

## 1 SENATE BILL NO. 492

2 INTRODUCED BY D. WEINBERG

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4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE DORMANT MINERAL INTERESTS ACT;  
5 AUTHORIZING THE SURFACE OWNER OF REAL PROPERTY SUBJECT TO A MINERAL INTEREST TO  
6 MAINTAIN AN ACTION TO TERMINATE A DORMANT MINERAL INTEREST UNDER CERTAIN CONDITIONS;  
7 REQUIRING THE OWNER OF A MINERAL INTEREST TO RECORD A NOTICE OF MINERAL INTEREST OR  
8 NOTICE OF INTENT TO PRESERVE ALL OR PART OF THE MINERAL INTEREST BY OCTOBER 1, 2007;  
9 PROVIDING FOR PRESERVATION OF A MINERAL INTEREST BY NOTICE; ESTABLISHING A PENALTY  
10 FOR FAILURE TO RECORD THE NOTICE; AUTHORIZING LATE NOTICE OF INTENT TO PRESERVE A  
11 MINERAL INTEREST UPON PAYMENT OF LITIGATION EXPENSES; REQUIRING THE DEPARTMENT OF  
12 NATURAL RESOURCES AND CONSERVATION TO PUBLISH A NOTICE CONTAINING A SUMMARY OF THE  
13 PROVISIONS OF THE ACT; IMPOSING A TAX ON SEVERED MINERAL INTERESTS; AND PROVIDING FOR  
14 RETROACTIVE APPLICABILITY."

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16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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18 NEW SECTION. Section 1. Short title. [Sections 1 through 10] may be cited as the "Dormant Mineral  
19 Interests Act".

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21 NEW SECTION. Section 2. Purpose. (1) It is the public policy of this state to enable and encourage  
22 marketability of real property and to mitigate the adverse effect of dormant mineral interests on the full use and  
23 development of both surface estates and mineral interests in real property.

24 (2) [Sections 1 through 10] must be construed to effect this purpose to provide a means for termination  
25 of dormant mineral interests that impair marketability of real property.

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27 NEW SECTION. Section 3. Definitions. As used in [sections 1 through 10], the following definitions  
28 apply:

29 (1) "Litigation expenses" means costs and expenses that the court determines are reasonably and  
30 necessarily incurred in preparing for and prosecuting an action, including reasonable attorney fees.

1 (2) "Mineral" has the meaning provided in 70-9-802.

2 (3) "Mineral interest" means an interest in a mineral estate, however created and regardless of form,  
3 whether absolute or fractional, divided or undivided, corporeal or incorporeal, including a fee simple or any lesser  
4 interest in minerals or any kind of royalty, production payment, executive right, nonelective right, leasehold, or  
5 lien related to the minerals, regardless of character.

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7 **NEW SECTION. Section 4. Exclusions.** (1) [Sections 1 through 10] do not apply to:

8 (a) a mineral interest of the United States or an Indian tribe, except to the extent permitted by federal  
9 law; or

10 (b) a mineral interest of this state or an agency or political subdivision of this state, except to the extent  
11 permitted by state law other than [sections 1 through 10].

12 (2) [Sections 1 through 10] do not affect water rights.

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14 **NEW SECTION. Section 5. Termination of dormant mineral interest.** (1) On or after October 1,  
15 2007, the surface owner of real property subject to a mineral interest may maintain an action in district court to  
16 terminate a dormant mineral interest. A mineral interest is dormant for the purposes of [sections 1 through 10]  
17 if the mineral interest is unused as determined under subsection (2) for a period of 20 years or more preceding  
18 commencement of the action and has not been preserved as provided in [section 6]. The action must be in the  
19 nature of and requires the same notice as is required in an action to quiet title. The action may be maintained  
20 whether or not the owner of the mineral interest or the owner's whereabouts is known or unknown. Disability or  
21 lack of knowledge of any kind on the part of any person does not suspend the running of the 20-year period.

22 (2) For the purpose of this section, any of the following actions taken by or under authority of the owner  
23 of a mineral interest in relation to any mineral that is part of the mineral interest constitutes use of the mineral  
24 interest:

25 (a) active mineral operations on or below the surface of the real property or other property unitized or  
26 pooled with the real property, including production, geophysical exploration, exploratory or developmental  
27 drilling, mining, exploitation, and development, but not including injection of substances for purposes of disposal  
28 or storage. Active mineral operations constitute use of any mineral interest owned by any person in any mineral  
29 that is the object of the operations.

30 (b) payment of taxes on a separate assessment of the mineral interest or of a transfer or severance tax

1 relating to the mineral interest;

2 (c) recordation of a judgment or decree that makes specific reference to the mineral interest; or

3 (d) recordation of an instrument that creates, reserves, or otherwise evidences a claim to or the  
4 continued existence of the mineral interest, including an instrument that transfers, leases, or divides the mineral  
5 interest. Recordation of an instrument constitutes use of:

6 (i) any recorded mineral interest owned by any person in any mineral that is the subject of the  
7 instrument; and

8 (ii) any recorded mineral interest in the property owned by any party to the instrument.

9 (3) This section applies notwithstanding any provision to the contrary in the instrument that creates,  
10 reserves, transfers, leases, divides, or otherwise evidences the claim to or the continued existence of the mineral  
11 interest or in another recorded document unless the instrument or other recorded document provides an earlier  
12 termination date.

