November 20, 2026

Comments on Proposed Changes to Texas's Inactive Well Plugging Requirements

A. Introduction

Taxpayers for Common Sense (TCS) is a nonpartisan budget watchdog founded in 1995 to ensure taxpayer dollars are spent wisely and transparently. For three decades, TCS has supported policies that safeguard the public purse, prevent wasteful subsidies, and promote fiscal accountability in natural resource management.

TCS submits these comments to the Railroad Commission of Texas on its proposed amendments to §3.15 and §3.58 implementing Senate Bill 1150.

TCS supports changes to modernize Texas's financial assurance and well-management framework and protect both state and federal taxpayers from the escalating costs of orphaned and unreclaimed wells. All wells eventually stop producing and must be plugged, and their sites must be reclaimed. The proposed updates to the state's plugging requirements would help ensure operators plug inactive wells before the associated costs are passed to taxpayers.

B. Summary of Proposed Rule

The proposed amendments would implement new requirements for wells that were completed more than 25 years ago and have been inactive for more than 15 years (15/25 wells). The amendments would detail four grounds for extending the plugging deadline for a 15/25 well: the operator's demonstrated history of returning inactive wells to operation, financial hardship, a compliance plan, or an individual performance bond covering the full cost of plugging the well.

The Commission would be required to deny an extension request in certain circumstances, including when the operator has been penalized for specified violations or the well poses a potential hazard to public health, safety, or the environment. The proposed amendments would also codify stricter well transfer policies. An extension based on the operator's history of restoring wells or its financial hardship would not transfer to a new operator.

C. The Public Cost of Inadequate Bonding and Reclamation Requirements

When an operating company dissolves or goes bankrupt, as can happen in the oil and gas boom-and-bust cycle, its bond may fall short of the cost of plugging its wells and

reclaiming its wells and well sites. Lax reclamation requirements can allow companies to delay reclamation indefinitely, transfer wells to smaller operators, or simply walk away, forfeiting their bonds instead of cleaning up their sites.

When the Commission must step in to plug orphaned wells, federal and state taxpayers are asked to pay.[1] Since the Commission's orphaned well plugging program began in 1984, it has plugged nearly 47,000 orphaned wells. In FY 2026, the Commission reported plugging 2,022 wells at an average cost of $62,138 per well.[2]

Across the country, outdated bonding and plugging requirements have left taxpayers exposed to potentially massive liabilities, driving up public expenditures and shifting liability from industry to taxpayers. As of October 2026, the Commission reported 12,473 orphaned wells in Texas.[3] Using the Commission's FY 2026 average cost per well, TCS estimates that plugging those documented wells could cost about $775 million.

These gaps also have consequences at the federal level. The Infrastructure Investment and Jobs Act (IIJA) appropriated $4.3 billion for orphan-well cleanup on state and private lands.[4] As of September 2026, Texas has received $25 million in initial grant funds, $199 million in formula grant funds, and $30 million in matching performance funds.[5] Texas is expected to receive an additional $120 million in formula grants through FY 2028—the largest total out of all states eligible for orphaned well grant funds.[6]

Congress provided IIJA funds as a one-time appropriation to help states address existing orphaned wells. Weak state plugging and reclamation requirements could lead to calls for another federal bailout. Unless Texas strengthens those rules, cleanup costs for its orphaned wells could shift from the oil and gas industry to taxpayers.

D. TCS Recommendations

TCS supports the proposed amendments. We believe the proposed changes will help ensure operators, not taxpayers, pay for well reclamation and will minimize the public health, safety, and environmental liabilities created by unplugged wells.

TCS provides specific comments below to strengthen the proposal and further protect local communities and state and federal taxpayers.

1. Limit repeat extensions.

We call on the Commission to limit the total number of extensions an operator can receive for a given well, the maximum amount of time plugging can be delayed, or both.

SB 1150 allows operators to seek extensions to delay plugging of 15/25 wells. One of these extensions is based on a compliance plan under which the operator commits to plugging

the well or returning it to operation by September 1, 2042. The bill sets no comparable deadline for extensions based on an operator's history of restoring wells or financial hardship. We urge the Commission to set a maximum number of extensions or a maximum period for delaying plugging under those provisions.

Other major oil and gas producing states have tightened their requirements for repeat extensions. The New Mexico Oil Conservation Commission recently passed a new rule that requires operators to demonstrate a well will be returned to beneficial use within the approved period of temporary abandonment. The state allows an initial approval of up to five years, a renewal of up to two years, and provides an opportunity to request a hearing before the Oil Conservation Division on a further extension of up to five years.[7]

2. **Set a clear floor for full-cost bond calculations**

We call on the Commission to ensure the existing, district-based method of calculating plugging costs serves as the minimum acceptable full-cost bond calculation. Additional factors specific to the 15/25 well, such as the well's condition or location, should only be used to set a higher bond amount.

The district-based method uses the well's depth and the Commission's average actual plugging cost per foot in that district for the preceding state fiscal year. The proposed full-cost calculation includes costs related to the wellbore's construction, road construction or brush clearing needed to reach the well's location, and Commission staff time. The proposal does not specify how the district-based estimate factors into the calculation. The Commission should specify that the existing district-based calculation will serve as the starting point for determining the full plugging cost.

