

**Senate File 2449 - Introduced**

SENATE FILE 2449  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SF 546)  
(SUCCESSOR TO SF 268)

(COMPANION TO HF 843 BY  
COMMITTEE ON NATURAL  
RESOURCES)

**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:

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  
4 providing structural integrity, stability for unstable geologic  
5 formations, and formation isolation, allowing for pressure  
6 control via blowout preventer equipment, and allowing for  
7 flowback if applicable.

8 NEW SUBSECTION. 2A. "*Correlative rights*" means the  
9 opportunity afforded to the owner of each property in a pool  
10 to produce, so far as it is reasonably practicable to do so  
11 without waste, a just and equitable share of the oil or gas, or  
12 both, in 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. *Ob.* Every person acting as a principal or  
21 agent for another or independently engaged in the production,  
22 storage, transportation, except by railroad, refining,  
23 reclaiming, treating, marketing, or processing of oil or gas,  
24 or engaged in the exploration for or production of metallic  
25 minerals to file the following with the department on or before  
26 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,  
29 business, 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  
5 2025, is amended to read as follows:

6 b. The making and filing of all mechanical well logs and  
7 the filing of directional surveys if taken, and the filing of  
8 reports on well location, drilling, and production, and the  
9 filing free of charge of samples and core chips and of complete  
10 cores less tested sections when requested in the department  
11 within six months after the completion or abandonment of the  
12 well, unless 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,  
22 or orders from which it seeks a variance, and that the  
23 requested variance will not violate the basic intent of this  
24 chapter. Upon proper submission to the director, the director  
25 shall approve or deny the variance request within fourteen days  
26 of receipt. The director shall report any variance granted at  
27 the subsequent hearing or otherwise make public any variance  
28 granted.

29 Sec. 5. NEW SECTION. 458A.6A Confidential information.

30 If an owner seeks to submit information that is listed  
31 as confidential, the owner will confer with the department  
32 prior to submitting the information to verify it qualifies  
33 as confidential pursuant to the department's rules or  
34 otherwise under law. If the information is determined to  
35 be confidential, the owner will submit hard copies of the

1 information in nonredacted form but labeled confidential in a  
2 conspicuous location on the document. Confidential information  
3 shall be maintained as confidential and held without public  
4 access for a period of five years, unless otherwise extended  
5 by the director for good cause. Confidential information may  
6 include the following:

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

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

13 3. Confidential geological or geophysical well records  
14 pertaining to exploratory wells.

15 4. Information about a proposed transfer of permits and  
16 assets.

17 5. Proprietary stimulation or completion chemicals that  
18 qualify as trade secrets.

19 6. Personal medical information.

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

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

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

1 prevent the production from the spacing unit of more than its  
2 just and equitable share of the oil and gas in the pool.

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

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

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

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

34 **458A.8 Integration of fractional tracts.**

35 1. When two or more separately owned tracts are embraced

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

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

1 ~~the expenses secured by the lien as provided for in section~~  
2 ~~458A.10.~~

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

19 3. Each pooling order shall provide for the drilling and  
20 operation of a well in the spacing unit, and for the payment of  
21 the cost thereof, as provided in this subsection. The director  
22 is specifically authorized to provide that the producer shall  
23 be entitled to all production from the well that would be  
24 received by the owner or owners, for whose benefit the well  
25 was drilled or operated, after payment of royalty as provided  
26 in the lease, if any, applicable to each tract or interest or  
27 after payment of the royalty if required under subsection 4,  
28 and obligations payable out of production, until the producers  
29 have been paid the amount due under the terms of the pooling  
30 order or order settling the dispute. In the event of any  
31 disputed cost, the director shall determine the proper cost.  
32 The pooling order shall determine the interest of each owner  
33 in the unit, and may provide that each owner who agrees with  
34 the producer for the payment by the owner of the owner's share  
35 of the costs, unless the owner has agreed otherwise, shall be

1 entitled to receive, subject to royalty or similar obligations,  
2 the share of the production of the well applicable to the tract  
3 of the nonconsenting owner. Each owner who does not agree  
4 shall be entitled to receive from the producer the owner's  
5 share of the production applicable to the owner's interest  
6 after the producer has recovered the following, subject to the  
7 provisions of subsection 4:

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

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

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

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

35 a. Within thirty days the producer shall notify the

1 nonconsenting owner to offer to the nonconsenting owner the  
2 opportunity to participate under the pooling order as a working  
3 interest owner. The notice shall state that the nonconsenting  
4 owner may elect to participate in the pooling order or may  
5 elect to continue receiving the royalty specified in subsection  
6 4.

