

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

SENATE BILL 443

By: Montgomery

AS INTRODUCED

An Act relating to the Corporation Commission; defining terms; creating Orphaned Well Bitcoin Mining Partnership Program; authorizing Commission to promulgate rules; requiring Commission to publish certain program-relevant information; providing for competitive bidding process; providing for confidentiality of certain submitted information; requiring participating company submit certain orphaned well site information; providing for good faith negotiation with mineral rights owner; providing for due diligence process; allowing for certain companies to be released from program liability under certain circumstances; establishing provisions for plugging, remediating, or reclaiming well; allowing company to take legal ownership of well under certain circumstances; providing maximum costs to be incurred for plugging, remediating, or reclaiming well; creating the Orphaned Well Bitcoin Mining Partnership Program Revolving Fund; establishing Fund source; providing for companies to pay monies owed to Fund in Bitcoin; exempting certain payments and proceeds from state income and capital gains tax; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 53.101 of Title 17, unless there is created a duplication in numbering, reads as follows:

1 A. As used in this section:

2 1. "Bitcoin mining" means using a generation device to turn  
3 energy into electricity to be run through a computer for the purpose  
4 of securing the Bitcoin network;

5 2. "Commission" means the Corporation Commission;

6 3. "Company" means a Bitcoin mining company; and

7 4. "Orphaned well" means an oil or natural gas well located on  
8 private or public land which has not been properly plugged according  
9 to the laws of this state and administrative rules promulgated by  
10 the Commission, and the lease holder, wellbore operator, or  
11 otherwise responsible party cannot be located.

12 B. There is hereby established an Orphaned Well Bitcoin Mining  
13 Partnership Program to be administered by the Commission. The  
14 Program shall partner with Bitcoin mining companies, who shall  
15 assume the liability of plugging, remediating, or reclaiming an  
16 orphaned well in return for temporary control of the energy from the  
17 well. The Commission shall promulgate rules to effectuate the  
18 provisions of this act and establish the framework of the program.

19 C. The Commission shall, on a publicly accessible webpage:

20 1. Make accessible the reporting information required by the  
21 federal Infrastructure Investment and Jobs Act along with any other  
22 relevant information; and

23 2. Publish relevant information related to orphaned wells in  
24 this state, including the following as it is reasonably possible:  
25

- a. an estimate of the amount of methane or any other natural gas that can be reasonably expected to be produced from an orphaned well,
- b. the locations of wells to be employed under this act,
- c. how long wells to be employed under this act have been abandoned without an owner of record,
- d. a best cost estimate for plugging, remediating, or reclaiming an orphaned well to environmental standards in this state based on available data,
- e. whether orphaned wells to be employed under this act are on public or private land,
- f. information on the last known operator of each well to be employed under this act,
- g. information regarding the integrity and casing of the wells to be employed under this act, and
- h. any other information deemed relevant by the Commission for the purposes of the Program.

D. 1. The Commission shall, subject to competitive bidding procedures prescribed by Section 85.7 of Title 74 of the Oklahoma Statutes and administrative rules published by the Office of Management and Enterprise Services, enter into a competitive bidding process to request bids from any company wishing to participate in the Program. Such process shall commence at least once per calendar year, but may occur more often at the discretion of the Commission.

1           2. The Commission shall require any company submitting a bid  
2 under this subsection to submit the following information to the  
3 Commission with any proposal:

4           a. legal documents showing the structure of the company  
5 and a demonstrated ability to mine Bitcoin  
6 successfully,

7           b. a reasonable estimate of:

8               (1) the start date on which the company would begin  
9 mining on the orphaned well site and the duration  
10 of such mining,

11               (2) monies to be requested from the Orphaned Well  
12 Bitcoin Mining Partnership Program Revolving Fund  
13 by the company to deploy mining equipment,

14               (3) the amount of bitcoin to be mined at the orphaned  
15 well over the life of the agreement,

16               (4) the breakeven price for Bitcoin mining in order  
17 to be profitable at the orphaned well at subject  
18 in the bid, and

19               (5) the monies the company shall deposit into the  
20 Orphaned Well Bitcoin Mining Partnership Program  
21 Revolving Fund over the life of its agreement in  
22 the form of Bitcoin,

23           c. proof of financial responsibility for the ability of  
24 the company to ensure cleanup of the site of the  
25

1 orphaned well, regardless of the success of the mining  
2 operation at the site, and

3 d. any other information deemed relevant by the  
4 Commission.

5 3. The information provided under paragraph 2 of this  
6 subsection shall be confidential to the Commission. The Commission  
7 may provide to the public on a publicly available webpage the  
8 summary statistic information received within submitted bids.

9 4. At the conclusion of the bidding period conducted by the  
10 Commission and in accordance with the provisions of paragraph 1 of  
11 this subsection, winning bids may be selected. The Commission shall  
12 take into account the following criteria:

13 a. the ability of the company to successfully and safely  
14 mine within the orphaned well,

15 b. the time frame over which the company will mine within  
16 the well, and

17 c. the initial cost for the company to mine within the  
18 well and the return on investment that the Program may  
19 incur.

20 5. The Commission may require a surety bond be posted to the  
21 state by any company that is granted a bid under this subsection to  
22 ensure that the site will be plugged, remediated, or reclaimed to  
23 environmental standards as determined by the laws of this state.

24 The Commission shall require a participating company to provide

1 yearly financial statements to ensure its ability to satisfy the  
2 requirements of this act.

3 6. The Commission shall announce winning bids and a summary of  
4 all proposals submitted in the given period, removing all  
5 confidential material, on a publicly available webpage.

