

STATE OIL AND GAS BOARD OF ALABAMA GOVERNING COALBED METHANE GAS
OPERATIONS
ADMINISTRATIVE CODE

CHAPTER 400-3-2
PERMITTING OF WELLS

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400-3-2-.01 Well Permit.

(1) **Activities Requiring Permits.** The following activities require permits:

- (a) Drilling of any well in search of oil or gas;
- (b) Drilling a Class II injection well or converting any well to a Class II injection well for enhanced recovery or for the disposal of salt water and other wastes produced in association with oil or gas operations; or
- (c) Reentry of a plugged and abandoned well.

(2) **Permit Requirements.** Prior to initiating any of the activities identified in section (1) above, an application on either Form OGB-1, OGB-1A, or OGB-1B, whichever is appropriate, shall be filed with and approval obtained from the Supervisor or the Board. Applicants should also refer to Rule 400-4-1-.01, et seq. relating to Rules and Regulations Governing Class II Underground Injection Control Operations for activities involving the drilling or converting of wells for enhanced recovery and salt water disposal. Such applications shall be accompanied by:

- (a) A check or bank draft in the sum of three hundred dollars (\$300.00) payable to the State Treasurer, State of Alabama, which sum is fixed as the fee for the approval of a permit to drill. No permit fee is required if the application is submitted for the purpose of obtaining approval to convert or deepen a well;
- (b) Each permit application to drill a coalbed methane gas well shall be accompanied by a check or bank draft in the sum of one hundred and fifty dollars (\$150.00) payable to the

State Treasurer, State of Alabama, which sum is fixed by the Alabama Coalbed Methane Gas Well Plugging Fund Act;

(c) A plat, in triplicate, prepared by a licensed land surveyor, showing the entire section and the surface and bottom-hole locations of the proposed well within said section. The plat shall be drawn to the scale of one (1) inch equals one thousand (1,000) feet, unless otherwise stipulated by the Supervisor. The plat shall show the direction of north, and the latitude and longitude in decimal degrees to five (5) significant digits and state plane coordinates of the proposed well. The plat shall show the distances of the proposed well to the nearest unit boundaries and section lines and from the nearest well in the same section completed in or drilling to the same reservoir. The plat shall also show the location and status of all other wells that have been drilled in said section. For the purpose of designating the unit in which the proposed well is to be drilled, the boundaries of such unit shall be shown. If an alternate unit is designated on the permit application, then said unit shall be shown on the plat;

(d) An affidavit of ownership or control on Form OGB-2, whereby the applicant verifies that he owns or has control of one hundred percent (100%) of the drilling rights with respect to the oil and gas in and under the land comprising the spacing unit, or an affidavit of ownership or control, underground injection control on Form OGB-2C, whereby the applicant verifies that he owns or has control of one hundred percent (100%) of the interests having rights to conduct Class II well operations in and under the land on which the well is located;

(e) A bond on Form OGB-3 (Single Well) or OGB-4 (Blanket), required by Rule 400-3-2-.04 relating to Bond, unless such requirement has been previously satisfied. If two or more persons are designated on the application as operators then each such person shall file a separate or joint bond if an appropriate bond is not already on file;

(f) An organization report on Form OGB-5, as prescribed in Rule 400-3-2-.03, unless such requirement has been previously satisfied. If two or more persons are shown as operator on the application, then each person shall file a separate organization report or have an organization report on file;

(g) A letter identifying the proposed coal beds to be hydraulically fractured must accompany all applications for coalbed methane gas wells.

(h) Illustrations or narrative material that may be necessary for the Supervisor to clearly understand all details of the proposed operation; and

(i) Additional information as deemed necessary may be requested by the Supervisor.

(3) **Deepening.** Prior to deepening a well below its permitted depth, an operator shall obtain approval of the Supervisor and, thereafter, such person shall immediately file Form OGB-1, OGB-1A or OGB-1B, whichever is appropriate. There is no fee required for a permit to deepen a well previously drilled or being drilled under a permit issued by the Supervisor.

