

## The Well Done Foundation

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A Midwest-based organization that fights climate change by plugging orphaned/abandoned oil and gas wells.

Investment Memo Presented by The USIT Foundation in Spring 2023

# The Well Done Foundation

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# Charity Summary

## Charity Overview

- The Well Done Foundation is a unique charity that reduces CO2E emissions by plugging abandoned oil wells
  - Since 2019, the WDF has **plugged 26** orphaned oil wells, permanently reducing harmful Methane Gas emissions (**80X more harmful** than Carbon Dioxide) by more than **950,000 metric tons of CO2E<sup>1</sup>** (cumulative total). WDF has been able to calculate its emissions through the use of databases provided by state and local governments showing orphan well emissions and their emitter tracker technology
  - The Well Plugging itself involves a revolutionary **five-step** process encompassing oil well qualification, orphan well adoption, plugging, closure, and long-term restoration
  - WDF also sponsors the **Youth Climate Initiative**, their climate change education program that teaches youth about the role of abandoned wells in greenhouse gas emissions
  - A significant amount of WDF's inflows come in from their unique **carbon benefit unit system** and through **donations and grants**. In 2022, program spending comprised **77%** of revenue

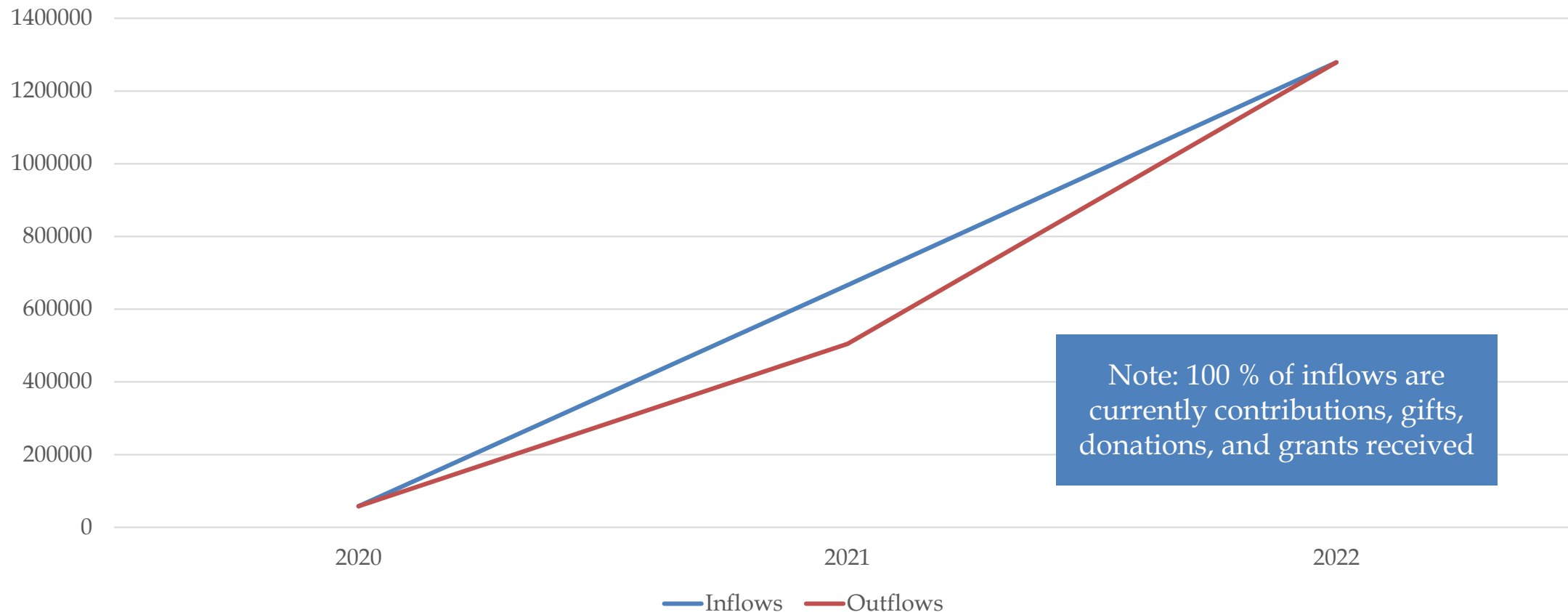
## Donation Thesis

- WDF deserves funding because it is a one-of-a-kind charity that plugs abandoned oil wells with high-impact results. Its unique five-step process to reduce methane emissions has resulted in a track record of success.
