

By: Senator(s) Harkins

To: Energy; Finance

SENATE BILL NO. 2435

1 AN ACT TO CREATE THE ORPHANED WELL PARTNERSHIP PROGRAM; AND
2 FOR RELATED PURPOSES.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

4 **SECTION 1.** (1) The Legislature finds that:

5 (a) Uncapped, orphaned oil and natural gas wells
6 require cleanup or would otherwise continue to emit methane and
7 other gasses;

8 (b) The federal government is allocating at least
9 Twenty Five Million Dollars (\$25,000,000.00) to the State of
10 Mississippi, with additional grant money available to states that
11 address the management and containment of orphaned wells;

12 (c) In Mississippi, significant new funding would be
13 needed to contain existing orphaned wells in a timely manner; and

14 (d) Digital asset mining operations can use orphaned
15 oil and natural gas wells to secure the digital asset network in a
16 profitable manner while generating economic activity and helping
17 mitigate the environmental challenge of orphaned wells.



18 (2) Therefore, the Legislature creates in this chapter the
19 Orphaned Well Partnership Program.

20 **SECTION 2.** (1) As used in this chapter, the following words
21 have the following meanings:

22 (a) "Digital asset mining" means using electricity to
23 power a computer for the purpose of securing the digital asset
24 network.

25 (b) "Board" means the Mississippi State Oil and Gas
26 Board.

27 (c) "Orphaned well" means an oil or natural gas well on
28 public or private lands which has not been properly plugged
29 according to the requirements of the statutes where the leasehold
30 owner or wellbore operator cannot be located, and there is no
31 other party that can be forced to plug the well.

32 (d) "Program" means the Orphaned Well Partnership
33 Program created in this article.

34 **SECTION 3.** (1) As administrator of the program, the board
35 shall partner with digital asset miners to have them assume
36 responsibility for plugging, remediating or reclaiming orphaned
37 wells in return for temporary control of the energy from the well
38 as specified by a process created by the board.

39 (2) The Orphaned Well Partnership Program Fund is created
40 for the purpose of funding the board and providing up-front
41 capital to digital asset miners for the Orphaned Well Partnership
42 Program. The money for this fund shall be deposited from portions



43 of the Infrastructure Investment and Jobs Act as well as the
44 Inflation Reduction Act and a percentage of the funding that
45 currently goes to cleaning up orphaned oil wells from any other
46 state programs.

47 (3) The board shall be responsible for documenting to the
48 best of its ability all orphaned wells in the state.

49 (4) The board shall make accessible the reporting
50 information required by the Infrastructure Investment and Jobs Act
51 and other relevant information on a publicly accessible website
52 that contains information on orphaned wells in the state, as well
53 as the following information, if it is reasonably possible to
54 provide such information:

55 (a) How much methane or any other natural gas can
56 reasonably be expected to be produced from the orphaned well;

57 (b) The location of the well;

58 (c) How long the well has been abandoned;

59 (d) An estimate of how much money it will take to plug,
60 remediate or reclaim each orphaned well to environmental
61 standards;

62 (e) Whether the well is on state or private land;

63 (f) Information on the last known operator;

64 (g) Any information regarding the integrity of the well
65 and/or the casing of the well; and

66 (h) Any other information the board deems relevant for
67 the program.



68 Once this information has been collected and put up on a
69 publicly accessible website, the board will solicit bids also
70 available on the same website from digital asset miners to take
71 temporary ownership of the orphaned well and take legal
72 responsibility for plugging, remediating or reclaiming orphaned
73 wells.

74 The board shall solicit bids at least once a year for this
75 program but may hold more bidding periods at their discretion.

76 The board shall require digital asset miners to submit all
77 the following information to the board to be eligible to submit
78 bids:

79 1. Legal documents showing the structure of the digital
80 asset mining company and a demonstrated ability to mine digital
81 assets successfully;

82 2. A reasonable estimate of when the digital asset mining
83 company would begin mining on the site and a reasonable estimate
84 of how long the digital asset mining company would mine digital
85 assets at the orphaned well site;

86 3. A reasonable estimate of funds needed in upfront
87 investment from the Orphaned Well Partnership Program Fund to more
88 quickly deploy mining equipment;

89 4. A reasonable estimate of how many digital assets would be
90 mined at the orphaned well over the life of the agreement;

91 5. A reasonable estimate of the breakeven price for digital
92 asset mining in order to be profitable at the orphaned well;



93 6. Proof of financial responsibility for the digital asset
94 mining company's ability to ensure cleanup of the site of the
95 orphaned well, regardless of the success of the mining operation
96 at this location;

97 7. An estimate of the monies the company will deposit back
98 to the Orphaned Well Partnership Program fund over the life of its
99 agreement in the form of digital assets; and

100 8. Any other information the board deems relevant.

