

Oil and Gas, Development and Production Bill Senate File 2490

Last Action:

Final Action

May 2, 2026

An Act relating to oil and gas production, including filing requirements, the authority of the Department of Natural Resources, confidential information, pooling orders, negotiation of surface damage, imposition and distribution of a tax, and jurisdiction, and providing civil penalties.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available online at www.legis.iowa.gov/publications/information/appropriationBillAnalysis

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FUNDING SUMMARY

Creates a severance tax on the extraction of oil or gas equal to 6.0% of the fair market value of the oil and gas extracted at a wellhead.

FISCAL IMPACT: Any increase in revenue is unknown due to a lack of information but may be significant. The Bill distributes severance tax revenues as follows:

- 9.9% of revenue to each county in proportion to the county's share of total State population according to the most recent federal decennial census.
- 5.0% of revenue to counties in which land is located from which oil or gas is produced, in proportion to each county's share of the value of production.
- 5.0% of revenue deposited into the Road Use Tax Fund (RUTF).
- 10.0% of revenue deposited into the severance tax account of the Environment First Fund (EFF) to support the Water Quality Initiative, and allows the moneys to be used for salaries, support, maintenance, and miscellaneous purposes.
- 70.1% of revenue deposited into the Taxpayer Relief Fund (TPRF).

FUNDING FOR PROJECTS AND PROGRAMS

Creates a severance tax account in the EFF. Moneys in the account shall be used as appropriated by the General Assembly to support water quality projects.

Page 2, Line 1

Creates a severance tax for the privilege of severing or extracting oil or gas from the lands within the State equal to 6.0% of the fair market value of the oil or gas extracted at a wellhead.

Page 13, Line 1

Specifies that expenses incurred by a producer prior to valuation are not deductible from taxable value.

Page 13, Line 9

Requires each owner to be responsible for payment of its proportionate share of severance tax when ownership of oil or gas production is shared. A taxpayer paying severance tax on oil or gas may deduct the taxes paid from any royalty or other amounts due or to become due, in proportion of the interest ownership, in which case the person receiving the royalty or other payment is not liable for severance tax.

Page 13, Line 11

Requires severance tax revenues to be distributed to counties each year in the following ways:

Page 13, Line 24

- 9.9% of revenue to each county in proportion of the county's share of total State population according to the most recent federal decennial census.

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- 5.0% of revenue to counties in which land is located from which oil or gas is produced, in proportion of each county's share of the value of oil and gas production.

Requires distributions of revenue made to counties to be used to construct and maintain county roads and to offset county property tax collections by requiring counties that receive distributions of revenue to adopt a corresponding levy rate reduction.

Page 13, Line 34

Requires 5.0% of severance tax revenue collected each year to be deposited into the RUTF.

Page 14, Line 5

Requires 10.0% of severance tax revenue collected each year to be deposited into the severance tax account of the EFF to support water quality initiatives and establishes that no more than 10.0% of the moneys may be used for administration or implementation of the initiatives. Provides guidelines for the use of severance tax revenue deposited in the severance tax account within the EFF.

Page 14, Line 8

Requires 70.1% of severance tax revenue collected each year to be deposited into the TPRF.

Page 16, Line 16

Requires the Iowa Department of Revenue (IDR) to report, by September 15 of each year, actual earnings for the months of the preceding fiscal years for which estimates were used in computing severance tax revenue distributions and requires the IDR to make adjustments to distributions during the current fiscal year in an amount equal to the difference between revenues earned and actual distributions for the preceding fiscal year.

Page 16, Line 26

SIGNIFICANT CODE CHANGES

Specifies that the records received, collected, or created in the administration of the severance tax for oil and gas production are confidential records.

Page 3, Line 1

Directs every person engaged in the production; storage; transportation, except by rail; refining; reclaiming; treating; marketing; or processing of oil or gas, or engaged in the exploration for or production of metallic minerals, to file specific information with the Department of Natural Resources (DNR) every year by April 1.

Page 3, Line 23

Amends the duties and powers of the Director of the DNR with regard to the duty to require certain filings within six months after the completion or abandonment of a well to include specific confidential exclusions as detailed in Section 7 of this Bill.

Page 4, Line 9

Grants the Director of the DNR the authority to allow for variances to any of the DNR's rules, regulations, or orders within 14 days of the receipt of an application for a variance showing a good faith effort by the

Page 4, Line 18

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applicant to comply or a showing that the applicant is unable to comply. Requires that the variance shall be granted in writing by the Director without a hearing upon a written request of the owner or applicant.

Allows the DNR to establish an exploratory spacing unit to drill one or more exploratory wells in order to establish the existence of a pool as defined by Iowa Code section [458A.2](#) when the DNR is unable to determine the existence of a pool or the appropriate acreage to be embraced within a spacing unit.

Page 6, Line 20

Creates new policies, procedures, and guidelines for pooling orders in the absence of voluntary pooling. Provides required contents for pooling orders issued by the Director of the DNR and direction on the distribution of costs and royalties to nonconsenting members.

Page 7, Line 2

Creates new policies, procedures, and guidelines for entering sites subject to a pooling order under Iowa Code section [458A.8](#) and the negotiation of surface damages caused by drilling operations.

Page 11, Line 24

Allows the IDR to adopt administrative rules to administer Iowa Code related to severance tax.

Page 13, Line 19

Requires the IDR to annually value and assess oil or gas production for taxation in appropriate unit measures at the fair market value of the product after mining is completed or the oil or gas is extracted at the wellhead.

Page 17, Line 2

Requires the IDR to certify the valuation of the product to the county assessor of the county from which the oil or gas was produced and enter the valuation in the assessment rolls of the county on or before June 1 of each year.

Page 17, Line 9

Establishes as confidential the records received, collected, or created in the administration of the severance tax.

