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To: The Honorable Drew Darby, Committee Chair, House Committee on Energy Resources
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The Honorable Members, House Committee on Energy Resources

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Sierra Club's Comments Regarding Oil, Gas and P-13 Water Well Regulations in Texas, Including Recommendations for Legislative Action

The Sierra Club Lone Star Chapter representing more than 21,000 members across Texas submits the following comments to the House Committee on Energy Resources regarding oil and gas wells in Texas. As the state chapter of the oldest and largest conservation organization in the country, we have long been engaged in issues affecting Texas communities and the environment, including issues related to oil and gas well drilling, plugging, and of course, orphan wells.

RRC's Open Meetings Should Remain Open to Public Input

Before turning to the issues at hand in this hearing, we did want to take a moment to express our profound opposition to a recent policy change at the Commission limiting public input. Quite simply, we believe that public input should always be allowed at all Commission open meetings both for open items but also for any issue a member of the public wants to raise. We have supported recent efforts by the agency to expand its Office of Public Engagement but were concerned by a recent policy shift to give discretion to the Commissioners to limit public input at open meetings. In fact, we would encourage the Commission to allow for virtual participation by members of the public as some agencies such as the Texas Water Development Board have allowed.

Texas is not keeping up with the need to assure oil and gas wells are plugged, and despite record spending and legislation, the problem is getting worse

Texas is the leading oil and gas state in the nation, and has dug more oil and gas wells than any other state. Under Texas law, oil and gas producers are responsible for plugging their wells, but many older wells exist where a company of record doesn't exist and the state is left holding the bag, while in other cases, companies simply flout the law and fail to comply with requirements. As a result there are thousands of abandoned and orphaned wells. While some progress has been made through federal and state funding, the problem appears to be getting worse not better.

The universe of oil and gas wells in the state is massive. According to a 2025 annual report from the Railroad Commission, there were some 435,063 oil and gas wells drilled and registered with the state, of which approximately 155,531 were considered inactive wells. Unfortunately that number appears to be rising. Currently, according to RRC's most recent monthly report, there are some 158,399 inactive or shut-in wells in the state. According to the Railroad Commission's most recent Orphan Well list from July of 2026, there are currently approximately 12,185 wells that have been listed as "orphan." Orphaned wells are inactive, non-compliant wells that have been inactive a minimum of 12 months and the responsible operator's Organizational Report (Form P-5) has been delinquent for greater than 12 months. In other words, they are not operating or producing, and the operator has not begun the required process to plug the well, meaning they have become a ward of the state. In recent years, a combination of emergency funding approved by the state along with federal funds has allowed for more state-funded wells to be plugged on an annual basis, but even while plugging 1500 to 2000 wells per year, the number of abandoned wells appears to be growing.

Orphan Wells Plugged through State Management (does not include federal projects)

Fiscal Year	Number of Wells Plugged	Cost
FY 2024	1,256	\$34.0 million
FY 2025	1,101	\$62.8 million
FY 2026 (through July)	1,690	\$95.1 Million

Source: RRC, State Managed Well Plugging Activities, August 10th, 2026, available at <https://www.rrc.texas.gov/media/vkqbx30q/july-26-smp.pdf>.

It is worth noting that industry itself plugs thousands of wells a year as required by statute, but even despite this effort, overall the number of orphaned wells is increasing.

It is worth noting that even though a combination of federal funds from the Bipartisan Infrastructure Act, and a one-time injection of \$100 million from general revenue funds last session have helped the RRC plug more abandoned orphaned wells, the cost of plugging wells is going up and the fees and fines that support the main GR-dedicated fund - the Oil and Gas

Regulation and Cleanup Fund - have not kept pace with the needs of the state-managed program.

Sierra Club supported the intent of SB 1150 as a good first step but the bill didn't go far enough to protect Texas communities

While Sierra Club was supportive of the purpose of SB 1150 last session, we advocated for strengthening the bill. The bill codified a timeline of requiring plugging of wells at 15 years after being active and 25 years after their construction. We believed these timelines should have been reduced by five years to 10 years since production and 20 years since the construction of the well respectively, which would require more wells to be plugged on a yearly basis. Quite simply, 15 years being inactive – and 25 years since construction – is too long. In addition we suggested improvements in the required annual study, including average per foot plugging costs by district. Finally, we suggested that the Commission be given more authority to make decisions about whether to extend the life of inactive wells, and consideration of a successful fluid level and hydraulic pressure test as part of its review. Put simply, the Commission should have the ability to require a hydraulic pressure or mechanical integrity test earlier than the anniversary suggested in statute - such as within 10 years - if there are reasons to believe it is needed.

Again, to be clear, SB 1150 was an improvement over current law, since it sought to prevent oil and gas companies from constantly extending the timelines to plug wells, creating a huge risk for the state. We are still awaiting the rulemaking to implement those timelines, and look forward to that rulemaking.

Still, the Sierra Club believes the legislature should consider tightening up the timelines and adding some specific authority to the Commission to prevent oil and gas companies from sitting on plugging activities for too long.

