

SENATE BILL NO. 261
INTRODUCED BY E. STONINGTON

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE DORMANT MINERAL INTERESTS ACT; AUTHORIZING THE SURFACE OWNER OF REAL PROPERTY SUBJECT TO A MINERAL INTEREST TO MAINTAIN AN ACTION TO TERMINATE A DORMANT MINERAL INTEREST UNDER CERTAIN CONDITIONS; REQUIRING THE OWNER OF A MINERAL INTEREST TO RECORD A NOTICE OF MINERAL INTEREST OR NOTICE OF INTENT TO PRESERVE ALL OR PART OF THE MINERAL INTEREST BY OCTOBER 1, 2005; PROVIDING FOR PRESERVATION OF A MINERAL INTEREST BY NOTICE; ESTABLISHING A PENALTY FOR FAILURE TO RECORD THE NOTICE; AUTHORIZING LATE NOTICE OF INTENT TO PRESERVE A MINERAL INTEREST UPON PAYMENT OF LITIGATION EXPENSES; REQUIRING THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION TO PUBLISH A NOTICE CONTAINING A SUMMARY OF THE PROVISIONS OF THE ACT; AND PROVIDING FOR RETROACTIVE APPLICABILITY."

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

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

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

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

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

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

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

(3) "Mineral interest" means an interest in a mineral estate, however created and regardless of form,

whether absolute or fractional, divided or undivided, corporeal or incorporeal, including a fee simple or any lesser interest in minerals or any kind of royalty, production payment, executive right, nonelective right, leasehold or lien related to the minerals, regardless of character.

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

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

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

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

NEW SECTION. Section 5. Termination of dormant mineral interest. (1) On or after October 1, 2005, the surface owner of real property subject to a mineral interest may maintain an action in district court to terminate a dormant mineral interest. A mineral interest is dormant for the purposes of [sections 1 through 10] if the interest is unused as determined under subsection (2) for a period of 20 or more years preceding commencement of the action and has not been preserved as provided in [section 6]. The action must be in the nature of and requires the same notice as is required in an action to quiet title. The action may be maintained whether or not the owner of the mineral interest or the owner's whereabouts is known or unknown. Disability or lack of knowledge of any kind on the part of any person does not suspend the running of the 20-year period.

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

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

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

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

(d) recordation of an instrument that creates, reserves, or otherwise evidences a claim to or the

continued existence of the mineral interest, including an instrument that transfers, leases, or divides the interest.

Recordation of an instrument constitutes use of:

- (i) any recorded interest owned by any person in any mineral that is the subject of the instrument; and
- (ii) any recorded mineral interest in the property owned by any party to the instrument.

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

NEW SECTION. Section 6. Preservation of mineral interest by notice -- requirement to record notice of mineral interest. (1) An owner of a mineral interest shall record a notice of mineral interest or a notice of intent to preserve a mineral interest or a part of the mineral interest by October 1, 2005. The notice must be filed with the county clerk and recorder, who shall charge a fee and record the notice as provided in Title 7, chapter 4, part 26. The mineral interest is preserved in each county in which the notice of intent to preserve a mineral interest is recorded. A mineral interest is not dormant if the notice of intent to preserve a mineral interest is recorded within 20 years preceding commencement of the action to terminate the mineral interest or pursuant to [section 8] after commencement of the action.

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

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

- (a) an adequate legal description of the land associated with the mineral interest by:
 - (i) if a certificate of survey or subdivision plat has been filed with the clerk and recorder pursuant to Title 76, chapter 3, reference to the filed certificate or plat; or
 - (ii) if a certificate of survey or a subdivision plat has not been filed with the clerk and recorder pursuant to Title 76, chapter 3, reference to a previously recorded document or description by aliquot part; and

(b) an adequate legal description of the mineral interest by:

(i) a reference to the location in the records of the instrument that creates, reserves, or otherwise evidences the interest or of the judgment or decree that confirms the interest; or

(ii) a reference generally and without specificity to any or all mineral interests of the owner in any real property situated in the county. The reference is not effective to preserve a particular mineral interest unless there is, in the county, in the name of the person claiming to be the owner of the interest:

(A) a previously recorded instrument that creates, reserves, or otherwise evidences that interest; or

(B) a judgment or decree that confirms that interest.

NEW SECTION. Section 7. Penalty for failure to record notice of mineral interest. Failure to record a notice of mineral interest or a notice of intent to preserve a mineral interest or a part of the mineral interest pursuant to [section 6] is a civil offense punishable by a civil penalty of \$100 for each mineral interest.

NEW SECTION. Section 8. Late notice of intent to preserve mineral interest. In an action to terminate a mineral interest pursuant to [sections 1 through 10], the court shall permit the owner of the mineral interest to record a late notice of intent to preserve the mineral interest as a condition of dismissal of the action upon payment to the court for the benefit of the surface owner of the real property the litigation expenses attributable to the mineral interest or the portion of the mineral interest as to which the notice is recorded.

NEW SECTION. Section 9. Effect of termination of mineral interest. A court order terminating a mineral interest, when recorded, merges the terminated mineral interest, including express and implied appurtenant surface rights and obligations, with the surface estate in shares proportionate to the ownership of the surface estate, subject to existing liens for taxes or assessments.

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

(a) all daily newspapers of the state;

(b) at least one newspaper published in each county of the state; and

(c) at least two publications related to mining activities that have nationwide circulation.

(2) The notice provided for in subsection (1) must be published at least once each year in 2003 and 2004

and once in 2005 before October 1, 2005.

(3) The notice must include:

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

(b) a statement that a notice of mineral interest or a notice of intent to preserve a mineral interest or part of a mineral interest must be recorded by October 1, 2005, by the county clerk and recorder; and

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

NEW SECTION. Section 11. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 12. Retroactive applicability. (1) Except as otherwise provided in this section, [sections 1 through 10] apply to all mineral interests, whether created before, on, or after [the effective date of this act].

(2) [Sections 1 through 10] do not limit or affect any other procedure provided by law for clearing an abandoned mineral interest from title to real property.

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