Page 17, Line 15

Specifies that an oil and gas operation is subject to the exclusive jurisdiction of the State and that a county, city, or other political subdivision cannot enact or enforce an ordinance or other measure, or an amendment or revision of an ordinance or other measure, that bans, limits, or otherwise regulates an oil and gas operation within the boundaries or jurisdiction of the county, city, or political subdivision. Allows the authority of a county, city, or other political subdivision to enact, amend, or enforce an ordinance or other measure to regulate an oil and gas operation if the ordinance or other measure fits specified criteria.

Page 18, Line 19

Repeals Iowa Code section [458A.6](#) relating to the DNR's duty to determine market demand and regulate the amount of production in regard to oil, gas, and other minerals.

Page 18, Line 62

Senate File 2490 provides for the following changes to the Code of Iowa.

Page #	Line #	Bill Section	Action	Code Section
2	1	1	Add	8.57A.3A
3	1	2	Add	22.7.78
3	6	3	Add	458A.2.01,2A,5A,20A
3	23	4	Add	458A.4.1.0b
4	9	5	Amend	458A.4.1.b
4	18	6	Add	458A.4.4A
4	34	7	New	458A.6A
5	28	8	Amend	458A.7.3,4
6	20	9	Add	458A.7.5
7	2	10	Amend	458A.8
11	24	11	New	458A.26
13	1	12	New	458A.27
13	21	13	New	458A.28
17	2	14	New	458A.29
18	19	15	New	458A.30
18	62	16	Repeal	458A.6

2 1 Section 1. Section 8.57A, Code 2026, is amended by adding 2 2 the following new subsection: 2 3 NEW SUBSECTION 3A. A severance tax account is created in 2 4 the environment first fund. Moneys in the account in a fiscal 2 5 year shall be used as appropriated by the general assembly for 2 6 purposes of supporting water quality projects.	CODE: Creates a severance tax account in the Environment First Fund (EFF). Moneys in the account shall be used as appropriated by the General Assembly to support water quality projects.
3 1 Sec. 2. Section 22.7, Code 2026, is amended by adding the 3 2 following new subsection: 3 3 NEW SUBSECTION 78. Records received, collected, or 3 4 created in the administration of severance tax for oil and gas 3 5 production pursuant to section 458A.29, subsection 3.	CODE: Specifies that the records received, collected, or created in the administration of the severance tax for oil and gas production are confidential records.
3 6 Sec. 3. Section 458A.2, Code 2026, is amended by adding the 3 7 following new subsections: 3 8 NEW SUBSECTION 01. "Casing" means the practice of 3 9 providing structural integrity, stability for unstable geologic 3 10 formations, and formation isolation, allowing for pressure 3 11 control via blowout preventer equipment, and allowing for 3 12 flowback if applicable. 3 13 NEW SUBSECTION 2A. "Correlative rights" means the 3 14 opportunity afforded to the owner of each property in a pool 3 15 to produce, so far as it is reasonably practicable to do so 3 16 without waste, a just and equitable share of the oil or gas, or 3 17 both, in the pool. 3 18 NEW SUBSECTION 5A. "Exploratory well" means a well drilled 3 19 beyond the known producing limits of a pool. 3 20 NEW SUBSECTION 20A. "Well log" means a record of geologic 3 21 formations penetrated by the borehole with respect to both time 3 22 and depth during drilling operations.	CODE: Creates definitions for "casing," "correlative rights," "exploratory well," and "well log" for the purposes of Iowa Code chapter 458A .
3 23 Sec. 4. Section 458A.4, subsection 1, Code 2026, is amended 3 24 by adding the following new paragraph: 3 25 NEW PARAGRAPH 0b. Every person acting as a principal or 3 26 agent for another or independently engaged in the production, 3 27 storage, transportation, except by railroad, refining, 3 28 reclaiming, treating, marketing, or processing of oil or gas, 3 29 or engaged in the exploration for or production of metallic 3 30 minerals to file the following with the department on or before 3 31 April 1 of each year: 3 32 (1) The name under which the business is being operated.	CODE: Directs every person engaged in the production; storage; transportation, except by rail; refining; reclaiming; treating; marketing; or processing of oil or gas, or engaged in the exploration for a production of metallic minerals, to file specific information with the Department of Natural Resources (DNR) every year by April 1.

3 33 (2) The name and contact information of the person,
 3 34 business, or businesses engaged in the activity.
 3 35 (3) The plan of organization.
 4 1 (4) For a corporation, the following filings apply:
 4 2 (a) The law under which the corporation is chartered.
 4 3 (b) The names and contact information for any person acting
 4 4 as a trustee.
 4 5 (c) The names of the manager, agent, or executive.
 4 6 (d) The names and contact information of all officers.
 4 7 (5) The names and contact information of all owners if the
 4 8 business is conducted under an assumed name.

4 9 Sec. 5. Section 458A.4, subsection 1, paragraph b, Code
 4 10 2026, is amended to read as follows:

4 11 b. The making and filing of all mechanical well logs and
 4 12 the filing of directional surveys if taken, and the filing of
 4 13 reports on well location, drilling, and production, and the
 4 14 filing free of charge of samples and core chips and of complete
 4 15 cores less tested sections when requested in the department
 4 16 within six months after the completion or abandonment of the
 4 17 well, unless otherwise extended pursuant to section 458A.6A;

4 18 Sec. 6. Section 458A.4, Code 2026, is amended by adding the
 4 19 following new subsection:

4 20 NEW SUBSECTION 4A. To allow for variances to any of the
 4 21 department's rules, regulations, or orders. A variance shall
 4 22 be granted in writing by the director without a hearing upon
 4 23 written request of an owner or applicant. The owner or the
 4 24 applicant requesting the variance shall demonstrate that it has
 4 25 made a good faith effort to comply or is unable to comply with
 4 26 the specific requirements contained in the rules, regulations,
 4 27 or orders from which it seeks a variance, and that the
 4 28 requested variance will not violate the basic intent of this
 4 29 chapter. Upon proper submission to the director, the director
 4 30 shall approve or deny the variance request within fourteen days
 4 31 of receipt. The director shall report any variance granted at
 4 32 the subsequent hearing or otherwise make public any variance
 4 33 granted.

