

By: Representative Powell

To: Energy

HOUSE BILL NO. 1290

1 AN ACT TO CREATE THE ORPHANED WELL CRYPTOCURRENCY MINING
 2 PARTNERSHIP PROGRAM FOR THE PURPOSE OF AUTHORIZING CRYPTOCURRENCY
 3 MINERS TO ASSUME LIABILITY OF PLUGGING, REMEDIATING, OR RECLAIMING
 4 ORPHANED WELLS, IN RETURN FOR TEMPORARY CONTROL OF THE ENERGY FROM
 5 THE WELL; TO REQUIRE THE MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL
 6 QUALITY TO ADMINISTER THE PROGRAM; TO DEFINE CERTAIN TERMS
 7 RELATING TO ORPHANED WELLS AND CRYPTOCURRENCY MINING; TO CREATE
 8 THE ORPHANED WELL CRYPTOCURRENCY MINING PARTNERSHIP PROGRAM FUND;
 9 TO PROVIDE FOR A BIDDING PROCESS FOR CRYPTOCURRENCY MINERS IN THE
 10 PROGRAM; TO REQUIRE THAT THE COST OF PLUGGING, REMEDIATING, OR
 11 RECLAIMING AN ORPHANED WELL BE CAPPED AT THREE TIMES THE INITIAL
 12 ESTIMATE BY THE DEPARTMENT, UNLESS IT IS DEMONSTRATED THAT THE
 13 WINNING BIDDER CAUSED ADDITIONAL COSTS TO THE SITE; TO REQUIRE
 14 CRYPTOCURRENCY MINERS IN THE PROGRAM TO PROVIDE A YEARLY UPDATE TO
 15 THE DEPARTMENT; TO AUTHORIZE CRYPTOCURRENCY MINERS TO TAKE LEGAL
 16 OWNERSHIP OF THE WELL AT THE END OF THE AGREED UPON MINING PERIOD;
 17 AND FOR RELATED PURPOSES.

18 WHEREAS, uncapped, orphaned oil and natural gas wells require
 19 cleanup, or such wells would otherwise continue to emit methane
 20 and other gasses; and

21 WHEREAS, the federal government is allocating at least Twenty
 22 Five Million Dollars (\$25,000,000.00) to the State of Mississippi,
 23 with additional grant money available to states that address the
 24 management and containment of orphaned wells; and



25 WHEREAS, Mississippi has many orphaned wells that are in need
26 of containment; and

27 WHEREAS, in Mississippi, significant funding would be needed
28 to contain existing orphaned wells in a timely manner; and

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

33 NOW, THEREFORE,

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

35 **SECTION 1.** This act shall be known and may be cited as the
36 "Orphaned Well Cryptocurrency Mining Program".

37 **SECTION 2.** As used in this act, the following words have the
38 meanings as defined in this section, unless the context clearly
39 requires otherwise:

40 (a) "Orphaned well" means an oil or natural gas well on
41 public or private lands which has not been properly plugged
42 according to the requirements of the statutes where the leasehold
43 owner or wellbore operator cannot be located and there is no other
44 party which can be forced to plug the well.

45 (b) "Cryptocurrency mining" means using electricity to
46 power a computer for the purpose of securing the cryptocurrency
47 network.

48 (c) "Department" means the Mississippi Department of
49 Environmental Quality.



50 **SECTION 3.** (1) There is created within the Mississippi
51 Department of Environmental Quality the Orphaned Well
52 Cryptocurrency Mining Partnership Program, to be administered by
53 the department. The purpose of the program is to authorize
54 cryptocurrency miners to assume liability of plugging,
55 remediating, or reclaiming orphaned wells, in return for temporary
56 control of the energy from the well.

57 (2) There is created in the State Treasury a special fund to
58 be known as the Orphaned Well Cryptocurrency Mining Partnership
59 Program Fund, which shall be administered by the department. The
60 fund shall consist of monies from the Infrastructure Investment
61 and Jobs Act and the Inflation Reduction Act, legislative
62 appropriations, federal funds, contributions, donations, gifts and
63 monies from any other source that are made available for deposit
64 into the fund. Monies in the fund shall be expended by the
65 department upon appropriation of the Legislature for the sole
66 purpose of providing funds to cryptocurrency miners for the
67 Orphaned Well Cryptocurrency Mining Partnership Program under the
68 provisions of this act. Monies remaining in the fund at the end
69 of a fiscal year shall not lapse into the State General Fund, and
70 any interest earned from the investment of monies in the fund
71 shall be deposited to the credit of the fund.