  - The USIT Foundation is an excellent partner for this newer charity aiming to resolve a long-standing issue with few other organizations and a historical lack of federal attention. WDF uniquely utilizes a **carbon benefit unit system** to generate funds and **subsidize its plugging operations**. WDF is the lead sponsor for the **American Carbon Registry's Methodology<sup>2</sup>** for the quantification, monitoring, reporting, and verification of greenhouse gas emissions reductions and removals from plugging orphan wells, which is intended to help create a **sustainable funding stream** and **scalable model** for its work
  - There are still over two million abandoned oil wells in the United States, collectively emitting over **7-20 (WDF estimates 7.11) million metric tons of CO2E per year**. A donation to WDF would assist in faster, direct action to contact local and state governments to gain the rights to plug super-emitter wells

# Financial Snapshot

*WDF inflow has increased rapidly, showing a 180.38% CAGR over 3 years*

### WDF Expense Breakdown (2020-2022)

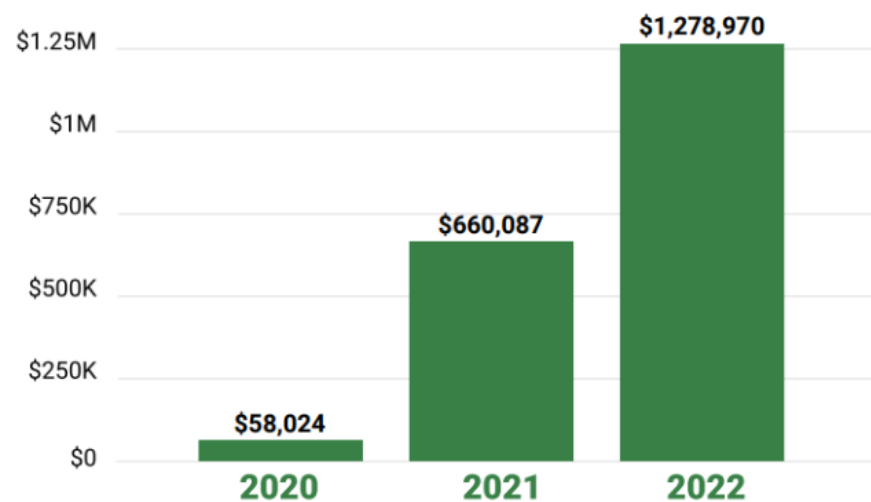


# Financial Snapshot

*Efficient programing allocation across numerous activities*

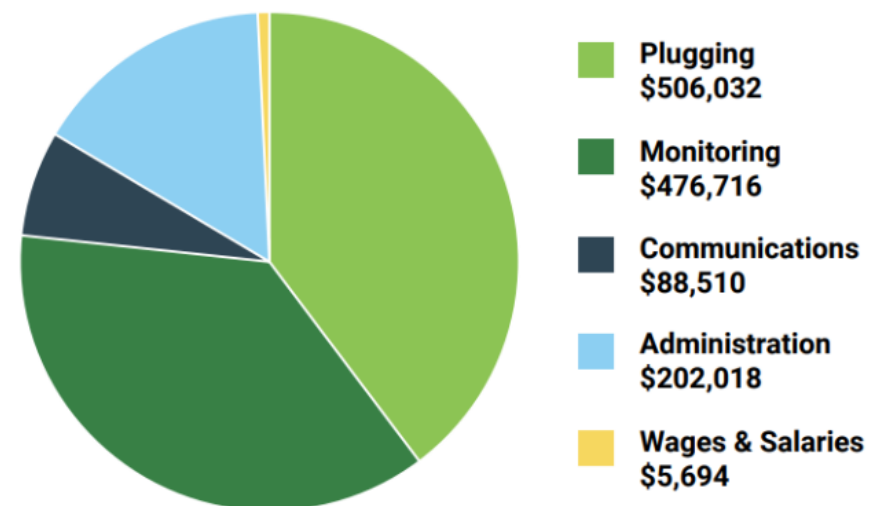
## By The Numbers

### WDF Annual Revenue



\*As of December 15, 2022 unaudited

### WDF Expenses 2022



# Unit Economics Analysis

## Cost Context

- Plugging costs **differ substantially** by region and by complexity – given that WDF operates in multiple states, **cost per ton of carbon** may be a superior metric for use
- The median cost for full decommissioning (plugging and restoration) is **\$76,000<sup>1</sup>**, with no real upper limit in cost
- There is a **short-term spike in costs** due to supply chain concerns, high demand for oil & gas, and an influx of demand from new federal programs stressing resources