4 34 Sec. 7. NEW SECTION 458A.6A CONFIDENTIAL INFORMATION.

4 35 If an owner seeks to submit information that is listed
 5 1 as confidential, the owner will confer with the department

CODE: Amends the duties and powers of the Director of the DNR with regard to the duty to require certain filings within six months after the completion or abandonment of a well to include specific confidential exclusions as detailed in Section 7 of this Bill.

CODE: Grants the Director of the DNR the authority to allow for variances to any of the DNR's rules, regulations, or orders within 14 days of the receipt of an application for a variance showing a good faith effort by the applicant to comply or a showing that the applicant is unable to comply. Requires that the variance shall be granted in writing by the Director without a hearing upon a written request of the owner or applicant.

CODE: Allows an owner to make select information submitted to the DNR confidential for a period of five years, unless extended for good cause by the DNR Director.

5 2 prior to submitting the information to verify it qualifies
5 3 as confidential pursuant to the department's rules or
5 4 otherwise under law. If the information is determined to
5 5 be confidential, the owner will submit hard copies of the
5 6 information in nonredacted form but labeled confidential in a
5 7 conspicuous location on the document. Confidential information
5 8 shall be maintained as confidential and held without public
5 9 access for a period of five years, unless otherwise extended
5 10 by the director for good cause. Confidential information may
5 11 include the following:

- 5 12 1. Monetary amounts, payment terms, drilling obligations,
5 13 or personal information listed on surface use agreements, oil
5 14 and gas leases, or rights-of-way agreements.
- 5 15 2. Information concerning ongoing commercial negotiations
5 16 regarding potential or planned routing and location of
5 17 off-lease midstream gathering systems or infrastructure.
- 5 18 3. Confidential geological or geophysical well records
5 19 pertaining to exploratory wells.
- 5 20 4. Information about a proposed transfer of permits and
5 21 assets.
- 5 22 5. Proprietary stimulation or completion chemicals that
5 23 qualify as trade secrets.
- 5 24 6. Personal medical information.
- 5 25 7. Commercial information that, if disclosed, would be
5 26 likely to cause substantial harm to the competitive position of
5 27 the person providing the information.

5 28 Sec. 8. Section 458A.7, subsections 3 and 4, Code 2026, are
5 29 amended to read as follows:

5 30 3. An order establishing spacing units for a pool shall
5 31 specify the size and shape of each unit and the location and
5 32 number of the permitted ~~well thereon~~ wells in accordance with
5 33 a reasonably uniform spacing plan. Upon application, if the
5 34 director finds that a well drilled at the prescribed location
5 35 would not produce in paying quantities, or that surface
6 1 conditions would substantially add to the burden or hazard
6 2 of drilling such well, the director is authorized to enter
6 3 an order permitting ~~the a~~ well to be drilled at a location
6 4 other than that prescribed by such spacing order; however, the
6 5 director shall include in the order suitable provisions to
6 6 prevent the production from the spacing unit of more than its
6 7 just and equitable share of the oil and gas in the pool.

CODE: Amends the procedure for setting spacing units to accommodate the existence of multiple wells, rather than a single well, within an order establishing spacing units for a pool.

6 8 4. An order establishing units for a pool shall cover all
 6 9 lands determined or believed to be underlaid by the pool, and
 6 10 may be modified by the director from time to time to include
 6 11 additional areas determined to be underlaid by the pool. When
 6 12 found necessary for the prevention of waste, or to avoid the
 6 13 drilling of unnecessary wells or to protect correlative rights,
 6 14 an order establishing spacing units in a pool may be modified
 6 15 by the director to increase the size of spacing units in the
 6 16 pool or any zone of the pool, or to permit the drilling of
 6 17 additional wells within a spacing unit on a reasonable uniform
 6 18 plan in the pool, or any zone of the pool. Orders of the
 6 19 director may be appealed to the department within thirty days.

6 20 Sec. 9. Section 458A.7, Code 2026, is amended by adding the
 6 21 following new subsection:
 6 22 NEW SUBSECTION 5. If the department is unable to determine
 6 23 the existence of a pool and the appropriate acreage to be
 6 24 embraced within a spacing unit and the shape thereof based
 6 25 on the evidence introduced at hearing, the department may
 6 26 establish an exploratory spacing unit for the purpose of
 6 27 drilling one or more exploratory wells in order to establish
 6 28 the existence of a pool and the appropriate size and shape of
 6 29 the spacing unit to be applied for future development of the
 6 30 pool. In establishing the size and shape of the exploratory
 6 31 spacing unit, the department may consider the size and shape
 6 32 of spacing units established by the department for the same
 6 33 pool or formation in other areas, the size and shape of units
 6 34 for similar development in other basins, reservoir modeling or
 6 35 other preliminary data on the pool or formation, and any other
 7 1 information the department deems relevant.

7 2 Sec. 10. Section 458A.8, Code 2026, is amended to read as
 7 3 follows:
 7 4 458A.8 INTEGRATION OF FRACTIONAL TRACTS.
 7 5 1. When two or more separately owned tracts are embraced
 7 6 within a spacing unit, or when there are separately owned
 7 7 interests in all or a part of the spacing unit, then the owners
 7 8 and royalty owners of the tracts may pool their interests
 7 9 for the development and operation of the spacing unit. ~~In~~
 7 10 ~~the absence of voluntary pooling, the department, upon the~~
 7 11 ~~application of any interested person, shall enter an order~~
 7 12 ~~pooling all interests in the spacing unit for the development~~

CODE: Allows the DNR to establish an exploratory spacing unit to drill one or more exploratory wells in order to establish the existence of a pool as defined by Iowa Code section [458A.2](#) when the DNR is unable to determine the existence of a pool or the appropriate acreage to be embraced within a spacing unit.

CODE: Creates new policies, procedures, and guidelines for pooling orders in the absence of voluntary pooling. Provides required contents for pooling orders issued by the Director of the DNR and direction on the distribution of costs and royalties to nonconsenting members.

