



PROGRAMS

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GAS AND OIL
GEOLOGY AND MINERAL
RESOURCES
MINED LAND REPURPOSING
MINERAL MINING
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STATE ENERGY OFFICE
OFFSHORE WIND

COMMONWEALTH OF VIRGINIA

Virginia Department of Energy

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MEMORANDUM

TO: Gas and Oil Operators

FROM: Phil Skorupa
Director, Virginia Energy Gas and Oil Program

SUBJECT: Grant Announcement for Methane Emissions Reduction Program

DATE: June 3, 2024

The Virginia Department of Energy (Virginia Energy) is pleased to announce being awarded \$2,643,702 in federal grant funding to assist natural gas and oil operators in permanently plugging marginally producing wells.

Grant Funding Background and Scope:

The National Energy Technology Laboratory (NETL), a U.S. Department of Energy (DOE) national laboratory, is leading an over \$1 billion interagency agreement with the U.S. Environmental Protection Agency (EPA) to provide financial and technical assistance in support of the Methane Emissions Reduction Program (MERP). This initiative will drive critical methane emissions reduction activity across the U.S. oil and gas industry as directed by the Inflation Reduction Act statutory requirements under Section 60113, which amended the Clean Air Act by adding Section 136.

Specifically, the purpose of this grant funding is to provide financial assistance to operators to permanently plug and abandon marginally producing natural gas and oil wells. For the purposes of this grant, marginal wells are defined as producing less than or equal to 15 barrels of oil equivalent per day (BOED), or less than or equal to 90 thousand cubic feet (Mcf) of natural gas per day (1 BOE = 6 Mcf) over a calendar year. The wells may be producing or idle with known operators and well owners.

Purpose of Funds:

These grant funds have the following targeted goals:

- Mitigate, to the maximum extent possible, methane and other greenhouse gas emissions by assisting operators to voluntarily identify and permanently plug marginal wells;
- Measure methane emissions to provide a preliminary screening of emissions as a mechanism to inform plugging prioritization;
- Measure methane emissions from marginal wells (in accordance with the forthcoming DOE methane measurement guidelines) prior to and following plugging and abandonment to quantify mitigated emissions; and
- Support elements of environmental restoration required for full compliance with applicable State or Federal well plugging and abandonment standards and regulations.

Approved projects will support permanent well plugging and abandonment activities. These activities may include, but are not limited to:

- Preparation of well pad to permanently plug and abandon the well;
- Removal of well bore casing and other associated equipment or infrastructure;
- Placement of cement plugs in the borehole;
- Excavation around the well head prior to surface restoration as required by applicable State or Federal well plugging and abandonment standards and regulations; and
- Support of activities necessary for well plugging.

Public Information:

Virginia Energy is required to maintain a public website detailing information on utilization of grant funds. The following information must be gathered from operators. Virginia Energy will then publish this information on our public website and update at least monthly.

- Well Owner/Operator name
- Well type (e.g., oil, gas)
- Well location
- Production rate prior to plugging
- Total cost to plug
- Acreage reclaimed
- Total cost of environmental restoration activities
- Methane emission readings pre- and post-plugging

Davis Bacon Requirement:

Pursuant to Clean Air Act Sections 314 and 136, all laborers and mechanics employed in the performance of construction, alteration, or repair work funded in whole or in part under this grant shall be paid wages at rates not less than those prevailing on similar projects in the locality. Virginia Energy will assist with providing the prevailing wages (currently \$17.20/hour).

Operators and/or subcontractors will be expected to submit certified copies of payrolls ensuring adherence to Davis Bacon requirements. Virginia Energy Gas and Oil Inspectors will also verify certain employment information on site during plugging operations. A sample questionnaire and list of information required on certified payrolls is attached.

Prioritization and Program Requirements

Virginia Energy will prioritize the wells to be plugged based on the following criteria:

- Current methane emissions

- Length of time well has been shut-in, taking into account reasons the well has been shut-in (production rate prior to being shut-in, access to gathering line, etc.)
- Distance to residences or public areas
- Environmental risks associated with or near the well site

Specific program requirements:

- Funds are to be used for shut-in and marginal producing natural gas or oil wells (as defined above)
- Deviated or horizontal wells are not approved for this project
- Maximum grant funds to be reimbursed to operators (for site prep, plugging, monitoring, and reclamation activities) are capped at \$25,000 for coalbed methane wells and \$75,000 for “conventional” wells
- Methane emissions must be measured prior to plugging and post plugging
- To maximize the number of successfully plugged wells, operators will be required to verify wellbore conditions prior to commencing plugging (such as camera or other measurement)

How to Apply:

Virginia Energy is accepting applications from operators to receive grant funds to voluntarily plug marginal wells. If interested, an operator may apply by submitting the attached spreadsheet with the requested information on each proposed marginal well.

As part of the application, operators must also submit a Methane Measurement Plan that outlines the approach to measure methane emissions before and after well plugging and abandonment. The plan must include: 1) Description of the proposed approach, equipment, and verification that the approach meets the minimum detection limit. (Verification by instrument manufacturer’s specifications and/or field testing and demonstration.); 2) Verification that a qualified measurement specialist will obtain methane readings; 3) A quality assurance (QA)/quality control (QC) plan to verify the precision of the selected methodology; 4) Site safety plan.

Applicants will be expected to enter into an agreement with Virginia Energy verifying that funds will be used for the specific purposes set forth in this memo.

Submit applications to:

Brad Boyd
brad.boyd@energy.virginia.gov
276-639-6095

Virginia Energy looks forward to implementing these funds to reduce potential methane emissions across the Commonwealth.

Sincerely,



Phil Skorupa
Director, Mineral Mining and Gas & Oil Programs