November 20, 2026

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Re: Comments of the Panhandle Producers and Royalty Owners Association on Proposed Amendments to 16 TAC §§3.15 and 3.58 Implementing Senate Bill 1150

Chairman and Commissioners,

These updated comments reflect additional feedback from our members and replace the version submitted on November 11, 2026.

The Panhandle Producers and Royalty Owners Association (PPROA) appreciates the opportunity to submit comments on the Railroad Commission of Texas's proposed amendments to Statewide Rules 15 and 58 implementing Senate Bill 1150. We recognize the considerable work undertaken by the Commissioners and agency staff to develop these rules and appreciate the Commission's continued willingness to consider the concerns of small, independent oil and gas producers.

For more than ninety years, PPROA has represented the interests of producers and royalty owners in the Texas Panhandle and throughout the state. Our membership includes more than 500 members, many of whom are small independent operators without the resources to maintain their own representation in Austin or Washington, D.C. These are family businesses, local employers, and producers operating marginal wells that collectively make a meaningful contribution to Texas's energy economy.

PPROA supports the responsible plugging of inactive wells and recognizes the Legislature's desire to address the state's aging well inventory. However, we believe the success of SB 1150 will ultimately be measured by how many wells are responsibly plugged or returned to production, not simply by the number of additional regulatory obligations imposed on operators.

The Economics of Inactive Wells

Texas's inactive-well challenges cannot be separated from the underlying economics of oil and gas production. Wells become inactive for many reasons, including declining commodity prices, temporary market conditions, changing production economics, and the need for additional investment to restore production. Not every inactive well is permanently uneconomic, and not every well that is uneconomic today will remain so indefinitely.

The Commission has historically recognized the importance of preventing waste and preserving opportunities to recover Texas's natural resources. Regulations should continue to distinguish between wells that present legitimate risks or have no reasonable prospect of future production and those that may be restored, recompleted, or otherwise returned to productive use.

Premature plugging can permanently eliminate opportunities to recover resources that may become economically viable under different market conditions. This is particularly important for marginal wells, which

frequently operate on thin margins and are especially sensitive to changes in commodity prices and operating costs.

We also encourage the Commission to continue examining ways to reduce the underlying cost of plugging wells. Improvements in state plugging procurement, greater competition among service providers, and reasonable, consistent district-level plugging procedures could allow both the Commission and private operators to address more wells with the same financial resources.

Likewise, regulatory oversight should recognize the distinction between operators that consistently fulfill their obligations and those with a demonstrated history of noncompliance. The objective should be to hold irresponsible operators accountable without creating unnecessary obstacles for those already making good-faith efforts to comply.

Plugging Capacity and the Risk of Artificially Increasing Costs

The Commission must also consider the practical limitations of Texas's existing well-plugging infrastructure. Historically, approximately 8,000 wells are plugged annually in Texas, with private operators accounting for roughly 7,000 and the Commission responsible for another 1,000. During consideration of SB 1150, estimates suggested that nearly 23,000 wells could initially fall within the new statutory framework.

That represents a substantial potential increase in demand relative to the industry's existing annual plugging activity. Texas cannot immediately create additional plugging crews, specialized equipment, or experienced personnel to accommodate a sudden increase in demand. If regulatory deadlines concentrate too much plugging activity into a short period, the predictable result will be greater competition for limited resources, increased service costs, and longer delays.

Small independent operators would be particularly vulnerable to these market pressures. They frequently lack the contracting leverage, financial reserves, and operational flexibility available to larger companies. They would also find themselves competing with those larger companies and the Commission itself for the same limited plugging resources.

These concerns are compounded by the substantial increases in plugging costs already experienced in recent years. In 2024, Commissioner Christi Craddick observed that average plugging costs had risen from approximately $15,000 eight years earlier to two or three times that amount. A regulatory timetable that creates additional demand beyond available capacity risks pushing those costs even higher.