7 13 and operations of the unit. Each pooling order shall be
7 14 made after notice and hearing, and shall be upon terms and
7 15 conditions that are just and reasonable, and that afford to
7 16 the owner of each tract or interest in the spacing unit the
7 17 opportunity to recover or receive, without unnecessary expense,
7 18 a just and equitable share. Operations incident to the
7 19 drilling of a well upon any portion of a spacing unit covered
7 20 by a pooling order shall be deemed for all purposes to be the
7 21 conduct of the operations upon each separately owned tract in
7 22 the drilling unit by the several owners of the unit. That
7 23 portion of the production allocated to each tract included in a
7 24 spacing unit covered by a pooling order shall, when produced,
7 25 be deemed for all purposes to have been produced from the tract
7 26 by a well drilled on it.

7 27 —2. Each pooling order shall make provision for the drilling
7 28 and operation of a well on the spacing unit, and for the
7 29 payment of the reasonable actual cost of the well by the owners
7 30 of interests in the spacing unit, plus a reasonable charge for
7 31 supervision. In the event of any dispute as to such costs,
7 32 the department shall determine the proper costs. If an owner
7 33 shall drill and operate, or pay the expenses of drilling and
7 34 operating the well for the benefit of others, then, the owner
7 35 so drilling or operating shall, upon complying with the terms
8 1 of section 458A.10, have a lien on the share of production
8 2 from the spacing unit accruing to the interest of each of
8 3 the other owners for the payment of a proportionate share of
8 4 the expenses. All the oil and gas subject to the lien shall
8 5 be marketed and sold and the proceeds applied in payment of
8 6 the expenses secured by the lien as provided for in section
8 7 458A.10.

8 8 2. In the absence of voluntary pooling pursuant to
8 9 subsection 1, and only if the producer has identified pools
8 10 of existing natural hydrogen within the spacing unit, the
8 11 director, upon the application by the owner or owners of not
8 12 less than twenty-five percent of the area of the spacing unit,
8 13 shall enter an order pooling all interests in the spacing unit
8 14 for the development and operation thereof. Any such pooling
8 15 order may authorize cost recovery and risk penalties against
8 16 nonconsenting owners for a specific well. Each such pooling
8 17 order shall be made after notice and hearing and with terms and
8 18 conditions that are just and reasonable. Operations incident
8 19 to the drilling of a well upon any portion of a spacing unit

8 20 covered by a pooling order shall be deemed for all purposes
8 21 to be the conduct of such operations upon each separately
8 22 owned tract in the unit by the several owners thereof.
8 23 When produced, that portion of the production allocated or
8 24 applicable to each tract included in a unit covered by a
8 25 pooling order shall be deemed for all purposes to have been
8 26 produced from such tract by a well drilled thereon.
8 27 3. Each pooling order shall provide for the drilling and
8 28 operation of a well in the spacing unit, and for the payment of
8 29 the cost thereof, as provided in this subsection. The director
8 30 is specifically authorized to provide that the producer shall
8 31 be entitled to all production from the well that would be
8 32 received by the owner or owners, for whose benefit the well
8 33 was drilled or operated, after payment of royalty as provided
8 34 in the lease, if any, applicable to each tract or interest or
8 35 after payment of the royalty if required under subsection 4,
9 1 and obligations payable out of production, until the producers
9 2 have been paid the amount due under the terms of the pooling
9 3 order or order settling the dispute. In the event of any
9 4 disputed cost, the director shall determine the proper cost.
9 5 The pooling order shall determine the interest of each owner
9 6 in the unit, and may provide that each owner who agrees with
9 7 the producer for the payment by the owner of the owner's share
9 8 of the costs, unless the owner has agreed otherwise, shall be
9 9 entitled to receive, subject to royalty or similar obligations,
9 10 the share of the production of the well applicable to the tract
9 11 of the nonconsenting owner. Each owner who does not agree
9 12 shall be entitled to receive from the producer the owner's
9 13 share of the production applicable to the owner's interest
9 14 after the producer has recovered the following, subject to the
9 15 provisions of subsection 4:
9 16 a. One hundred percent of the nonconsenting owner's share
9 17 of the cost of any newly acquired surface equipment beyond
9 18 the wellhead connections, including stock tanks, separators,
9 19 treaters, or pumping equipment and piping, plus one hundred
9 20 percent of the nonconsenting owner's share of the cost of
9 21 operating the well commencing with first production and
9 22 continuing until the nonconsenting owner's relinquished
9 23 interest reverts under other provisions in this section.
9 24 b. Up to two hundred percent of that portion of the costs
9 25 and expenses of drilling, reworking, deepening or plugging
9 26 back, testing, and completing, after deducting any cash

9 27 contributions received, and up to two hundred percent of that
9 28 portion of the cost of newly acquired equipment in the well,
9 29 up to and including the wellhead connections, which would have
9 30 been chargeable to the nonconsenting owner if the owner had
9 31 participated therein, if the nonconsenting owner's tract or
9 32 interest is subject to a lease or other contract for oil and
9 33 gas development.

9 34 4. During the time the producer is recovering costs from
9 35 a nonconsenting owner as authorized in a pooling order issued
10 1 pursuant to subsection 2, a nonconsenting owner of a tract or
10 2 interest in a spacing unit that is not subject to a lease or
10 3 other contract for oil and gas development shall be entitled
10 4 to a cost-free royalty interest equal to twelve and one-half
10 5 percent.

10 6 5. Upon full payment of the recoverable costs as specified
10 7 in subsection 3, the following shall occur:

10 8 a. Within thirty days the producer shall notify the
10 9 nonconsenting owner to offer to the nonconsenting owner the
10 10 opportunity to participate under the pooling order as a working
10 11 interest owner. The notice shall state that the nonconsenting
10 12 owner may elect to participate in the pooling order or may
10 13 elect to continue receiving the royalty specified in subsection
10 14 4.

