April 10, 1963.
Sifting Committee.

House File 585
By COMMITTEE ON MOTOR VEHICLES, COMMERCE AND TRADE.

Passed House, Date..... Passed Senate, Date.....
Vote: Ayes..... Nays..... Vote: Ayes..... Nays.....
Approved.....

A BILL FOR

An Act relating to the exploration for and the development, conservation, production, transportation and storage of natural gas and oil.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Chapter eighty-four (84), Code 1962, is hereby
2 repealed and the following enacted in lieu thereof:
3 "Section 1. Declaration of policy. It is hereby declared to
4 be in the public interest to foster, to encourage, and to pro-
5 mote the development, production, and utilization of natural
6 resources of oil and gas in the state in such a manner as will
7 prevent waste; to authorize and to provide for the operation
8 and development of oil and gas properties in such a manner that
9 a greater ultimate recovery of oil and gas be had and that the
10 correlative rights of all owners be fully protected; and to
11 encourage and to authorize such measures as will result in the
12 greatest possible economic recovery of oil and gas within the
13 state to the end that the land owners, the royalty owners, the
14 producers, and the general public realize and enjoy the greatest
15 possible good from these vital natural resources. It is hereby
16 further declared that the general welfare of the people requires
17 that the underground and surface water of the state be protected
18 from pollution and conserved in the best interests of the people
19 of the state.

1 Sec. 2. Definitions. As used in this chapter, unless the
2 context otherwise requires:
3 1. "Waste" means and includes
4 a. Physical waste, as that term is generally understood
5 in the oil and gas industry.
6 b. The inefficient, excessive, or improper use of, or
7 the unnecessary dissipation of reservoir energy.
8 c. The location, spacing, drilling, equipping, operating,
9 or producing of any oil or gas well or wells in a
10 manner which causes, or tends to cause, reduction in
11 the quantity of oil or gas ultimately recoverable from
12 a pool under prudent and proper operations, or which
13 causes or tends to cause unnecessary or excessive
14 surface loss or destruction of oil or gas,
15 d. The inefficient storing of oil, and
16 e. The production of oil or gas in excess of transporta-
17 tion or marketing facilities or in excess of reasonable
18 market demand.
19 2. "Person" means and includes any natural person, corpora-
20 tion, association, partnership, receiver, trustee,
21 executor, administrator, guardian, fiduciary or other
22 representative of any kind, and includes any department,
23 agency, or instrumentality of the state or of any govern-
24 mental subdivision thereof; the masculine gender, in
25 referring to a person, includes the feminine and the
26 neuter genders.
27 3. "Oil" means and includes crude petroleum oil and other
28 hydrocarbons regardless of gravity which are produced at

29 the wellhead in liquid form and the liquid hydrocarbons
30 known as distillate or condensate recovered or extracted
31 from gas, other than gas produced in association with oil
32 and commonly known as casinghead gas.
33 4. "Gas" means and includes all natural gas and all other
34 fluid hydrocarbons not hereinabove defined as oil.
35 5. "Pool" means an underground reservoir containing a common
36 accumulation of oil or gas or both; each zone of a struc-
37 ture which is completely separated from any other zone in
38 the same structure is a pool, as that term is used in this
39 chapter.
40 6. "Field" means the general area underlaid by one or more
41 pools.
42 7. "Owner" means the person who has the right to drill into
43 and produce from a pool and to appropriate the oil or gas
44 he produces therefrom either for himself or others or for
45 himself and others.
46 8. "Producer" means the owner of a well or wells capable of
47 producing oil or gas or both.
48 9. "Product" means any commodity made from oil or gas and
49 includes refined crude oil, crude tops, topped crude, proc-
50 essed crude, processed crude petroleum, residue from crude
51 petroleum, cracking stock, uncracked fuel oil, fuel oil,
52 treated crude oil, residium, gas oil, casinghead gasoline,
53 natural-gas gasoline, kerosene, benzine, wash oil, waste
54 oil, blended gasoline, lubricating oil, blends or mix-
55 tures of oil with one or more liquid products or by-prod-
56 ucts derived from oil or gas, and blends or mixtures of