Zombie and p-13 Wells Rear Their Ugly Heads

Compounding the issue is the recent appearance of so-called “zombie” wells, which are wells that may have been capped at one time, but are now “coming back to life,” creating pathways for toxic waters and oil and gas products that can flow into rivers and streams, impact groundwater, or even create new toxic lakes. The regulatory rules and processes on such zombie wells are not well-established. The Sierra Club would like to see some legislation giving clear regulatory guidelines on how to plug and clean up these zombie wells.

A specific issue beyond “zombie wells” are P-13 wells which are wells originally dug for oil and gas exploratory purposes which were then turned over to landowners and used as water wells. Recently, legislation was approved to help TCEQ provide funding to help plug these “water” wells, but there remain regulatory gaps in statute that need addressing. We believe that both the RRC and TCEQ should have a role in plugging these wells, and assessing compliance.

Sierra Club Recommendations: Beef up the Oil and Gas Regulatory and Cleanup Fund With Updated Bonding, Fines and Fees

Currently, fines and fees and required bonding and financial assurance that reverts to the state if a well is not plugged by the operator flows into the Oil and Gas Regulation and Cleanup Fund.

However, existing statutes in the Natural Resource and Water codes place statutory caps on many permit fees, bonding amounts and especially fines for oil and gas companies that don't comply with the law. The Legislature should consider modernizing these fees, fines, bonding amounts and permit fees to better support the agency.

In its LAR for 28-29, the Texas Railroad Commission is again asking for a \$100 million dollar exceptional item request for well plugging from General Revenue, even though there is currently about \$194 million in balances in the GR-Dedicated OGRCF, according to recent Comptroller figures at the end of the last session. Still, it is apparent that if the RRC is to be a true self-funded agency, more money will be needed to keep pace with the now 12,195 orphaned wells, zombie wells and p-13 wells where there is not a clear responsible party that can be identified. The legislature should work to assure that the GR-Dedicated Oil and Gas Regulation and Cleanup Fund is keeping up with the needs of the state.

Fines for Rulebreakers are Too Low and Should Flow to the Agency

The Legislature should ensure that oil and gas companies that break the law pay appropriate fines to discourage violations. Current laws set a maximum fine on oil and gas companies that violate environmental laws of only \$10,000 per day, an amount set in 1983, while other agencies, like the EPA, Attorney General, and TCEQ, can assess much higher fees, such as a maximum of \$40,000 per day. The low maximum fines at the RRC create a perverse incentive to break the law instead of investing in adequate pollution controls. The Legislature should raise the fees and fines that non-compliant oil and gas companies pay. Legislation to update the fines paid by oil and gas companies that violate the water and natural resource code from \$10,000 per day to at least \$25,000 dollars per day would be a start. These fines have not been updated since 1983. The fines should flow to the OGRCF, not general revenue.

Statutes limit permit fees

The Legislature should also review statutes and consider increasing caps on permit fees, which in some cases are well below the cost for staff to review and issue the permit;

Finally, the Legislature should raise the minimum bonding and financial assurance fees intended to prevent companies from leaving the state holding the bag should they leave an abandoned and orphaned well.

Bonding Levels are Too Low

Since 1991, Texas has been requiring oil and gas operators to post a bond, or meet other requirements in terms of financial security to assure that the state is not left without any recourse should a company go bankrupt, walk away or simply not obey the law. The money is there to assure that wells are properly plugged. Companies can meet these requirements in a variety of ways, but the principal manner is to post either an individual bond or what is known as a "blanket" bond which can cover multiple wells. **The bonding levels have not changed since 1991.**

The legislature should consider a simple bill to modernize and update the bonding amounts that oil and gas companies are required to post. While it will not by itself solve all orphaned and

abandoned well issues in Texas, it will help. In 1991, hydraulic fracturing, directional and horizontal drilling were only being experimented on and the estimated cost of plugging wells was a fraction of the cost today. A legislative approach would be to update the cost by moving away from a \$2 per foot requirement to one based on average plugging costs. Recent data indicates that individual bonding requirements only cover about 16% of the cost of plugging a well. Under the proposed bill, the RRC would use annual real data to set plugging requirements each year for individual wells. Under the proposed legislation, the amount could be different depending on the district. For example costs to plug in the Permian are different from costs in the Barnett-Shale.

In addition, the legislature should consider updating the blanket bonding requirements by increasing the amount of the blanket bond and changing the number of wells “covered” by the blanket bond. Under current law, blanket bonds are only charged \$25,000 for those with 10 or fewer wells, while the blanket bond for those drilling more than 100 wells is currently only \$250,000. The Legislature should consider increasing these bonding blanket requirements by a factor of 5X to 10X to be more reflective of actual costs today. Simply put, average costs of plugging wells today have skyrocketed and the statutory caps in law have not kept up with this reality.

While raising bonding levels does not by itself increase revenues to the state, in the event that an operator goes bankrupt or does not meet its obligation, the higher levels put in bonds will lead to more resources to the state in the future.

The Sierra Club looks forward to working with the committee to improve regulations to prevent the creation of more orphaned and zombie wells, and to modernize permit fees, fines and bonding levels to better protect the state and Texas taxpayers.