

ABANDONED OIL OR GAS WELL BITCOIN MINING PARTNERSHIP PROGRAM

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 4512 and 4513 as introduced
Sponsor: Rep. Mike McFall
Committee: Economic Competitiveness
Complete to 11-5-25

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4512 would require the Department of Environment, Great Lakes, and Energy (EGLE) to create and administer an Abandoned Oil or Gas Well Bitcoin Mining Partnership Program. The program would allow participants to enter an agreement with EGLE to assume responsibility for plugging an abandoned oil or gas well, and performing any required response activity and site restoration at the well, in exchange for the temporary right to use the oil or gas produced from the well to generate electricity for *bitcoin mining*.

Bitcoin mining would mean the use of electricity to power a computer bitcoin to secure a bitcoin network.

List of wells

EGLE would have to determine and identify which abandoned oil or gas wells are appropriate for the program, and would have to compile, for each of those wells, to the extent feasible, all of the following information:

- The well's location.
- How long the well has been abandoned.
- How much oil or gas the well can reasonably be expected to produce.
- The estimated cost of well plugging and required response activity and site restoration.
- Whether the well is on state land.
- The name and contact information of the well's last known operator.
- The integrity of the well or its casing.
- Any other information EGLE considers relevant for the program.

EGLE would have to post the above information on its website on a publicly accessible page dedicated to the program.

Bids to participate

At least annually, EGLE would have to solicit bids for participation in the program. EGLE would have to determine the bidding period. A bid would have to contain all of the following:

- Legal documents showing the organizational structure of the bidder and demonstrating its ability to successfully engage in bitcoin mining.
- A reasonable estimate of startup money needed by the bidder, including any money requested from the Orphan Well Fund, to quickly deploy bitcoin mining equipment.
- If the bidder will deposit money into the Orphan Well Fund, the payment amount and schedule.

- Reasonable estimates of when the bidder will start and finish bitcoin mining at the site of the well.
- A reasonable estimate of the proposed life of the agreement.
- The number of units of each bitcoin expected to be mined over the life of the agreement.
- A reasonable estimate of breakeven price of the relevant bitcoin in dollars for bitcoin mining to be profitable at the well.
- Proof of financial responsibility demonstrating the bidder's ability to plug the well and perform any required response activity or site restoration regardless of the success of the bitcoin mining operation.
- Any other relevant information requested by EGLE.

Sensitive business information provided in a bid would be confidential and not subject to disclosure under the Freedom of Information Act (FOIA).

After the end of the bidding period, EGLE would have to select one or more bidders to participate in the program based on the following criteria:

- The ability of the bidder to successfully and safely engage in bitcoin mining at the well.
- The time frame during which the bidder will engage in bitcoin mining at the well.
- The costs, avoided costs, and revenue to the Orphan Well Fund from the bid selection.
- The environmental benefits from the bid selection.

EGLE would have to announce selected bidders on its website and include each successful bid (with sensitive business information redacted).

Assessment by bidder

A selected bidder could perform an assessment of the abandoned oil or gas well within 60 days after the bid is selected. During the assessment, the bidder could do any of the following:

- Perform tests for mechanical integrity.
- Perform tests for surface integrity.
- Determine the amount of oil or gas the well can produce.

No later than 60 days after a bid is selected, the bidder would have to notify EGLE, in a form an manner prescribed by EGLE, whether it will participate in the program. If not, the bidder would have to include in the notice the reason for that decision and the results of any tests conducted during an assessment described above. A bidder that fails to give notice as required would be responsible for plugging the applicable well and performing any required response activity and site restoration.

Upon a bidder's application, EGLE could extend the assessment period described above for one additional 60-day period.

Participant responsibilities

Before engaging in bitcoin mining, a program participant would have to obtain a bond in favor of the state, in an amount determined by EGLE, to ensure that the abandoned oil or gas well is plugged and required response activity or site restoration is performed.

A program participant would not have to spend, to plug an abandoned oil or gas well and perform required response activity or site restoration, more than three times EGLE's estimate

of those costs. However, a program participant would be responsible for all such costs that must be incurred because of conditions caused by the participant's act or omission. To qualify for the cap described above, the program participant would have to use a third party to provide to EGLE, in a form and manner determined by EGLE, all the following information:

- Information about the integrity of the well.
- All data on gas emissions from the well.
- Any potential groundwater contamination of the well.
- Any other information required by EGLE.

Subject to any startup money repayment obligations, a program participant would not incur any liability other than the duty to plug and perform any required response activity and site restoration at the well the participant took control of through the program. Any additional costs under the program would have to be paid for from the Orphan Well Fund.

A program participant would have to provide EGLE with a yearly update that documents the participant's ability to plug and perform any required response activity or site restoration at the well as outlined in its bid.

At the end of the bitcoin mining period set forth in its bid, a program participant would have to plug or engage in the site restoration of the abandoned oil or gas well using a contractor that has been approved by EGLE. A participant could take legal ownership of the well if, at the end of its bitcoin mining period, it has met its repayment obligations, if any. A participant that does so would remain responsible for plugging the well and performing required response activity and site restoration. A participant would have to notify EGLE of a plan to take legal ownership of the well at least 12 months before the well is plugged or any required response activity or site restoration is performed.

Orphan Well Fund

Money in the Orphan Well Fund now may be used only for plugging abandoned or improperly closed oil or gas wells or response activity or site restoration at oil or gas wells whose owners or operators are unknown or insolvent, or which EGLE determines to pose an imminent threat to public health and safety, and related administrative costs.

The bill would additionally allow money in the fund to be used to provide program participants with startup funds as described above and the reasonable administrative costs of the program.

Other provisions

If applicable, EGLE would have to remove an abandoned oil or gas well secured by a person through the bidding process from any required plugging schedule.

The bill would not prohibit a program participant from entering into an agreement with a third party to facilitate the transfer of oil or gas from an abandoned oil or gas well to the market.

EGLE could develop and issue rules to implement the bill.

MCL 324.61601 et seq.

House Bill 4513 would amend the Income Tax Act to allow a taxpayer that is a participant in the program proposed by House Bill 4512 to deduct from their taxable income (or income tax base, as applicable) any income attributable in the tax year to bitcoin mining at an abandoned oil or gas well under the program. This deduction would be available for income subject to the individual income tax, the corporate income tax, and the business income tax paid by flow-through entities.

The bill cannot take effect unless House Bill 4512 is also enacted.

MCL 206.30, 206.623, and 206.815

FISCAL IMPACT:

It is unclear whether the bitcoin program established by House Bill 4512 is likely to significantly affect costs and revenues to EGLE's Orphan Well Fund. The magnitude of new fund costs and new fund revenues will hinge on the extent of program participation, a factor which will also determine the net balance between fund costs and revenues. The FY 2025-26 EGLE budget includes \$2.4 million appropriated from the Orphan Well Fund, the majority of which (\$2.3 million) supports the management of geologic resources including oil, gas, and minerals. The bill is unlikely to affect costs or revenues for any local unit of government that does not pursue participation in the bitcoin program.

House Bill 4513 would have an indeterminate fiscal impact on state revenues. Any fiscal impact would be a function of whether bitcoin mining activity would occur without the income tax deduction provided in the bill. To the extent it is argued that bitcoin mining activity would not have occurred but for the provisions in the bill, there would be little to no revenue impact from the income tax deduction. On the other hand, to the extent that any bitcoin mining activity would have occurred regardless of the bill, the deduction provided would reduce state revenues. However, this cannot be estimated with any certainty.

Legislative Analyst: Rick Yuille
Fiscal Analysts: Austin Scott
Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.