10 15 b. Within sixty days after receiving notice, the
10 16 nonconsenting owner shall inform the producer whether the
10 17 nonconsenting owner wishes to make an election to participate
10 18 under the pooling order as a working interest owner or continue
10 19 receiving the royalty specified in subsection 4.

10 20 c. If the nonconsenting owner fails to respond to the notice
10 21 within the time specified in paragraph "b", the nonconsenting
10 22 owner shall be deemed to elect to continue receiving the
10 23 royalty specified in subsection 4.

10 24 d. Within five business days after receiving notice of
10 25 election from a nonconsenting owner or upon expiration of the
10 26 time specified in paragraph "b", the producer shall notify the
10 27 director regarding the nonconsenting owner's election or lack
10 28 thereof.

10 29 6. An application for pooling shall provide at least the
10 30 following:

10 31 a. A certificate of service containing all persons that
10 32 have a royalty interest or are owners inside the drilling and
10 33 spacing unit.

- 10 34 b. The applicant's interest type in the drilling and spacing
 10 35 unit.
- 11 1 c. The legal description of the lands and the department
 11 2 docket number establishing the drilling and spacing unit sought
 11 3 to be pooled.
- 11 4 d. A statement that two or more separately owned tracts or
 11 5 separately owned interests in the drilling and spacing unit
 11 6 have not voluntarily pooled their interests and any valid
 11 7 pooling order for the drilling and spacing unit.
- 11 8 e. The American petroleum institute well number of the well
 11 9 subject to the application, if requesting cost recovery or risk
 11 10 penalties.
- 11 11 f. A list of all nonconsenting owners in the well that the
 11 12 applicant is seeking cost recovery and risk penalties against
 11 13 at the time of filing the application.
- 11 14 g. The cost recovery and risk penalties the applicant is
 11 15 requesting, if any.
- 11 16 7. An applicant shall provide at hearing at least the
 11 17 following:
- 11 18 a. A copy of the election letter, well proposal, and
 11 19 authorization for expenditure sent to the owners in the
 11 20 drilling and spacing unit.
- 11 21 b. The names and interests of all nonconsenting owners and
 11 22 unleased nonconsenting owners in the well.
- 11 23 c. Evidence to justify the application of a risk penalty.

11 24 Sec. 11. NEW SECTION 458A.26 PERMISSION TO ENTER SITE —
 11 25 NEGOTIATION OF SURFACE DAMAGES.

- 11 26 1. Before entering a site that is subject to a pooling
 11 27 order under section 458A.8, or that is within an exploratory
 11 28 spacing unit, for purposes of an oil and gas operation, an
 11 29 operator shall receive written permission from the surface
 11 30 owner to enter the site. If the surface owner does not grant
 11 31 written permission to the operator to enter the site, the
 11 32 operator shall not enter the site for purposes of an oil and
 11 33 gas operation.
- 11 34 2. a. Before entering a site that is subject to a pooling
 11 35 order under section 458A.8, or that is within an exploratory
 12 1 spacing unit, with heavy equipment for the purpose of drilling,
 12 2 an operator shall negotiate with the surface owner for the
 12 3 payment of any damages that may be caused by the drilling
 12 4 operation. If the parties agree and execute a written contract

CODE: Creates new policies, procedures, and guidelines for entering sites subject to a pooling order under Iowa Code section [458A.8](#) and the negotiation of surface damages caused by drilling operations.

12 5 for payment of damages, the operator may enter the site to
 12 6 drill. If the parties do not reach an agreement for payment of
 12 7 damages, the operator shall not enter the site to drill.
 12 8 b. Before entering into a negotiation under paragraph “a”,
 12 9 the operator shall provide a written description of the opt-out
 12 10 procedure described in paragraph “c”.
 12 11 c. A surface owner may decline further communication with
 12 12 an operator concerning a possible agreement for the payment
 12 13 of any damage that may be caused by the drilling operation
 12 14 by providing verbal or written notice to the operator that
 12 15 states that the surface owner does not wish to discuss the
 12 16 matter further, and by submitting to the attorney general
 12 17 notice through mail or electronic means stating the same. Upon
 12 18 receipt of such notice from the surface owner, the attorney
 12 19 general shall forward a copy to the operator.
 12 20 d. After receipt of notice from the surface owner pursuant
 12 21 to paragraph “c”, the operator shall not initiate further
 12 22 contact with the surface owner for purposes of an agreement
 12 23 for the payment of any damages that may be caused by the
 12 24 drilling operation, except that the operator shall continue to
 12 25 provide the surface owner with notices otherwise required by
 12 26 law. The surface owner may rescind such refusal by contacting
 12 27 the operator and notifying the attorney general through mail
 12 28 or electronic means. Unless the surface owner rescinds the
 12 29 refusal, the surface owner’s land shall be deemed unavailable
 12 30 for an agreement.
 12 31 e. An operator violating the contact prohibition in
 12 32 paragraph “d” is subject to a civil penalty of not less than ten
 12 33 thousand dollars for each violation.
 12 34 3. For purposes of this section, “oil and gas operation”
 12 35 means the same as defined in section 458A.30.

13 1 Sec. 12. NEW SECTION 458A.27 IMPOSITION OF TAX — TAX RATE
 13 2 — VALUATION TAXPAYERS.

13 3 1. For the privilege of severing or extracting oil or gas
 13 4 from the lands within the state, there is levied a severance
 13 5 tax on the value of the oil and gas extracted, which shall be in
 13 6 addition to any other taxes imposed by law.

13 7 2. The severance tax shall be six percent of the fair market
 13 8 value of the oil or gas upon extraction at the wellhead.

CODE: Creates a severance tax for the privilege of severing or extracting oil or gas from the lands within the State equal to 6.00% of the fair market value of the oil or gas extracted at a wellhead.

FISCAL IMPACT: Any increase in revenue due to the new severance tax is unknown due to a lack of information, but may be significant.