(4) **Directional Drilling.**

(a) All wells must be drilled with due diligence to maintain a reasonably vertical wellbore; however, upon application by an operator to drill a well that is to be intentionally deviated and directionally controlled, a permit may be issued by the Supervisor, provided that the proposed location of the bottom hole in the deviated well at the depth of the proposed producing zone is in compliance with the applicable spacing rules. The application for a permit to directionally drill shall be made in the manner prescribed above using Form OGB-1B, and the survey plat must show the proposed bottom hole location in addition to the surface location of the well.

(b) If an operator desires to directionally drill or sidetrack a permitted well, such operator, prior to initiating, any activities shall file with the Supervisor Form OGB-1B and a plat showing the surface location and the proposed bottom hole location of the directionally drilled or sidetracked well.

(c) In the event an operator, in good faith, proceeds with the drilling of a well and thereafter, decides to directionally drill or sidetrack the well, such operator shall obtain prior approval of the Supervisor and, thereafter, shall immediately file with the Supervisor Form OGB-1B and a plat showing the surface location and the proposed bottom hole location of the directionally drilled or sidetracked well.

(d) If an operator desires to deviate a well so as to straighten the wellbore or to drill around an obstruction in the wellbore, such operator shall first obtain approval of the Supervisor and shall file a written report to the Supervisor within thirty (30) days from the completion of said deviation setting forth the facts of the operation.

(5) **Permit Approval Procedures.** Applications for permits to drill, deepen, convert, or reenter that do not comply with coalbed methane rules or applicable special field rules shall be approved or rejected by the Board, after due notice and hearing. Applications in compliance with onshore rules or applicable special field rules may be approved by the Supervisor. Drilling, deepening, converting or reentering shall not begin until such permit is issued.

(6) **Expiration of a Permit.** A permit shall expire six (6) months from the date of issuance if the permitted well has not been spudded.

Author: Marvin Rogers

Statutory Authority: Code of Ala. 1975, §§9-17-1, et seq.

History: Filed August 7, 1984. **Repealed and New Rule:** Filed April 11, 2000; effective May 16, 2000. **Amended:** Filed July 6, 2010; effective August 10, 2010.

Ed. Note: See history note at end of chapter.

400-3-2-.02 Spacing Of Wells.

(1) Each well drilled in search of oil or gas shall be spaced on either (a) a drilling unit or (b) a drainage or production unit. A drilling unit is an administrative unit established by the Board to provide and allow for the drilling of a well. A drainage or production unit is the area in a pool that may be drained efficiently and economically by one well. Prior to the establishment of a field and the establishment of drainage or production units within the field, an operator may drill a well on a drilling unit. When the Board, after notice and hearing, establishes a field for a pool, special field rules apply for that field. The special field rules designate, among other things, the drainage or production units for the field. Thereafter, wells are drilled on the drainage or production units designated in the special field rules. The term "spacing unit" is used from time to time in these regulations. A spacing unit is either (a) a drilling unit or (b) a drainage or production unit. For simplicity, the term "production unit" is hereinafter used from time to time in place of the longer term "drainage and production unit." A spacing unit shall not include any part of another unit established for the same pool.

(2) The spacing for a well to be drilled to a pool or pools in an established field shall be governed by special field rules for that particular field. The spacing for gob wells and horizontal boreholes in areas designated as underground mine areas or in unitized areas shall be provided for in special field rules. With respect to a well to be drilled to a pool or pools that are not governed by special field rules, the following shall be applicable for determining the drilling unit for a well.

(a) A well shall be drilled on a drilling unit consisting of a governmental quarter-quarter section (approximately 40 acres). Such well shall be located at least three hundred thirty (330) feet from every exterior boundary of the drilling unit.

(b) The Supervisor, upon receipt of written justification from an operator, may approve a permit application under section

(2)(a) for a well to be drilled on a drilling unit consisting

of approximately 40 contiguous surface acres other than a governmental quarter-quarter section as set forth herein.

