsection shall use good faith and reasonable effort to identify nonoperators, as defined in Texas Natural Resources Code

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1 §89.002(3), with its application. The operator shall include documentation of the name, address, and
2 contact information of all nonoperators. To the extent the operator is unable to ascertain the name, address
3 or contact information for all nonoperators, the operator is considered to have used good faith and
4 reasonable effort to identify nonoperators if the operator has examined Commission filings, current
5 county tax rolls, and other reliable and readily available sources of information.

6 (4) In addition to the documentation that identifies nonoperators, and the affirmation
7 required by subsection (f)(2)(A) of this section, the operator shall submit one of the following for
8 Commission approval:

9 (A) a written request that the Commission, by order, determine that the operator's
10 history of restoring inactive wells to active operation warrants the granting of the plugging extension. The
11 operator shall include documentation identifying:

12 (i) all of the operator's wells;
13 (ii) the active or inactive status, according to Commission rules, of each
14 well;

15 (iii) the length of time of inactivity for each inactive well;
16 (iv) when an active well was restored to active operation, if it was
17 previously inactive; and

18 (v) all applicable Commission assigned permit numbers, oil and gas lease
19 numbers, API well numbers, and production report filing dates for each active well that was previously
20 inactive.

21 (B) a written request that the Commission, by order, determine that the operator's
22 financial hardship warrants the granting of the extension. The operator shall include the following
23 documentation:

24 (i) sworn financial statements, certified by a certified public accountant,
25 which shall include financial information for the three fiscal years prior to the operator's organization
26 report renewal date;

27 (ii) an attestation signed by the operator or operator's representative
28 stating that its financial hardship warrants an extension of deadline for plugging an inactive land well;

29 (iii) objective evidence to demonstrate a reasonable basis and
30 justification in support of granting a plugging extension due to the operator's financial hardship, specific
31 to the inactive well. For example:

32 (I) additional costs specific to the wellbore's construction;

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1 (II) additional costs related to road construction, brush clearing,
2 or other necessary actions to access the inactive well site;

3 (III) additional costs related to the inactive well's location; and
4 (iv) any other relevant information the Commission may consider to
5 grant or deny the extension application pursuant to the financial hardship considerations listed in Texas
6 Natural Resources Code §89.023(e), including, but not limited to:

7 (I) the operator's prior investment in plugging or maintenance of
8 wells;

9 (II) the operator's history of compliance, including any history of
10 previous violations and the seriousness of those violations;

11 (III) the current economic conditions as they relate to the
12 operator's financial hardship;

13 (IV) the operator's percentage of inactive wells compared to the
14 operator's total well count; and

15 (V) any other information the operator believes is relevant to its
16 financial hardship.

17 (C) a compliance plan that identifies the inactive well and sets forth the
18 operator's commitment to plugging or bringing the inactive well into production or operation as an
19 injection well or other type of operation by September 1, 2042.

20 (i) the compliance plan submitted by the operator shall:

21 (I) identify the age and length of inactivity for each well
22 included in the compliance plan;

23 (II) identify the operator's total amount of wells, including how
24 many are active or inactive;

25 (II) specify whether the included inactive well will be plugged or
26 restored to active operation, and how the well will be restored to active operation, if applicable;

27 (III) provide a schedule for plugging or restoring to active
28 operation for all included inactive wells, specifying a number of wells to be plugged or returned to active
29 operation each year that is not less than the amount the operator would need to plug or return to active
30 operation year-over-year to achieve compliance by September 1, 2042;

31 (IV) identify the wells the operator has plugged or restored to
32 active operation in the last P-5 renewal period;

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(V) include the full cost calculation of plugging or restoring to active operation all inactive wells included in the compliance plan; and

(VI) contain an attestation confirming the operator's ability to adhere to its compliance plan.

(ii) The compliance plan may include information pertaining to the following considerations:

(I) current economic conditions;

(II) the operator's record of compliance, including any history of previous violations and the seriousness of those violations; and

(III) any additional financial assurance under Texas Natural Resources Code §§ 89.023(a)(3) or 89.027.

(iii) If the Commission approves the compliance plan and grants the plugging extension, the operator shall annually provide the Commission with the status of every inactive well in the approved compliance plan with its annual operator report under Texas Natural Resources Code § 89.050, and the plugging or extension status of all other 15/25 wells that are not included in the compliance plan.

(D) an individual performance bond that is in an amount that is not less than the full cost calculation for plugging the inactive well and runs with and covers the lifetime of the inactive well, regardless of a change in the operator.

(i) Commission action on application for plugging extension for a 15/25 well.