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14 **NEW SECTION. Section 6. Preservation of mineral interest by notice -- requirement to record**  
15 **notice of mineral interest.** (1) An owner of a mineral interest shall record a notice of mineral interest or a notice  
16 of intent to preserve a mineral interest or a part of the mineral interest by October 1, 2007. The notice must be  
17 filed with the county clerk and recorder, who shall charge a fee and record the notice as provided in Title 7,  
18 chapter 4, part 26. The mineral interest is preserved in each county in which the notice of intent to preserve a  
19 mineral interest is recorded. A mineral interest is not dormant if the notice of intent to preserve a mineral interest  
20 is recorded within 20 years preceding commencement of the action to terminate the mineral interest or, pursuant  
21 to [section 8], after commencement of the action.

22 (2) The notice may be executed by an owner of the mineral interest or by another person acting on  
23 behalf of an owner, including an owner who is under a disability or unable to assert a claim on the owner's own  
24 behalf or whose identity cannot be established or is uncertain at the time of execution of the notice. The notice  
25 may be executed by or on behalf of a co-owner for the benefit of any co-owners or by or on behalf of an owner  
26 for the benefit of any persons claiming under the owner or persons under whom the owner claims.

27 (3) The notice must contain the name of the owner of the mineral interest or the co-owners or other  
28 persons for whom the mineral interest is to be preserved or, if the identity of the owner cannot be established  
29 or is uncertain, the name of the class of which the owner is a member and must identify the mineral interest or  
30 part of the mineral interest to be preserved by the following means:

- 1 (a) an adequate legal description of the land associated with the mineral interest:
- 2 (i) if a certificate of survey or a subdivision plat has been filed with the clerk and recorder pursuant to
- 3 Title 76, chapter 3, by reference to the filed certificate or plat; or
- 4 (ii) if a certificate of survey or a subdivision plat has not been filed with the clerk and recorder pursuant
- 5 to Title 76, chapter 3, by reference to a previously recorded document or description by aliquot part; and
- 6 (b) an adequate legal description of the mineral interest by:
- 7 (i) a reference to the location in the records of the instrument that creates, reserves, or otherwise
- 8 evidences the mineral interest or of the judgment or decree that confirms the mineral interest; or
- 9 (ii) a reference generally and without specificity to any mineral interests of the owner in any real property
- 10 situated in the county. The reference is not effective to preserve a particular mineral interest unless there is, in
- 11 the county, in the name of the person claiming to be the owner of the mineral interest:
- 12 (A) a previously recorded instrument that creates, reserves, or otherwise evidences that mineral interest;
- 13 or
- 14 (B) a judgment or decree that confirms that mineral interest.

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16 **NEW SECTION. Section 7. Penalty for failure to record notice of mineral interest.** Failure to record

17 a notice of mineral interest or a notice of intent to preserve a mineral interest or a part of the mineral interest

18 pursuant to [section 6] is a civil offense punishable by a civil penalty of \$100 for each mineral interest.

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20 **NEW SECTION. Section 8. Late notice of intent to preserve mineral interest.** In an action to

21 terminate a mineral interest pursuant to [sections 1 through 10], the court shall permit the owner of the mineral

22 interest to record a late notice of intent to preserve the mineral interest as a condition of dismissal of the action

23 upon payment to the court for the benefit of the surface owner of the real property of the litigation expenses

24 attributable to the mineral interest or the portion of the mineral interest as to which the notice is recorded.

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26 **NEW SECTION. Section 9. Effect of termination of mineral interest.** A court order terminating a

27 mineral interest, when recorded, merges the terminated mineral interest, including express and implied

28 appurtenant surface rights and obligations, with the surface estate in shares proportionate to the ownership of

29 the surface estate, subject to existing liens for taxes or assessments.

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1            **NEW SECTION. Section 10. Publication of notice.** (1) The department of natural resources and  
2 conservation, provided for in 2-15-3301, shall publish a notice that summarizes the provisions of [sections 1  
3 through 10]. The notice must be published in:

- 4            (a) all daily newspapers of the state;  
5            (b) at least one newspaper published in each county of the state; and  
6            (c) at least two publications related to mining activities that have nationwide circulation.

7            (2) The notice provided for in subsection (1) must be published at least once each year in 2005 and  
8 2006 and once in 2007 before October 1, 2007.

9            (3) The notice must include:

10           (a) a statement that dormant mineral interests may be terminated under the provisions of [sections 1  
11 through 10];

12           (b) a statement that a notice of mineral interest or a notice of intent to preserve a mineral interest or part  
13 of a mineral interest must be recorded by October 1, 2007, by the county clerk and recorder; and

14           (c) a reference to the sections of the Montana Code Annotated that are included in [sections 1 through  
15 10].

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17           **NEW SECTION. Section 11. Mineral interest tax -- property tax reduction.** (1) Beginning January  
18 1, 2010, each county shall impose a tax of \$5 an acre on the owner of a recorded mineral interest. The tax may  
19 be assessed and collected with property taxes. The tax may not be imposed on a mineral interest of the United  
20 States, an Indian tribe, this state, or an agency or political subdivision of this state.

21           (2) The tax proceeds must be deposited in the county general fund. The board of county  
22 commissioners shall reduce county mill levies by an amount that offsets the amount of tax collected pursuant  
23 to this section.

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25           **NEW SECTION. Section 12. Severability.** If a part of [this act] is invalid, all valid parts that are  
26 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,  
27 the part remains in effect in all valid applications that are severable from the invalid applications.

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29           **NEW SECTION. Section 13. Retroactive applicability.** (1) Except as otherwise provided in this  
30 section, [sections 1 through 10] apply to all mineral interests, whether created before, on, or after [the effective

1 date of this act].

2 (2) [Sections 1 through 10] do not limit or affect any other procedure provided by law for clearing an

3 abandoned mineral interest from a title to real property.

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