

Orphaned Well Bitcoin Mining Partnership Program

WHEREAS, uncapped, orphaned oil and natural gas wells require cleanup or would otherwise continue to emit methane and other gasses.

WHEREAS, the federal government is allocating at least \$25 million to the state of insert state here with additional grant money available to states that address the management and containment of orphaned wells;

WHEREAS, insert state here has more than xxxx orphaned wells that are in need of containment;

WHEREAS, in insert state here significant new funding would be needed to contain existing orphaned wells in a timely manner;

WHEREAS, Bitcoin mining operations can use orphaned oil and natural gas wells to secure the Bitcoin network in a profitable manner while generating economic activity and helping mitigate the environmental challenge of orphaned wells;

NOW, THEREFORE, LET IT BE RESOLVED: The state of insert state here does create the Orphaned Well Bitcoin Mining Program.

Definitions: As used in this chapter the following words have the following meanings:

“Orphaned Well” means an oil or natural gas well on public or private lands which has not been properly plugged according to the requirements of the statutes where the leasehold owner or wellbore operator cannot be located and there is no other party which can be forced to plug the well.

“Bitcoin mining” means using electricity to power a computer for the purpose of securing the Bitcoin network.

“Department” means the Department, commission, or agency currently in charge of addressing orphaned wells in the state.

The Department shall create the Orphaned Well Bitcoin Mining Partnership Program. This program shall partner with Bitcoin miners to have them assume liability of plugging, remediating, or reclaiming orphaned wells in return for temporary control of the energy from the well as spelled out by a process created by the Department.

The Orphaned Well Bitcoin Mining Partnership Program Fund is created for the purpose of funding the Department and providing up front capital to Bitcoin miners for the Orphaned Well Bitcoin Mining Partnership Program. This money for this fund shall be deposited from portions of the Infrastructure Investment and Jobs Act as well as the Inflation Reduction Act and a percentage of the funding that currently goes to cleaning up orphaned oil wells from other state programs.

The Department shall be responsible for documenting to the best of their ability all orphaned wells in the state.

The Department will make accessible the reporting information required by the Infrastructure Investment and Jobs Act and other relevant information on a publicly accessible website that contains information on orphaned wells in the state as well as the following information to the extent that it is reasonably possible to provide such information:

1. How much methane or any other natural gas can reasonably be expected to be produced from the orphaned well
2. The location of the well
3. How long the well has been abandoned
4. An estimate of how much money it will take to plug, remediate, or reclaim each orphaned well to environmental standards
5. Whether the well is on state or private land
6. Information on the last known operator
7. Any information regarding the integrity of the well and/or the casing of the well
8. Any other information the Department deems relevant for the Orphaned Well Bitcoin Mining Partnership Program

Once this information has been collected and put up on a publicly accessible website, the Department will solicit bids also available on the same website from Bitcoin miners to take temporary ownership of the orphaned well and take legal responsibility for plugging, remediating, or reclaiming orphaned wells.

The Department will solicit bids at least once a year for this program but may hold more bidding periods at their discretion.

The Department will require Bitcoin miners to submit all the following information to the Department to be eligible submit bids:

1. Legal documents showing the structure of the Bitcoin mining company and a demonstrated ability to mine Bitcoin successfully
2. A reasonable estimate of when the Bitcoin mining company would begin mining on the site and a reasonable estimate of how long the Bitcoin mining company would mine Bitcoin at the orphaned well site
3. A reasonable estimate of monies needed much in upfront investment from the state Orphaned Well Bitcoin Mining Partnership Program Fund the company would require to more quickly deploy mining equipment.
4. A reasonable estimate of how many Bitcoins would be mined at orphaned well over the life of the agreement.
5. A reasonable estimate of breakeven price for Bitcoin mining in order to be profitable at the orphaned well
6. Proof of financial responsibility for the Bitcoin mining company's ability to ensure cleanup of the site of the orphaned well regardless of the success of the mining operation at this location
7. An estimate of the monies the company will deposit back to the Orphaned Well Bitcoin Mining Partnership Program fund over the life of its agreement in the form of Bitcoin
8. Any other information the Department deems relevant
9. The information in this bid is to be private to the Department. The Department may provide summary statistics regarding information received in the bids.

