COMMISSION SHIFT
ACTION

Testimony on HB 2766 relating to the plugging of certain inactive wells subject to the jurisdiction of the Railroad Commission of Texas
Provided by Julie Range
Policy Manager of Commission Shift Action
Before the House Energy Resources Committee
April 7, 2025

My name is Julie Range, and I am the Policy Manager of Commission Shift Action, the advocacy partner of Commission Shift. Commission Shift Action is testifying ON HB 2766.

Limiting inactive well plugging extensions is a crucial step toward safeguarding freshwater resources for future generations. Current state law has forced the Railroad Commission to approve well plugging extensions, nearly indefinitely. Although operators plug 7,700 wells annually, at this pace, it would take 20 years to plug all the inactive wells in Texas, assuming no new wells are added to the list.

Because most wells become orphaned within 10 years of inactivity, we are concerned the proposed 15 years allows the operators excessive time to profit, ignore their growing asset retirement liabilities, and then walk away when the asset retirement bill comes due. They leave their burden on the state and leave messes for landowners and their children, who have little recourse when the aging wells leak and contaminate their groundwater.

If passed with amendments, HB 2766 could grant the Railroad Commission authority to require operators to pay to plug their own wells - not the state, and not taxpayers.

We recommend amending this bill to shorten the number of years wells can remain inactive before the new options for plugging extensions take effect. Fewer than 25% of inactive

wells return to service after five years of inactivity. Therefore, a five year threshold would be ideal.

We also urge the legislature to close a loophole that allows broad plugging extensions based on the operator's history of returning wells to active status. Plugging extensions should only be permitted for operators with a history of plugging older wells and should be limited to a maximum of five annual extensions. As written, extensions granted under this option could be misused, similar to how flaring rule exceptions are repeatedly granted, making the rule moot.

Finally, we recommend that the legislature increase the frequency of mechanical integrity testing to check for leaks. Both inactive wells and active injection wells can contaminate groundwater, and Commission Shift Action hears cases of this with growing frequency, from across the state. I heard one just last week, and submitted the story to you in separate written testimony.

I've heard concerns that additional testing imposes too much of a financial burden on small operators. Is the financial burden that concerns them the $400 needed for testing, or the thousands required to fix leaks? To that, I say, what about the financial burden placed on landowners whose wells are polluted? At a time when our legislature is investing billions to address water scarcity in Texas, we must do more to protect the precious freshwater resources we possess. Strengthening this bill does that.

Additional information is attached.

Unplugged wells create risks to groundwater, air quality, human health and safety.

Orphaned wells create grave consequences for everyday Texans through increased wildfire risk,[1] well blowouts,[2] leaks that leave the land scarred and barren,[3] and by emitting harmful levels of hydrogen sulfide.[4] Additionally, carbon capture and storage will soon expand in Texas. This will result in more underground injection of carbon dioxide. If federal tax credits remain in effect, this will unleash, rapid, widespread carbon dioxide injection in Texas, which could contaminate groundwater through acidification or allowing heavy metals to drop out of solution. The Railroad Commission needs to get a better handle on the unplugged well problem and problems with underground injection control wells including produced water disposal wells.

Academic reports and peer-reviewed studies have linked disposal wells to earthquakes,[5] sinkholes and surface uplift,[6] and geyser-like well blowouts from both plugged and unplugged wells.[7] Aside from these very visible incidents, both orphaned and inactive wells are leaking throughout Texas and increasing risks to drinking water supplies.[8, 9, 10]

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[1] Texas House of Representatives. May 1, 2024. Investigative Committee on the Panhandle Wildfires. Retrieved from: https://www.house.texas.gov/pdfs/committees/reports/interim/88interim/House-Interim-Committee-on-The-Panhandle-Wildfires-Report.pdf

[2] Baddour, D. June 11, 2024. Water is bursting from another abandoned West Texas oil well, continuing a troubling trend. Texas Tribune. https://www.texastribune.org/2024/06/11/west-texas-orphan-wells-water-bursts/

[3] https://insideclimatenews.org/news/18122023/state-of-denial-oil-gas-wastewater-spills-texas/

[4] Volcovici, V. Aug. 14, 2024. Texas oil regulator under scrutiny as zombie wells gush back to life. Reuters. Retrieved from: https://www.reuters.com/business/energy/texas-oil-regulator-under-scrutiny-zombie-wells-gush-back-life-2024-08-14/

[5] Alexandros Savvaidis, "2024 Biennial Report on Seismic Monitoring and Research in Texas" (University of Texas Bureau of Economic Geology, December 2024), https://texnet.beg.utexas.edu/news/reports.

