

**SB174 ENGROSSED**



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



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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:



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29 (1) ALTERNATIVE ENERGY FACILITY or FACILITY. An  
30 alternative energy well and associated infrastructure used for  
31 developing, producing, or supporting alternative energy  
32 resources.

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

36 (3) ALTERNATIVE ENERGY RESOURCES.

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

41 b. The term includes:

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

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

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

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

56 c. The term does not include the heating and cooling



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57 capacity of the earth which may be used for heating and  
58 cooling buildings through an on-site heat pump or similar  
59 on-site system.

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

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

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

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

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

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

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

83 (5) Employ commercially reasonable efforts to limit the  
84 adverse impacts to surface uses of lands owned by the



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85 nonconsenting owners of the alternative energy resources of  
86 the facility.

87 (6) If seeking approval to operate a facility within  
88 the Blue Creek or Mary Lee coal seams in Jefferson,  
89 Tuscaloosa, or Walker Counties, or within a 10-mile radius of  
90 any coal mine operation, obtain the written consent of a coal  
91 mine operator and mineral owner with an operation or mineral  
92 interest in these seams or within such a radius, provided  
93 consent shall not be unreasonably withheld or delayed.

94 (d) Upon an alternative energy facility operator  
95 obtaining the consent of persons that own not less than 66 and  
96 two-thirds percent of a facility's alternative energy  
97 resources, the board, after providing notice and a public  
98 hearing, may enter an order to amalgamate and pool the  
99 alternative energy resources owned by nonconsenting owners  
100 into the facility.

101 (e)(1) The board shall require the owner or operator of  
102 an alternative energy facility that has ceased alternative  
103 energy production for 12 months or more to properly plug and  
104 abandon the facility and take any other appropriate action as  
105 deemed necessary by the board. When completed, the facility  
106 shall be deemed abandoned.

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

111 (f) The board may adopt rules to administer this  
112 section, including regulating the operation and abandonment of



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113 alternative energy facilities and associated operations.

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

124 (h) (1) Nothing in this section shall be construed to  
125 amend, repeal, enlarge, or otherwise affect any provision of  
126 Title 37 of the Code of Alabama 1975, including Chapters 1, 4,  
127 and 14 of that title.

128 (2) Notwithstanding the use of the term "hydropower,"  
129 this section shall not apply to any hydropower project that is  
130 subject to the licensing jurisdiction of the Federal Energy  
131 Regulatory Commission under Subchapter 1 of Chapter 12 of  
132 Title 16 of the United States Code.

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

135 "§9-17-60

136 (a) The Commissioner of Conservation and Natural  
137 Resources, on behalf of the state, is hereby authorized to  
138 lease any lands or interest therein under the jurisdiction of  
139 the Department of Conservation and Natural Resources for the  
140 exploration, development, and production of oil, gas, ~~and~~



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141 other minerals, energy sources and related uses, or any one or  
142 more of them, on, in, and under such lands.

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

147 (c) The commissioner may modify the renewal or  
148 extension terms of a lease entered into pursuant to subsection  
149 (a). If the lease under consideration is an existing lease  
150 authorized under subsection (a), the commissioner's actions  
151 and negotiations shall be exempt from the requirements of  
152 Section 9-17-65. This subsection shall not be construed to  
153 authorize the commissioner to sell any lands.

154 (d) Nothing in this section shall be construed to  
155 amend, repeal, enlarge, or otherwise affect any provision of  
156 Title 37, including Chapters 1, 4, and 14 of that title."

157 Section 3. This act shall become effective immediately.



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160 Senate

161 Read for the first time and referred .....20-Jan-26  
162 to the Senate committee on  
163 Transportation and Energy  
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165 Read for the second time and placed .....22-Jan-26  
166 on the calendar:  
167 0 amendments  
168  
169 Read for the third time and passed .....03-Feb-26  
170 as amended  
171 Yeas 33  
172 Nays 1  
173 Abstains 0

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176 Patrick Harris,  
177 Secretary.  
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