57 two or more liquid products or by-products derived from
58 oil or gas, whether hereinabove enumerated or not.
59 10. "Reasonable market demand" means the demand for oil or
60 gas for reasonable current requirements for consumption
61 and use within and without the state, together with such
62 quantities as are reasonably necessary for building up or
63 maintaining reasonable working stocks and reasonable
64 reserves of oil or gas or product.
65 11. "Illegal oil" means oil which has been produced from any
66 well within the state in excess of the quantity permitted
67 by any rule, regulation, or order of the state geologist.
68 12. "Illegal gas" means gas which has been produced from any
69 well within this state in excess of the quantity permitted
70 by any rule, regulation, or order of the state geologist.
71 13. "Illegal product" means any product derived in whole or
72 in part from illegal oil or illegal gas.
73 14. "Certificate of clearance" means a permit prescribed by the
74 state geologist for the transportation or the delivery of
75 oil or gas or product and issued or registered in accord-
76 ance with the rule, regulation, or order requiring such
77 permit.
78 15. The word "and" includes the word "or" and the use of the
79 word "or" includes the word "and." The use of the plural
80 includes the singular and the use of the singular includes
81 the plural.
1 Sec. 3. Waste prohibited. Waste of oil and gas is prohibited.
1 Sec. 4. Jurisdiction of state geologist. The state geologist
2 has continuing jurisdiction and authority over all persons and
3 property, public and private, necessary to enforce effectively

4 the provisions of this chapter. The state geologist is charged
5 with the duty of enforcing his regulations and orders applicable
6 to the crude petroleum oil and natural gas resources of this state
7 and the provisions of this chapter. The state geologist has the
8 duty and authority to make such investigations as he deems proper
9 to determine whether waste exists or is imminent or whether
10 other facts exist which justify action. The state geologist has
11 the authority:
12 1. To require:
13 a. Identification of ownership of oil or gas wells, pro-
14 ducing leases, tanks, plants, structures, and facilities
15 for the transportation or refining of oil and gas;
16 b. The making and filing of all mechanical well logs and
17 the filing of directional surveys if taken, and the
18 filing of reports on well location, drilling and pro-
19 duction, and the filing free of charge of samples and
20 core chips and of complete cores when requested in the
21 office of the state geologist within six months after
22 the completion or abandonment of the well;
23 c. The drilling, casing, operation, and plugging of wells
24 in such manner as to prevent the escape of oil or gas
25 out of one stratum into another, the intrusion of
26 water into oil or gas stratum, the pollution of fresh
27 water supplies by oil, gas, or highly mineralized water,
28 to prevent blowouts, cavings, seepages, and fires, and
29 to prevent the escape of oil, gas, or water into work-
30 able coal or other mineral deposits.
31 d. The furnishing of a reasonable bond with good and suf-
32 ficient surety, conditioned upon the full compliance

33 with the provisions of this chapter, and the rules and
34 regulations of the state geologist prescribed to govern
35 the production of oil and gas on state and private lands
36 within the state.

37 e. That the production from wells be separated into gaseous
38 and liquid hydrocarbons, and that each be accurately
39 measured by such means and upon such standards as may
40 be prescribed by the state geologist;

41 f. The operation of wells with efficient gas-oil and water-
42 oil ratios, and to fix these ratios;

43 g. Certificates of clearance in connection with the trans-
44 portation or delivery of oil, gas, or any product;

45 h. Metering or other measuring of oil, gas, or product in
46 pipelines, gathering systems, barge terminals, loading
47 racks, refineries, or other places; and

48 i. That every person who produces, sells, purchases, ac-
49 quires, stores, transports, refines, or processes oil
50 or gas in this state shall keep and maintain within
51 this state complete and accurate records of the quantities
52 thereof, which records shall be available for examina-
53 tion by the state geologist or his agents at all reason-
54 able times, and that every such person file with the
55 state geologist such reports as he may prescribe with
56 respect to such oil or gas or the products thereof.