101 The information in this bid is to be private to the board.
102 The board may provide summary statistics regarding information
103 received in the bids.

104 After a bidding period defined by the board, the board will
105 select the bidding winners, taking into account the following
106 criteria:

107 1. The ability of the digital asset mining company to
108 successfully and safely mine on the orphaned well;

109 2. The time frame over which the company will mine on the
110 well; and

111 3. The initial cost and return on investment for the
112 Orphaned Well Partnership Program.

113 Once the bid is won, and if the mineral rights are still held
114 by a third-party, the miner who assumes control over the well
115 shall enter into private negotiations to determine the royalty on
116 a per-thousand-cubic-foot basis.



117 The board will announce the winning bidders on a publicly
118 accessible website along with a shortened version of the proposals
119 submitted, removing all sensitive business information of the
120 digital asset mining company.

121 Before the winning bidder may begin mining on an orphaned
122 well, the bidder must use a third-party organization to report to
123 the board the amount of natural gas emissions currently being
124 emitted from the well.

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

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

- 134 1. Run logs for mechanical integrity;
- 135 2. Run logs for surface integrity; and
- 136 3. Determine the amount of natural gas and or oil the well
137 can produce.

138 This data must be reported to the board no longer than sixty
139 (60) days after the due diligence period.

140 After sixty (60) days, the winning bidder must report their
141 decision of whether they intend to mine at the well and assume all



142 liability of plugging, remediating or reclaiming an orphaned well.
143 If they do not report their decision to the board, they shall be
144 fully responsible for plugging, remediating or reclaiming an
145 orphaned well.

146 If after sixty (60) days the winning bidder chooses not to
147 mine on the orphaned well, they must do the following:

- 148 1. Report their decision to the board;
- 149 2. Report the reasoning to the board; and
- 150 3. Report any and all logs to the board.

151 Before the due diligence period ends, a winning bidder may
152 apply to the board for an additional sixty (60) days to perform
153 necessary due diligence.

154 After the winning bidder assumes control over the orphaned
155 well, the bidder is fully responsible for plugging, remediating or
156 reclaiming the orphaned well.

157 If applicable, the board will remove the wells secured by
158 digital asset miners through the bidding process from any required
159 plugging schedule.

160 The cost of plugging, remediating or reclaiming an orphaned
161 well shall be capped at three times the initial estimate by the
162 board unless it is demonstrated that the winning bidder caused any
163 additional costs to the site.

164 Any additional costs shall be paid for by the Orphaned Well
165 Partnership Program Fund.



166 In order to qualify for a cap cost on plugging, remediating
167 or reclaiming the orphaned well, the digital asset miner must use
168 a third-party to provide all the following to the board:

- 169 1. All information about the well integrity;
- 170 2. Record all data on natural gas emissions;
- 171 3. Record any potential groundwater contamination; and
- 172 4. Show that digital asset mining on the well did not
173 significantly cause the cost of plugging, remediating or
174 reclaiming the well to increase.

175 Any digital asset miners participating in the Orphaned Well
176 Partnership Program shall not incur any liabilities other than the
177 duty to plug, remediate or reclaim an orphaned well they have
178 taken control of through this program to environmental standards.

179 The digital asset mining company may pay any monies owed to
180 the Orphaned Well Partnership Program Fund in the form of digital
181 assets. The legislature may determine whether the fund will hold
182 the digital assets or immediately transfer them into American
183 dollars or a stable coin or some combination thereof.

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

188 Any digital asset miner in this program shall provide a
189 yearly update to the board documenting their ability to plug,
190 remediate or reclaim the well as outlined in their bid.



191 After the agreed upon period of time set forth in the bid,
192 the digital asset miner shall plug, remediate or reclaim the well
193 using an approved company by the board.

194 Nothing in this section shall prohibit a digital asset miner
195 from creating an agreement with a third-party to facilitate the
196 transfer of oil from an orphaned well to market.

197 At the end of the agreed upon mining period, the digital
198 asset miner may take full legal ownership of the well, but doing
199 so does not remove the responsibility of the digital asset miner
200 to plug, remediate or reclaim the orphaned well. A digital asset
201 miner must make the state aware of such plans twelve (12) months
202 before the orphaned well is slated to be plugged, remediated or
203 reclaimed.

204 **SECTION 4.** This act shall take effect and be in force from
205 and after July 1, 2023, and shall stand repealed on June 30, 2023.