(c) The Supervisor may require that a well to be drilled on a drilling unit contiguous with an existing field be drilled and completed as an extension of the field, in accordance with field spacing provisions in the special field rules thereof. If, however, an operator provides written justification that such proposed well will likely be completed in a pool or pools not defined in the special field rules for said field, the Supervisor may approve the drilling and completion of such well in compliance with the spacing provisions as set forth herein.

(d) Pursuant to Section 9-17-12(c) of the Code of Ala. 1975, the Board may grant an exception to the spacing rules as may be reasonably necessary where it is shown, after notice and hearing, and the Board finds, that the unit is partly outside the pool, or for some other reason, that a well located in accordance with applicable rules would be nonproductive, would not be at the optimum position in such spacing unit for the most efficient and economic drainage of the unit, or where topographical conditions are such as to make the drilling at an authorized location on the unit unduly burdensome or where an exception is necessary to prevent confiscation of property. Provided, however, that an exceptional location order issued by the Board for a well shall expire one (1) year from the date of issuance of the order unless a well has been spudded at said exceptional location.

(e) No well shall be drilled within two hundred (200) feet of any permanent residence, unless otherwise approved by the Board.

(3) If any well drilled in conformity with the provisions of section (2) above, or in conformity with the special field rules for a particular field is completed as other than a coalbed methane gas well, said well shall not be produced other than on a test basis until authorization has been granted by the Board after notice and hearing. This rule shall not apply to vent holes drilled for safety purposes in conjunction with coal mining operations.

Author: Marvin Rogers

Statutory Authority: Code of Ala. 1975, §§9-17-1, et seq.

History: Filed August 7, 1984. **Repealed and New Rule:** Filed April 11, 2000; effective May 16, 2000. **Amended:** Filed July 6, 2010; effective August 10, 2010.

Ed. Note: See history note at end of chapter.

400-3-2-.03 Bond.

(1) Before any person(s) shall commence drilling, completing, converting, operating, or producing any coalbed methane gas well or Class II injection well, including production facilities, injection facilities, pipelines, and other equipment associated with such well, said person(s) shall file with the Board a single well bond on Form OGB-3. Such bond shall be payable to the State of Alabama, executed by said person(s) as principal(s), and by a surety approved by the Supervisor or Board; conditioned that, such person(s) shall, in connection with the drilling, completing, converting, operating, or producing of such well, including production facilities, injection facilities, pipelines, and other equipment associated with such well, prevent the escape of oil or gas out of one stratum to another, prevent the intrusion of water into any oil or gas stratum from a separate stratum, prevent the pollution of the sea, prevent pollution of all surface and ground water; conditioned also that such person(s) shall file all reports required by the Board, including drilling records and all logs of such well, if taken, and shall file drill cuttings and cores or core chips, if cores are taken, within six (6) months from the time of completion of such well, and in the event such well does not produce oil or gas in commercially profitable quantities or ceases to produce oil or gas in commercially profitable quantities or if the operations of such well shall cease for a period of six (6) months or if such well should become dangerous to the public, such person(s) shall plug and abandon such well in compliance with Rule 400-3-4-.14, dispose of all pit fluids and close the pit in compliance with Rule 400-3-4-.11, restore the location in compliance with Rule 400-3-4-.16, and maintain the site in compliance with Rule 400-3-6-.08; and conditioned further that such person(s) shall drill, operate, produce, and plug and abandon, such well, and that such person(s) shall dispose of pit fluids, close the pit, restore the location, and maintain the site in compliance with all lawful rules, regulations, and orders of the Board now existing or hereafter promulgated, and with the laws of the State of Alabama now existing or hereafter enacted. The amount of such bond shall be in accordance with the following relationship to measured depth:

Measured Depth (ft)	Amount of bond required
0 - 5,000	\$5,000
5,001-10,000	\$10,000
10,001-15,000	\$15,000
15,001-20,000	\$30,000
Greater than 20,000	\$50,000

(2) The Board may, however, accept a blanket bond on Form OGB-4 in the amount of one hundred thousand dollars (\$100,000.00). Such blanket bond shall be conditioned upon the same requirements as set forth for single well bonds, except that a blanket bond may apply to more than one well. Furthermore, the Board may require a separate Bond of one hundred thousand dollars (\$100,000.00) for an operator of a processing plant and associated facilities and pipelines where such plant operator does not operate any oil and gas wells.