57 2. To regulate:

58 a. The drilling, producing, and plugging of wells, and all
59 other operations for the production of oil or gas;

60 b. The shooting and chemical treatment of wells;

61 c. The spacing of wells;

62 d. Operations to increase ultimate recovery such as cycling
63 of gas, the maintenance of pressure, and the introduc-
64 tion of gas, water, or other substances into producing
65 formations; and
66 e. Disposal of highly mineralized water and oil field wastes.
67 3. To limit and to allocate the production of oil and gas from
68 any field, pool, or area.
69 4. To classify wells as oil or gas wells for purposes material
70 to the interpretation or enforcement of this chapter.
71 5. To promulgate and to enforce rules, regulations, and orders
72 to effectuate the purposes and the intent of this chapter.
73 6. To make rules, regulations, or orders for the classifica-
74 tion of wells as oil wells or dry natural gas wells; or
75 wells drilled, or to be drilled, for geological informa-
76 tion, or as key wells for secondary recovery projects, or
77 wells for the disposal of highly mineralized water, brine,
78 or other oil field wastes, or wells for the storage of
79 dry natural gas, or casinghead gas, or wells for the develop-
80 ment of reservoirs for the storage of liquid petroleum gas.
1 Sec. 5. Drilling permit required. It shall be unlawful to commence
2 operations for the drilling of a well for oil or gas or commence
3 operations to deepen any well to a different geological formation
4 without first giving the state geologist notice of intention to drill,
5 or without first obtaining a permit from the state geologist, under
6 such rules and regulations as may be prescribed by the state geolo-
7 gist and paying to the state geologist a fee of twenty-five dollars
8 for such well. Such fee shall be used by the state geologist for
9 administering this chapter, including the payment of expenses in-

10 curred in publishing legal notice.

1 Sec. 5. State geologist shall determine market demand and regulate
2 the amount of production. The state geologist shall determine mar-
3 ket demand for each marketing district and regulate the amount of
4 production as follows:

5 1. The state geologist shall limit the productiton of oil and gas
6 within each marketing district to that amount which can
7 be produced without waste, and which does not exceed the
8 reasonable market demand.

9 2. Whenever the state geologist limits the total amount of
10 oil or gas which may be produced in the state or a market-
11 ing district, the state geologist shall allocate or
12 distribute the allowable production among the pools therein
13 on a reasonable basis, giving, where reasonable under the
14 circumstances to each pool with small wells of settled
15 production, an allowable production which prevents the
16 general premature abandonment of such wells in the pool.

17 3. Whenever the state geologist limits the total amount of oil
18 or gas which may be produced in any pool in this state to
19 an amount less than that amount which the pool could pro-
20 duce if no restriction was imposed, which limitation is
21 imposed either incidental to, or without, a limitation of
22 the total amount of oil or gas produced in the marketing
23 district wherein the pool is located, the state geologist
24 shall allocate or distribute the allowable production
25 among the several wells or producing properties in the
26 pool on a reasonable basis, preventing or minimizing
27 reasonable avoidable drainage, so that each property

28 will have the opportunity to produce or to receive its
29 just and equitable share, subject to the reasonable
30 necessities for the prevention of waste.
31 4. In allocating the market demand for gas as between pools
32 within marketing districts, the state geologist shall
33 give due regard to the fact that gas produced from oil
34 pools is to be regulated in a manner as will protect
35 the reasonable use of its energy for oil production.
36 5. The state geologist shall not be required to determine
37 the reasonable market demand applicable to any single
38 pool, except in relation to all other pools within the
39 same marketing district, and in relation to the demand
40 applicable to the marketing district. In allocating
41 allowables to pools, the state geologist may consider,
42 but shall not be bound by nominations of purchasers to
43 purchase from particular fields, pools, or portions
44 thereof. The state geologist shall allocate the total
45 allowable for the state in such manner as prevents undue
46 discrimination between marketing districts, fields, pools,
47 or portions thereof resulting from selective buying or
48 nomination by purchasers.
1 Sec. 7. State geologist shall set spacing units. The state
2 geologist shall set spacing units as follows:
3 1. When necessary to prevent waste, to avoid the drilling
4 of unnecessary wells, or to protect correlative rights,
5 the state geologist shall establish spacing units for a
6 pool. Spacing units when established shall be of uniform
7 size and shape for the entire pool, except that when

