

**House Study Bill 194 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
NATURAL RESOURCES BILL BY  
CHAIRPERSON WULF)

**A BILL FOR**

1 An Act relating to oil and gas production, including filing  
2 requirements, the authority of the department of natural  
3 resources, confidential information, and pooling orders.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 458A.2, Code 2025, is amended by adding  
2 the following new subsections:

3 NEW SUBSECTION. 01. "Casing" means the practice of providing  
4 structural integrity, stability for unstable geologic formations,  
5 and formation isolation, allowing for pressure control via  
6 blowout preventer equipment, and allowing for flowback if  
7 applicable.

8 NEW SUBSECTION. 2A. "Correlative rights" means the  
9 opportunity afforded to the owner of each property in a pool to  
10 produce, so far as it is reasonably practicable to do so without  
11 waste, a just and equitable share of the oil or gas, or both, in  
12 the pool.

13 NEW SUBSECTION. 5A. "Exploratory well" means a well drilled  
14 beyond the known producing limits of a pool.

15 NEW SUBSECTION. 20A. "Well log" means a record of geologic  
16 formations penetrated by the borehole with respect to both time  
17 and depth during drilling operations.

18 Sec. 2. Section 458A.4, subsection 1, Code 2025, is amended  
19 by adding the following new paragraph:

20 NEW PARAGRAPH. 0b. Every person acting as a principal  
21 or agent for another or independently engaged in the  
22 production, storage, transportation, except by railroad,  
23 refining, reclaiming, treating, marketing, or processing of oil  
24 or gas, or engaged in the exploration for or production of  
25 metallic minerals to file the following with the department on  
26 or before April 1 of each year:

27 (1) The name under which the business is being operated.

28 (2) The name and contact information of the person, business,  
29 or businesses engaged in the activity.

30 (3) The plan of organization.

31 (4) For a corporation, the following filings apply:

32 (a) The law under which the corporation is chartered.

33 (b) The names and contact information for any person acting  
34 as a trustee.

35 (c) The names of the manager, agent, or executive.

1 (d) The names and contact information of all officers.

2 (5) The names and contact information of all owners if the  
3 business is conducted under an assumed name.

4 Sec. 3. Section 458A.4, subsection 1, paragraph b, Code 2025,  
5 is amended to read as follows:

6 b. The making and filing of all mechanical well logs and the  
7 filing of directional surveys if taken, and the filing of reports  
8 on well location, drilling, and production, and the filing free  
9 of charge of samples and core chips and of complete cores less  
10 tested sections when requested in the department within six  
11 months after the completion or abandonment of the well, unless  
12 otherwise extended pursuant to section 458A.6A;

13 Sec. 4. Section 458A.4, Code 2025, is amended by adding the  
14 following new subsection:

15 NEW SUBSECTION. 4A. To allow for variances to any of the  
16 department's rules, regulations, or orders. A variance shall  
17 be granted in writing by the director without a hearing upon  
18 written request of an owner or applicant. The owner or the  
19 applicant requesting the variance shall demonstrate that it has  
20 made a good faith effort to comply or is unable to comply with  
21 the specific requirements contained in the rules, regulations, or  
22 orders from which it seeks a variance, and that the requested  
23 variance will not violate the basic intent of this chapter. Upon  
24 proper submission to the director, the director shall approve  
25 or deny the variance request within fourteen days of receipt.  
26 The director shall report any variance granted at the subsequent  
27 hearing or otherwise make public any variance granted.

28 Sec. 5. NEW SECTION. **458A.6A Confidential information.**

29 If an owner seeks to submit information that is listed as  
30 confidential, the owner will confer with the department prior to  
31 submitting the information to verify it qualifies as confidential  
32 pursuant to the department's rules or otherwise under law. If  
33 the information is determined to be confidential, the owner will  
34 submit hard copies of the information in nonredacted form but  
35 labeled confidential in a conspicuous location on the document.

1 Confidential information shall be maintained as confidential and  
2 held without public access for a period of five years, unless  
3 otherwise extended by the director for good cause. Confidential  
4 information may include the following:

5 1. Monetary amounts, payment terms, drilling obligations, or  
6 personal information listed on surface use agreements, oil and  
7 gas leases, or rights-of-way agreements.

8 2. Information concerning ongoing commercial negotiations  
9 regarding potential or planned routing and location of off-lease  
10 midstream gathering systems or infrastructure.

11 3. Confidential geological or geophysical well records  
12 pertaining to exploratory wells.

13 4. Information about a proposed transfer of permits and  
14 assets.

15 5. Proprietary stimulation or completion chemicals that  
16 qualify as trade secrets.

17 6. Personal medical information.

