

SB174 INTRODUCED



1 SB174
2 3P7GFZV-1
3 By Senator Albritton
4 RFD: Transportation and Energy
5 First Read: 20-Jan-26



SYNOPSIS:

This bill would authorize the State Oil and Gas Board to allow an oil or gas well to be converted into an alternative energy facility.

This bill would authorize the board to amalgamate rights to alternative energy resources under certain circumstances.

This bill would provide specifically for active and inactive facilities.

This bill would authorize the board to adopt rules and set fees for the conversion and operation of facilities.

This bill would also provide required conduct of facility operators.

Under existing law, the Commissioner of Conservation and Natural Resources may lease lands under the jurisdiction of the department for the exploration, development, and production of oil, gas, and other minerals.

This bill would add to the purposes for which the commissioner may lease these lands the exploration, development, and production of other energy sources and related uses.

This bill would also authorize the commissioner to modify the renewal and extension terms of these



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leases.

A BILL
TO BE ENTITLED
AN ACT

Relating to natural resources; to authorize the State Oil and Gas Board to regulate alternative energy wells and associated operations and facilities, to adopt rules for regulation of the operation and abandonment of alternative energy wells and associated operations, to set fees and charges to defray expenses of the board in relation to regulation of alternative energy operations, to allow an oil or gas well and associated infrastructure to be converted into an alternative energy facility, to amalgamate alternative energy rights for an alternative energy facility under certain circumstances; to require alternative energy facility operators to adhere to certain conduct; to amend Section 9-17-60, Code of Alabama 1975, to add the exploration and production of energy sources and related uses to the purposes for which the Commissioner of Conservation and Natural Resources may lease state lands; and to authorize the commissioner to modify such leases.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) For purposes of this section, the following terms have the following meanings:

(1) ALTERNATIVE ENERGY FACILITY or FACILITY. An



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alternative energy well and associated infrastructure used for developing, producing, or supporting alternative energy resources.

(2) ALTERNATIVE ENERGY WELL. A well that has been permitted pursuant to the board's authorization to produce or support the production of alternative energy resources.

(3) ALTERNATIVE ENERGY RESOURCES.

a. The earth's natural heat and the energy, in whatever form, which is below the earth's surface and which is present in, results from, or is created by, or which may be extracted from, the earth's natural heat.

b. The term includes:

1. All products of geothermal processes and byproducts derived therefrom such as indigenous steam, hot water, and hot brines;

2. Steam, gases, hot water, and hot brines resulting from water, gas, or other fluids artificially introduced into geothermal formations;

3. Heat or other associated energy found in geothermal formations; and

4. Other forms of energy, energy generation, energy capture, energy storage, and related uses, including hydropower derived from natural underground water flows or from injecting water into lower pressure reservoirs with water processed at the surface or by using the energy potential between two subsurface formations within a wellbore.

c. The term does not include the heating and cooling capacity of the earth which may be used for heating and



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cooling buildings through an on-site heat pump or similar on-site system.

(b)(1) The State Oil and Gas Board, after providing notice and a public hearing, may authorize the development and operation of an alternative energy facility or the conversion of an existing oil and gas well and associated infrastructure into an alternative energy facility.

(2) As determined by rule of the board, an applicant seeking approval to operate an alternative energy facility shall submit a petition fee, a well permit fee, and financial security instruments specific to the proposed uses of the alternative energy facility.

(c) An alternative energy facility operator shall do all of the following:

(1) Adhere to all rules adopted by the board relating to alternative energy wells and facilities.

(2) Make a good faith effort to obtain the consent of all persons that own the facility's alternative energy resources.

(3) Obtain the consent of persons that own not less than 66 and two-thirds percent of the facility's alternative energy resources.

(4) Upon an order of the board to amalgamate pursuant to subsection (d), compensate all nonconsenting owners on terms deemed equitable and reasonable by the board.

(5) Employ commercially reasonable efforts to limit the adverse impacts to surface uses of lands owned by the nonconsenting owners of the alternative energy resources of



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113 the facility.

114 (6) If seeking approval to operate a facility within
115 the Blue Creek or Mary Lee coal seams in Jefferson,
116 Tuscaloosa, or Walker Counties, or within a 10-mile radius of
117 any coal mine operation, obtain the written consent of a coal
118 mine operator and mineral owner with an operation or mineral
119 interest in these seams or within such a radius, provided
120 consent shall not be unreasonably withheld or delayed.

121 (d) Upon an alternative energy facility operator
122 obtaining the consent of persons that own not less than 66 and
123 two-thirds percent of a facility's alternative energy
124 resources, the board, after providing notice and a public
125 hearing, may enter an order to amalgamate and pool the
126 alternative energy resources owned by nonconsenting owners
127 into the facility.

128 (e)(1) The board shall require the owner or operator of
129 an alternative energy facility that has ceased alternative
130 energy production for 12 months or more to properly plug and
131 abandon the facility and take any other appropriate action as
132 deemed necessary by the board. When completed, the facility
133 shall be deemed abandoned.

134 (2) Upon the board's order approving the conversion of
135 an oil and gas well and associated infrastructure into an
136 alternative energy facility, the approved well shall not be
137 considered an inactive or abandoned oil or gas well.

138 (f) The board may adopt rules to administer this
139 section, including regulating the operation and abandonment of
140 alternative energy facilities and associated operations.



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(g) The board may set fees and charges to defray expenses incurred by the board in regulating alternative energy facilities pursuant to this section. All well permit fees, filing fees for petitions, and other fees paid to the State Treasurer pursuant to this section shall be paid into the Alabama State Oil and Gas Board Special Fund established by Section 9-17-24, Code of Alabama 1975, and disbursed by the State Treasurer upon warrants drawn by the state Comptroller for the purpose of defraying expenses incurred by the board in the performance of its duties.

Section 2. Section 9-17-60, Code of Alabama 1975, is amended to read as follows:

"§9-17-60

(a) The Commissioner of Conservation and Natural Resources, on behalf of the state, is hereby authorized to lease any lands or interest therein under the jurisdiction of the Department of Conservation and Natural Resources for the exploration, development, and production of oil, gas, ~~and~~ other minerals, energy sources and related uses, or any one or more of them, on, in, and under such lands.

(b) The term "energy sources and related uses" includes but is not limited to energy generation, energy capture, energy storage, and transmission of geothermal energy, solar energy, and hydropower.

(c) The commissioner may modify the renewal or extension terms of a lease entered into pursuant to subsection (a). If the lease under consideration is an existing lease authorized under subsection (a), the commissioner's actions



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169 and negotiations shall be exempt from the requirements of
170 Section 9-17-65. This subsection shall not be construed to
171 authorize the commissioner to sell any lands."

172 Section 3. This act shall become effective immediately.