

4/10/95 Referred Back Nat. Resources
Envir. + Energy
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SENATE FILE 415
BY COMMITTEE ON NATURAL RESOURCES,
ENVIRONMENT AND ENERGY

(SUCCESSOR TO SSB 303)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to certain property interests by providing for
2 the return of certain subsurface property rights to the
3 surface owner and ancillary surface property rights to
4 adjacent landowners when subsurface rights are relinquished by
5 the person who has obtained underground natural gas storage
6 rights.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 415

1 Section 1. NEW SECTION. 479A.27 TIME OF REVERSION.

2 Underground storage rights are presumed to be extinguished
3 upon cessation of operations to inject and remove natural gas
4 in the naturally occurring subsurface stratum or naturally
5 occurring formation of the earth and are finally divested one
6 year after the pipeline company has received an abandonment
7 order from the federal energy regulatory commission or a
8 predecessor or successor of the commission. The surface or
9 adjacent landowner may acquire ownership of facilities
10 associated with an abandoned underground storage facility
11 pursuant to this chapter. If ownership of facilities is not
12 obtained, the pipeline company shall remove ancillary surface
13 facilities within one year of the presumed extinguishment of
14 the underground storage rights.

15 Sec. 2. NEW SECTION. 479A.28 REVERSION OF UNDERGROUND
16 STORAGE RIGHTS.

17 1. If underground storage rights are presumed to be ex-
18 tinguished under section 479A.27, the underground storage
19 rights pass to the surface landowner at the time of divestment
20 under section 479A.27.

21 2. Any surface property easement ancillary to the under-
22 ground storage project pass to the adjacent landowner or
23 landowners at the time of divestment under section 479A.27.
24 If different adjacent landowners are situated on either side
25 of the surface property easement involved, each adjacent
26 landowner takes to the center of the surface property easement
27 of the pipeline company.

28 3. Section 614.24, which requires the filing of a verified
29 claim, does not apply to reversion of property rights under
30 this section.

31 4. A surface landowner or an adjoining landowner may
32 perfect title under this section by filing an affidavit of
33 ownership with the county recorder in the county in which the
34 overlying or ancillary property of an underground storage
35 facility claimed by a landowner is located. The affidavit

1 shall include the name of the surface landowner or the
2 adjoining landowner, a description of the property or rights
3 subject to reversion, the present name of the pipeline
4 company, the jurisdiction, docket number, and date of
5 abandonment order of the federal energy regulatory commission
6 or a predecessor or successor of the commission, and if
7 applicable the approximate date the surface facilities
8 ancillary to the project were removed. A copy of the
9 affidavit must be mailed by the landowner by certified mail to
10 the pipeline company. The landowner is liable for taxes on
11 the property interest from the date the affidavit is filed.

12 Sec. 3. NEW SECTION. 479A.29 SALE OF UNDERGROUND STORAGE
13 RIGHTS.

14 Subject to section 479A.28, and except for a transfer to an
15 affiliate or successor of the pipeline company, when a pipe-
16 line company, its trustee, or its successor in interest has
17 interests in real property, other than an easement, but
18 including fixtures, ancillary to an underground storage
19 project adjacent to or upon an easement that is abandoned by
20 order of the federal energy regulatory commission or a
21 predecessor or successor of the commission, reorganization
22 court, or bankruptcy court, or when a pipeline company, its
23 trustee, or its successor in interest seeks to sell its
24 interests in that property under any other circumstance, the
25 pipeline company, its trustee, or its successor in interest
26 shall extend a written offer to sell at a fair market value
27 price to the persons holding leases, licenses, or permits upon
28 the property, or the owner of the adjoining or surface
29 property, allowing sixty days from the time of receipt for a
30 written response. If a disagreement arises between the
31 parties concerning the price or other terms of the sale
32 transaction, a party may make written application to the
33 compensation commission created under section 6B.4 to resolve
34 the disagreement. The application shall be made within sixty
35 days from the time an initial written response is mailed to

1 the pipeline company, trustee, or successor in interest by the
2 party wishing to purchase the property. The compensation
3 commission shall notify the department of inspections and
4 appeals which shall hear the controversy and make a final
5 determination of the fair market value of the property and the
6 other terms of the transaction which are in dispute, within
7 ninety days after the application is filed. All
8 correspondence shall be by certified mail.

9 The decision of the department of inspections and appeals
10 is binding on the parties, except that a party who seeks to
11 purchase the real property may withdraw the offer to purchase
12 within thirty days of the decision of the department. If a
13 withdrawal is made, the pipeline company, trustee, or suc-
14 cessor in interest may sell or dispose of the real property
15 without further order of the department of inspections and
16 appeals.

17 This section does not apply when underground storage rights
18 are conveyed for continued underground storage use.

19 Sec. 4. NEW SECTION. 479A.30 VALUING PROPERTY IN
20 CONTROVERSY.

21 The department of inspections and appeals' determination
22 and order shall be just and equitable and in the case of the
23 determination of the fair market value of the property, shall
24 be based in part upon at least three independent appraisals
25 prepared by certified appraisers. Each party shall select one
26 appraiser and each appraisal shall be paid for by the party
27 for whom the appraisal is prepared. The two appraisers shall
28 select a third appraiser and the costs of this appraisal shall
29 be divided equally between the parties. If the appraisers
30 selected by the parties cannot agree on selection of a third
31 appraiser, the compensation commission shall appoint a third
32 appraiser and the costs of this appraisal shall be divided
33 equally between the parties.

34 The department's determination and order is final agency
35 action for the purpose of judicial review by the district

1 court as provided in chapter 17A.

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EXPLANATION

3 This bill provides for the reversion to the surface land-
4 owner or underground natural gas storage rights when storage
5 or recovery operations cease and the gas pipeline company
6 receives an abandonment order from the federal energy regula-
7 tory commission. Provisions are also made for adjacent land-
8 owners to acquire surface property rights ancillary to the
9 abandoned underground storage project. Similar to the rever-
10 sion of railroad rights-of-way to adjacent landowners, this
11 bill provides procedures for valuation and settling of dis-
12 putes.

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SENATE FILE ~~415~~

BY (PROPOSED COMMITTEE ON
NATURAL RESOURCES, EN-
VIRONMENT AND ENERGY
BILL BY CHAIRPERSON FINK)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

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