The objective should be to maximize the number of wells responsibly plugged over time, not to create a regulatory bottleneck that makes every well more expensive to address. Meaningful extension pathways, reasonable transition periods, and flexibility for operators acting in good faith are essential to achieving that objective.

PPROA is particularly concerned by the proposed rule's conclusion that these changes will not adversely affect small businesses. Our members' experience suggests otherwise. For a major producer, additional reporting, financial documentation, and compliance planning may represent a relatively modest administrative expense. For a family-owned company operating a handful of marginal wells, those same requirements can consume a meaningful share of its available resources. The Commission should evaluate these rules through the eyes of the smallest operators, not simply the industry as a whole.

PPROA respectfully offers the following specific recommendations:

1. Financial Hardship Must Reflect Financial Reality

Proposed §3.15(i)(1)(B)(iii)

For a small independent producer, the difference between earnings on paper and money available to spend can be substantial. PPROA is concerned that the proposed financial-hardship formula does not adequately account for that distinction.

The EBITDA provision presents two problems.

First, the calculation uses three years of earnings without clearly converting those earnings into an annual average. If the plugging obligation is reduced to an annual figure, the earnings used for comparison must be measured on the same basis. Otherwise, the test could substantially overstate an operator's ability to pay.

Second, EBITDA ignores debt service. Principal and interest payments are not optional expenses. They represent money already committed to lenders and therefore unavailable to pay plugging contractors.

This is especially important for smaller operators that finance acquisitions, equipment, and development through commercial loans. A company can have healthy operating earnings and still have very little cash remaining after its debt obligations are satisfied.

PPROA is not suggesting that these wells should be exempt from plugging. We are asking the Commission to recognize that existing financial commitments cannot simply be disregarded when determining whether an operator qualifies for relief.

PPROA requests that the Commission:

- Calculate the EBITDA test using average annual earnings over the preceding three fiscal years, rather than the combined earnings for that period.
- Account for required principal and interest payments when determining whether an operator has sufficient financial resources to meet its plugging obligations.

A hardship test should measure what an operator can realistically afford, not merely what its financial statements suggest it earns.

2. Use Net Assets to Avoid Counting Money That Belongs to Someone Else

Proposed §3.15(i)(1)(B)(ii)

The proposed rule also relies on total assets as a measure of financial capacity. For many small producers, that figure can be misleading.

Oil and gas operators routinely receive revenues attributable to multiple working-interest owners. Those funds may pass through the operator's accounts before being distributed to the parties entitled to receive them.

While the cash may appear among the company's assets, it is not necessarily the company's money. The operator has an obligation to distribute those proceeds, and treating them as available to fund plugging would ignore that corresponding liability.

A similar problem arises when the asset calculation fails to recognize other outstanding obligations.

For small operators, these distinctions can determine whether a company qualifies for a financial-hardship extension.

PPROA requests that the Commission use net assets rather than total assets when applying the financial-hardship criteria. This would allow the calculation to recognize liabilities and avoid treating funds held on behalf of others as resources available to satisfy the operator's plugging obligations.

3. Consider the Full Inventory of Inactive Wells When Evaluating Hardship

Proposed §3.15(i)(1)(B)

Although SB 1150 establishes new requirements for wells meeting the 15/25 criteria, those wells are only part of the plugging responsibility carried by Texas operators.

A producer with 50 wells subject to the new requirements may also have dozens or hundreds of other inactive wells that require maintenance, testing, financial assurance, and eventual plugging.

Those additional obligations do not disappear simply because the new law focuses on a particular category of wells.

For an operator with limited financial resources, every plugging expense comes from the same pool of available capital. Looking only at the 15/25 inventory could make a company's financial position appear stronger than it actually is.

PPROA recognizes that the Commission must implement the specific requirements established by the Legislature. However, the financial-hardship process should allow the agency to consider the complete financial burden associated with an operator's inactive-well inventory.

