

House Study Bill 740 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
NATURAL RESOURCES BILL BY
CHAIRPERSON WOOD)

A BILL FOR

1 An Act relating to the production of oil and gas,
2 geologic hydrogen, hydrocarbons, or other minerals, including
3 establishing certain duties required of oil and gas operators,
4 requiring notice and surface use agreement offers, and
5 providing for remedies.

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

unofficial

1 Section 1. NEW SECTION. **557D.1 Short title.**

2 This chapter shall be known and may be cited as the "Iowa
3 *Surface Owners Protection Act*".

4 Sec. 2. NEW SECTION. **557D.2 Applicability.**

5 This chapter applies to all of the following:

6 1. Real property and its improvements on which oil and gas
7 operations are conducted.

8 2. Oil and gas operations commenced on or after July 1, 2026,
9 except for all of the following:

10 a. Maintenance and ongoing production activities related to
11 an oil or gas well producing or capable of producing oil or
12 gas on July 1, 2026, for which the operator has a valid permit
13 from the department of natural resources, except for all of the
14 following:

15 (1) Reentries, workovers, and other oil or gas operations
16 are subject to this chapter if the activities disturb additional
17 surface.

18 (2) The duty to reclaim, as stated in 557D.4, subsection 4,
19 is applicable to a well that is not plugged or abandoned on July
20 1, 2026.

21 b. Oil and gas operations conducted within the scope of an
22 agreement, entered into prior to July 1, 2026, between a surface
23 owner and an operator that sets forth the rights and obligations
24 of the parties with respect to surface activities conducted by
25 the operator.

26 Sec. 3. NEW SECTION. **557D.3 Definitions.**

27 As used in this chapter, unless the context otherwise
28 requires:

29 1. "*Farm tenant*" means a person who occupies land or premises
30 belonging to another in subordination to the owner's title and
31 with the owner's assent, express or implied.

32 2. "*Oil and gas operations*" means all activities affecting
33 a surface owner's land that are associated with exploration,
34 drilling, or production of oil and gas, geologic hydrogen,
35 hydrocarbons, or other minerals, from initial exploration through

1 final reclamation of the affected surface.

2 3. "Operator" means a person with the legal right to
3 conduct oil and gas operations, including an agent, employee, or
4 contractor of the person.

5 4. "Reclaim" means to substantially restore the surface
6 affected by oil and gas operations to the condition that existed
7 prior to the oil and gas operations, or as otherwise agreed to in
8 writing by the operator and surface owner.

9 5. "Surface owner" means a person who holds legal or
10 equitable title, as shown in the records of the county clerk, to
11 the surface of the real property on which the operator has the
12 legal right to conduct oil and gas operations.

13 6. "Surface use and compensation agreement" means an
14 agreement between a surface owner and an operator specifying the
15 rights and obligations of the surface owner and the operator
16 concerning oil and gas operations.

17 Sec. 4. NEW SECTION. **557D.4 Compensation for oil and gas**
18 **operations.**

19 1. An operator shall compensate the surface owner for all of
20 the following, as applicable, caused by oil and gas operations:

21 a. For damages sustained to all of the following:

22 (1) Crops.

23 (2) Crop yields.

24 (3) Soils.

25 (4) Water.

26 (5) Groundwater.

27 (6) Any land improvement, including a tile drainage system or
28 soil and water conservation structure.

29 b. Loss of agricultural production and income.

30 c. Reduction in land value.

31 d. Loss of use.

32 e. Loss of access to the surface owner's land.

33 2. An operator shall compensate a farm tenant of the surface
34 owner for any crop damage or reduction in crop yields and any
35 leasehold improvements damaged as a result of the operator's

1 oil and gas operations. The compensation shall equal the
2 amount invested in the crop or the value of the crop, whichever
3 is greater, and the cost of repairing and replacing the
4 improvements.