(3) Any such bond filed with the Board, including any amendment or addendum thereto, must set forth the correct legal name and address of the principal and the surety thereto and must be countersigned by an Alabama agent of such surety, setting forth the correct legal name of such agent and such agent's company affiliation and correct business address. If more than one person is to be designated as operator, then each such person shall file a separate bond or a joint bond, whichever is appropriate.

(4) Provided, further, the Board, in its reasonable discretion for good cause, after notice and hearing, may require a different amount of bond because of environmentally sensitive conditions at the site or for other justifiable reasons for good cause and may deem and determine any existing bond to be inadequate and may require the filing of a new bond, that shall be approved by the Board or Supervisor, upon the Board's own motion or upon petition by any party allowed to file a petition by these rules and regulations, and the amount of such bond required may be more or less than hereinabove set forth.

Author: State Oil and Gas Board

Statutory Authority: Code of Ala. 1975, §§9-17-1, et seq.

History: Filed August 7, 1984. **Repealed and New Rule:** Filed April 11, 2000; effective May 16, 2000. **Amended:** Published October 31, 2022; effective December 15, 2022.

400-3-2-.04 Organization Reports.

Every person acting as principal or agent for another or independently engaged in the drilling, production, injection, or transportation, of gas or wastes associated with oil and gas operations shall file with the Board a report on Form OGB-5, Organization Report, reflecting the exact legal name under which such person or business is being operated or conducted, the exact corporate name, if such is incorporated, and the place of incorporation of such corporation, the name and post office address of such person, the business in which such person is engaged, and, in the case of a corporation, the state in which such corporation is incorporated, and the names and post office addresses of any persons acting as trustees, together with the

names of the manager, agent, or executive thereof, and the names and post office addresses of any officers thereof. Prior to submitting the aforesaid report, all foreign corporations shall obtain a certificate of authority from the Secretary of State for the State of Alabama to transact business in the state. In the case where such business is conducted under an assumed name, or as a partnership or sole proprietorship, such report shall reflect the names and post office addresses of all owners or general partners in addition to the other information herein required. The aforesaid report shall be resubmitted every two (2) years or immediately after any change occurs as to facts previously submitted.

Author: State Oil and Gas Board

Statutory Authority: Code of Ala. 1975, §§9-17-1, et seq.

History: Filed August 7, 1984. **New Rule:** Filed April 11, 2000; effective May 16, 2000.

400-3-2-.05 Change Of Operator.

(1) The operator of record shall immediately notify the Supervisor in writing of any agreement or other transaction, by which a new operator is to be designated for a well or wells, including all associated production, processing, injection, plant, and gathering line and pipeline facilities, and all other equipment associated with such well or wells. Such notification shall include, but not be limited to, identification of the proposed new operator and a list of wells and all associated facilities and equipment.

(2) Within sixty (60) days of the effective date of any agreement or other transaction causing a change of operator, any person or persons desiring to become the new operator of a well or wells must submit for approval to the Supervisor Form OGB-1E, Application for Change of Operator. A single Application for Change of Operator, Form OGB-1E, may be filed requesting a change of operator for multiple wells, facilities, and equipment. Form OGB-1E shall be signed by both the operator of record or present operator and the proposed new operator, with both parties applying to change the operator for the well or wells, including all associated production, processing, injection, plant, and gathering line and pipeline facilities, and all other equipment associated with such well or wells.