72 (3) The department shall be responsible for documenting all
73 known orphaned wells in the state. The department shall make the
74 reporting information that is required by the Infrastructure



75 Investment and Jobs Act, and other relevant information,
76 accessible on a publicly accessible website that contains
77 information on orphaned wells in the state as well as the
78 following information, to the extent that it is reasonably
79 possible to provide such information:

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

82 (b) The location of the well;

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

84 (d) An estimate of the cost of plugging, remediating,
85 or reclaiming each orphaned well to environmental standards;

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

87 (f) Information on the last known operator of the well;

88 (g) Information regarding the integrity of the well
89 and/or the casing of the well; and

90 (h) Any other information the department deems relevant
91 for the program.

92 (4) Once such information has been collected and provided,
93 the department shall, on such publicly accessible website, solicit
94 bids from cryptocurrency miners to take temporary ownership of the
95 orphaned well, and take legal responsibility for plugging,
96 remediating, or reclaiming such orphaned well.

97 (5) The department shall solicit bids at least once a year
98 for this program, but it may hold additional bidding periods at



99 its discretion. To be eligible to submit bids, cryptocurrency
100 miners shall provide the following information to the department:

101 (a) Legal documents showing the structure of the
102 cryptocurrency mining company, and a demonstrated ability to mine
103 cryptocurrency successfully;

104 (b) A reasonable estimate of when the cryptocurrency
105 mining company would begin mining on the site, and a reasonable
106 estimate of how long the cryptocurrency mining company would mine
107 cryptocurrency at the orphaned well site;

108 (c) A reasonable estimate of monies needed, including
109 the amount in funds from the Orphaned Well Cryptocurrency Mining
110 Partnership Program Fund that the company would require to quickly
111 deploy mining equipment;

112 (d) A reasonable estimate of how many cryptocurrencies
113 would be mined at the orphaned well over the life of the
114 agreement;

115 (e) A reasonable estimate of the breakeven price for
116 cryptocurrency mining in order to be profitable at the orphaned
117 well;

118 (f) Proof of financial responsibility for the
119 cryptocurrency mining company's ability to ensure cleanup of the
120 site of the orphaned well, regardless of the success of the mining
121 operation at such location;



122 (g) An estimate of the funds the company shall deposit
123 back to the fund over the life of its agreement in the form of
124 cryptocurrency; and

125 (h) Any other information the department deems
126 relevant.

127 The information provided in such bid is confidential to the
128 department. The department may provide summary statistics
129 regarding information received in the bids.

130 (6) The department shall determine the bidding period, and
131 after such period ends, the bidding winners shall be selected,
132 taking into account the following criteria:

133 (a) The ability of the cryptocurrency mining company to
134 successfully and safely mine on the orphaned well;

135 (b) The time frame over which the company will mine on
136 the well; and

137 (c) The initial cost and return on investment for the
138 program.

139 (7) Once the bid is won, and if the mineral rights are still
140 held by a third party, the miner who assumes control over the well
141 shall enter into private negotiations to determine the royalty on
142 a per thousand cubic feet basis.

143 (8) The department shall announce the winning bidders on a
144 publicly accessible website, along with a shortened version of the
145 proposals submitted, removing all confidential information of the
146 cryptocurrency mining company.



147 (9) Before the winning bidder may begin mining on an
148 orphaned well, the bidder shall use a third party organization to
149 report to the department the amount of natural gas emissions
150 currently being emitted from the well.

151 (10) The winning bidder may begin mining on the orphaned
152 well after posting a bond to the state, in an amount to be
153 determined by the department, to ensure that the site is plugged,
154 remediated, or reclaimed to environmental standards.

155 **SECTION 4.** (1) Before beginning the process of mining on a
156 previously orphaned well that was won through the bidding process,
157 the winning bidder shall have sixty (60) days from being informed
158 that he or she is the winning bidder to perform due diligence on
159 the well. Such due diligence shall include the ability to do the
160 following:

161 (a) Run logs for mechanical integrity;
162 (b) Run logs for surface integrity; and
163 (c) Determine the amount of natural gas and or oil the
164 well can produce.