6 SECTION 2. NEW LAW A new section of law to be codified  
7 in the Oklahoma Statutes as Section 53.102 of Title 17, unless there  
8 is created a duplication in numbering, reads as follows:

9 A. Before a participating Bitcoin mining company may begin  
10 mining from a well, the company shall, either through the  
11 Corporation Commission or a third-party company, determine the  
12 amount of natural gas emissions currently being emitted from the  
13 well. If a third-party company is used for such determination, the  
14 Bitcoin mining company shall report the findings to the Commission.

15 B. If the mineral rights of an orphaned well are owned by a  
16 third party or private entity, the company assuming control over the  
17 well shall enter good faith negotiations with the mineral rights  
18 owner to determine the royalty on a per thousand cubic feet  
19 measurement.

20 C. 1. Within sixty (60) days from the date that the company is  
21 informed of its granted bid, and before mining may commence within  
22 the well, the company shall perform due diligence studies on the  
23 well, including but not limited to running logs for mechanical and  
24 surface integrity and determining the amount of natural gas or oil  
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1 that the well can produce. The Commission may grant extensions to  
2 the due diligence period at its discretion. Data acquired under  
3 this paragraph shall be reported to the Commission within sixty (60)  
4 days following the conclusion of the due diligence period.

5 2. If, following the sixty-day due diligence process, but  
6 before the conclusion of the sixty-day reporting period, the company  
7 decides to withdraw from the program and no longer assume liability  
8 for plugging, remediating, or reclaiming the orphaned well, the  
9 company shall report such decision to the Commission. A company  
10 electing to cease participation shall include with the report the  
11 reasoning for the decision and all due diligence reporting and data  
12 acquired. The company shall be released from all duties imposed  
13 pursuant to this act and shall not be liable for the state of the  
14 orphaned well. Provided, however, any company that does not report  
15 such decision prior to the conclusion of the reporting period shall  
16 be fully responsible for plugging, remediating, or reclaiming the  
17 orphaned well.

18 SECTION 3. NEW LAW A new section of law to be codified  
19 in the Oklahoma Statutes as Section 53.103 of Title 17, unless there  
20 is created a duplication in numbering, reads as follows:

21 A. The Corporation Commission shall remove any orphaned well at  
22 the subject of a granted proposal from any required plugging  
23 schedule on which the well may be listed.

1 B. 1. Any company participating in the Orphaned Well Bitcoin  
2 Mining Partnership Program shall not incur additional liabilities  
3 outside the duty to plug, remediate, or reclaim an orphaned well  
4 that the company has taken control of pursuant to this act to  
5 environmental standards.

6 2. Following the agreed upon time period set forth in a granted  
7 proposal pursuant to Section 1 of this act, the company shall plug,  
8 remediate, or reclaim the well using a company to be approved by the  
9 Commission.

10 3. Following the conclusion of the agreed upon mining period  
11 determined within the granted proposal, the company may take legal  
12 ownership of the well through a process to be promulgated through  
13 the Commission. Taking ownership of the well shall not remove the  
14 duty of the company to plug, remediate, or reclaim the well to  
15 environmental standard. A company wishing to take legal ownership  
16 of the well pursuant to this paragraph shall notify the Commission  
17 of such plans no less than twelve (12) months prior to the date that  
18 the orphaned well is originally projected to be plugged, remediated,  
19 or reclaimed.

20 C. 1. The cost of plugging, remediating, or reclaiming an  
21 orphaned well shall be capped at three (3) times the initial  
22 estimate by the Commission, unless it is demonstrated that the  
23 company who assumed control of the well caused additional costs to  
24



1 be incurred at the site. Any additional costs shall be paid for by  
2 the Orphaned Well Bitcoin Mining Partnership Program Revolving Fund.

3 2. To qualify for a cap cost on plugging, remediating, or  
4 reclaiming the orphaned well, the company shall use a third-party  
5 company to report the following information to the Commission:

6 a. all information acquired regarding the integrity of  
7 the well,

8 b. data on natural gas emissions and any groundwater  
9 contamination, and

10 c. proof that Bitcoin mining within the well did not  
11 significantly cause the cost of plugging, remediating,  
12 or reclaiming the well to increase.

13 SECTION 4. NEW LAW A new section of law to be codified  
14 in the Oklahoma Statutes as Section 53.104 of Title 17, unless there  
15 is created a duplication in numbering, reads as follows:

16 A. There is hereby created in the State Treasury a revolving  
17 fund for the Corporation Commission to be designated the "Orphaned  
18 Well Bitcoin Mining Partnership Program Revolving Fund". The fund  
19 shall be a continuing fund, not subject to fiscal year limitations,  
20 and shall consist of monies designated by the Commission from the  
21 federal Infrastructure Investment and Jobs Act, the federal  
22 Inflation Reduction Act of 2022, and monies designated by the  
23 Commission for plugging, remediating, or reclaiming orphaned wells  
24 in this state. All monies accruing to the credit of the fund are

1 hereby appropriated and may be budgeted and expended by the  
2 Commission for the purpose of funding the Commission's operations of  
3 the Program and providing up-front capital to companies  
4 participating in the Orphaned Well Bitcoin Mining Partnership  
5 Program. Expenditures from the fund shall be made upon warrants  
6 issued by the State Treasurer against claims filed as prescribed by  
7 law with the Director of State Finance for approval and payment.

8 B. A Bitcoin mining company may pay any monies owed to the Fund  
9 in Bitcoin. The State Treasurer or their designee may determine  
10 whether the fund will hold bitcoin or immediately transfer the  
11 Bitcoin into American dollars, a stable coin, or some combination  
12 thereof. Such payments or any other Bitcoin generated from the  
13 project shall be exempt from state income and capital gains tax.

14 SECTION 5. This act shall become effective November 1, 2023.

16 59-1-379 RD 1/17/2023 9:36:30 AM