

ALABAMA STATE OIL AND GAS BOARD GOVERNING PRACTICE AND PROCEDURE
AND FORCED INTEGRATION OR FORCED POOLING
ADMINISTRATIVE CODE

CHAPTER 400-7-2
RULES AND REGULATIONS GOVERNING FORCED INTEGRATION OR FORCED
POOLING

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400-7-2-.01 **Forced Integration Or Forced Pooling**

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Where owners have not agreed to develop their lands and interests as a spacing unit, and it is proposed that the Board establish or the Board establishes such unit and orders them to do so, the following rules shall apply as between the operator and all nonconsenting owners. These rules shall apply for the duration of the forced integrated or forced pooled unit where no agreement in writing has been reached to integrate or pool their interests and develop their lands as a spacing unit.

(1) **Duration of Orders.**

(a) All forced integration or forced pooling orders issued by the Board shall expire six (6) months from the date of issuance of said order unless a well has been spudded on the spacing unit, or unless a well has been reentered on the unit, or a well capable of producing oil or gas is located on said unit at the end of said six (6) month period.

(b) All forced integration or forced pooling orders issued by the Board shall expire six (6) months after all wells drilled on the unit have been plugged and abandoned.

(2) **Compliance with Well Permit Requirements Prior to Issuance of Order.** Prior to the issuance of an order providing for the forced integration or forced pooling of a unit, an operator shall comply with requirements for obtaining a well permit with the exception of the filing of an affidavit of ownership or control on Form OGB-2. Furthermore, the completed permit application and other forms required to obtain a well permit shall be filed at least twenty (20) days prior to the hearing at which the petition for forced integration and forced pooling will be conducted.

(3) Request by Forced Integrated or Forced Pooled Nonconsenting Owner for Order Allowing Him to Pay His Pro Rata Share of Costs. If, after notice of the proposed forced integration or forced pooling of a unit in accordance with Rule 400-7-1-.11, a nonconsenting owner desires to participate by paying his pro rata share of the costs of drilling, equipping, and operating the well, including a reasonable charge for supervision, on such unit, but such nonconsenting owner has received no offer from the operator to so participate or has received an offer which he deems unreasonable, he may appear at the public hearing at which such action is to be considered and request the Board to condition its order so as to allow such nonconsenting owner to so participate and the Board may so condition its order.

(4) Development and Operation of Nonconsenting Owner's Interest. The operator appointed by the Board to develop and operate the forced integrated or forced pooled unit shall bear the cost of development and operation of such unit. In the event of production, the operator may recover his costs out of production attributable to each nonconsenting owner, as provided by law, except in cases wherein nonconsenting owners participate as provided in Rule 400-7-2-.01(3). Anything herein to the contrary notwithstanding, these rules shall not affect agreements between the operator and consenting owners.

(5) Accounting and Furnishing of Information. Upon receipt of a written request by the nonconsenting owner, the operator designated by the Board to develop and operate a forced integrated or forced pooled unit shall:

(a) Submit a statement of costs to such nonconsenting owner.

1. Such statement, such as that provided by the Council of Petroleum Accountants Societies Accounting Procedures (COPAS) rules, shall be in the same form and submitted at the same time as furnished by the operator to consenting owners within the same unit.

2. In the event there are no consenting owners in the same unit, the operator shall submit a statement of costs on or before the last day of each month to each nonconsenting owner in the unit. Such statement shall be in a form which reflects the total of such costs incurred during the indicated billing period with respect to development of the forced integrated or forced pooled unit, and shall indicate all charges and credits, summarized by appropriate classifications of costs, except that unusual charges and credits shall be separately identified and fully described in detail.

(b) Furnish each nonconsenting owner with such information regarding the unit operations as hereinafter set forth.

1. Each nonconsenting owner shall be notified of the dates of the following events within twenty (20) days after the occurrence of such events:

- (i) Commencement of drilling operations,
- (ii) Suspension of drilling operations,
- (iii) Shutting in of the well as an oil or gas well,
- (iv) Plugging of the well,
- (v) Commencement of production.

2. The following information shall be furnished to each nonconsenting owner within thirty (30) days after the information is available: The gross amount of monthly production from the forced integrated or forced pooled unit and the value thereof. If the production is sold by the operator, the value for the purposes of these rules shall be the sale price received by the operator.

(c) Within twenty (20) days after receipt of a written request for such, the operator will advise each nonconsenting owner as to whether or not royalty due by such nonconsenting owner to his lessors will be paid by the operator.

(6) Access to Information and Unit Premises by Nonconsenting Owners. After the date upon which a nonconsenting owner's pro rata share of the total costs through completion of the well have been recovered by the operator, the operator shall, upon receipt of written request, furnish, within thirty (30) days thereafter, such nonconsenting owner with copies of drilling reports, well logs, and other such information as is furnished to consenting owners, and shall make available for inspection samples of cores or cuttings. Further, after such costs have been recovered, the nonconsenting owner shall have access to the unit premises at all reasonable times, at his sole risk, to inspect or observe operations.

(7) Changes in Ownership. Upon a transfer of any interest of a nonconsenting owner, subsequent to the Board's order of forced integration or forced pooling, such new owner shall submit a duly and properly certified copy of an instrument affecting such transfer to the operator and, upon receipt of such copy, the operator shall take appropriate action to insure that such

new owner is thereafter treated in all respects in a manner not inconsistent with these rules.

(8) **Proof of Notice; Forced Pooling of Unlocated or Undiscovered Nonconsenting Owners.** In the event a petitioner is requesting the forced pooling (without risk compensation) of a nonconsenting owner, who is unlocated and/or undiscovered, petitioner shall submit evidence sufficient to show to the Board that petitioner made a diligent effort to identify the unlocated or undiscovered nonconsenting owner and made a diligent effort to locate and discover the nonconsenting owner. Such evidence may include, and the Board may require:

(a) an attestation of title and ownership relating to the nonconsenting owner's interest given by a person qualified to render opinions on title to real property in Alabama;

(b) copies of pertinent portions of title opinions, if any are available, prepared by a licensed Alabama attorney relating to the tract or interest being force pooled.

(c) a copy of the most recent source or sources of title from which the nonconsenting owner's interest is derived;

(d) sworn Affidavits of descent or heirship, if applicable, to a determination of the nonconsenting owner's interest; and

(e) such other evidence that the Board, Supervisor or Hearing Officer may deem proper and sufficient to show that the petitioner has identified the unlocated or undiscovered nonconsenting owner and made a diligent effort to locate the unlocated or undiscovered nonconsenting owner.

Author: Marvin Rogers

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