PPROA requests that the Commission permit operators to include their broader inactive-well plugging obligations when demonstrating financial hardship, rather than evaluating the cost of the 15/25 wells without regard to other existing responsibilities.

4. Give Acquiring Operators Time to Evaluate What They Are Buying

Proposed §3.58(a)(5)–(6) and §3.15(h)(4)

The purchase of mature oil and gas properties is an important part of the independent producer business model. Smaller companies frequently acquire properties that larger operators no longer consider central to their operations, invest in those assets, and find opportunities to extend their productive lives.

These transactions can also create opportunities to address inactive wells that might otherwise remain unresolved.

But evaluating an acquired property takes time. A buyer may need to review decades of well records, conduct field inspections, assess mechanical conditions, and determine whether individual wells can be restored to production or should be permanently plugged.

SB 1150 adds another layer to that process. Acquiring operators must now evaluate the new compliance options and obligations associated with wells meeting the 15/25 criteria.

Without a reasonable transition period, the rules could discourage precisely the kinds of acquisitions that bring new investment and responsible operators to older properties.

PPROA requests that the Commission provide a defined transition period for newly acquired wells, allowing operators to evaluate the properties and determine the appropriate combination of plugging, restoration, bonding, financial-hardship relief, or compliance planning.

This flexibility should not excuse an acquiring operator from maintaining well integrity or meeting applicable safety requirements. It should simply recognize that responsible decisions require adequate time and information.

5. Give the Commission a Practical Way to Address Non-Operating Working-Interest Owners

Texas Natural Resources Code §§89.011, 89.012, and 89.081

One problem that deserves greater attention is the role of non-operating working-interest owners in the plugging process.

The operator of record is generally the party responsible for dealing with the Commission and arranging the actual plugging work. But that operator may not be the only party with an ownership interest in the well or a financial responsibility associated with its abandonment.

When a well reaches the end of its productive life, disputes can arise among working-interest owners over who should pay and whether the well should be plugged at all.

Some non-operating owners may refuse to pay their share of expenses. Others may oppose plugging because they believe the well could eventually be returned to production, even when they are unwilling to fund the work necessary to pursue that opportunity.

These disagreements can leave the operator responsible for resolving a problem it does not have the unilateral financial ability to address.

Chapter 89 of the Texas Natural Resources Code already recognizes certain obligations of nonoperators and provides mechanisms for recovering plugging expenses. PPROA believes the Commission should examine how those existing provisions can be made more useful in practice.

PPROA requests that the Commission consider establishing a procedure through which an operator may seek RRC involvement when a non-operating working-interest owner refuses to contribute to plugging expenses or otherwise obstructs compliance.

At a minimum, that process could provide for identification of responsible parties, formal notification, and a determination of what obligations may be enforced under existing law.

If the Commission determines that additional legislative authority is necessary to require nonoperators to contribute their proportionate share before plugging work begins, PPROA encourages the agency to identify that limitation and work with the Legislature on an appropriate solution.

The objective is simple: parties with financial responsibility for a well should not be able to avoid that responsibility while leaving the operator to bear the entire burden.

6. Give Operators Predictable Credit for Work Completed Ahead of Schedule

Proposed §3.15(i)(1)(C)

PPROA appreciates that the proposed rule recognizes operators who plug or restore more wells than required under their annual compliance plans. This is an important provision that should be strengthened and clarified.

Plugging work does not always occur in neat, predictable annual increments. An operator may have a plugging crew available, favorable field conditions, or sufficient capital to complete additional wells in one year, even though those wells were originally scheduled for later compliance periods.

That is exactly the kind of proactive behavior the Commission should encourage.

For smaller operators, mobilizing plugging equipment and contractors can represent a significant expense. Completing multiple wells while a crew is already in the field can reduce per-well costs and allow operators to make better use of limited financial resources.