[6] Jin-Woo Kim, Zhong Lu, and Roy M Huffington, "Association between Localized Geohazards in West Texas and Human Activities, Recognized by Sentinel-1A/B Satellite Radar Imagery OPEN," *Scientific REPORTs* | 8 (2018): 4727–4727, https://doi.org/10.1038/s41598-018-23143-6.

[7] Vamshi Karanam, Zhong Lu, and Jin-Woo Kim, "Investigation of Oil Well Blowouts Triggered by Wastewater Injection in the Permian Basin, USA," *Geophysical Research Letters* 51, no. 14 (2024): e2024GL109435, https://doi.org/10.1029/2024GL109435.

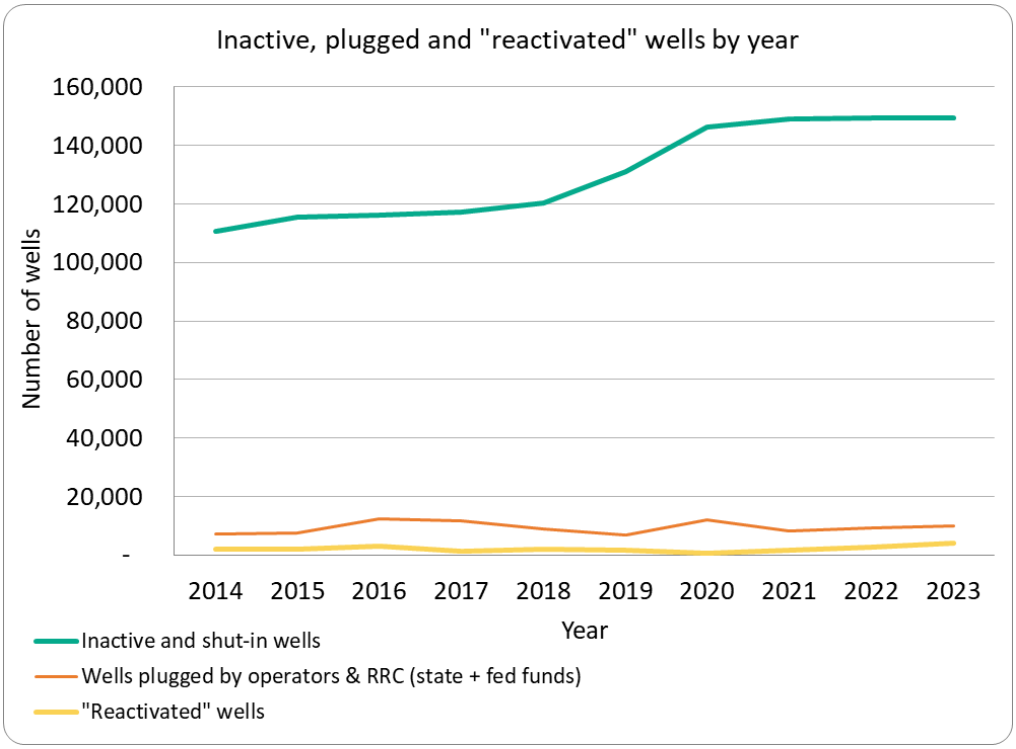
[8] See "Wells Remaining to be Plugged with State Managed Funds" at https://www.rrc.texas.gov/oil-and-gas/environmental-cleanup-programs/state-managed-plugging/

[9] Railroad Commission of Texas. Well Plugging Priority System. Accessed on Feb. 10, 2025. Retrieved from: https://www.rrc.texas.gov/media/3hjhjroj/well-plugging-prioritization.pdf

