Executive Summary:

Orphaned Well Bitcoin Mining Program

ACCESS MORE FUNDS FOR YOUR STATE

Summary of Legislation

The legislation would allow states to take money from two federal bills and create a partnership program between a state and Bitcoin miners to address orphaned oil and gas wells. Bitcoin miners could access this money to more quickly fund the buildout of mining operations to harness energy from orphaned wells. After an agreed upon period of time between the state and the Bitcoin miner, the Bitcoin miner would be responsible for either taking ownership of the well or closing it in an environmentally compliant way via a 3rd party.

What Problem is the Bill Solving?

The oil and gas industry goes through both booms and busts. During bust times, oil and gas producers often leave behind wells that they have failed to properly decommission on both private and state land. This leads to environmental issues such as oil leakage into the ground and methane emissions into the air. There are an estimated 2.1 million orphaned oil wells in the United States. The methane that leaks from these wells produces emissions equal to 2-5 million cars per year.

There is not enough money, even with the federal funds, to close all these wells in a timely fashion. The Bitcoin mining program can address this issue by turning methane to Bitcoin immediately and having other funding go to close wells that are not suited to Bitcoin mining. This is a win for the environment and for the Bitcoin mining industry.

CLEANUP THE ENVIRONMENT & REDUCE EMISSIONS

Talking Points for the Bill

- Methane emissions are 80 times worse global warming than carbon dioxide. Orphaned oil and gas wells are a large cause of these emissions representing the same emissions as 2 to 5 million cars per year.

- Bitcoin mining creates jobs in rural parts of the state, many which are suffering due to former energy jobs leaving and a poor overall economy. The average job working for a Bitcoin mining facility is approximately $80,000 per year.

- The program doesn’t cost the state money and might actually generate a return. This is because the funds from setting up this program are coming from the federal government. A state is eligible for up to xxxx in funding if it reaches certain goals. Moreover the cost for closing wells will then be paid by Bitcoin miners rather than taxpayers.

- The bill is a win-win-win. It's a win for the environment for removing methane and preventing ground contamination. A win for Bitcoin miners who are bringing jobs and taxpayers to the state. A win for taxpayers who are seeing their dollars close more wells.

Section By Section Breakdown of the Legislation

- The legislation defines orphaned well, Bitcoin mining, and Department. The Department shall be the agency which is currently in charge of addressing orphaned wells in the state. Every state with a significant orphaned well problem has such a department.

- The legislation creates the Orphaned Well Bitcoin Mining Partnership Program and the fund which will provide money for the program. The Partnership Program will grant temporary use of the orphaned well to the Bitcoin miner. The fund will get money from the Infrastructure and Investment and Jobs Act, the Inflation Reduction Act (which is federal money) and some funding the state currently sets aside for the orphaned well program. Lawmakers can decide what amounts.

- The Department is tasked with creating a publicly accessible website to house information about orphaned oil wells and the Bitcoin Mining Partnership program. They must also estimate how much it will cost to close the well.

- The Department must document orphaned oil wells throughout the state and collect a variety of information such as location and methane emissions which are required by the Inflation Reduction Act. No extra data collection is necessary.

- Once this information is collected, the Department shall solicit bids to take over the orphaned oil well from a Bitcoin miner. This will happen at least once a year but the Department can solicit bids as often as it wants.

Section By Section Breakdown Continued...

- When soliciting bids, Bitcoin miners must submit information showing they are a legitimate company, they have the financial ability to close the well, and provide an estimate of how much money they can return to the fund.
- The Department selects the winning bidders on 3 criteria
- Can the company safely mine on the well
- How long can the company mine on the well (the shorter the better)
- How much is the bid asking for up front and how much can they return to the program
- The Bitcoin miner must secure any mineral rights from private parties which hold those rights.
- The Bitcoin miner has 60 days from winning the bid to inspect the well. This is done to ensure the site can be mined safely and won't cause other environmental issues or further cleanup costs. It also ensures that there is enough methane for the miner.
- After inspecting the well, the Bitcoin miner can decide not to mine on the well. If they do so, they must inform the Department of why they are not mining and include the information they gathered.
- The Bitcoin miner shall have the cost of closing a well capped at 3 times the initial estimated cost by the department unless the miner caused extra damage to the site.
- This cap is only available if the miner provides certain information to the Department. Any additional costs will be paid for by the fund.
- The Bitcoin miner can elect to payback the state in the form of Bitcoin which shall be exempt from state taxes. The state can decide to convert the Bitcoin or hold it as is.
- A Bitcoin miner can use already spelled out state law to take permanent ownership of the well if desired. They must do so 12 months before they are required to close the well.