(3) In the application for Change of Operator, Form OGB-1E, the new operator shall acknowledge that it has ownership or control of one hundred percent (100%) of the rights to drill and produce with respect to oil and gas underlying the lands comprising the unit assigned to the well or wells in which a change of operator is requested. Further, the Application for Change of Operator (Form OGB-1E) shall be accompanied by a bond on Form OGB-3 or OGB-4, whichever is appropriate, if such requirement has not been fulfilled as prescribed in Rule 400-2-2-.04, relating to Bond; an

Operator's Certificate of Compliance and Authorization to Transport Oil, Gas, or Condensate from Well on Form OGB-12 if required by Rule 400-2-7-.01; an Operator's Certificate of Compliance for Operations Involving Hydrogen Sulfide on Form OGB-24 and other sour gas filing requirements prescribed in Rule 400-2-8-.04 if required by Rule 400-2-8-.04; and an Organization Report on Form OGB-5, if not already on file with the Board and current.

(4) In the event that the new operator is uncertain whether it owns or controls one hundred percent (100%) of the rights to drill or produce, then the new operator may petition the Board to delay filing of the Application for Change of Operator, Form OGB-1E. The Board may, after notice and hearing for good cause, delay the filing of the Application for Change of Operator, Form OGB-1E, for a period of up to 120 days thereby allowing the new operator time to ensure that the operator owns one hundred percent (100%) of the ownership rights or to force pool and integrate the interests in the unit or units assigned to the well or wells for which a change of operator is requested. The Board, on the petition by the new operator after notice and hearing for good cause, may delay for an additional period beyond 120 days the filing of the Application of Change of Operator, Form OGB-1E.

(5) In addition to the filing of an Application for Change of Operator on Form OGB-1E as required in section (2) and the additional filing requirements in section (3), filing requirements for Class II injection wells shall include, an Application for Permit to Inject Fluids on Form OGB-1C, an Affidavit of Ownership or Control, Underground Injection Control on Form OGB-2C, an affidavit of source, and a current analysis of fluids being injected.

(6) In addition to the filing of an Application for Change of Operator on Form OGB-1E as required in section (2) and the additional filing requirements in section (3), filing requirements for change of operator for a natural gas storage operation shall include an Application for Permit to Inject Storage Gas on Form OGB-1D, and an Affidavit of Ownership or Control, Natural Gas Storage Operations on Form OGB-2D.

(7) If the request for a change of operator pertains to a well which has not been drilled or completed, and the new operator wishes to drill and complete said well in accordance with the casing and cement, mud, and blowout prevention programs and report of shallow hazards filed as a part of the permit application, the new operator must submit a written statement to the Supervisor stating that it has reviewed the above mentioned information and will drill and complete the well in conformance with those programs. In such case, the refiling of the casing and cement, mud, and blowout prevention programs and report of shallow hazards documents may not be necessary.

(8) Prior to the Supervisor's approval of an Application for Change of Operator on Form OGB-1E, the current operator of record must be in compliance with the Board's submission requirements for forms and geologic data, such as logs, cuttings and cores for the subject well(s).

(9) The Supervisor may waive any filing requirements, or request additional information, associated with an application for change of operator.

(10) The Application for Change of Operator, Form OGB-1E, shall become effective upon approval by the Supervisor. Until such approval, the current operator of record shall be responsible for ensuring continued compliance with all applicable laws, and all rules, regulations, and orders, including special field rules, promulgated by the Board.

(11) When the operator is a corporation, limited liability company, limited partnership, or general partnership that is not publicly traded and when the majority of the ownership of the entity designated by the Board as operator changes, as a result of one or more transactions within a six-month period then the operator shall immediately notify the Supervisor in writing that the majority of the ownership has changed. Within sixty (60) days of the effective date of such change in ownership, the operator shall file a new Organization Report on Form OGB-5 showing the new ownership.

Author: Marvin Rogers

Statutory Authority: Code of Ala. 1975, §§9-17-1, et seq.

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Previous Chapter 400-3 (Rules 400-3-X-.01 through 400-3-X-.08)

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