

1 STATE OF OKLAHOMA

2 2nd Session of the 59th Legislature (2024)

3 SENATE BILL 1288

By: Prieto

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5
6 AS INTRODUCED

7 An Act relating to the Corporation Commission;
8 defining terms; creating Orphaned Well Electrical
9 Power Generation Partnership Program; authorizing
10 Commission to promulgate rules; requiring Commission
11 to publish certain program-relevant information;
12 providing for competitive bidding process; providing
13 for confidentiality of certain submitted information;
14 requiring participating company submit certain
15 orphaned well site information; providing for good
16 faith negotiation with mineral rights owner;
17 providing for due diligence process; allowing for
18 certain companies to be released from program
19 liability under certain circumstances; establishing
20 provisions for plugging, remediating, or reclaiming
21 well; allowing company to take legal ownership of
22 well under certain circumstances; providing maximum
23 costs to be incurred for plugging, remediating, or
24 reclaiming well; creating the Orphaned Well
Electrical Power Generation Partnership Program
Revolving Fund; establishing fund source; providing
for codification; and providing an effective date.

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

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

24 A. As used in this section:
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1 1. "Commission" means the Corporation Commission;

2 2. "Company" means a company which will generate electricity
3 for a commercial purpose from the methane or natural gas emissions
4 from oil and gas wells; and

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

10 B. There is hereby established an Orphaned Well Electrical
11 Power Generation Partnership Program to be administered by the
12 Commission. The Program shall partner with companies who shall
13 assume the liability of plugging, remediating, or reclaiming an
14 orphaned well in return for temporary, non-transferrable control of
15 the energy generated from the emissions of the well. The Commission
16 shall promulgate rules to effectuate the provisions of this act and
17 establish the framework of the Program.

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

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

22 2. Publish relevant information related to orphaned wells in
23 this state, including the following as it is reasonably possible:
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- 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 generate electricity
6 successfully,

7 b. certification that the prospective operator has
8 received permission to conduct electricity generation
9 operations on the well from the surface owner as
10 required by state law,

11 c. a reasonable estimate of:

12 (1) the start date on which the company would begin
13 operations on the orphaned well site and the
14 duration of such operations,

15 (2) monies to be requested from the Orphaned Well
16 Electrical Power Generation Partnership Program
17 Revolving Fund by the company to deploy mining
18 equipment, and

19 (3) the monies the company shall deposit into the
20 Orphaned Well Electrical Power Generation
21 Partnership Program Revolving Fund over the life
22 of its agreement,

23 d. proof of financial responsibility for the ability of
24 the company to ensure cleanup of the site of the
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1 orphaned well, regardless of the success of the mining
2 operation at the site, and

3 e. 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 bid amount from the selected bid,
- 14 b. the availability of funds in the Orphaned Well
15 Electrical Power Generation Partnership Program
16 Revolving Fund,
- 17 c. the estimated amount of methane or other natural gas
18 currently leaking from the orphaned well,
- 19 d. the ability of the prospective operator to safely
20 plug, remediate, or reclaim the orphaned well and to
21 what state the well will be plugged, remediated, or
22 reclaimed,
- 23 e. when power generation would begin and end at the
24 location,

- 1 f. the amount of money the company is requesting from the
2 fund to commence operations at the location, not to
3 exceed the estimated cost of plugging the well, and
4 g. The percentage of the earnings the company will
5 contribute back to the fund during the participation
6 of the Program.

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

10 6. A prospective operator to whom a confirmation is issued may
11 conduct an inspection of the well. The person conducting the
12 inspection, whether it is the operator or a third party hired to
13 inspect the well, shall deliver written notice to the owner of
14 record of the surface estate and any occupant of the tract on which
15 the well is located at least three (3) days before the date of the
16 inspection. The notice shall:

- 17 a. identify the orphaned well,
18 b. state the name, address, and telephone number of the
19 person conducting the inspection, and
20 c. state the date of the intended inspection.

21 7. In conducting an inspection of the orphaned well, the person
22 inspecting the well shall have the ability to:

- 23 a. perform tests for mechanical integrity,
24 b. perform tests for surface integrity, and
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1 c. determine the amount of natural gas or methane the
2 well can produce.

3 8. No later than the sixty (60) days after the date a bid is
4 awarded, a prospective operator shall give notice to the Commission
5 as to whether they will participate in the Program and assume
6 responsibility for plugging, remediating, or reclaiming the orphaned
7 well. This deadline may be extended for an additional sixty (60)
8 days at the discretion of the Commission.

9 9. If the mineral rights of an orphaned well are owned by a
10 third party or private entity, the company assuming control over the
11 well shall enter good faith negotiations with the mineral rights
12 owner to determine the royalty on a per thousand cubic feet
13 measurement.

14 10. A prospective operator who notifies the Commission under
15 paragraph 8 of this subsection that they will not participate in the
16 Program shall provide to the Commission a reason for that decision
17 and provide any and all logs to the Commission. The company shall
18 be released from all duties imposed pursuant to this act and shall
19 not be liable for the state of the orphaned well. Provided,
20 however, any company that does not report such decision prior to the
21 conclusion of the reporting period shall be fully responsible for
22 plugging, remediating, or reclaiming the orphaned well.

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

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

7 B. 1. Any company participating in the Orphaned Well
8 Electrical Power Generation Partnership Program shall not incur
9 additional liabilities outside the duty to plug, remediate, or
10 reclaim an orphaned well that the company has taken control of
11 pursuant to this act to environmental standards.

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

16 C. 1. The cost of plugging, remediating, or reclaiming an
17 orphaned well shall be capped at three (3) times the initial
18 estimate by the Commission, unless it is demonstrated that the
19 company who assumed control of the well caused additional costs to
20 be incurred at the site. Any additional costs shall be paid for by
21 the Orphaned Well Electrical Power Generation Partnership Program
22 Revolving Fund.

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

4 a. all information acquired regarding the integrity of
5 the well,

6 b. data on natural gas emissions and any groundwater
7 contamination, and

8 c. proof that electrical generation within the well did
9 not significantly cause the cost of plugging,
10 remediating, or reclaiming the well to increase.

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

14 There is hereby created in the State Treasury a revolving fund
15 for the Corporation Commission to be designated the "Orphaned Well
16 Electrical Power Generation Partnership Program Revolving Fund".
17 The fund shall be a continuing fund, not subject to fiscal year
18 limitations, and shall consist of all monies designated by the
19 Commission from the federal Infrastructure Investment and Jobs Act,
20 the federal Inflation Reduction Act of 2022, severance taxes for any
21 natural gas produced by an orphaned well participating in the
22 Program, and monies designated by the Commission for the purpose of
23 funding the Commission's operations of the Orphaned Well Electrical
24 Power Generation Partnership Program and providing up-front capital

1 to companies participating in the Program. Expenditures from the
2 fund shall be made upon warrants issued by the State Treasurer
3 against claims filed as prescribed by law with the Executive
4 Director of the Office of Management and Enterprise Services for
5 approval and payment.

6 SECTION 4. This act shall become effective November 1, 2024.

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