

TRANSMITTAL SHEET FOR  
NOTICE OF INTENDED ACTION

Control \_\_\_\_\_ Department or Agency State Oil and Gas Board of Alabama  
Rule No. 400-1-2-02  
Rule Title: Spacing of Wells  
       New   X   Amend \_\_\_\_\_ Repeal \_\_\_\_\_ Adopt by Reference \_\_\_\_\_

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety?       N/A      

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare?       Yes      

Is there another, less restrictive method of regulation available that could adequately protect the public?       No      

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree?       No      

Is the increase in cost, if any, more harmful to the public than the harm that might result from the absence of the proposed rule?       N/A      

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public?       Yes      

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Does the proposed rule have an economic impact?       No      

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

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Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975, and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.

Signature of certifying officer       Maurin Rogers      

Date       August 12, 2016      

(DATE FILED)  
(STAMP)

STATE OIL AND GAS BOARD OF ALABAMA  
(Agency Name)  
(Agency Division, if applicable)

NOTICE OF INTENDED ACTION

AGENCY NAME:

STATE OIL AND GAS BOARD OF ALABAMA

RULE NO. & TITLE:

400-1-2-.02 SPACING OF WELLS

INTENDED ACTION:

AMEND RULE 400-1-2-.02

SUBSTANCE OF PROPOSED ACTION:

THE PROPOSED REGULATION ALLOWS THE SUPERVISOR TO APPROVE  
EXCEPTIONAL LOCATIONS ON ALTERNATE UNITS FOR OIL WELLS.  
THE PROPOSED REGULATION AVOIDS UNNECESSARY HEARINGS  
FOR EXCEPTIONAL LOCATIONS.

TIME, PLACE, MANNER OF PRESENTING VIEWS:

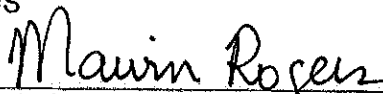
ANY INTERESTED PARTY MAY CONTACT MARVIN ROGERS,  
GENERAL COUNSEL FOR THE BOARD, AT P.O. BOX 869999,  
TUSCALOOSA, AL 35486 205-247-3680 OR MROGERS@OGB.STATE.AL.US

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

OCTOBER 5, 2016

CONTACT PERSON AT AGENCY:

JANET FOSTER OVERTON  
205-247-3571  
JOVERTON@OGB.STATE.AL.US



(Signature of officer authorized  
to promulgate and adopt  
rules or his or her deputy)

#### **400-1-2-.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. The term "production unit" is hereinafter used from time to time in place of the term "drainage or production unit." Prior to the establishment of a field and the establishment of 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, the Board establishes special field rules for the field. The special field rules designate, among other things, the drainage or production units for the field. Thereafter, A-11

wells are drilled on the 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. A spacing unit shall not include any part of another unit established for the same pool. Subject to the approval of the Supervisor, the drilling of additional wells to a pool may continue prior to the establishment of special field rules for the 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. With respect to a well to be drilled to a pool or pools that are not governed by special field rules, the following spacing provisions shall be applicable for determining the drilling unit for a well.

(a) A well may 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) A well may be drilled on a drilling unit consisting of a governmental quarter section (approximately 160 acres). The Supervisor may require written justification for the drilling unit. Such well shall be located at least six hundred sixty (660) feet from every exterior boundary of the drilling unit.

(c) A well to be drilled in search of gas in the Counties of Fayette, Lamar, Pickens, or Tuscaloosa may be drilled on a drilling unit consisting of a governmental half section (approximately 320 acres). Such well shall be located at least six hundred sixty (660) feet from every exterior boundary of the drilling unit. The operator shall designate on the permit application an alternate forty (40) acre drilling unit, and the well shall be located at least three hundred thirty (330) feet from every exterior boundary of the alternate unit. In the event that the well location on the alternate unit is less than three hundred thirty (330) feet from every exterior boundary of the alternate unit, and is, therefore, an exceptional location, the Supervisor may allow the exceptional well location. If said well is completed as an oil well, then the spacing for the well shall automatically revert to the designated alternate forty (40) acre drilling unit until the proper spacing for said well is determined by the Board after notice and hearing.

(d) A well to be drilled in search of gas in the Counties of Baldwin, Escambia, Mobile, or Washington may be drilled on a drilling unit consisting of a governmental section (approximately 640 acres). The Supervisor may require written justification for the drilling unit. Such well shall be located at least one thousand three hundred twenty (1,320) feet from every exterior boundary of the drilling unit. The operator shall designate on the permit application an alternate one hundred sixty (160) acre drilling unit, and the well shall be located at least six hundred sixty (660) feet from every exterior boundary of the alternate unit. In the event that the well location on the alternate unit is less than six hundred sixty (660) feet from every exterior boundary of the alternate unit, and is, therefore, an exceptional location, the Supervisor may allow the exceptional well location. If said well is completed as an oil well, then the spacing for the well shall automatically revert to the designated alternate one hundred sixty (160) acre drilling unit until the proper spacing for said well is determined by the Board after notice and hearing.

(e) The Supervisor, upon receipt of written justification from an operator, may approve a permit application under sections (2)(a) through (2)(d) above for a well to be drilled on a drilling unit consisting of approximately 40, 160, 320, or 640 contiguous surface acres other than a governmental section or division thereof as set forth herein.

(f) 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 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.

(g) Pursuant to Section 9-17-12(c) of the *Code of Alabama (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 spacing 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 spacing unit, or where topographical conditions are such as to make the drilling at an authorized location on the spacing 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.

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