(1) After receiving the plugging extension application and documentation required by subsection (h), the Commission will notify the operator if the submitted application is complete. If the application is incomplete, the operator will have 90 days from notice from the Commission to cure its application. Once complete, the Commission will review the application and additional documentation, and approve the plugging extension if approval is warranted. Approval is warranted if the operator meets the criteria set forth in one of the following subparagraphs (A), (B), (C) or (D):

(A) the operator has a satisfactory history of restoring inactive wells to active operation if the application and additional documentation required under subsection (h) demonstrates one of the following criteria:

(i) for an operator with no more than 10 inactive wells, the operator has restored one well to active operation in the preceding year; or

(ii) for all operators with more than 10 inactive wells, the operator has

1 restored the equivalent of at least 10 percent of its total inactive well population to active operation, in the
2 preceding year.

3 (B) the operator's application and additional documentation required under
4 subsection (h) demonstrates that it will incur financial hardship if the requested extension is not granted,
5 in accordance with the following criteria:

6 (i) the difference between the operator's total annual revenue, as shown
7 in the most recent annual financial statements, and the full cost calculation for plugging and abandoning
8 all of the operator's 15/25 wells, is negative;

9 (ii) the difference between the operator's total assets as shown in the
10 most recent annual financial statements, and the full cost calculation for plugging and abandoning all of
11 the operator's 15/25 wells, is negative;

12 (iii) the difference between the operator's three-year earnings before
13 interest, taxes, depreciation and amortization, and the full cost calculation for plugging and abandoning
14 all of the operator's 15/25 wells, divided by fifteen (15), is negative;

15 (iv) the payment of the full cost calculation for plugging and abandoning
16 all of the operator's 15/25 wells divided by fifteen (15), will cause the operator to seek relief under 11
17 U.S.C. §§ 701-784, 1101-1195, 1301-1330;

18 (v) the payment of the full cost calculation for plugging and abandoning
19 all of the operator's 15/25 wells divided by fifteen (15), will cause an event of default under one or more
20 of the operator's material debt obligations; or

21 (C) the operator's compliance plan satisfies each of the following criteria:

22 (i) the compliance plan specifies a number of wells to be plugged or
23 restored to active operation each year, such that the operator will achieve compliance for all 15/25 wells
24 by September 1, 2042;

25 (ii) the number of wells to be plugged or restored to active operation
26 each year is not less than the amount the operator would need to plug or return to active operation year-
27 over-year to achieve compliance by September 1, 2042;

28 (iii) the minimum number of 15/25 wells an operator shall plug or restore
29 to active operation each year is not less than the operator's total number of 15/25 wells divided by the
30 remaining number of years until September 1, 2042;

31 (iv) the operator reasonably prioritizes the inactive wells to be plugged or
32 restored to active operation each year based on the considerations listed at Texas Natural Resources Code

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1 § 89.023(f)(1), (7); and

2 (v) when reviewing a compliance plan, the Commission may consider
3 the number of 15/25 wells the operator plugged or restored to active operation above the minimum
4 number required in clause (iii) of this subparagraph.

5 (D) The operator's performance bond meets the following criteria:

6 (i) it is in an amount equal to the full cost calculation of plugging the
7 inactive well;

8 (ii) it runs with and covers the lifetime of the well, regardless of a change
9 in operator; and

10 (iii) it is issued by and drawn on by a third-party bank authorized under
11 state or federal law to do business in Texas.

12 (2) The Commission may deny the application if the plugging extension is not warranted,
13 but shall deny the application for the following factors:

14 (A) the inactive well is owned, in whole or in part, by a nonoperator who was a
15 previous operator of record, or officer, director, general partner, owner of more than 25% ownership
16 interest, or trustee, of an operator of record, for the inactive well, and currently is barred from being on an
17 organization report under Texas Natural Resources Code § 91.114(2);

18 (B) the operator has been penalized for a violation due to false filings under
19 Texas Natural Resources Code § 91.143;

20 (C) the inactive well poses potential hazards to health and safety of the public or
21 the environment;

22 (D) the operator's financial hardship is due to the operator's fault or negligence;

23 (E) the operator has been previously penalized for a violation that was a safety or
24 pollution-related violation that caused a significant impact to public safety or the environment, was
25 accompanied by conditions that indicated a significant impact to public safety or the environment was
26 imminent, or is the result of deliberate disregard of Commission rules and regulations related to public
27 safety or environmental protection;

28 (F) if renewing a compliance plan, the operator deviated from the previous year's
29 approved compliance plan in bad faith; or

30 (G) the performance bond is not issued by and drawn on by a third-party bank
31 authorized under state or federal law to do business in Texas.

32 (3) If a plugging extension under this section is denied, the Oil and Gas Division Director

1 will notify the operator, and the operator may request a hearing to challenge the denial by submitting a
2 request for hearing within 30 days from the date of the denial letter. The party requesting the hearing shall
3 have the burden of proof.

4 (j) [(h)] Revocation of extension. The Commission or its delegate may revoke an extension of the
5 deadline for plugging an inactive well if the Commission or its delegate determines, after notice and an
6 opportunity for a hearing, that the applicant is ineligible for the extension under the Commission's rules or
7 orders.