18 7. Commercial information that, if disclosed, would be likely  
19 to cause substantial harm to the competitive position of the  
20 person providing the information.

21 Sec. 6. Section 458A.7, subsections 3 and 4, Code 2025, are  
22 amended to read as follows:

23 3. An order establishing spacing units for a pool shall  
24 specify the size and shape of each unit and the location  
25 and number of the permitted ~~well thereon~~ wells in accordance  
26 with a reasonably uniform spacing plan. Upon application,  
27 if the director finds that a well drilled at the prescribed  
28 location would not produce in paying quantities, or that surface  
29 conditions would substantially add to the burden or hazard of  
30 drilling such well, the director is authorized to enter an order  
31 permitting ~~the~~ a well to be drilled at a location other than  
32 that prescribed by such spacing order; however, the director  
33 shall include in the order suitable provisions to prevent the  
34 production from the spacing unit of more than its just and  
35 equitable share of the oil and gas in the pool.

1 4. An order establishing units for a pool shall cover all  
2 lands determined or believed to be underlaid by the pool, and  
3 may be modified by the director from time to time to include  
4 additional areas determined to be underlaid by the pool. When  
5 found necessary for the prevention of waste, or to avoid the  
6 drilling of unnecessary wells or to protect correlative rights,  
7 an order establishing spacing units in a pool may be modified by  
8 the director to increase the size of spacing units in the pool  
9 or any zone of the pool, or to permit the drilling of additional  
10 wells within a spacing unit on a reasonable uniform plan in the  
11 pool, or any zone of the pool. Orders of the director may be  
12 appealed to the department within thirty days.

13 Sec. 7. Section 458A.7, Code 2025, is amended by adding the  
14 following new subsection:

15 NEW SUBSECTION. 5. If the department is unable to determine  
16 the existence of a pool and the appropriate acreage to be  
17 embraced within a spacing unit and the shape thereof based on  
18 the evidence introduced at hearing, the department may establish  
19 an exploratory spacing unit for the purpose of drilling one or  
20 more exploratory wells in order to establish the existence of a  
21 pool and the appropriate size and shape of the spacing unit to be  
22 applied for future development of the pool. In establishing the  
23 size and shape of the exploratory spacing unit, the department  
24 may consider the size and shape of spacing units established by  
25 the department for the same pool or formation in other areas,  
26 the size and shape of units for similar development in other  
27 basins, reservoir modeling or other preliminary data on the pool  
28 or formation, and any other information the department deems  
29 relevant.

30 Sec. 8. Section 458A.8, Code 2025, is amended to read as  
31 follows:

32 **458A.8 Integration of fractional tracts.**

33 1. When two or more separately owned tracts are embraced  
34 within a spacing unit, or when there are separately owned  
35 interests in all or a part of the spacing unit, then the owners

1 and royalty owners of the tracts may pool their interests for the  
2 development and operation of the spacing unit. In the absence  
3 of voluntary pooling, the department, upon the application of any  
4 interested person, shall enter an order pooling all interests in  
5 the spacing unit for the development and operations of the unit.  
6 Each pooling order shall be made after notice and hearing, and  
7 shall be upon terms and conditions that are just and reasonable,  
8 and that afford to the owner of each tract or interest in  
9 the spacing unit the opportunity to recover or receive, without  
10 unnecessary expense, a just and equitable share. Operations  
11 incident to the drilling of a well upon any portion of a  
12 spacing unit covered by a pooling order shall be deemed for all  
13 purposes to be the conduct of the operations upon each separately  
14 owned tract in the drilling unit by the several owners of the  
15 unit. That portion of the production allocated to each tract  
16 included in a spacing unit covered by a pooling order shall, when  
17 produced, be deemed for all purposes to have been produced from  
18 the tract by a well drilled on it.

19 2. Each pooling order shall make provision for the drilling  
20 and operation of a well on the spacing unit, and for the payment  
21 of the reasonable actual cost of the well by the owners of  
22 interests in the spacing unit, plus a reasonable charge for  
23 supervision. In the event of any dispute as to such costs, the  
24 department shall determine the proper costs. If an owner shall  
25 drill and operate, or pay the expenses of drilling and operating  
26 the well for the benefit of others, then, the owner so drilling  
27 or operating shall, upon complying with the terms of section  
28 458A.10, have a lien on the share of production from the spacing  
29 unit accruing to the interest of each of the other owners for the  
30 payment of a proportionate share of the expenses. All the oil  
31 and gas subject to the lien shall be marketed and sold and the  
32 proceeds applied in payment of the expenses secured by the lien  
33 as provided for in section 458A.10.