8 found to be necessary for any of the purposes above men-
9 tioned, the state geologist is authorized to divide any
10 pool into zones and establish spacing units for each
11 zone, which units may differ in size and shape from those
12 established in any other zone.
13 2. The size and shape of spacing units are to be such as
14 will result in the efficient and economical development
15 of the pool as a whole.
16 3. An order establishing spacing units for a pool shall
17 specify the size and shape of each unit and the location
18 of the permitted well thereon in accordance with a
19 reasonably uniform spacing plan. Upon application, if
20 the state geologist finds that a well drilled at the pre-
21 scribed location would not produce in paying quantities,
22 or that surface conditions would substantially add to the
23 burden or hazard of drilling such well, the state geologist
24 is authorized to enter an order permitting the well to be
25 drilled at a location other than that prescribed by such
26 spacing order; however, the state geologist shall include
27 in the order suitable provisions to prevent the produc-
28 tion from the spacing unit of more than its just and
29 equitable share of the oil and gas in the pool.
30 4. An order establishing units for a pool shall cover all
31 lands determined or believed to be underlaid by such
32 pool, and may be modified by the state geologist from
33 time to time to include additional areas determined to
34 be underlaid by such pool. When found necessary for the
35 prevention of waste, or to avoid the drilling of unneces-

36 sary wells or to protect correlative rights, an order
37 establishing spacing units in a pool may be modified by
38 the state geologist to increase the size of spacing units
39 in the pool or any zone thereof, or to permit the drilling
40 of additional wells on a reasonable uniform plan in the
41 pool, or any zone thereof.

1 Sec. 8. Integration of fractional tracts.

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

24 from such tract by a well drilled thereon.

25 2. Each such pooling order shall make provisions for the drill-
26 ing and operation of a well on the spacing unit, and for
27 the payment of the reasonable actual cost thereof by the
28 owners of interests in the spacing unit, plus a reasonable
29 charge for supervision. In the event of any dispute as
30 to such costs the state geologist shall determine the
31 proper costs. If one or more of the owners shall drill
32 and operate, or pay the expenses of drilling and operating
33 the well for the benefit of others, then, the owner or
34 owners so drilling or operating shall, upon complying
35 with the terms of section 10, have a lien on the share
36 of production from the spacing unit accruing to the
37 interest of each of the other owners for the payment of
38 his proportionate share of such expenses. All the oil
39 and gas subject to the lien shall be marketed and sold
40 and the proceeds applied in payment of the expenses
41 secured by such lien as provided for in section 10.

1 Sec. 9. Voluntary agreements for unit operation valid. An
2 agreement for the unit or co-operative development and operation
3 of a field or pool, in connection with the conduct of a re-pres-
4 suring or pressure maintenance operations, cycling or re-cycling
5 operations, including the extraction and separation of liquid
6 hydrocarbons from natural gas in connection therewith, or any
7 other method of operation, including water floods, is authorized
8 and may be performed and shall not be held or construed to violate
9 any of the statutes of this state relating to trusts, monopolies,
10 or contracts and combinations in restraint of trade, if the
11 agreement is approved by the state geologist as being in the

12 public interest, protective or correlative rights, and reasonably
13 necessary to increase ultimate recovery or to prevent waste of
14 oil or gas. Such agreements bind only the persons who execute
15 them, and their heirs, successors, assigns, and legal represent-
16 atives.

1 Sec. 10. Development and operating costs of integrated frac-
2 tional tracts. A person to whom another is indebted for expenses
3 incurred in drilling and operating a well on a drilling unit
4 required to be formed as provided for in section 8, may, in order
5 to secure payment of the amount due, fix a lien upon the interest
6 of the debtor in the production from the drilling unit or the
7 unit area, as the case may be, by filing for record,
8 with the recorder of the county where property involved, or any
9 part thereof, is located, an affidavit setting forth the amount
10 due and the interest of the debtor in such production. The
11 person to whom the amount is payable may, at the expense of the
12 debtor, store all or any part of the production upon which the
13 lien exists until the total amount due, including reasonable
14 storage charges, is paid or the commodity is sold at foreclosure
15 sale and delivery is made to the purchaser. The lien may be
16 foreclosed as provided for with respect to foreclosure of a lien
17 on chattels.