[10] Texas Commission on Environmental Quality. October 2024. Joint Groundwater Monitoring and Contamination Report, SFR-56. Retrieved from: https://www.tceq.texas.gov/groundwater/groundwater-planning-assessment/sfr-056-joint-groundwater-monitoring-contamination-report

Inactive wells are rarely reactivated, and plugging doesn't happen soon enough

The inactive well population has grown by about 40,000 over the past 10 years. Only 1 - 2% of the inactive well population is "reactivated" each year.[11]



Orphaned wells are a growing problem in Texas.

There are approximately 8,500 wells on the RRC's orphaned wells list.[12] Meanwhile, there are approximately 115,000 inactive wells in our state waiting to be orphaned.[13] An additional 44,000 wells have been shut-in for less than 12 months and may return to active status.[14] Out of the inactive well population, nearly 17,000 are more than 20 years old, and the Railroad Commission estimates it would cost more than $2 billion to plug those 17,000 wells - a cost that is double what it was in 2023.[15]

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[11] Railroad Commission of Texas. Monthly Drilling, Completion and Plugging Summaries. Retrieved from: https://www.rrc.texas.gov/oil-and-gas/research-and-statistics/drilling-information/monthly-drilling-completion-and-plugging-summaries/

[12] Railroad Commission of Texas (2025, January 8). Orphaned Wells with a Delinquent P-5 Greater than 12 Months. https://www.rrc.texas.gov/oil-and-gas/research-and-statistics/well-information/orphan-wells-12-months/

[13] Railroad Commission of Texas. (2025, January 10). Inactive Well Aging Report (IWAR).

[14] Railroad Commission of Texas. December 2024. Well Distribution Tables. Label: "14(b)(2) Compliant. Shut in < 1 yr."

[15] Railroad Commission of Texas. (2025, January 102023, January 9). Inactive Well Aging Report (IWAR). https://www.rrc.texas.gov/oil-and-gas/compliance-enforcement/hb-2259-hb-3134-inactive-well-requirements/inactive-well-aging-report-iwar/

Each year, the Commission is taking on more orphaned wells than it plugs, with a net increase of 3,700 wells in 2023, as shown in Figure 1.[16] In its Legislative Appropriations Request, the Railroad Commission notes that plugging costs for the agency have increased to $30,000 in 2023 from $20,400 in 2019, a 50% increase.[17] Simultaneously, the commission paid an average $250,000 on average to plug and clean up 38 emergency wells in 2023, this appears to have contributed to the agency having fewer funds available for well plugging in the 2024 - 2025 biennium.[18]

