

**BEFORE THE STATE OIL AND GAS BOARD OF ALABAMA**

**PURSUANT TO A DECISION RENDERED FOLLOWING  
A REGULAR SESSION OF THE STATE OIL AND GAS BOARD  
ON AUGUST 3, 2023, THE FOLLOWING ORDER  
IS HEREBY PROMULGATED, TO-WIT:**

**RE: ORDER NO. 2023-33**

**DOCKET NO. 05-02-23-14**

THIS CAUSE came on for hearing before the State Oil and Gas Board of Alabama (hereinafter referred to as the "Board") on the Petition of Keyrock Energy LLC, a foreign limited liability company authorized to do and doing business in the State of Alabama (hereinafter referred to as "Keyrock"), requesting the Board to enter an Order approving the drilling of a coalbed methane gas well for the purpose of degasifying a coal gob area to be drilled on an 80-acre drilling unit consisting of the Northeast Quarter of the Southwest and the Northwest Quarter of the Southeast Quarter of Section 8, Township 18 South, Range 7 West, Tuscaloosa County, Alabama in the White Oak Creek Coal Degasification Field.

The Board finds that due and proper notice of the hearing of this cause has been given in the manner and form and for the time required by law and the rules and regulations of this Board and that this Board has full jurisdiction of this cause. Being fully advised in the premises, the Board finds as follows:

I.

That Peabody Coal Company (hereinafter referred to as "Peabody") is involved in active mining operations in the Shoal Creek Coal Mine situated in Tuscaloosa County, Alabama and including all of Section 8, Township 18 South, Range 7 West.

II.

That an expert witness for Keyrock testified that in order to insure the safety of its miners, it is necessary from time to time to remove coalbed methane gas from the active mining area by venting the gas into the atmosphere.

III.

That the expert witness testified that Peabody entered into an agreement with Keyrock whereby, in order to enhance mine safety, Keyrock will remove gas from certain specific areas of the mine so as to eliminate or lessen seepage of coalbed methane gas into the active mining areas.

IV.

That the expert witness testified Keyrock and Peabody have established a plan that involves the removal of coalbed methane gas from underground gob areas by drilling into the underground gob areas and producing the gas rather than venting that gas into the atmosphere. Keyrock proposes that drilling operations to be conducted in accordance with the Special Field

Rules of the White Oak Creek Coal Degasification Field and the rules and regulations of the State Oil and Gas Board.

V.

That the expert witness testified that, in accordance with the safety plan of degasifying certain underground gob areas, Keyrock proposes to drill the G-3 8-11 No. 1 Well on an 80-acre unit consisting of the Northeast Quarter of the Southwest and the Northwest Quarter of the Southeast Quarter of Section 8, Township 18 South, Range 7 West, which said 80-acre unit is within the field limits of said White Oak Creek Coal Degasification Field.

VI.

That the expert witness testified that once the well is drilled, Keyrock will test the quality of the coalbed methane gas encountered and if the quality of that gas is of sufficient quality to be sold, will install necessary infrastructure to gather, transport and sell the gas. The expert witness testified that Keyrock had several years experience operating approximately 300 coalbed methane gas wells and also testified that a gas transmission line ran along the west side of the Shoal Creek Coal Mine which could be utilized by Keyrock to gather and transport the gas.

VII.

That the expert witness testified that if the gas is determined to be of insufficient quality to be sold, Keyrock will incinerate the gas on location for Carbon Credit Offsets. The expert witness testified that Keyrock has several years experience operating gas incineration programs having begun such operations in 2018, that Keyrock currently is involved in 23 mine methane projects with 12 wells on active mines and 32 wells on abandoned mines and that Keyrock operates approximately 80% of all gas incineration projects in the United States.

VIII.

That the expert witness testified that all of the coal and all of the coalbed methane gas under subject Section 8, Township 18 South, Range 7 West is owned by RGGGS Land & Minerals, Ltd., L.P. and the State of Alabama. The expert witness testified that the interest of RGGGS Land & Minerals, Ltd., L.P. is under lease to Peabody pursuant to a Coal Mining Lease of May 29, 1991 and that on January 16, 2021, RGGGS Land & Minerals, Ltd., L. P. amended the lease to allow equipment to be installed and operated to incinerate coal mine methane, or Gob Gas, for the generation of Carbon Offset Credits for sale under California's Cap-and-Trade Program, or other such Carbon Offset Credit Programs as may be available. The expert witness also testified that Keyrock is in contact with personnel at the Alabama Department of Conservation and Natural Resources concerning the interest of the State of Alabama and will not undertake any operations on the proposed well until that interest is either leased or voluntarily force pooled without risk compensation.

IX.

That the expert witness testified that the plan to remove the gas from the Shoal Creek Mine, including the incineration of the gas, if necessary, was approved by the Department of Labor Mine Safety and Health Administration (hereinafter "MSHA") and that the Alabama Department of Environmental Management has determined that no air pollution control permit is required for the proposed operation.

X.

That the expert witness testified concerning leakage of coalbed methane gas from sealed areas in the Shoal Creek Mine into the active mining areas. The expert witness testified that drilling a well into the sealed areas and producing or incinerating the gas reduces the total mine methane liberated to the atmosphere thereby keeping the miners safe and providing a major benefit to the environment.

XI.

That the expert witness testified that the estimated plugging costs for the proposed well is \$5,000.00.

XII.

That a second expert witness, who was formerly the Senior Safety Advisor to MSHA, testified in support of the Petition. The second expert witness testified that records maintained by MSHA indicated that the latest reading of the Shoal Creek Mine methane liberation showed that 2,026,549 cubic feet of methane was being liberated in a 24-hour period. The second expert witness also testified that the incineration of gas from sealed areas was a more appropriate method to deal with leakage out of the seals than ventilating the gas to the atmosphere.

XIII.

That the expert witnesses testified that the granting of the Petition would prevent waste and protect correlative rights.

**FINDINGS OF FACT**

XIV.

That the drilling and operation of the proposed G-3 8-11 No. 1 Well will enhance and improve the safety of active mining operations in the Shoal Creek Mine. Furthermore, the approval of the potential incineration will be financially and environmentally beneficial.

**CONCLUSIONS OF LAW**

XV.


That the granting of the Petition will prevent waste and protect correlative rights.

Based upon the findings of fact and the conclusions of law set forth hereinabove, IT IS, THEREFORE, HEREBY ORDERED, ADJUDGED AND DECREED by the State Oil and Gas

Board of Alabama that the Petition is GRANTED. Said Petition is granted approving the drilling of the proposed G-3 8-11 No. 1 Well by Keyrock Energy LLC on 80-acre drilling unit for said well as described hereinabove, said well to be drilled as a coalbed methane gas well in the White Oak Creek Coal Degasification Field, Tuscaloosa County, Alabama in accordance with the Special Field Rules for said White Oak Coal Degasification Field. Once drilled, said well is to be operated as a Gob Well if the gas is of sufficient quality to be sold or, if not, said well is to be operated as an incineration well and the gas is to be destroyed by incineration for the generation of Carbon Offset Credits for sale under California's Cap-and-Trade Program or other such Carbon Offset Credit Programs as may be available.


ORDERED this 1<sup>st</sup> day of September 2023.

STATE OIL AND GAS BOARD OF ALABAMA

By:   
Charles E. (Ward) Pearson, Chairman

By:   
Stephen P. French, Vice-Chairman

By: ABSENT  
Jamie N. Ison, Member

ATTEST:   
Berry H. (Nick) Tew, Jr., Secretary