7 b. Within sixty days after receiving notice, the  
8 nonconsenting owner shall inform the producer whether the  
9 nonconsenting owner wishes to make an election to participate  
10 under the pooling order as a working interest owner or continue  
11 receiving the royalty specified in subsection 4.

12 c. If the nonconsenting owner fails to respond to the notice  
13 within the time specified in paragraph "b", the nonconsenting  
14 owner shall be deemed to elect to continue receiving the  
15 royalty specified in subsection 4.

16 d. Within five business days after receiving notice of  
17 election from a nonconsenting owner or upon expiration of the  
18 time specified in paragraph "b", the producer shall notify the  
19 director regarding the nonconsenting owner's election or lack  
20 thereof.

21 6. An application for pooling shall provide at least the  
22 following:

23 a. A certificate of service containing all persons that  
24 have a royalty interest or are owners inside the drilling and  
25 spacing unit.

26 b. The applicant's interest type in the drilling and spacing  
27 unit.

28 c. The legal description of the lands and the department  
29 docket number establishing the drilling and spacing unit sought  
30 to be pooled.

31 d. A statement that two or more separately owned tracts or  
32 separately owned interests in the drilling and spacing unit  
33 have not voluntarily pooled their interests and any valid  
34 pooling order for the drilling and spacing unit.

35 e. The American petroleum institute well number of the well

1 subject to the application, if requesting cost recovery or risk  
2 penalties.

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

6 g. The cost recovery and risk penalties the applicant is  
7 requesting, if any.

8 7. An applicant shall provide at hearing at least the  
9 following:

10 a. A copy of the election letter, well proposal, and  
11 authorization for expenditure sent to the owners in the  
12 drilling and spacing unit.

13 b. The names and interests of all nonconsenting owners and  
14 unleased nonconsenting owners in the well.

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

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

17 EXPLANATION

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

20 This bill relates to oil and gas production, including  
21 filing requirements, the authority of the department of natural  
22 resources (department), confidential information, and pooling  
23 orders.

24 The bill provides the director of the department the  
25 authority to require yearly filings from every person acting as  
26 a principal or agent for another or independently engaged in  
27 the production, storage, transportation, except by railroad,  
28 refining, reclaiming, treating, marketing, or processing of  
29 oil or gas, or engaged in the exploration for or production of  
30 metallic minerals that includes names, contact information, and  
31 certain organizational details.

32 The bill grants the director the authority to issue  
33 variances to any of the department's rules, regulations, or  
34 orders. A variance may be granted without a hearing. The  
35 application for a variance must demonstrate a good faith effort

1 or inability to comply with specific requirements. A variance  
2 request must be approved within 14 days and shall be made  
3 public.

4 The bill allows an owner to make information submitted to  
5 the department confidential for five years, unless otherwise  
6 extended by the director for good cause. The bill provides  
7 procedures to make information confidential and includes  
8 examples of types of information that may be determined  
9 confidential.

10 The bill allows the department to establish an exploratory  
11 spacing unit to drill one or more exploratory wells to  
12 establish the existence of a pool and the appropriate size and  
13 shape of the spacing unit if it is unable to determine the  
14 existence of a pool and the appropriate acreage and shape to be  
15 embraced within a spacing unit based on the evidence introduced  
16 at hearing.

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

1 connections.

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

8 After the producer has fully recovered costs as described  
9 in the bill, the producer must send a notice within 30 days to  
10 any nonconsenting owner to offer participation as a working  
11 interest owner under the pooling order. The nonparticipating  
12 owner has 60 days after receipt of the notice to accept  
13 the offer or may elect to continue receiving the default  
14 royalty. If the nonparticipating owner does not respond,  
15 the nonparticipating owner will be deemed to have elected to  
16 continue receiving the default royalty. The producer must  
17 inform the director of the nonparticipating owner's decision  
18 within five business days of receiving an answer or the  
19 expiration of time allowed to respond.

20 The bill provides minimum requirements for an application  
21 for compulsory pooling and any associated hearing.

22 Under current law, the department has the authority to  
23 determine market demand for oil and gas for each marketing  
24 district and to regulate the amount of production. The bill  
25 eliminates this authority from the department.