<p>13 9 3. Expenses incurred by the producer prior to valuation are 13 10 not deductible from taxable value.</p>	<p>CODE: Specifies that expenses incurred by a producer prior to valuation are not deductible from taxable value.</p>
<p>13 11 4. When ownership of oil or gas produced is shared, each 13 12 owner shall be responsible for payment of its proportionate 13 13 share of severance tax. A taxpayer paying severance tax on oil 13 14 or gas production may deduct the taxes paid from any royalty 13 15 or other amounts due or to become due to the interest owners of 13 16 such production, in proportion to the interest ownership, in 13 17 which case the person receiving the royalty or other payment 13 18 shall not be liable for severance tax.</p>	<p>CODE: Requires each owner to be responsible for payment of its proportionate share of severance tax when ownership of oil or gas production is shared. A taxpayer paying severance tax on oil or gas may deduct the taxes paid from any royalty or other amounts due or to become due, in proportion of the interest ownership, in which case the person receiving the royalty or other payment is not liable for severance tax.</p>
<p>13 19 5. The department of revenue may adopt rules pursuant to 13 20 chapter 17A to administer this section.</p>	<p>CODE: Allows the IDR to adopt administrative rules to administer Iowa Code related to severance tax.</p>
<p>13 21 Sec. 13. NEW SECTION 458A.28 REVENUE DISTRIBUTION.</p>	<p>CODE: Establishes required revenue distributions for the</p>
<p>13 22 1. Revenues received from the severance tax collected 13 23 pursuant to section 458A.27 shall be distributed as follows:</p>	<p>severance tax created in this Bill.</p>
<p>13 24 a. (1) The severance tax revenues shall be distributed to 13 25 counties as follows:</p>	<p>CODE: Requires severance tax revenues to be distributed to counties each year in the following ways:</p>
<p>13 26 (a) Nine and nine-tenths percent of severance tax revenue 13 27 each year shall be distributed to each county in the state in 13 28 proportion to the county's share of total state population 13 29 according to the most recent federal decennial census.</p>	<ul style="list-style-type: none"> • 9.90% of revenue to each county in proportion to the county's share of total state population according to the most recent federal decennial census.
<p>13 30 (b) Five percent of severance tax revenue each year shall be 13 31 distributed to the counties in which land is located from which 13 32 oil or gas is produced in proportion to each county's share of 13 33 the value of oil and gas production for that year.</p>	<ul style="list-style-type: none"> • 5.00% of revenue to counties in which land is located from which oil or gas is produced, in proportion to each county's share of the value of production.
<p>13 34 (2) Distributions to counties under this paragraph shall be 13 35 used exclusively for any of the following purposes:</p>	<p>CODE: Requires distributions of revenue made to counties to be used to construct and maintain county roads and to offset county property tax collections by requiring counties that receive distributions of revenue to adopt a corresponding levy rate reduction.</p>
<p>14 1 (a) To construct and maintain county roads. 14 2 (b) To offset county property tax collections. For 14 3 distributions used for purposes of this subparagraph division, 14 4 the county shall adopt a corresponding levy rate reduction.</p>	
<p>14 5 b. Five percent of severance tax revenue each year shall be 14 6 deposited in the road use tax fund established under section 14 7 312.1.</p>	<p>CODE: Requires 5.00% of severance tax revenue collected each year to be deposited into the Road Use Tax Fund.</p>

14 8 c. (1) Ten percent of severance tax revenue each year
 14 9 shall be deposited in the severance tax account within the
 14 10 environment first fund established under section 8.57A
 14 11 for purposes of supporting the water quality initiative
 14 12 administered by the division pursuant to section 466B.42,
 14 13 including salaries, support, maintenance, and miscellaneous
 14 14 purposes, including as provided in this paragraph,
 14 15 notwithstanding section 8.57A, subsection 3.

CODE: Requires 10.00% of severance tax revenue collected each year to be deposited into the severance tax account of the Environment First Fund (EFF) to support the Water Quality Initiative, and allows the moneys to be used for salaries, support, maintenance, and miscellaneous purposes.

14 16 (2) (a) The moneys deposited pursuant to this paragraph
 14 17 shall be used to support demonstration projects in
 14 18 subwatersheds as designated by the department of agriculture
 14 19 and land stewardship that are part of high-priority watersheds
 14 20 identified by the water resources coordinating council.

CODE: Requires the funds deposited into the EFF to be used to support projects in high-priority watersheds as identified by the Water Resources Coordinating Council and requires the funds deposited to be used to support projects in watersheds.

14 21 (b) The moneys deposited pursuant to this paragraph shall be
 14 22 used to support demonstration projects in watersheds generally,
 14 23 including regional watersheds, as designated by the division,
 14 24 and high-priority watersheds identified by the water resources
 14 25 coordinating council.

14 26 (3) In supporting projects in watersheds and subwatersheds
 14 27 as provided in subparagraph (2), all of the following apply:

CODE: Specifies criteria for projects in high-priority watersheds as follows:

14 28 (a) The demonstration projects must utilize water quality
 14 29 practices as described in the Iowa nutrient reduction strategy
 14 30 as defined in section 455B.171.

- Requires demonstration projects to utilize water quality practices described in the Iowa Nutrient Reduction Strategy as defined in Iowa Code section [455B.171](#).
- Requires the Department of Agriculture and Land Stewardship (DALs) to collaborate with agricultural landowners in targeted watersheds.
- Prohibits the State's cost-share amount of water quality protection practices from exceeding 50.00% of the value of the practices, except for edge-of-field practices.
- Requires demonstration projects to educate the public about water quality practices.
- Requires the DALs to conduct water quality evaluations within targeted watersheds and to create a database of water quality practices. Specifies that all information received is to be a confidential record and exempt from public access.

14 31 (b) The division shall implement demonstration projects
 14 32 as provided in subparagraph division (a) by providing
 14 33 for participation by persons who hold a legal interest in
 14 34 agricultural land used in farming. To every extent practical,
 14 35 the division shall provide for collaborative participation by
 15 1 such persons who hold a legal interest in agricultural land
 15 2 located within the same subwatershed.