3. **Consider the operator's record**

We call on the Commission to consider additional requirements for 15/25 well plugging extension requests based on an operator's risk level.

Marginal and inactive wells are liabilities waiting to surface. A *Los Angeles Times*/Center for Public Integrity analysis of 40 years of California data found that once a well is idle for 10 months, there is only a 50% chance it will ever produce again. [8] After five years, the odds drop to 25%. This analysis supports similar data from the Utah Division, which found that only 57% of wells shut in for more than a year return to production. [9] By five years, that likelihood decreases to 19%. These high-risk wells must be properly bonded so operators cover the eventual cleanup costs.

Other major oil and gas producing states consider an operator's risk level in determining bond amounts and other reclamation requirements. Utah's blanket bond calculations take

into account an operator's total production, well count, and at-risk well ratio. Beginning in May 2029, New Mexico will consider an operator's share of higher-risk wells in determining whether it must provide single-well assurance across its portfolio.

Potential ways to implement these additional requirements include the following.

- **Stricter requirements for operators to prove a "demonstrated history of returning inactive wells to operation."**

  Under SB 1150, a request for this extension is required to include a report on all of the operator's wells, the active or inactive status of each well, the length of inactivity of each inactive well, and the date any previously inactive well was restored to active operation.

  Under the proposed rule, an operator with 10 or fewer inactive wells can meet the threshold by returning one well to active operation in the preceding year. An operator with more than 10 inactive wells must have restored at least 10% of its inactive wells to active operation in that period. The Commission should consider a higher standard for approval, whether that be a higher percentage or other conditions.

- **Stricter requirements for extensions based on "financial hardship"**

  Under SB 1150, the Commission may consider a number of factors in evaluating this type of extension request, including the operator's prior investment in plugging or maintaining wells, its compliance history, and its percentage of inactive wells.

  The final rule should require the Commission to weigh an operator's prior investment in plugging or maintaining wells when deciding whether to approve an extension. Inadequate investment should weigh against approval. Operators with a higher percentage of inactive wells should receive closer scrutiny because a greater share of their wells may require plugging without generating revenue to cover the cost.

- **Stricter requirements for extensions based on "a compliance plan"**

  Under SB 1150, the Commission is given the authority to consider a number of factors, including the age and length of inactivity of the well, the operator's percentage of inactive wells, and its record of compliance. As currently written, the proposed rule only requires the operator's compliance plan to specify how many wells it will plug or return to operation each year and to prioritize the wells it will address. The final rule should require the Commission to consider the operator's compliance record when evaluating the plan.

4. Make extension decisions public.

The Commission should publish the list of 15/25 wells, its decisions on extensions, the operators' compliance plans, and the calculations behind full-cost bonds. That would let Texans see which wells keep getting extensions and how much money is available to plug them.

E. Conclusion

TCS supports the proposed amendments. We encourage the Commission to adopt stricter requirements and ensure operators, not taxpayers, bear the cost of plugging their wells and reclaiming their sites.

Respectfully submitted,

Taxpayers for Common Sense
Washington, DC

---

[1] Funding for well-plugging activities comes from multiple sources, including federal and state appropriations and contributions from the oil and natural gas industry. Source: The Railroad Commission of Texas, "RRC Hits New Record in Tackling Orphaned Wells," September 30, 2026. https://www.rrc.texas.gov/news/rrc-hits-new-record-in-tackling-orphaned-wells/

[2] *Ibid*

[3] The Railroad Commission of Texas, "Orphan Wells with Delinquent P-5 Greater Than 12 Months," updated November 6, 2026. https://www.rrc.texas.gov/oil-and-gas/research-and-statistics/well-information/orphan-wells-12-months/

[4] In 2026 Congress transferred $150 million in unobligated initial grant funding and $135 million in performance grant funding from the IIJA Orphaned Wells Program to the Wildland Fire Program.

[5] Orphaned Wells Program Office U.S. Department of the Interior, "Orphaned Wells Program Annual Report To Congress," November 2026. https://www.doi.gov/sites/default/files/documents/2026-11/owpo-annual-report-congress-202610092026.pdf

[6] Office of Inspector General U.S. Department of the Interior, "Audit: Infrastructure Investment and Jobs Act Orphaned Well Initial Grant Awarded to the State of Texas, Railroad Commission of Texas," February 2025. https://www.doioig.gov/sites/default/files/2021-migration/Final%20Audit%20Report_Audit%20of%20Texas%20IIJA%20Orphaned%20Well%20Initial%20Grant.pdf

[7] New Mexico Oil Conservation Commission, "Approved Temporary Abandonment," 19.15.25.13 NMAC, New Mexico Register, vol. XXXVII, issue 18, September 22, 2026.

[8] Mark Olalde and Ryan Menezes "The toxic legacy of old oil wells: California's multibillion-dollar problem," Los Angeles Times, February 6, 2020. https://www.latimes.com/projects/california-oil-well-drilling-idle-cleanup/

[9] Bart Kettle, Utah Division of Oil, Gas and Mining, "Draft Bond Rule Briefing," February 26, 2025. https://ut-dnr-ogm-prod-sf-public-bucket.s3.amazonaws.com/a0Scs00000JC6ebEAD_1740528461340_20250226.3_Board_Bond_Briefing.pdf