

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

9 Relating to natural resources; to authorize the State
10 Oil and Gas Board to regulate alternative energy wells and
11 associated operations and facilities, to adopt rules for
12 regulation of the operation and abandonment of alternative
13 energy wells and associated operations, to set fees and
14 charges to defray expenses of the board in relation to
15 regulation of alternative energy operations, to allow an oil
16 or gas well and associated infrastructure to be converted into
17 an alternative energy facility, to amalgamate alternative
18 energy rights for an alternative energy facility under certain
19 circumstances; to require alternative energy facility
20 operators to adhere to certain conduct; to amend Section
21 9-17-60, Code of Alabama 1975, to add the exploration and
22 production of energy sources and related uses to the purposes
23 for which the Commissioner of Conservation and Natural
24 Resources may lease state lands; and to authorize the
25 commissioner to modify such leases.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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



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



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



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



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



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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