However, the proposed language leaves uncertainty about how excess plugging or restoration activity will be credited in subsequent years. Operators should not have to guess whether work performed ahead of schedule will reduce future annual requirements.

A company that plugs ten wells when its annual obligation is five should receive clear recognition for the additional five wells, rather than facing uncertainty when its next compliance plan is reviewed.

PPROA requests that the Commission establish a clear and consistent method for applying credit for wells plugged or restored beyond an operator's annual minimum requirement. Such credit should be available in subsequent compliance periods, with straightforward documentation and predictable treatment during annual renewals.

The Commission should also clarify how early-work credits will be calculated when an operator's qualifying well inventory changes through acquisitions, transfers, or restoration activity.

Operators should be encouraged to complete plugging work whenever it is economically and operationally practical, rather than delaying work simply to preserve compliance credit for a future year.

7. Keep Compliance Simple and Affordable for Small Operators

PPROA encourages the Commission to consider the administrative costs of complying with these rules, particularly for the smallest independent producers.

Many of our members do not have dedicated regulatory departments, in-house attorneys, or accounting teams. The same individuals responsible for keeping wells operating are often responsible for managing regulatory filings, financial reporting, and plugging obligations.

The proposed rules introduce complex financial calculations, documentation requirements, and annual applications that could force small operators to rely on expensive outside assistance simply to demonstrate compliance.

PPROA requests that the Commission provide clear, publicly available plugging-cost estimates, straightforward application procedures, and reasonable financial documentation requirements that satisfy the statute without imposing unnecessary professional fees or administrative expenses.

The Commission should also recognize that minor or correctable deficiencies should not automatically jeopardize an otherwise responsible operator's ability to comply. Where permitted by law, operators should have a reasonable opportunity to correct problems before losing an extension or approved compliance plan.

8. Credit Plugging of 15/25 Wells Toward the Existing Annual 10 Percent Blanket-Extension Requirement
Existing §3.15 blanket-extension provisions and Form W-3X

Under the existing inactive-well blanket-extension framework, operators may qualify by plugging or restoring to active status a specified percentage of their inactive wells. SB 1150 will separately require operators to address older 15/25 wells. These obligations should work together rather than create competing incentives. An operator that plugs a 15/25 well has permanently eliminated an inactive well and reduced the Commission's potential future plugging exposure. That accomplishment should receive credit toward the operator's existing annual 10 percent blanket-extension requirement, provided the well otherwise qualifies for the calculation and the work occurs during the applicable reporting period.

PPROA requests that the Commission expressly clarify in the adopted rule or implementation guidance that a 15/25 well plugged during the applicable year counts as a plugged inactive well for purposes of the existing 10 percent blanket-extension calculation. The Commission should also clarify how the annual population and reporting period are measured so that the same completed plugging work is recognized consistently across the existing and new programs. This request does not seek to count a single well twice within the same 10 percent calculation.

9. Prevent Duplicative Financial Security for the Same Well
Proposed §3.15(h)(4)(D), §3.15(i)(1)(D), and existing §3.78

The individual performance-bond pathway under SB 1150 should not require an operator to secure the same plugging liability twice. Some small operators already maintain well-specific financial security or security calculated by reference to the full plugging cost of their inactive wells under existing Commission requirements. Requiring an additional instrument without recognizing that existing coverage would unnecessarily tie up capital that could otherwise be used for plugging and restoration.

PPROA recognizes that an existing blanket organization bond may not, by itself, satisfy the statute's separate requirement for an individual performance bond covering the lifetime of a 15/25 well. The Commission should nevertheless avoid overlapping coverage when an operator can demonstrate that an existing, enforceable instrument already meets the amount, duration, well-specific coverage, and other requirements applicable to the SB 1150 performance-bond pathway.

PPROA requests that the Commission permit qualifying existing financial security to be credited, amended, endorsed, or replaced rather than requiring a duplicative bond for the same well and liability. The rule should specify how an operator demonstrates equivalency and how overlapping security is released or adjusted once qualifying coverage is established.