15 3 (c) The division shall implement demonstration projects on
 15 4 a cost-share basis as determined by the division. Except for
 15 5 edge-of-field practices, the state's share of the amount shall
 15 6 not exceed fifty percent of the estimated cost of establishing
 15 7 the practice as determined by the division or fifty percent
 15 8 of the actual cost of establishing the practice, whichever is
 15 9 less.

15 10 (d) The demonstration projects shall be used to educate
 15 11 other persons about the feasibility and value of establishing

15 12 similar water quality practices. The division shall promote
15 13 field day events for purposes of allowing interested persons to
15 14 establish water quality practices on such persons' agricultural
15 15 land.

15 16 (e) The division shall conduct water quality evaluations
15 17 within supported subwatersheds. Within a reasonable period
15 18 after accumulating information from such evaluations, the
15 19 division shall create an aggregated database of water quality
15 20 practices. Any information identifying a person holding a
15 21 legal interest in agricultural land or specific agricultural
15 22 land shall be a confidential record.

15 23 (4) The moneys deposited pursuant to this paragraph shall
15 24 be used to support education and outreach in a manner that
15 25 encourages persons who hold a legal interest in agricultural
15 26 land used for farming to implement water quality practices,
15 27 including the establishment of such practices in watersheds
15 28 generally, and not limited to subwatersheds or high-priority
15 29 watersheds.

15 30 (5) The moneys deposited pursuant to this paragraph may be
15 31 used to contract with persons to coordinate the implementation
15 32 of efforts provided in this paragraph.

15 33 (6) The moneys deposited pursuant to this paragraph may be
15 34 used by the department of agriculture and land stewardship to
15 35 support urban soil and water conservation efforts, which may
16 1 include but are not limited to management practices related to
16 2 bioretention, landscaping, the use of permeable or pervious
16 3 pavement, and soil quality restoration. The moneys shall be
16 4 allocated on a cost-share basis as provided in chapter 161A.

16 5 (7) Notwithstanding any other provision of law to the
16 6 contrary, the department of agriculture and land stewardship
16 7 may use moneys deposited pursuant to this paragraph to carry
16 8 out the provisions of this paragraph on a cost-share basis
16 9 in combination with other moneys available to the department
16 10 of agriculture and land stewardship from a state or federal
16 11 source.

CODE: Requires the DALs to use funds to support education and outreach to encourage agricultural producers to establish water quality practices.

CODE: Permits the DALs to use funds for contracts that will assist with the implementation of the WQI.

CODE: Permits the DALs to use funds to support urban soil and water conservation practices and to allocate funds on a cost-share basis.

CODE: Permits the DALs to use funds as cost-share moneys for projects.

16 12 (8) Not more than ten percent of the moneys deposited
 16 13 pursuant to this paragraph may be used for costs of
 16 14 administration and implementation of the water quality
 16 15 initiative administered by the division.

CODE: Prohibits the DALs from using more than 10.00% of the funds deposited for administration and implementation of WQI practices.

16 16 d. Seventy and one-tenth percent of severance tax revenue
 16 17 each year shall be deposited in the taxpayer relief fund
 16 18 established under section 8.57E.

CODE: Requires 70.10% of severance tax revenue collected each year to be deposited into the Taxpayer Relief Fund.

16 19 e. Distributions to the counties and to the funds under
 16 20 this subsection shall be made quarterly in an amount equal
 16 21 to one-fourth of the estimate of annual total severance tax
 16 22 revenues estimated for the current fiscal year by the revenue
 16 23 estimating committee. The share for producing counties shall
 16 24 be calculated using county production data from the prior
 16 25 fiscal year's severance tax returns.

CODE: Requires revenue distributions to counties, the RUTF, the EFF, and the Taxpayer Relief Fund to be made quarterly in an amount equal to one-fourth of the estimate of annual total severance tax revenues estimated for the current fiscal year by the Revenue Estimating Committee.

16 26 2. By September 15 of each year, the department of
 16 27 revenue shall report actual earnings for the months of
 16 28 the preceding fiscal year for which estimates were used in
 16 29 computing distributions. The department of revenue shall make
 16 30 adjustments to distributions during the current fiscal year in
 16 31 an amount equal to the difference between revenues earned and
 16 32 actual distributions for the preceding fiscal year.

CODE: Requires the Iowa Department of Revenue (IDR) to report, by September 15 of each year, actual earnings for the months of the preceding fiscal years for which estimates were used in computing severance tax revenue distributions and requires the IDR to make adjustments to distributions during the current fiscal year in an amount equal to the difference between revenues earned and actual distributions for the preceding fiscal year.

16 33 3. For purposes of this section, "division" means the
 16 34 division of soil conservation and water quality created within
 16 35 the department of agriculture and land stewardship pursuant to
 17 1 section 159.5.

CODE: Specifies that "division" refers to the Division of Soil Conservation and Water Quality within the DALs.

17 2 Sec. 14. NEW SECTION 458A.29 ADMINISTRATION
 17 3 CONFIDENTIALITY.

17 4 1. The department of revenue shall annually value and
 17 5 assess oil or gas production for taxation, in appropriate unit
 17 6 measures, at the fair market value of the product, after the
 17 7 mining is completed or the oil or gas is extracted at the
 17 8 wellhead.

CODE: Requires the IDR to annually value and assess oil or gas production for taxation in appropriate unit measures at the fair market value of the product after mining is completed or the oil or gas is extracted at the wellhead.

17 9 2. Annually, on or before June 1, or as soon thereafter
 17 10 as the fair market value is determined under subsection 1,

CODE: Requires the IDR to certify the valuation of the product to the county assessor of the county from which the

17 11 the department of revenue shall certify the valuation of the
 17 12 product to the county assessor of the county from which the oil
 17 13 or gas was produced, and such valuation shall be entered upon
 17 14 the assessment rolls of the county.

oil or gas was produced and enter the valuation in the assessment rolls of the county on or before June 1 of each year.

