

Senate File 546 - Introduced

SENATE FILE 546
BY COMMITTEE ON NATURAL
RESOURCES AND ENVIRONMENT

(SUCCESSOR TO SF 268)

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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