10. Establish a 25 Percent Inactive-Well Safe Harbor for Reactivation-History Extensions
Proposed §3.15(i)(1)(A)

PPROA supports an additional, alternative approval criterion for operators that maintain predominantly active well inventories. A producer with no more than 25 percent of its total wells inactive has a substantial continuing operating base and should have a practical pathway to demonstrate a history of responsible well management without meeting a one-year restoration requirement that may be disproportionately burdensome.

PPROA requests that the Commission add an alternative criterion under which approval is warranted when the operator's inactive wells constitute no more than 25 percent of its total well count on the application date and the operator has restored at least one inactive well to active operation during the preceding three years. This would supplement, not replace, the existing reactivation-history criteria and would remain subject to otherwise applicable application and denial provisions.

Suggested language for §3.15(i)(1)(A)(iii): "the operator's inactive wells, as of the date the application is filed, constitute no more than 25 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."

11. Clarify the Compliance-Plan Attestation
Proposed §3.15(h)(4)(C)(i)(VI)

The proposed rule requires an attestation confirming the operator's "ability to adhere to its compliance plan," without specifying whether this is a good-faith assessment of a feasible schedule or a guarantee of financial resources for obligations extending through 2042. A small producer may reasonably expect to fund its plugging commitments from future operating revenue without holding the full estimated cost in cash when the plan is filed.

PPROA requests a concise clarification that preserves accountability without requiring operators to guarantee future commodity prices, financing conditions, or available cash. Suggested replacement: "contain an attestation confirming the operator reasonably expects to adhere to its compliance plan based on currently available information."

Conclusion

PPROA appreciates the Commission's work to implement SB 1150 and its continued commitment to protecting Texas's natural resources while maintaining a strong domestic oil and gas industry.

We also encourage the Commission to recognize the unique position of the small independent producers represented by our association.

PPROA represents some of the smallest operators in an industry that already faces substantial regulatory demands. Many of our members operate marginal wells with limited production, modest financial resources, and small staffs responsible for managing increasingly complex compliance obligations.

Regulations do not exist in isolation. Their costs and administrative requirements accumulate.

In recent years, Texas operators have faced additional requirements associated with winterization, substantial revisions to Chapter 4, and federal methane regulations, among other changes. Each new requirement carries its own costs, reporting obligations, operational adjustments, and demands on personnel.

Taken individually, some of these requirements may appear manageable. Taken together, they can represent a significant burden for a small business operating wells with narrow economic margins - many feel it has been death by a thousand cuts.

With the changing political landscape in Texas and Washington, operators must prepare for the possibility that these regulatory demands will continue to grow rather than diminish.

The Commission cannot control every regulatory decision made at the state or federal level. But it can ensure that the rules within its authority are implemented in a manner that recognizes the cumulative burden already placed on the businesses it regulates.

The goal should be straightforward: implement the law faithfully, protect the public and the environment, and provide the smoothest possible path to compliance for operators who are making a good-faith effort to follow the rules.

That means clear expectations, reasonable timelines, accessible compliance options, and avoiding unnecessary administrative requirements or procedural traps that serve no meaningful regulatory purpose.

Every additional dollar spent on avoidable paperwork, duplicative requirements, or unnecessarily expensive procedures is a dollar that cannot be invested in maintaining wells, restoring production, or plugging wells that have reached the end of their useful lives.

PPROA believes Texas can make meaningful progress in reducing its inactive-well inventory without undermining the small independent producers who have helped build and sustain the state's energy economy.

We appreciate your consideration of these comments and look forward to continuing to work with the Commission toward practical solutions that protect Texas's natural resources and preserve the viability of responsible independent operators.

Sincerely,

Tyler Rufenacht
Chairman
Panhandle Producers & Royalty Owners Association