165 Such data shall be reported to the department no more than
166 sixty (60) days after the due diligence period ends.

167 (2) After such sixty (60) days, the winning bidder shall
168 report his or her decision of whether he or she intends to mine at
169 the well and assume all liability of plugging, remediating, or
170 reclaiming the orphaned well. If he or she does not report his or
171 her decision to the department, he or she shall be fully



172 responsible for plugging, remediating, or reclaiming the orphaned
173 well.

174 (3) If, after such sixty (60) days ends, the winning bidder
175 chooses to not mine off the orphaned well, he or she shall:

176 (a) Report his or her decision to the department;

177 (b) Report the reasoning for such decision to the
178 department; and

179 (c) Report any and all logs to the department.

180 (4) Before the due diligence period ends, the winning bidder
181 may apply to the department for an additional sixty (60) days to
182 perform such necessary due diligence.

183 (5) After the winning bidder assumes control over the
184 orphaned well, he or she is fully responsible for plugging,
185 remediating, or reclaiming the orphaned well.

186 (6) If applicable, the department shall remove the wells
187 secured by cryptocurrency miners through the bidding process from
188 any required plugging schedule.

189 **SECTION 5.** (1) The cost of plugging, remediating, or
190 reclaiming an orphaned well shall be capped at three (3) times the
191 initial estimate by the department, unless it is demonstrated that
192 the winning bidder caused additional costs to the site.

193 (2) In order to qualify for the cost to be capped on
194 plugging, remediating, or reclaiming the orphaned well, the
195 cryptocurrency miner shall use a third party to:



196 (a) Provide all information regarding the well
197 integrity to the department;

198 (b) Record all data on natural gas emissions of the
199 well, and submit such data to the department;

200 (c) Record any potential groundwater contamination of
201 the well, and submit such information to the department; and

202 (d) Submit evidence to the department that indicates
203 that cryptocurrency mining on the well did not significantly cause
204 the cost of plugging, remediating, or reclaiming the well to
205 increase.

206 (3) A cryptocurrency miner participating in the program
207 shall not incur any liabilities other than the duty to plug,
208 remediate, or reclaim an orphaned well that he or she has taken
209 control of through such program. Any additional costs shall be
210 paid for by the Orphaned Well Cryptocurrency Mining Partnership
211 Program Fund.

212 (4) The cryptocurrency mining company may pay any monies
213 owed to the Orphaned Well Cryptocurrency Mining Partnership
214 Program Fund in cryptocurrency. The Legislature may determine
215 whether the fund shall hold cryptocurrency or immediately transfer
216 the cryptocurrency into American dollars or a stable coin or some
217 combination thereof.

218 (5) A cryptocurrency miner that pays into the fund shall
219 have those payments exempt from state income tax for his or her



220 cryptocurrency paid into the fund or any other cryptocurrency
221 generated through the program.

222 (6) A cryptocurrency miner in the program shall provide a
223 yearly update to the department that documents his or her ability
224 to plug, remediate, or reclaim the well as outlined in his or her
225 bid.

226 (7) After the agreed upon period of time as set forth in the
227 bid, the cryptocurrency miner shall plug, remediate, or reclaim
228 the well using a company that has been approved by the department.

229 (8) Nothing in this act shall prohibit a cryptocurrency
230 miner from creating an agreement with a third party to facilitate
231 the transfer of oil from an orphaned well to market.

232 (9) At the end of the agreed upon mining period, the
233 cryptocurrency miner may take legal ownership of the well, as
234 provided for in Mississippi law. However, if a cryptocurrency
235 miner takes legal ownership of the well after such mining period,
236 the responsibility of the cryptocurrency miner to plug, remediate,
237 or reclaim the orphaned well is not removed. A cryptocurrency
238 miner shall provide notice to the department of such plans to take
239 legal ownership of the well no less than twelve (12) months before
240 the orphaned well is slated to be plugged, remediate, or
241 reclaimed.

242 **SECTION 6.** This act shall take effect and be in force from
243 and after July 1, 2023.