8 (k) [(i)] Removal of surface equipment for land wells inactive more than 10 years. Requirements
9 to remove surface equipment for land wells inactive more than 10 years do not excuse an operator from
10 compliance with all other applicable Commission rules and orders including the requirements in Chapter
11 4 of this title (relating to Environmental Protection).

12 (1) An operator of an inactive land well must leave a clearly visible sign as required by
13 §3.3 of this title (relating to Identification of Properties, Wells, and Tanks) at the wellhead of the well and
14 must maintain wellhead control as required by §3.13 of this title (relating to Casing, Cementing, Drilling,
15 and Completion Requirements).

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

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

23 (4) An operator may be eligible for an extension of the deadline for plugging a well
24 without complying with the surface equipment removal requirements for inactive land wells if the well is
25 located on a unit or lease or in a field associated with an EOR project and the operator includes a
26 statement in the written affirmation that the well is part of such a project. The exemption provided by this
27 subsection applies only to the equipment associated with current and future operations of the project.

28 (l) [(j)] Abeyance of plugging report.

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

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

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

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(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.

(m) ~~[(4)]~~ 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 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 a statement that a well is part of an EOR project in the event of a change of name of an operator.

(n) ~~[(4)]~~ Fluid level or hydraulic pressure test for inactive wells more than 15 ~~[25]~~ years old.

(1) At least three days prior to the test, the 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

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1 allow an operator to conduct a test even if notice of the test is provided to the district office fewer than
2 three days prior to the test.

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

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

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

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

20 (6) Using Commission Form H-5 or Form H-15, each operator must file in the district
21 office the results of a successful hydraulic pressure test, including the original pressure recording chart or
22 its electronic equivalent, within 30 days of the date the test was performed. The results, if approved, are
23 valid for a period of five years from the date of the test, unless the Commission or its delegate requires the
24 operator to perform testing more frequently to ensure that the well does not pose a threat of harm to
25 natural resources. Even if approved and valid for up to five years, the results shall be submitted annually
26 to the Commission, in accordance with Texas Natural Resources Code section 89.050.

27 (7) An operator of an inactive well that is more than 15 [25] years old may not return that
28 inactive well to active operation unless the operator performs either a successful fluid level test of the
29 well within 12 months prior to the return to activity or a successful hydraulic pressure test of the well
30 within five years prior to the return to activity.

31 (o) [(m)] Fluid level or hydraulic pressure test for inactive land well less than 15 [25] years old.

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

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

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

15 (4) An operator that files documentation of a fluid level test or a hydraulic pressure test
16 for an inactive land well less than 15 [~~25~~] years old in order to obtain a plugging extension must pay an
17 annual fee of \$50 for each well covered by the documentation.

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

22 (6) Using Commission Form H-5 or Form H-15, each operator must file in the district
23 office the results of a successful hydraulic pressure test, including the original pressure recording chart or
24 its electronic equivalent, within 30 days of the date the test was performed. The results, if approved, are
25 valid for a period of five years from the date of the test, unless the Commission or its delegate requires the
26 operator to perform testing more frequently to ensure that the well does not pose a threat of harm to
27 natural resources.

28 (7) The Commission or its delegate may transfer documentation of the results of a fluid
29 level or hydraulic pressure test to a new operator of an existing inactive land well that is less than 15 [~~25~~]
30 years old.

31 (p) [~~(n)~~] Supplemental financial assurance.

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(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.

(q) ~~[(e)]~~ 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.

(r) ~~[(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.

§3.58. Certificate of Compliance and Transportation Authority; Operator Reports.

(a) Certificate of Compliance and transportation authority.

(1)-(4) (No change.)

(5) Each operator who seeks to assume operator status of an inactive well, defined in Texas Natural Resources Code §89.002(12) and §3.15(a)(8) of this title (relating to Surface Equipment Removal Requirements and Inactive Wells), shall file with the oil and gas division in Austin a completed form P-4 signed by a designated officer or agent for each operator involved in the transfer. The form P-4 shall be accompanied by a written affirmation jointly signed by each operator and submitted to the oil and gas division in Austin stating:

(A) the well is in compliance with the requirements of Texas Natural Resources Code §89.023 and §3.15 of this title;

(B) the transfer was a business practice performed in good faith; and

(C) the operator to whom the inactive well was transferred will ensure continued compliance with Texas Natural Resources Code §89.023 and §3.15 of this title.

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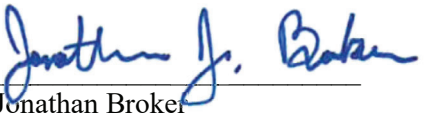
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- 1 (6) An extension granted under Texas Natural Resources Code §89.023(c)(1) and
2 §3.15(h)(4)(A)-(B) of this title is not transferrable to another operator.
3 (b)-(d) (No change.)

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 October 6, 2026.

Filed with the Office of the Secretary of State on October 6, 2026.


Jonathan Broker
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Railroad Commission of Texas