1 Sec. II. Rules covering practice before state geologist.
2 1. The state geologist shall prescribe rules and regulations
3 governing the practice and procedure before the state
4 geologist.
5 2. No order, or amendment thereof, except in emergency,
6 shall be made by the state geologist without a public
7 hearing upon at least ten days notice. The public hearing

8 shall be held at such time and place as may be prescribed
9 by the state geologist, and any interested person shall
10 be entitled to be heard.
11 3. When an emergency requiring immediate action is found to
12 exist the state geologist is authorized to issue an emergency
13 order without notice of hearing, which shall be effective
14 upon promulgation. No emergency order shall remain effec-
15 tive for more than fifteen days.
16 4. Any notice required by this chapter shall be given at the
17 election of the state geologist either by personal service
18 or by one publication in a newspaper of general circulation
19 in the state capitol and in a newspaper of general circu-
20 lation in the county where the land affected, or some part
21 thereof, is situated. The notice shall issue in the name
22 of the state, shall be signed by the state geologist, shall
23 specify the style and number of the proceeding, the time
24 and place of the hearing, and shall briefly state the pur-
25 pose of the proceeding. Should the state geologist elect
26 to give notice by personal service, such service may be
27 made by any officer authorized to serve process, or by
28 any agent of the state geologist, in the same manner as
29 is provided by law for the service of summons in civil
30 actions in the courts of the state. Proof of the service
31 by such agent shall be by the affidavit of the person
32 making personal service.
33 5. All orders issued by the state geologist shall be in
34 writing, shall be entered in full and indexed in books
35 to be kept by the state geologist for that purpose, and
36 shall be public records open for inspection at all times

37 during reasonable office hours. A copy of any rule, reg-
38 ulation, or order certified by the state geologist shall
39 be received in evidence in all courts of this state with
40 the same effect as the original.
41 6. The state geologist may act upon his own motion, or upon
42 the petition of any interested person. On the filing of
43 a petition concerning any matter within the jurisdiction
44 of the state geologist, the state geologist shall promptly
45 fix a date for a hearing thereon, and shall cause notice
46 of the hearing to be given. The hearing shall be held
47 without undue delay after the filing of the petition.
48 The state geologist shall enter his order within thirty
49 days after the hearing.
1 Sec. 12. State geologist shall have power to summon witnesses,
2 to administer oaths, and to require production of records.
3 1. The state geologist shall have the power to summon wit-
4 nesses, to administer oaths, and require the production
5 of records, books, and documents for examinations at any
6 hearing or investigation conducted. No person shall be
7 excused from attending and testifying, or from producing
8 books, papers, and records before the state geologist or
9 a court, or from obedience to the subpoena of the state
10 geologist or a court, on the ground or for the reason that
11 the testimony or evidence, documentary or otherwise, required
12 of him may tend to incriminate him or subject him to a pen-
13 alty or forfeiture; provided, that nothing herein contained
14 shall be construed as requiring any person to produce any
15 books, papers, or records, or to testify in response to

16 any inquiry not pertinent to some question lawfully
17 before such state geologist or court for determination.
18 No natural person shall be subjected to criminal prosecu-
19 tion or to any penalty or forfeiture for or on account
20 of any transaction, matter, or thing concerning which,
21 in spite of his objections, he may be required to testify
22 or produce evidence, documentary or otherwise, before the
23 state geologist or court, or in obedience to subpoena;
24 provided, that no person testifying shall be exempted
25 from prosecution and punishment for perjury committed in
26 so testifying.

27 2. In case of failure or refusal on the part of any person
28 to comply with the subpoena issued by the state geologist,
29 or in case of the refusal of any witness to testify as to
30 any matter regarding which he may be interrogated, any
31 court in the state, upon the application of the state
32 geologist, may in term time or vacation issue an attach-
33 ment for such person and compel him to comply with such
34 subpoena, and to attend before the state geologist and
35 produce such records, books, and documents, for examination,
36 and to give his testimony. Such courts shall have the
37 power to punish for contempt as in the case of disobedience
38 to a like subpoena issued by the court, or for refusal
39 to testify therein.

1 Sec. 13. Person adversely affected may apply for rehearing.
2 Any person adversely affected by any order of the state geologist
3 may within thirty days after its effective date apply to the
4 state geologist in writing for a rehearing. The application

5 for rehearing shall be acted upon within fifiteen days after its
6 filing, and if granted, the rehearing shall be held without
7 undue delay.