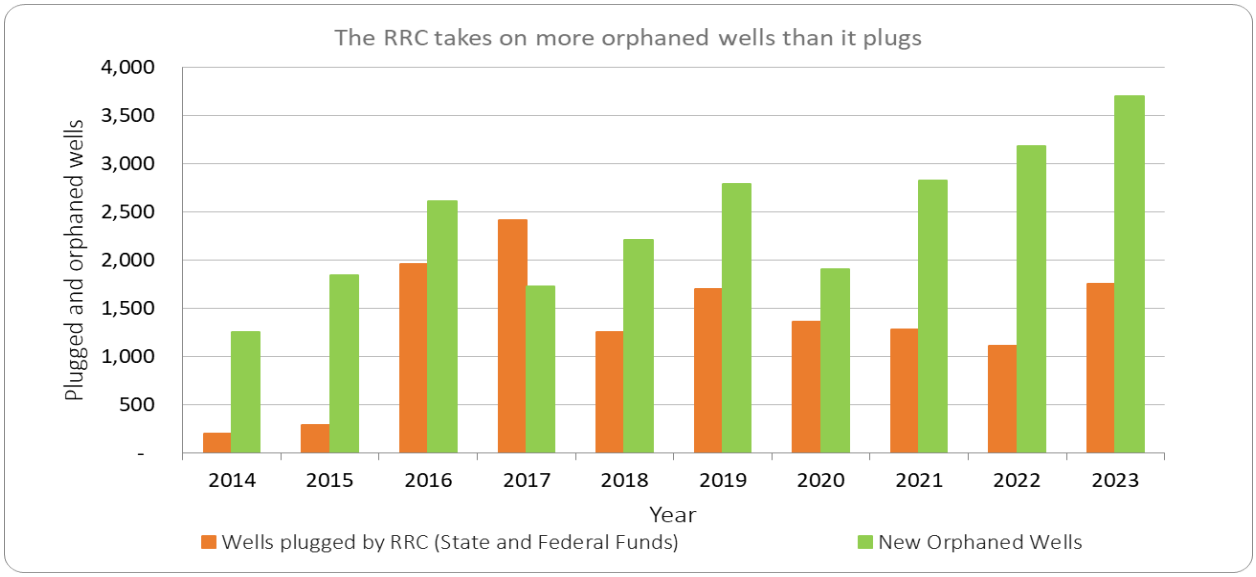

Figure 1. Net New Orphaned and Wells Plugged by the Texas Railroad Commission and in Past Decade

The RRC's performance indicates a need for legislative action.

In past years, the Railroad Commission consistently exceeded its annual performance measures for well plugging and cleanup. However, this will not be the case for FY 2025. The General Appropriations Act (HB 1, 88R) passed last session set a performance measure for orphaned well plugging of 2,200 wells for FY 2025 (using both state and federal funds). The commission's FY 2025 workplan will plug 500 wells using state-managed funds and 500 wells using federal funds,[19] less than half of what was expected. The reason for this is an increase in emergency well blowout events and leaks from unplugged wells -in some cases, these are related to underground injection. In order to keep up with the increasing costs of plugging and cleaning up Texas' aging well populations, the legislature will eventually need to grant the RRC the authority to increase fees and surcharges so that the commission may collect the funds necessary for managing orphaned wells in a timely manner. More importantly, state policy must be changed to prevent operators from walking away from their wells after decades of being inactive.

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[16] Railroad Commission of Texas. Oilfield Cleanup Program Annual Reports; Annual Drilling, Completion and Plugging Summaries. 2014 - 2023.
[17] Railroad Commission of Texas. Legislative Appropriations Request, Fiscal Years 2026-2027. p. 3 of 6.
[18] Railroad Commission of Texas. Legislative Appropriations Request, Fiscal Years 2026-2027. p. 3 of 6.
[19] Railroad Commission of Texas. January 31, 2025 Open Meeting, Item 623. Timestamp: 31:55. Retrieved from: https://www.adminmonitor.com/tx/rrc/open_meeting/20250131/

Glossary of Terms

Orphaned Well: Texas statute defines orphaned wells as wells for which the Railroad Commission has issued a permit, where activity has not been reported in the preceding 12 months, and whose operator's commission-approved organization report has lapsed.[20]

Inactive well: Inactive wells still have an active operator on file and are not necessarily "orphaned." Texas statute defines an inactive well as an "unplugged well that has had no reported production, disposal, injection, or other permitted activity for a period of greater than 12 months."[21] Railroad Commission rules in 16 TAC §3.15(a)(6) add that an inactive well is "an unplugged well that has been spudded or has been equipped with cemented casing."

Shut-in: A well that has been inactive for less than 12 months.

Active operation: Active operation is defined in Tex. Nat. Res. Code 89.047 (i), and further clarified in Railroad Commission rule 16 TAC §3.15(a)(1) as "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,"

Abandoned Well: "Abandoned" is an ambiguous term often used interchangeably with the terms "orphaned" and "inactive," which can be confusing. Abandoned wells may have ceased production and been properly plugged by the operator, or they may be inactive and unplugged or orphaned without a responsible operator on file.

[20] Tex. Nat. Res. Code 89.047 (a)(3. Also see Railroad Commission. Orphan Wells With Delinquent P-5 Greater Than 12 Months.
https://rrc.texas.gov/oil-and-gas/research-and-statistics/well-information/orphan-wells-12-months/
[21] Tex. Nat. Res. Code 89.022 (12).