November 18, 2026

Via Email: rulescoordinator@rrc.texas.gov

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

Re: Comments on Proposed Amendments to 16 TAC § 3.15 and § 3.58 (SB 1150 Implementation)

Rules Coordinator:

Diversified Energy Company ("Diversified") submits these comments on the Railroad Commission of Texas' ("RRC") proposed amendments to 16 Texas Administrative Code ("TAC") § 3.15 and § 3.58 implementing Senate Bill 1150 (89th Leg., R.S.). Diversified is an independent energy producer focused on acquiring, optimizing, and responsibly stewarding mature, long-life oil and natural gas properties across Texas—including the Permian Basin, Barnett Shale, and East Texas.

Diversified is an active member of the Texas Independent Producers and Royalty Owners Association (TIPRO), the Texas Alliance of Energy Producers ("Alliance"), and the Texas Oil and Gas Association (TXOGA), and we support the formal comments submitted by each association. Operators with our business model play a vital role in reducing long-term inactive wells in Texas: we acquire mature assets from prior operators, restore shut-in wells to production, convert viable candidates to injection or disposal service, and responsibly plug wells at the end of their productive life.

In addition to endorsing each association's broader recommendations, Diversified highlights the following four operational priorities that are most critical to our Texas operations:

Priority 1: Well Transfers & Acquisition Grace Period (Proposed 16 TAC § 3.58(a)(5)–(6))

- **IMPACT:** As drafted, the transfer rules threaten to freeze acquisitions and divestitures of mature Texas properties carrying inactive wells. Under proposed § 3.58(a)(6), prior-history and financial hardship extensions do not transfer to a new operator, and nothing in proposed § 3.15 grants the acquiring operator a transition

window to evaluate acquired assets or obtain its own extension. Read together, an acquired 15/25 well appears to fall out of compliance on the day Form P-4 is approved—imposing an immediate plug-or-restore mandate on wellbores the buyer has not yet had the opportunity to test. Additionally, requiring the receiving operator to jointly affirm under § 3.58(a)(5) that an acquired well "is in compliance" forces a buyer to attest to historical compliance records for properties it has never operated.

- **SOLUTION:**
    - Establish a one-year evaluation and grace period following Form P-4 approval (extendable up to three years where needed for large asset packages), during which transferred 15/25 wells are treated as compliant—with all mechanical integrity and safety rules remaining in full force—and the acquiring operator's extension application is due at the end of that window or its next Form P-5 renewal, whichever is later.
    - Bifurcate the joint affirmation in § 3.58(a)(5) so the transferring operator affirms compliance as of the transfer date, while the receiving operator affirms that the transfer is in good faith and commits to ensuring compliance going forward.
    - Explicitly confirm that approved compliance plans and lifetime performance bonds transfer with the well, and that an acquiring operator may immediately rely on its own statewide restoration history when applying for extensions on newly acquired 15/25 wells.

Priority 2: Full Cost Calculation for Plugging (Proposed 16 TAC § 3.15(a)(6) & (h)(4)(C)(i))

- **IMPACT:** Virtually every compliance pathway in the proposed rule relies on the "full cost calculation for plugging an inactive well." Tying that metric to internal Railroad Commission staff time and federal Negotiated Indirect Cost Rate Agreement (NICRA) indirect rates creates a moving target that operators have no independent way to calculate when submitting compliance plans under § 3.15(h)(4)(C)(i) or pricing financial assurance.
- **SOLUTION:** Publish a clear, standardized district-by-depth full cost calculation table annually, define "indirect costs associated with third-party goods and services" in objective terms, and restrict internal Commission staff time and NICRA overhead components strictly to bond calculations where the state itself must execute the plugging.

Priority 3: Compliance Plan Flexibility & Operational Credit (Proposed 16 TAC § 3.15(h)(4)(C) & (i)(1)(A), (C))

- **IMPACT:** Mature field stewardship requires operational adaptability. Requiring operators to permanently lock in a "plug" or "restore" designation upfront—and treating subsequent adjustments after downhole testing as a plan deviation subject to mandatory denial under § 3.15(i)(2)(F)—penalizes prudent reservoir management. Similarly, rigid annual minimums that disallow crediting surplus plugging/restoration work toward future years discourage operators from bundling workovers and plugging campaigns to achieve rig mobilization efficiencies. Finally, failing to credit injection and saltwater disposal conversions ignores that repurposing an existing wellbore into a waterflood or disposal asset often recovers more hydrocarbons and prevents unnecessary new surface disturbance.
- **SOLUTION:**
    - Create an "evaluate" designation through the first annual status report and clarify that switching a well between "restore" and "plug" after testing is not a plan deviation so long as overall milestone counts are met.
    - Replace rigid annual minimums with cumulative multi-year milestones leading to full compliance by September 1, 2042, keep approved plans in effect through 2042 subject to annual status reporting, and mandate ("shall credit") that wells plugged or restored ahead of schedule carry forward as credit in subsequent years.
    - Grant full credit toward restoration-history extensions and compliance plans for converting inactive wells into active injection, disposal, or other legitimate oilfield service, and create a "regulatory standby" category for mechanically sound wells held idle solely due to Commission proration or field density limits.

Priority 4: Individual Performance Bond Terms & Nonoperator Reporting (Proposed 16 TAC § 3.15(h)(2)–(3), (i)(1)(D), (i)(2)(G))

- **IMPACT:** Requiring individual performance bonds to be "issued by and drawn on by a third-party bank" under § 3.15(i)(1)(D)(iii) misconstrues commercial surety markets—where performance bonds are issued by licensed surety insurers and banks issue letters of credit—and renders the statutory bond pathway practically unusable. Additionally, requiring annual renewals for lifetime bonds and leaving release triggers undefined prevents sureties from underwriting and pricing these instruments. Separately, proposed § 3.15(h)(3) imposes an onerous annual administrative burden by requiring operators to research and report contact details for every non-operating working interest owner across legacy marginal wells.

- **SOLUTION:**
    - Authorize individual performance bonds issued by surety companies licensed in Texas alongside bank letters of credit, delete § 3.15(i)(2)(G), clarify that bonds are released upon plugging or return to active status, fix the bond amount upon issuance (or adjust on a predictable schedule), and keep bond-backed extensions active for the life of the bond without annual re-applications.
    - Eliminate proposed § 3.15(h)(3) or narrow it strictly to working interest owners of record and barred prior operators described in § 3.15(i)(2)(A), allowing operators to carry lists forward annually with exception-only updates.

Diversified appreciates the Commission's diligent efforts to implement SB 1150 in a manner that addresses true long-term inactive well risks while keeping capital flowing to responsible operators who steward mature Texas fields.

Sincerely,

Chris Sanchez
Director – Government Affairs
Diversified Energy Corporation