5 3. An operator shall reclaim all the surface affected by the
6 operator's oil and gas operations once the oil and gas operations
7 are completed or the well is plugged or closed.

8 Sec. 5. NEW SECTION. **557D.5 Notice of operations —**
9 **proposed surface use and compensation agreement.**

10 1. Prior to initial entry upon the land for an activity that
11 does not disturb the surface, including an inspection, staking,
12 survey, measurement, or general evaluation of a proposed route
13 or site for oil and gas operations, the operator shall provide
14 at least ten business days' notice by certified mail or hand
15 delivery to the surface owner.

16 2. No less than ninety days before first entering the surface
17 of the land to conduct oil and gas operations, an operator shall,
18 by certified mail or hand delivery, give the surface owner notice
19 of the planned oil and gas operations. The notice shall include
20 all of the following:

21 a. Sufficient disclosure of the planned oil and gas
22 operations to enable the surface owner to evaluate the effect of
23 the operations on the property.

24 b. A copy of the provisions of this chapter.

25 c. The name, address, telephone number and, if available,
26 facsimile number, and electronic mail address of the operator and
27 the operator's authorized representative.

28 d. A proposed surface use and compensation agreement
29 addressing, at a minimum and to the extent known, all of the
30 following issues:

31 (1) The placement, specifications, maintenance, and design of
32 well pads, gathering pipelines, and roads to be constructed for
33 oil and gas operations.

34 (2) Terms of ingress and egress upon the surface of the land
35 for oil and gas operations.

1 (3) Construction, maintenance, and placement of all pits and
2 equipment used or planned for oil and gas operations.

3 (4) Use and impoundment of water on the surface of the land.

4 (5) Removal and restoration of plant life.

5 (6) Surface water drainage changes.

6 (7) Actions to limit and effectively control precipitation
7 runoff and erosion.

8 (8) Control and management of noise, weeds, dust, traffic,
9 trespass, litter, and interference with the surface owner's use.

10 (9) Interim and final reclamation.

11 (10) Actions to minimize surface damages to the property.

12 (11) Operator indemnification for injury to persons caused by
13 the operator.

14 (12) An offer of compensation for damages to the surface
15 affected by oil and gas operations.

16 3. If legal title and equitable title are not held by the
17 same person, notice shall be given to both the holder of legal
18 title and to the holder of equitable title.

19 4. a. Upon receipt of the notice required by subsection 2,
20 the surface owner may do any of the following:

21 (1) Accept the proposed surface use and compensation
22 agreement.

23 (2) Reject the proposed surface use and compensation
24 agreement. Failure to accept the proposed agreement within
25 ninety days shall be deemed to be a rejection by the surface
26 owner.

27 b. If the proposed agreement is rejected, the surface owner
28 may enter into negotiations with the operator, including, if the
29 parties agree, with the aid of mediation.

30 5. The operator and the surface owner may enter into a
31 mutually acceptable agreement that sets forth the rights and
32 obligations of the parties with respect to the surface activities
33 conducted by the operator.

34 6. Notices required under this section shall be deemed to
35 have been received five days after mailing by certified mail or

1 immediately upon hand delivery.

2 Sec. 6. NEW SECTION. **557D.6 Entry without agreement.**

3 If, after ninety days from when a surface owner received
4 notice pursuant to section 557D.5, subsection 2, no surface use
5 and compensation agreement has been entered into, the operator
6 may enter the surface owner's property and conduct oil and gas
7 operations. The operator shall pay actual damages for entry and
8 use of the surface owner's property.

9 Sec. 7. NEW SECTION. **557D.7 Damages.**

10 In an action brought pursuant to this chapter, if the court
11 finds that compensation is owed under section 557D.4, the court
12 may also award the surface owner one of the following:

13 1. Attorney fees and costs if any of the following occurred:

14 a. The operator conducted oil and gas operations without
15 providing notice as required by section 557D.5, subsection 2.

