BASA RESOURCES INC

November 19, 2026

Rules Coordinator
Office of General Counsel
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967

Via email to rulescoordinator@rrc.texas.gov

Re: Public comment on the proposed amendments to 16 TAC §§3.15 and 3.58, implementing Senate Bill 1150 (89th Legislature)

Dear Rules Coordinator:

BĀSA Resources has operated oil and gas properties in Texas since 1989. We operate approximately 6,000 wells across the state, of which approximately 253 fall into the 15/25 category. Over the past five years we have plugged an average of about twenty wells per year, and in the most recent twelve months we returned eighty-two previously inactive wells to production. We write in support of the objective of Senate Bill 1150, and with appreciation for the care the Commission's staff has plainly brought to a difficult drafting assignment.

BĀSA is a member of both the Texas Independent Producers and Royalty Owners Association (TIPRO) and the Texas Alliance of Energy Producers, and we have reviewed the formal comments each is submitting on this proposal. We endorse those comments and ask that the Commission give both organizations' recommendations full consideration. We write separately to describe, from our own operating experience, why the matters they raise bear directly on the Commission's duty to prevent waste.

We are not asking the Commission for an exemption, and we do not question the need to address wells that have sat idle without a plan. Our comments go to a narrower question: whether the rule, as proposed, distinguishes well enough between an idle wellbore that has been abandoned in substance and an idle wellbore that is waiting for the right operator, the right use case, or the right price. The distinction matters because the Commission's authority in this area rests on the prevention of waste, and because the wells in the second category are, in our experience, where a great deal of the State's remaining recoverable oil actually sits.

The value in a well that is standing idle

A well that has not produced in years is easy to read as a liability, and sometimes that is precisely what it is. But in the mature fields where our company works, an idle wellbore is more often an asset that has not yet found the operator whose economics fit it. Wells are shut in because they fall below the threshold of whoever owns them at the time, and those thresholds differ enormously across our industry. A well that cannot compete for capital inside a large integrated producer, or that a company in financial distress has no means to work over, will frequently support a positive return for a smaller operator whose cost structure is built around exactly that kind of well.

That difference is the engine of the mature-asset market in this state, and it works in both directions. BĀSA acquires fields that larger companies have divested, and the idle wells in those fields are often a meaningful part of what we are buying. We then put them back to work. In turn, we sell packages of wells that no longer meet our own objectives to smaller operators whose economics accommodate them, and those operators produce them. At each step the wells move to an owner for whom production makes sense, and at each step barrels reach the market that the prior owner would never have produced.

Many of our more than 100 acquisitions in Texas illustrate this point, including the following two recent examples. In 2020 we acquired a mature field from a major integrated producer. It came to us with 147 shut-in wells and a pipeline in violation. Within one year the pipeline was brought into compliance, and within four years every one of those 147 wells had been returned to production or properly plugged. Field production went from roughly 800 barrels of oil per day at closing to roughly 1,450 barrels per day today, without a single new well being drilled. In 2019 we acquired a package from a post-bankruptcy operator that had been running the assets in a capital-constrained environment; much of the idle inventory there was a product of that constraint rather than of depleted reserves. BĀSA's efforts have greatly increased expected production and extended the producing life of the field — results that would not have been achieved if Senate Bill 1150 had been in place prior to the acquisition, as these wells would have been plugged and the resource never recovered.

We offer these not as advertisement but because they describe ordinary work that prudent operators do throughout Texas every year, and because the wells involved are the same population this rule reaches. None of that incremental production required new drilling. All of it came from wellbores an earlier operator had left standing idle.

What that work returns to the State

Texas collects 4.6 percent of the market value of oil produced in the state. The incremental 2,200 barrels per day now being produced across the two acquisitions described above amounts to roughly 803,000 barrels a year; at a ninety-dollar oil price, that is on the order of $3.3 million a year in severance tax to the State, on barrels that would not exist had those wellbores been plugged. The figure is illustrative and moves with price, but the direction does not. To put that in context, the Commission reported spending approximately $125.6 million to plug a record 2,022 orphaned wells in fiscal year 2026. The severance tax from this small group of wells offsets roughly 2.6 percent of that amount. Every wellbore plugged with recoverable reserves behind it is a permanent reduction in the State's own revenue, not merely in an operator's. The schools and the taxpayers who are the ultimate beneficiaries of that revenue have the same interest in these wells that we do.

We would respectfully note that the Legislature has already recognized this value in a direct way. Tax Code §202.056, reauthorized by Senate Bill 533 in the 86th Legislature, provides a five-year severance tax exemption for production from a well the Commission designates as a two-year inactive well — an incentive the Commission describes on its own severance tax incentives page. The State has been willing to forgo revenue in order to encourage operators to bring long-idle wells back to production. We raise this gently and without suggesting any legal infirmity in the proposed rule. We raise it because it reflects a considered judgment about the value of these wellbores, and we would ask that the same judgment

inform the discretion the Commission exercises here.