34 2. In the absence of voluntary pooling pursuant to subsection  
35 1, the director, upon the application of any interested person,

1 shall enter an order pooling all interests in a spacing unit  
2 for the development and operation thereof. Any such pooling  
3 order may authorize cost recovery and risk penalties against  
4 nonconsenting owners for a specific well. Each such pooling  
5 order shall be made after notice and hearing and with terms and  
6 conditions that are just and reasonable. Operations incident to  
7 the drilling of a well upon any portion of a spacing unit covered  
8 by a pooling order shall be deemed for all purposes to be the  
9 conduct of such operations upon each separately owned tract in  
10 the unit by the several owners thereof. When produced, that  
11 portion of the production allocated or applicable to each tract  
12 included in a unit covered by a pooling order shall be deemed  
13 for all purposes to have been produced from such tract by a well  
14 drilled thereon.

15 3. Each pooling order shall provide for the drilling and  
16 operation of a well in the spacing unit, and for the payment of  
17 the cost thereof, as provided in this subsection. The director  
18 is specifically authorized to provide that the producer shall be  
19 entitled to all production from the well that would be received  
20 by the owner or owners, for whose benefit the well was drilled or  
21 operated, after payment of royalty as provided in the lease, if  
22 any, applicable to each tract or interest or after payment of the  
23 royalty if required under subsection 4, and obligations payable  
24 out of production, until the producers have been paid the amount  
25 due under the terms of the pooling order or order settling the  
26 dispute. In the event of any disputed cost, the director shall  
27 determine the proper cost. The pooling order shall determine the  
28 interest of each owner in the unit, and may provide that each  
29 owner who agrees with the producer for the payment by the owner  
30 of the owner's share of the costs, unless the owner has agreed  
31 otherwise, shall be entitled to receive, subject to royalty or  
32 similar obligations, the share of the production of the well  
33 applicable to the tract of the nonconsenting owner. Each owner  
34 who does not agree shall be entitled to receive from the producer  
35 the owner's share of the production applicable to the owner's

1 interest after the producer has recovered the following, subject  
2 to the provisions of subsection 4:

3 a. One hundred percent of the nonconsenting owner's share  
4 of the cost of any newly acquired surface equipment beyond  
5 the wellhead connections, including stock tanks, separators,  
6 treaters, or pumping equipment and piping, plus one hundred  
7 percent of the nonconsenting owner's share of the cost  
8 of operating the well commencing with first production and  
9 continuing until the nonconsenting owner's relinquished interest  
10 reverts under other provisions in this section.

11 b. Up to two hundred percent of that portion of the costs  
12 and expenses of drilling, reworking, deepening or plugging back,  
13 testing, and completing, after deducting any cash contributions  
14 received, and up to two hundred percent of that portion of the  
15 cost of newly acquired equipment in the well, up to and including  
16 the wellhead connections, which would have been chargeable to the  
17 nonconsenting owner if the owner had participated therein, if the  
18 nonconsenting owner's tract or interest is subject to a lease or  
19 other contract for oil and gas development.

20 4. During the time the producer is recovering costs from  
21 a nonconsenting owner as authorized in a pooling order issued  
22 pursuant to subsection 2, a nonconsenting owner of a tract or  
23 interest in a spacing unit that is not subject to a lease or  
24 other contract for oil and gas development shall be entitled to a  
25 cost-free royalty interest equal to twelve and one-half percent.

26 5. Upon full payment of the recoverable costs as specified in  
27 subsection 3, the following shall occur:

28 a. Within thirty days the producer shall notify the  
29 nonconsenting owner to offer to the nonconsenting owner the  
30 opportunity to participate under the pooling order as a working  
31 interest owner. The notice shall state that the nonconsenting  
32 owner may elect to participate in the pooling order or may elect  
33 to continue receiving the royalty specified in subsection 4.

34 b. Within sixty days after receiving notice, the  
35 nonconsenting owner shall inform the producer whether the

1 nonconsenting owner wishes to make an election to participate  
2 under the pooling order as a working interest owner or continue  
3 receiving the royalty specified in subsection 4.

4 c. If the nonconsenting owner fails to respond to the notice  
5 within the time specified in paragraph "b", the nonconsenting  
6 owner shall be deemed to elect to continue receiving the royalty  
7 specified in subsection 4.

8 d. Within five business days after receiving notice of  
9 election from a nonconsenting owner or upon expiration of the  
10 time specified in paragraph "b", the producer shall notify the  
11 director regarding the nonconsenting owner's election or lack  
12 thereof.

13 6. An application for pooling shall provide at least the  
14 following:

15 a. A certificate of service containing all persons that have  
16 a royalty interest or are owners inside the drilling and spacing  
17 unit.

18 b. The applicant's interest type in the drilling and spacing  
19 unit.

20 c. The legal description of the lands and the department  
21 docket number establishing the drilling and spacing unit sought  
22 to be pooled.