1 Sec. 14. Person adversely affected may appeal to district
2 court-procedure of appeal.

3 1. Any person adversely affected by an order entered by the
4 state geologist, may appeal from such order to the district
5 court at the seat of government or the district court of
6 any county in which the property affected or some portion
7 thereof is located. Notice of appeal must be filed by
8 such person with the state geologist within thirty days after
9 the entry of the order complained of, or within thirty
10 days after the entry of the order overruling a motion for
11 rehearing or sustaining the original order in the event
12 a motion for rehearing has been filed. The notice of appeal
13 must identify the order and the grounds of appeal, and
14 reasonably specify that portion of the record which the
15 appellant desires included in the transcript upon appeal.
16 Immediately upon the filing of the notice of appeal the
17 state geologist shall certify to the appellant the estimated
18 cost of preparing the transcript of appeal of the proceedings
19 upon which the order complained of was entered. The
20 amount of the estimated cost must be deposited with
21 the state geologist within ten days after the mailing
22 of the certification of the costs to the appellant.
23 Upon the deposit of the costs the state geologist shall
24 prepare and certify the transcript. The transcript shall
25 be delivered to the appellant, or his designated attorney,

26 within sixty days after tha filing of the notice of appeal.

27 2. Within ninety days after the filing of the notice of appeal,
28 the appellant must file in the district court the transcript
29 of the proceedings before the state geologist, together
30 with a petition for review which states briefly the grounds
31 for the appeal. An appeal shall be perfected by filing
32 the notice of appeal within the specified thirty day period.
33 The appeal may be dismissed by the district court for fail-
34 ure of the appellant to make the required cost deposit or
35 to file the transcript and petition for review within the
36 time specified, unless for good cause shown the time is
37 extended by order of the district court. If the district
38 court deems the transcript insufficient, the court may
39 dismiss the appeal or return the transcript to the appellant
40 for proper additions, and thereafter assess such further
41 costs against the appellant as the court in its discretion
42 deems sufficient.

43 3. At the time of filing of the notice of appeal, if an
44 application for the suspension of the order is filed, the
45 state geologist shall enter an order fixing the amount of
46 the supersedeas bond. Within ten days after the entry of
47 an order by the state geologist which fixes the amount
48 of the bond, the appellant must file with the state
49 geologist a supersedeas bond in the required amount
50 and with proper surety; upon approval of the bond, the
51 state geologist shall suspend the order complained of
52 until its final disposition upon appeal. The bond
53 shall run in favor of the state geologist for the use

54 and benefit of any person who may suffer damage by reason
55 of the suspension of the order in the event the same is
56 affirmed by the district court. If the order of the state
57 geologist is not superseded, it shall continue in force
58 and effect as if no appeal was pending.
59 4. The district court shall, insofar as is practicable, give
60 precedence to appeals from orders of the state geologist.
61 Upon the appeal of such an order the district court shall
62 review the proceedings before the state geologist as disclosed
63 by the transcript upon appeal, and thereafter enter its
64 judgment affirming or reversing the order appealed. Orders
65 of the state geologist shall be sustained if the state
66 geologist has regularly pursued his authority and his
67 findings and conclusions are sustained by the law and by
68 substantial and credible evidence.
1 Sec. 15. Acquisition and handling illegal oil and gas prohibited
2 seizure of illegal oil and gas and sale thereof.
3 1. The sale, purchase, acquisition, transportation, refin-
4 ing, processing, or handling of illegal oil, illegal gas,
5 or illegal product is hereby prohibited. However, no
6 penalty by way of fine shall be imposed upon a person who
7 sells, purchases, acquires, transports, refines, processes,
8 or handles illegal oil, illegal gas, or illegal product
9 unless
10 a. Such person knows, or is put on notice, of facts
11 indicating that illegal oil, illegal gas, or illegal
12 product is involved, or
13 b. Such person fails to obtain a certificate of clear-

14 ance with respect to such oil, gas, or product where
15 prescribed by order of the state geologist, or fails
16 to follow any other method prescribed by an order of
17 the state geologist for the identification of such
18 oil, gas or product.

19 2. Illegal oil, illegal gas, and illegal product are declared
20 to be contraband and are subject to seizure and sale as
21 herein provided; seizure and sale to be in addition to
22 any and all other remedies and penalties provided in this
23 chapter for violations relating to illegal oil, illegal
24 gas, or illegal product. Whenever the state geologist be-
25 lieves that any oil, gas or product is illegal, the state
26 geologist acting by the attorney general, shall bring a
27 civil action in rem in the district court of the county
28 where such oil, gas, or product is found, to seize and
29 sell the same, or the state geologist may include such
30 an action in rem for the seizure and sale of illegal oil,
31 illegal gas, or illegal product in any suit brought for
32 an injunction or penalty involving illegal oil, illegal
33 gas, or illegal product. Any person claiming an interest
34 in oil, gas, or product affected by any such action in rem
35 shall have the right to intervene as an interested party
36 in such action.