16 b. The operator conducted oil and gas operations without a
17 surface use and compensation agreement and before depositing a
18 bond or other surety as required pursuant to section 458A.4,
19 subsection 1, paragraph "d".

20 c. The operator conducted oil and gas operations outside the
21 scope of a surface use and compensation agreement and, when
22 entering into the agreement, knew or should have known that oil
23 and gas operations would be conducted outside the scope of the
24 agreement.

25 d. The operator failed to exercise good faith in complying
26 with the provisions of this chapter or the terms of a surface use
27 and compensation agreement.

28 2. Attorney fees, costs, and treble damages if the court
29 finds, by clear and convincing evidence, that any of the
30 following occurred:

31 a. The operator willfully and knowingly entered upon the
32 premises for the purpose of commencing the drilling of a well
33 without the occurrence of any of the following:

34 (1) Giving notice as required by section 557D.5, subsection
35 2.

1 (2) Entering a surface use and compensation agreement with
2 the surface owner before depositing a bond or other surety
3 pursuant to section 458A.4, subsection 1, paragraph "d".

4 b. The operator willfully and knowingly violated the surface
5 use and compensation agreement.

6 Sec. 8. NEW SECTION. **557D.8 Remedies not exclusive.**

7 The remedies provided by this chapter are not exclusive and do
8 not preclude a person from seeking other remedies allowed by law.

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 the production of oil and gas, geologic
13 hydrogen, hydrocarbons, or other minerals, including establishing
14 certain duties required of oil and gas operators, requiring
15 notice and surface use agreement offers, and providing for
16 remedies. The bill is known as and may be cited as the Iowa
17 surface owners protection Act.

18 The bill applies to real property and improvements on which
19 oil and gas operations are conducted and to oil and gas
20 operations commenced on or after July 1, 2026, with exceptions
21 for certain maintenance and ongoing production activities at
22 wells producing or capable of producing on that date if the
23 operator holds a valid permit, and for operations conducted
24 within the scope of agreements entered into before July 1, 2026.

25 The bill defines terms relating to oil and gas operations
26 and describes oil and gas operations to include activities from
27 initial exploration through final reclamation of the affected
28 surface.

29 The bill requires an operator to compensate a surface owner
30 for certain damages or losses resulting from oil and gas
31 operations. The bill also requires an operator to compensate
32 a farm tenant for crop damage or reduced crop yields and for
33 damage to leasehold improvements. The bill requires an operator
34 to reclaim the surface affected by oil and gas operations once
35 operations are completed or a well is plugged or closed.

1 The bill requires the operator to provide at least 10 business
2 days' notice before beginning an activity that does not disturb
3 the surface. At least 90 days before entering the surface to
4 conduct oil and gas operations, the bill requires the operator to
5 provide the surface owner with notice that includes information
6 about the planned operations, a copy of the Iowa surface owners
7 protection Act, operator contact information, and a proposed
8 surface use and compensation agreement. The bill requires the
9 proposed agreement to address certain subjects relating to the
10 oil and gas operations. If legal and equitable title are held
11 by different persons, the bill directs both persons to receive
12 notice.

13 The bill allows the surface owner to accept or reject the
14 proposed agreement. Failure to accept the proposed agreement
15 within 90 days is deemed a rejection. If rejected, the surface
16 owner may negotiate, including through mediation if the parties
17 agree. The bill allows the parties to enter into a mutually
18 acceptable surface use and compensation agreement governing
19 surface activities.

20 If no agreement is reached within 90 days after the surface
21 owner receives notice, the bill allows the operator to enter the
22 property and conduct operations, but must pay actual damages for
23 entry and use of the surface.

24 The bill provides remedies in court actions. If compensation
25 is owed, the court may award attorney fees, costs, and, in
26 some circumstances, treble damages for certain violations by
27 the operator. The bill also provides that the remedies in the
28 chapter are not exclusive of other remedies allowed by law.