23 d. A statement that two or more separately owned tracts or  
24 separately owned interests in the drilling and spacing unit have  
25 not voluntarily pooled their interests and any valid pooling  
26 order for the drilling and spacing unit.

27 e. The American petroleum institute well number of the well  
28 subject to the application, if requesting cost recovery or risk  
29 penalties.

30 f. A list of all nonconsenting owners in the well that the  
31 applicant is seeking cost recovery and risk penalties against at  
32 the time of filing the application.

33 g. The cost recovery and risk penalties the applicant is  
34 requesting, if any.

35 7. An applicant shall provide at hearing at least the

1 following:

2 a. A copy of the election letter, well proposal, and  
3 authorization for expenditure sent to the owners in the drilling  
4 and spacing unit.

5 b. The names and interests of all nonconsenting owners and  
6 unleased nonconsenting owners in the well.

7 c. Evidence to justify the application of a risk penalty.

8 Sec. 9. REPEAL. Section 458A.6, Code 2025, is repealed.

9

EXPLANATION

10 The inclusion of this explanation does not constitute agreement with  
11 the explanation's substance by the members of the general assembly.

12 This bill relates to oil and gas production, including  
13 filing requirements, the authority of the department of natural  
14 resources (department), confidential information, and pooling  
15 orders.

16 The bill provides the director of the department the authority  
17 to require yearly filings from every person acting as a  
18 principal or agent for another or independently engaged in  
19 the production, storage, transportation, except by railroad,  
20 refining, reclaiming, treating, marketing, or processing of oil  
21 or gas, or engaged in the exploration for or production of  
22 metallic minerals that includes names, contact information, and  
23 certain organizational details.

24 The bill grants the director the authority to issue variances  
25 to any of the department's rules, regulations, or orders. A  
26 variance may be granted without a hearing. The application for  
27 a variance must demonstrate a good faith effort or inability to  
28 comply with specific requirements. A variance request must be  
29 approved within 14 days and shall be made public.

30 The bill allows an owner to make information submitted to the  
31 department confidential for five years, unless otherwise extended  
32 by the director for good cause. The bill provides procedures to  
33 make information confidential and includes examples of types of  
34 information that may be determined confidential.

35 The bill allows the department to establish an exploratory

1 spacing unit to drill one or more exploratory wells to establish  
2 the existence of a pool and the appropriate size and shape of  
3 the spacing unit if it is unable to determine the existence of a  
4 pool and the appropriate acreage and shape to be embraced within  
5 a spacing unit based on the evidence introduced at hearing.

6 The bill requires each pooling order to provide for the  
7 drilling and operation of a well in the spacing unit and for  
8 payment of the cost incurred. The bill authorizes the director  
9 to ensure the producers are entitled to all production from the  
10 well after payment of royalties and other obligations. The bill  
11 requires the director to determine costs if there is a dispute.  
12 The bill provides that the pooling order must determine the  
13 interest of each owner in the unit, including the owner's share  
14 of cost, unless otherwise agreed, and entitles the owners the  
15 share of production of the well applicable to the tract of the  
16 nonconsenting owner, subject to royalties and other obligations.  
17 Owners who do not agree to the pooling order are entitled to a  
18 share of the production applicable to the owner's interest after  
19 the producer has recovered a certain amount specified in the  
20 bill, which includes costs attributed to newly acquired surface  
21 equipment beyond the wellhead connections, operation, drilling,  
22 reworking, deepening or plugging back, testing, and completing,  
23 and newly acquired equipment in the well, up to and including the  
24 wellhead connections.

25 The bill provides that a nonconsenting owner of a tract or  
26 interest in a spacing unit that is not subject to a lease or  
27 other contract for oil and gas development shall be entitled to a  
28 cost-free royalty interest equal to 12.5 percent during the time  
29 of drilling or operating a well pursuant to the pooling order.

30 After the producer has fully recovered costs as described  
31 in the bill, the producer must send a notice within 30 days  
32 to any nonconsenting owner to offer participation as a working  
33 interest owner under the pooling order. The nonparticipating  
34 owner has 60 days after receipt of the notice to accept the  
35 offer or may elect to continue receiving the default royalty. If

1 the nonparticipating owner does not respond, the nonparticipating  
2 owner will be deemed to have elected to continue receiving the  
3 default royalty. The producer must inform the director of the  
4 nonparticipating owner's decision within five business days of  
5 receiving an answer or the expiration of time allowed to respond.

6 The bill provides minimum requirements for an application for  
7 compulsory pooling and any associated hearing.

8 Under current law, the department has the authority to  
9 determine market demand for oil and gas for each marketing  
10 district and to regulate the amount of production. The bill  
11 eliminates this authority from the department.

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