37 3. Actions for the seizure and sale of illegal oil, illegal
38 gas, or illegal product shall be strictly in rem, and
39 shall proceed in the name of the state as plaintiff
40 against the illegal oil, illegal gas, or illegal products
41 as defendant. No bond or similar undertaking shall

42 be required of the plaintiff. Upon the filing of the peti-
43 tion for seizure and sale, the attorney general shall
44 issue a summons, with a copy of the complaint attached
45 thereto, which shall be served in the manner provided
46 for service in civil actions, upon any and all persons
47 having or claiming any interest in the illegal oil, illegal
48 gas, or illegal products described in the petition. Service
49 shall be completed by the filing of an affidavit by the
50 person making the service, stating the time and manner
51 of making such service. Any person who fails to
52 appear and answer within the period of thirty days
53 shall be forever barred by the judgment based on such
54 service. The posting of copies of the summons and
55 petition as above provided shall operate to place the state
56 in constructive possession of the oil, gas, or product
57 described in the petition. In addition, if the court,
58 on a properly verified petition, or affidavits, or oral
59 testimony, finds that grounds for seizure and for sale
60 exist, the court shall issue an immediate order of
61 seizure, describing the oil, gas, or product to be
62 seized and directing the sheriff of the county to take
63 such oil, gas, or product into his custody, actual or
64 constructive, and to hold the same subject to the further
65 order of the court. The court, in such order of seizure,
66 may direct the sheriff to deliver the oil, gas, or pro-
67 duct seized by him under the order to an agent appointed
68 by the court as the agent of the court; such agent to give
69 bond in an amount and with such surety as the court may
70 direct, conditioned upon his compliance with the orders

71 of the court concerning the custody and disposition of such
72 oil, gas, or product.
73 4. Any person having an interest in oil, gas, or product
74 described in an order of seizure and contesting the
75 right of the state to the seizure and sale thereof may,
76 prior to the sale thereof as herein provided, obtain
77 the release thereof, upon furnishing bond to the sheriff
78 approved by the court, in an amount equal to one
79 hundred fifty percent of the market value of the oil,
80 gas, or product to be released, and conditioned as the
81 court may direct upon redelivery to the sheriff of such
82 product released or upon payment to the sheriff of
83 the market value thereof as the court may direct, if
84 and when ordered by the court, and upon full compliance
85 with the further orders of the court.
86 5. If the court, after a hearing upon a petition for the
87 seizure and sale of oil, gas, or product, finds that such
88 oil, gas, or product is contraband, the court shall order
89 the sale thereof by the sheriff in the same manner and
90 upon same notice of sale as provided by law for
91 the sale of personal property on execution of judg-
92 ment entered in a civil action except that the court
93 may order that the illegal oil, illegal gas, or illegal
94 product be sold in specified lots or portions and at
95 specified intervals. Upon such sale, title to the oil, gas,
96 or product sold shall vest in the purchaser free of the
97 claims of any and all persons having any title thereto
98 or interest therein at or prior to the seizure thereof,
99 and the same shall be legal oil, legal gas, or legal prod-

100 uct, as the case may be, in the hands of the purchaser.

101 6. All proceeds derived from the sale of illegal oil, illegal
102 gas, or illegal product, as above provided, after pay-
103 ment of costs of suit and expenses incident to the sale
104 and all amounts paid as penalties provided for by this
105 chapter shall be paid to the state treasurer and credited
106 to the general fund.

1 Sec. 16. Penalties.

2 1. Any person who violates any provision of this chapter,
3 or any rule, regulation, or order of the state geologist
4 shall be subject to a penalty of not more than one
5 thousand dollars for each act of violation and for each
6 day that such violation continues, unless the penalty
7 for such violation is otherwise specifically provided
8 for and made exclusive in this chapter.