After a bidding period defined by the Department, they will select the bidding winners taking into account the following criteria.

1. The ability of the Bitcoin mining company to successful and safely mine on the orphaned well
2. The time frame over which the company will mine on the well
3. The initial cost and return on investment for the Orphaned Well Bitcoin Mining Partnership Program

Once the bid is won and if the mineral rights are still held by a 3rd party, the miner who assumes control over the well shall enter into private negotiations to determine the royalty on a per thousand cubic feet basis.

The Department will announce the winning bidders on a publicly accessible website along with a shortened version of the proposals submitted removing all sensitive business information of the Bitcoin mining company.

Before the winning bidder may begin mining on an orphaned well, the bidder must use a 3rd party organization to report to the Department the amount of natural gas emissions currently being emitted from the well.

The winning bidders may begin mining on the orphaned well as per their bid with the Department after posting a bond to the state to ensure that the site will be plugged, remediated, or reclaimed to environmental standards.

Before beginning the process of mining on a previously orphaned well won through the bidding process, the winning bidder shall have 60 days from being informed they are the winning bidder to perform due diligence on the well. This shall include the ability to perform the following:

1. Run logs for mechanical integrity
2. Run logs for surface integrity
3. Determine the amount of natural gas and or oil the well can produce

This data must be reported to the Department no longer than 60 days after the due diligence period.

After 60 days the winning bidder must report their decision of whether they intend to mine at the well and assume all liability of plugging, remediating, or reclaiming an orphaned well. If they do not report their decision to the Department, they shall be fully responsible for plugging, remediating, or reclaiming an orphaned well.

If after 60 days the winning bidder chooses not to mine off the orphaned well, they must do the following:

1. Report their decision to the Department
2. Report the reasoning to the Department
3. Report any and all logs to the Department

Before the due diligence period ends, a winning bidder may apply to the Department for an additional 60 days to perform necessary due diligence.

After the winning bidder assumes control over the orphaned well, they are fully responsible for plugging, remediating, or reclaiming the orphaned well.

If applicable, the Department will remove the wells secured by Bitcoin miners through the bidding process from any required plugging schedule.

The cost of plugging, remediating, or reclaiming an orphaned well shall be capped at 3 times the initial estimate by the Department unless it is demonstrated that the winning bidder caused additional costs to the site.

Any additional costs shall be paid for by the Orphaned Well Bitcoin Mining Partnership Program Fund

In order to qualify for a cap cost on plugging, remediating, or reclaiming the orphaned well, the Bitcoin miner must use a 3rd party to provide all the following to the Department.

1. All information about the well integrity
2. Record all data on natural gas emissions
3. Record any potential groundwater contamination
4. Show that Bitcoin mining on the well did not significantly cause the cost of plugging, remediating, or reclaiming the well to increase.

Any Bitcoin Miners participating in the Orphaned Well Bitcoin Mining Partnership Program shall not incur any liabilities other than the duty to plug, remediate, or reclaim an orphaned well they have taken control of through this program to environmental standards.

The Bitcoin mining company may pay any monies owed to the Orphaned Well Bitcoin Mining Partnership Program Fund in Bitcoin. The legislature may determine whether the fund will hold Bitcoin or immediately transfer the Bitcoin into American dollars or a stable coin or some combination thereof.

Any Bitcoin miner paying into this fund shall have those payments exempt from state income and capital gain tax for their Bitcoin paid into this fund or any other Bitcoin generated through this project.

Any Bitcoin miner in this program shall provide a yearly update to the Department documenting their ability to plug, remediate, or reclaim the well as outlined in their bid.

After the agreed upon period of time set forth in the bid, the Bitcoin miner shall plug, remediate, or reclaim the well using an approved company by the Department

Nothing in this section shall prohibit a Bitcoin miner from creating an agreement with a 3rd party to facilitate the transfer of oil from an orphaned well to market.

At the end of the agreed upon mining period, the Bitcoin miner may take legal ownership of the well through the process spelled out in section of insert state law here.

Doing so does not remove the responsibility of the Bitcoin miner to plug, remediate, or reclaimed the orphaned well. A Bitcoin miner must make the state aware of such plans 12 months before the orphaned well is slated to be plugged, remediate, or reclaimed.