17 15 3. Records received, collected, or created in the
 17 16 administration of the severance tax shall be confidential as
 17 17 follows:

CODE: Specifies that records received, collected, or created in the administration of the severance tax imposed on oil and gas are confidential as follows:

17 18 a. All taxpayer returns and return information shall be
 17 19 confidential and, except as authorized below, no current or
 17 20 former official, officer, employee, or agent of the state or
 17 21 any political subdivision thereof shall disclose any such
 17 22 information obtained in the course of service as an official,
 17 23 officer, employee, or agent. Taxpayer returns and return
 17 24 information shall include without limitation all statements,
 17 25 reports, summaries, and all other data and documents under
 17 26 audit or provided by the taxpayer in accordance with the
 17 27 provisions of this chapter regarding severance tax.

- Requires that all taxpayer returns and return information are confidential and no current or former official, officer, employee, or agent of the State or any political subdivision can disclose such information in the course of service, and requires all taxpayer returns and return information to include all statements, reports, summaries, and all other data and documents under audit or provided by the taxpayer.

17 28 b. Without written authorization from the taxpayer, no
 17 29 current or former official, officer, employee, or agent of
 17 30 the state or any political subdivision thereof shall release
 17 31 taxpayer returns and return information pertaining to taxes
 17 32 imposed by this chapter, except for any of the following
 17 33 reasons:

- Prohibits any current or former official, officer, employee, or agent of the State or any political subdivision from releasing taxpayer returns or return information pertaining to taxes imposed, except for information released to employees of the Department of Revenue (IDR) and Department of Justice for official purposes, information released by the IDR to any other governmental entity upon written application if the entity shows sufficient reason to obtain the information for official business and is subject to a confidentiality agreement, and information admissible in court or administrative proceedings related to the severance tax or other taxes on oil or gas production or on income producers, owners, or royalties.
- Allows units of production reported by the taxpayer and the taxpayer's taxable value to be released.

17 34 (1) Information may be released to employees of the
 17 35 department of revenue and employees of the department of
 18 1 justice for official purposes.

18 2 (2) Upon prior notice to the taxpayer, information may
 18 3 be released by the department of revenue, upon written
 18 4 application, to any other governmental entity if the entity
 18 5 shows sufficient reason to obtain the information for official
 18 6 business, subject to execution of a confidentiality agreement.

18 7 (3) Information shall be admissible in court or
 18 8 administrative proceedings related to the severance tax or
 18 9 other taxes on oil or gas production or on income of producers
 18 10 or owners, or royalties.

18 11 c. Units of production reported by the taxpayer and the
 18 12 taxpayer's taxable value are not confidential and may be
 18 13 released.

18 14 4. Violations of this section shall be subject to the same
 18 15 prohibitions and penalties that apply to other violations of

CODE: Specifies that violations of new Iowa Code section 458A.29 are subject to the same prohibitions and penalties

18 16 confidentiality requirements applicable to data and records
 18 17 in the custody of the department of revenue for purposes of
 18 18 carrying out its duties.

that apply to other violations of confidentiality requirements applicable to data and records in the custody of the Iowa Department of Revenue.

18 19 Sec. 15. NEW SECTION 458A.30 EXCLUSIVE JURISDICTION AND
 18 20 EXPRESS PREEMPTION.

18 21 1. For purposes of this section:

18 22 a. "Commercially reasonable" means a condition that would
 18 23 allow a reasonably prudent operator to fully, effectively, and
 18 24 economically exploit, develop, produce, process, and transport
 18 25 oil and gas, as determined based on the objective standard of
 18 26 a reasonably prudent operator and not on an individualized
 18 27 assessment of an actual operator's capacity to act.

18 28 b. "Oil and gas operation" means an activity associated
 18 29 with the exploration, development, production, processing,
 18 30 and transportation of oil and gas, including drilling,
 18 31 testing, geological sampling, boring, excavation, hydraulic
 18 32 fracture stimulation, completion, maintenance, reworking,
 18 33 recompletion, disposal, plugging and abandonment, secondary and
 18 34 tertiary recovery, geophysical surveys related to oil and gas
 18 35 development, and remediation activities.

18 36 2. An oil and gas operation is subject to the exclusive
 18 37 jurisdiction of this state. Except as provided in subsection
 18 38 3, a county, city, or other political subdivision shall not
 18 39 enact or enforce an ordinance or other measure, or an amendment
 18 40 or revision of an ordinance or other measure, that bans,
 18 41 limits, or otherwise regulates an oil and gas operation within
 18 42 the boundaries or jurisdiction of the respective county, city,
 18 43 or political subdivision.

18 44 3. The authority of a county, city, or other political
 18 45 subdivision to regulate an oil and gas operation is expressly
 18 46 preempted, except that a county or city may enact, amend, or
 18 47 enforce an ordinance or other measure if the ordinance or other
 18 48 measure does all of the following:

18 49 a. Only regulates activity related to an oil and gas
 18 50 operation that occurs at or above the surface of the ground
 18 51 and concerns governing fire and emergency response, traffic,
 18 52 lights, or noise, or imposes notice or reasonable setback
 18 53 requirements.

18 54 b. (1) Is commercially reasonable.

18 55 (2) An ordinance or other measure is considered prima facie

CODE: Specifies that an oil and gas operation is subject to the exclusive jurisdiction of the State and that a county, city, or other political subdivision can enact or enforce an ordinance or other measure, or an amendment or revision of an ordinance or other measure within the boundaries or jurisdiction of the county, city, or political subdivision under specified circumstances, and provides definitions.

18 56 to be commercially reasonable if the ordinance or other measure
18 57 has been in effect for at least five years and has allowed the
18 58 oil and gas operations at issue to continue during that period.
18 59 c. Does not prohibit or effectively prohibit an oil and gas
18 60 operation conducted by a reasonably prudent operator.
18 61 d. Is not otherwise preempted by state or federal law.

18 62 Sec. 16. REPEAL. Section 458A.6, Code 2026, is repealed.

CODE: Repeals Iowa Code section [458A.6](#) relating to the DNR's duty to determine market demand and regulate the amount of production in regard to oil, gas, and other minerals.