9 2. If any person, for the purpose of evading this chapter,
10 or any rule, regulation, or order of the state geologist,
11 shall make or cause to be made any false entry or state-
12 ment in a report required by this chapter or by any
13 such rule, regulation, or order, or shall make or
14 cause to be made any false entry in any record, account,
15 or memorandum required by this chapter, or by any
16 such rule, regulation, or order, or shall omit, or
17 cause to be omitted, from any such record, account,
18 or memorandum, full, true, and correct entries as re-
19 required by this chapter, or by any such rule, regulation,
20 or order, or shall remove from this state or destroy,
21 mutilate, alter or falsify any such record, account,
22 or memorandum, such person shall be guilty of a mis-

23 demeanor and, upon conviction, shall be subject to a
24 fine of not more than five thousand dollars or imprison-
25 ment for a term not exceeding six months, or to both such
26 fine and imprisonment.
27 3. Any person knowingly aiding or abetting any other
28 person in the violation of any provisions of this chapter,
29 or any rule, regulation, or order of the state geologist
30 shall be subject to the same penalty as that prescribed
31 by this chapter for the violation by such other person.
32 4. The penalties provided in this section shall be recover-
33 able by suit filed by the attorney general in the name
34 and on behalf of the state geologist, in the district court
35 of the county in which the defendant resides, or in which
36 any defendant resides, if there be more than one defendant,
37 or in the district court of any county in which the
38 violation occurred. The payment of any such penalty shall
39 not operate to legalize any illegal oil, illegal gas, or
40 illegal product involved in the violation for which the
41 penalty is imposed, or to relieve a person on whom the penalty
42 is imposed from liability to any other person for
43 damages arising out of such violation.
1 Sec. 17. Action to restrain violation or threatened violation.
2 1. Whenever it appears that any person is violating or
3 threatening to violate any provision of this chapter, or
4 any rule, regulation, or order of the state geologist, the
5 state geologist shall bring suit against such person in the
6 district court of any county where the violation occurs
7 or is threatened, to restrain such person from continu-

8 ing such violation or from carrying out the threat of
9 violation. In any such suit, the court shall have juris-
10 diction to grant to the state geologist, without bond or
11 other undertaking, such prohibitory and mandatory
12 injunctions as the facts may warrant, including tem-
13 porary restraining orders, preliminary injunctions,
14 temporary, preliminary, or final orders restraining the
15 movement or disposition of any illegal oil, illegal gas,
16 or illegal product, any of which the court may order
17 to be impounded or placed in the custody of an agent
18 appointed by the court.
19 2. If the state geologist shall fail to bring suit to enjoin
20 a violation or threatened violation of any provision of
21 this chapter, or any rule, regulation, or order of the
22 state geologist, within ten days after receipt of written
23 request to do so by any person who is or will be adverse-
24 ly affected by such violation, the person making such
25 request may bring suit in his own behalf to restrain
26 such violation or threatened violation in any court in
27 which the state geologist might have brought suit. The
28 state geologist shall be made a party defendant in such
29 suit in addition to the person violating or threatening
30 to violate a provision of this chapter, or a rule, regula-
31 tion, or order of the state geologist, and the action shall
32 proceed and injunctive relief may be granted to the state
33 geologist without bond in the same manner as if suit had
34 been brought by the state geologist.
1 Sec. 18. Saving clause. If any provision of this chapter or the

2 application of such provision to any person or circumstance shall
3 be held invalid, the remainder of this chapter or the application
4 of such provision to persons or circumstances other than those
5 to which it is held invalid, shall not be affected thereby.

1 Sec. 19. This Act being deemed of immediate importance shall
2 be in full force and effect immediately upon its publication
3 in ....., a newspaper published
4 at ....., Iowa, and ....., a
5 newspaper published at ....., Iowa.

EXPLANATION OF HOUSE FILE 585

The purpose of this bill is to provide reasonable state regulation of exploratory or producing oil and gas wells and activities associated therewith, to prevent waste and to conserve oil, gas and associated natural resources.

Recent discovery of oil in Iowa has focused attention on the possibility of locating producible quantities of oil. Negotiations are now underway to drill a number of oil test wells in the state which will also involve other natural resources. A forthcoming geophysical report will point to additional oil possibilities in other large areas. The resulting increased activities of many and varied oil interests indicate the need for strengthening the Iowa law.

The bill is patterned after a model statute recommended after long study by the Interstate Oil Compact Commission, with minor modifications to meet Iowa conditions and to conform with Iowa law.

This bill in similar form has been enacted in other states. The administrators in these states along with major oil interests are reasonably satisfied with the regulation thereby provided.