Our requests, in general terms

Section 85.201 charges the Commission with making and enforcing rules for the conservation of oil and gas and the prevention of waste, §85.045 makes waste unlawful, and §85.046 defines waste to include operating a well in a manner that reduces the total ultimate recovery of oil or gas from a pool. We would ask the Commission to weigh each of the following against that standard. In every case the concern is the same: that a cost or a deadline applied uniformly, without regard to a particular well's prospects, will cause wells with real remaining value to be plugged earlier than the facts warrant. A plugged wellbore is permanent. A well that is uneconomic at sixty-dollar oil may be plainly economic at ninety when the market needs the supply most, and plugging it at the former price forecloses the latter — for the operator, and for the State.

Testing requirements should be proportionate to actual risk. The proposal substantially expands the population of wells subject to periodic testing and annual reporting by tying the testing requirement to time since completion rather than time since idled. We would ask that the Commission preserve the fluid level test as the ordinary method where it is adequate to the purpose, with a starting requirement restored to ten years after the last date of activity. Recurring cost is the single factor most likely to push an operator toward plugging a well with a genuine future, and it falls hardest on the wells most likely to come back. Where a hydraulic test is required, we would also ask that the first round be phased in over several years rather than required of every well in the first year.

Relief should be calibrated to an operator's ratio of inactive to producing wells. Wells often reach the orphan program by a recognizable route: an operator acquires properties that are marginal at the outset, strips whatever value remains in equipment and production, and then closes shop, leaving the wellbores for the State. What marks that operator is not the age of its wells but the composition of its portfolio — heavy on idle wells, thin on producing ones, with little at stake beyond what is being abandoned. An operator whose idle wells are a small share of a large producing base is a different proposition: it has the cash flow to meet its obligations, producing assets that would be at risk in an enforcement action, and a reputation that governs its ability to buy, sell, and borrow. It does not walk away, because it has too much to lose by doing so. The ratio of idle wells to total wells is a better proxy for the risk Senate Bill 1150 addresses than the age of a wellbore, and it is a cumulative record of the same conduct the reactivation test measures in a single year.

Neither the measure nor the authority to use it would be new. The statute directs the Commission to consider "the operator's percentage of inactive wells compared to the operator's total well count" in acting on a compliance plan, and the proposal already carries that measure into the financial hardship criteria. The statute conditions this exception on the operator's demonstrated history of returning inactive wells to operation and leaves the Commission to determine, by order, when that history warrants an extension; it supplies no percentage, no look-back period, and no denominator. Every figure in the proposed criteria is the Commission's own construction, and the Commission may add to them without any tension with the statute.

We would propose a third criterion in the reactivation history test, alongside the two the proposal already

contains:

"(iii) the operator's inactive wells constitute no more than twenty-five percent of the operator's total well count, and the operator has restored at least one inactive well to active operation in the preceding three years."

The second clause answers the fair objection that a ratio describes a condition rather than an activity. A twenty-five percent threshold, the same figure TIPRO recommends, is a meaningful one: the Commission's 2025 Oilfield Cleanup Program Annual Report places inactive wells at 36 percent of the statewide well population, so the criterion would reach only operators whose inactive share is well below the statewide ratio. Placing the threshold inside the existing test matters, because the proposal provides that the Commission will approve an extension when an operator meets the criteria in any one of the listed subparagraphs. A qualifying operator would therefore have a dependable answer when it sets its capital budget, rather than an outcome determined after the budget is set. The wells would remain subject to the testing, reporting, and financial assurance requirements that apply to any inactive well, and an operator whose ratio deteriorated would simply cease to qualify. We would also ask that a single determination at the operator level be sufficient to cover the operator's qualifying wells.

The rule should credit the full range of responsible outcomes. An operator that permanently plugs an idle well has resolved that well as conclusively as one that returns it to service. An operator that converts a well to permitted injection or disposal service in an approved recovery project has put the wellbore to productive use, and in a waterflood that conversion is frequently worth more to ultimate recovery than returning the same well to production would be. We would ask that the rule recognize each of these as the accomplishment it is, to the fullest extent the statute allows. For example, the reactivation history test accounts only for wells that are restored to operation; plugging a well in that same population should count equally, because the result — reducing the idle well population — is the same. We would also ask that work done ahead of schedule count. The rule already provides that an operator who plugs more than ten percent of its inactive wells during an organization report cycle will have the excess counted toward the next cycle. For 15/25 wells, the proposal provides only that the Commission may consider wells plugged or restored above the minimum. We would ask that this credit be required rather than discretionary. Plugging work does not fall evenly across years — rig availability, weather, and lease access move wells from one year to the next for reasons that have nothing to do with intent — and we would ask that wells plugged or restored above the annual number carry forward to later years.