## Unit Economics

- WDF typically targets wells that are **“low-hanging fruit,”** or easier wells to plug, unless an urgent need is identified
- WDF estimates a **\$3 - \$7 cost per delivered ton of carbon**, with a given budget of \$3.50 for the process
- A simple well will cost \$30,000 in “hard plugging costs” and an internal budget of \$5,000 in “field costs”
- Measuring and monitoring over a **10-year commitment costs \$1,000 a well**, helping regulators establish programs
- If a project is not sufficiently funded by carbon credits, WDF uses philanthropic contributions to complete it

## Cost & Affordability Analysis




- While unit economics are high, WDF unit costs are **not abnormal** relative to the median cost of decommissioning
- By a large, carbon credits are **vastly undervalued<sup>2</sup>** – the true cost is closer to **\$40 to \$80** per metric ton of CO<sub>2</sub>
- WDF’s cost per delivered ton of carbon (\$3 - \$7) relative to the true cost of a carbon credit (\$40 - \$80) demonstrate **substantial superiority in emissions cost-effectiveness**
- The unique carbon benefit unit system also subsidizes WDF’s operations, indicating a **lower “true cost”**

Project Type:	Volume Sold (MtCO <sub>2</sub> e):	Average Price:	Price Range:
Wind	12.8	\$1.9	\$0.3 - \$18
REDD+	11	\$3.3	\$0.8 - \$20+
Landfill methane	7.9	\$2	\$0.2 - \$19
Tree planting	3	\$7.5	\$2.2 - \$20+
Clean cookstoves	3	\$4.9	\$2 - \$20+
Run-of-river hydro	1.5	\$1.4	\$0.2 - \$8
Water/purification	1.2	\$3.8	\$1.7 - \$9
Improved forest management	0.8	\$9.6	\$2 - \$17.5
Biomass/biochar	0.7	\$3	\$0.9 - \$20+
Energy efficiency - industrial-focused	0.7	\$4.1	\$0.1 - \$20
Biogas	0.6	\$5.9	\$1 - \$20+
Energy efficiency - community-focused	0.6	\$9.4	\$3.3 - \$20+
Transportation	0.5	\$2.9	\$2.2 - \$6.8
Fuel switching	0.5	\$11.4	\$3.5 - \$20+
Solar	0.3	\$4.1	\$1 - \$9.8
Livestock methane	0.2	\$7	\$4 - \$20+
Geothermal	0.1	\$4	\$2.5 - \$8
Agro-forestry	0.1	\$9.9	\$9 - \$11

[1] <https://8billiontrees.com/carbon-offsets-credits/new-buyers-market-guide/carbon-credit-pricing/>

[2] <https://pubs.acs.org/doi/10.1021/acs.est.1c02234>

# Key Risks and Mitigating Factors

Risks	Analysis & Mitigants	Assessment
<b>Growth Sustainability &amp; Scaling</b>	<ul style="list-style-type: none"> <li>WDF's current growth rate at 180.38% isn't sustainable because revenue expansion driven by gifts isn't always feasible – expectations for future well expansion and hirings could potentially be curbed because of this</li> <li>Management is mitigating this by spending exactly what they earn and not sitting on the money, which means there's efficient use for growth</li> </ul>	
<b>High Unit Costs</b>	<ul style="list-style-type: none"> <li>Due to the nature of its work, WDF faces relatively high unit costs. Moreover, unit costs are difficult to capture and vary substantially. Expansion is thus very capital-intensive, and plugging wells remains quite expensive.</li> <li>Performance success bolsters federal funding, additional expansion could reduce unit costs. WDF remains competitive in cost per well and carbon ton.</li> </ul>	
<b>Resource Deficiency</b>	<ul style="list-style-type: none"> <li>Expertise-wise, plugging orphaned wells and performing necessary emissions measuring and monitoring has a steep learning curve, and a recent influx in demand has stressed existing resources and driven up costs.</li> <li>Charity management has been proactive in finding additional federal grants and engaging in active donor outreach to continue expansion.</li> </ul>	

## The USIT Foundation

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