A compliance plan should be able to change as the wells do. The proposal requires a plan to specify, for each well, whether it will be plugged or restored and how it will be restored, on a schedule running to 2042. That requirement may not have been intended. The preamble's description of what a compliance plan must contain lists six items and does not include the designation, while the rule text lists seven. However it arose, the rule does not seem to provide a way to amend an approved plan once it is in place. An operator cannot know today which of its wells will prove to be restoration candidates in 2035; that depends on reservoir performance, prices, and mechanical condition that are not knowable at filing. We would ask that the designation be deleted or, if retained, treated as a statement of the operator's present intention, that the rule confirm a change in the wells selected or in the method designated for a well is not a deviation so long as the annual numbers are met, and that an approved plan be amendable without being refiled.

Numeric criteria should leave room for the Commission's judgment. The statute contemplates a determination made by order on the record before the Commission. We would ask that the rule's criteria operate as circumstances in which approval is clearly warranted, rather than as the only circumstances in which it may be granted, so that an operator with a demonstrably strong record that does not fit the formula still has somewhere to go. We would make a related observation about the statutory factors the Commission is directed to consider on a compliance plan. The proposal provides for most of them, but two are absent from the compliance plan provisions: the operator's plan of action and the operator's good faith. A third, the operator's percentage of inactive wells compared to its total well count, appears only in the financial hardship criteria, although the statute names it as a factor in acting on a compliance plan. We would ask that all three be given effect there.

Wells that are changing hands deserve a reasonable transition. The rule elsewhere allows a new operator six months after the Commission approves the operator designation to come into compliance with certain requirements. The proposal creates no comparable transition for the 15/25 obligation, so an acquirer is exposed from the day the designation is approved, before it has had access to the mechanical, geological, and title information needed to choose a course for each well. The practical effect is to discourage precisely the transactions that move neglected wells from operators who cannot address them to operators who can. We would ask the Commission to provide a reasonable period after a transfer, to the extent it is able, before acquired wells are treated as out of compliance. We support TIPRO's recommendations of a one-year grace period from the date of transfer, a defined review period with provisional operating authority while the Commission reviews a transfer, and a clear point at which responsibility passes from the selling operator to the acquiring one. The rule should also make clear that a 15/25 well included in an approved compliance plan whose requirements are being met is in compliance for purposes of a transfer under Rule 58, and that the acquiring operator may bring such wells into its own compliance plan. An earlier package we acquired carried hundreds of neglected shut-in wells; those wells came off a path toward the orphan program because a capitalized operator was able to buy them and then address them.

The bond pathway should be usable in practice. The proposal requires that an individual performance bond be issued by and drawn on a third-party bank, with denial mandatory if it is not. The statute names no issuer, and we think this may have an unintended effect: performance bonds are ordinarily written by surety companies rather than banks, and the Commission's own instructions for bonds filed with the organization report call for a surety registered with the Texas Department of Insurance. We are not aware of an instrument available in the market today that satisfies the requirement as written — a bank-issued bond that also runs for the lifetime of the well regardless of a change in operator — and we would welcome correction if the Commission is aware of one. As drafted, one of the four pathways the Legislature created may be unavailable in practice to any operator. We would respectfully ask that the rule accept a bond from a surety so registered, or from a financial institution authorized to do business in Texas, or an irrevocable letter of credit of the kind the Commission already accepts. On the lifetime requirement, which we understand comes from the statute, we would ask only that it be satisfiable by an instrument issued for a defined term and renewed concurrently with the operator's organization report, with the obligation continuing until the well is plugged — a cycle on which the Commission already administers renewable instruments.

The cost analysis deserves a second look, including the cost to the State. We would respectfully suggest that the economic analysis accompanying the proposal understates the effect on small and mid-size operators, which Government Code §2006.002 requires the Commission to assess, and that it does not account for a consequence that will reach the Commission's own budget. A statewide plugging mandate on this scale will compete for a finite supply of rigs and service crews. Scarcity raises prices for everyone who plugs a well in Texas, including the State when it plugs wells through the orphan program. Pacing the obligation, and giving operators room to sequence the work, serves the Commission's own interest as well as ours.

Where the statute may constrain the Commission

We recognize that Senate Bill 1150 may foreclose some of what we have described, and that the Commission cannot grant by rule what the Legislature has withheld. Where that is the case, we ask that the Commission encourage the Legislature to revisit the statute.

Closing

We appreciate the opportunity to comment, and we appreciate Commission staff's thoughtful work thus far in the process. Our aim here is not to resist the obligation Senate Bill 1150 creates but to ask that the rule implementing it be written so that the wells with a future are given the chance to have one. That outcome serves the Commission's duty to prevent waste, it serves the State's revenue and in turn the taxpayers, and it keeps wellbores available to the operators who are willing to do the work of bringing them back.

If it would be useful to the Commission, we would be glad to provide specific information from our own experience, or to meet with staff on any of the matters above.

Respectfully submitted,



Nathan A. McGough
Chief Financial Officer
BĀSA Resources, Inc.