

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 87th General Assembly
3 Regular Session, 2009
4

As Engrossed: H3/10/09 H3/12/09 H3/16/09

A Bill

HOUSE BILL 1941

5 By: Representative Reynolds
6
7

For An Act To Be Entitled

9 AN ACT TO MERGE AN ABANDONED SEVERED MINERAL
10 INTEREST WITH ITS SURFACE ESTATE; TO PROVIDE A
11 METHOD TO PRESERVE A SEVERED MINERAL INTEREST; TO
12 PROVIDE PROTECTION TO A MINERAL OPERATOR; AND FOR
13 OTHER PURPOSES.
14

Subtitle

15 AN ACT TO MERGE AN ABANDONED SEVERED
16 MINERAL INTEREST WITH ITS SURFACE
17 ESTATE; TO PRESERVE A SEVERED MINERAL
18 INTEREST; AND TO PROTECT A MINERAL
19 OPERATOR.
20
21
22

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
24

25 SECTION 1. Arkansas Code Title 18, Chapter 11 is amended to add an
26 additional subchapter to read as follows:
27

28 18-11-701. Policy.

29 (a) It is the public policy of this state to enable and encourage
30 marketability of real property and to mitigate the adverse effect of
31 abandoned severed mineral interests on the full use and development of both
32 the surface estate and the mineral estate in real property while maintaining
33 certainty of title to the mineral estate for existing and future mineral
34 operations.

35 (b) This subchapter shall be construed to effectuate its purpose to
36 provide a means for termination of an abandoned severed mineral interest that



1 impairs the marketability of real property.

2
3 18-11-702. Definitions.

4 As used in this subchapter:

5 (1) "Abandoned severed mineral interest" means a severed mineral
6 interest that is:

7 (A)(i) Unused for at least a twenty-year period
8 immediately preceding the commencement of a termination action under § 18-11-
9 704.

10 (ii) A disability or lack of knowledge on the part
11 of any person with an interest in the severed mineral interest does not
12 affect the running of the twenty-year period; and

13 (B) Has not been preserved under § 18-11-706 or § 18-11-
14 707;

15 (2) "Mineral" means natural gas, oil, coal, methane produced
16 from coal formations, other gaseous liquid and solid hydrocarbons, oil shale,
17 cement material, sand and gravel, road material, building stone, chemical
18 substance, gemstone, metallic ore, fissionable and nonfissionable ores,
19 colloidal or other clay, steam or other geothermal resource, brine, or any
20 other substance defined as a mineral by the Arkansas Code;

21 (3)(A) "Mineral operation" means an activity conducted on or
22 below the surface of real property for the exploration, development, or
23 production of a mineral.

24 (B) "Mineral operation" includes a geophysical
25 exploration, exploratory or developmental drilling activity, completion
26 activity, surface or subsurface mining activity, and any ancillary operation.

27 (C) "Mineral operation" does not include the injection of
28 any substance for the disposal or storage of that substance;

29 (4) "Receiver's lease" means an oil and gas lease or other
30 mineral lease executed by a receiver appointed by a court of competent
31 jurisdiction to execute a lease on behalf of the owner of an abandoned
32 severed mineral interest; and

33 (5) "Severed mineral interest" means an interest in a mineral
34 estate however created and regardless of form and whether absolute or
35 fractional, divided or undivided, corporeal or incorporeal, including a fee
36 simple or any lesser interest or any kind of royalty, production payment,

1 executive right, nonexecutive right, or leasehold, or lien in minerals,
2 regardless of character that is owned by a person who does not own any
3 interest in the surface of the real property underlain by the mineral estate.
4

5 18-11-703. Application.

6 This subchapter:

7 (1) Does not apply to a severed mineral interest of:

8 (A) The United States except to the extent permitted by
9 federal law; or

10 (B) This state or an agency or political subdivision of
11 this state unless otherwise permitted by state law;

12 (2) Does not affect water rights; and

13 (3) Is not intended to affect the meaning of the term "mineral"
14 or "mineral interest" as those terms may be defined elsewhere in the Arkansas
15 Code.
16

17 18-11-704. Termination of an abandoned severed mineral interest.

18 (a)(1) The surface owner of real property that is subject to a severed
19 mineral interest may terminate an abandoned severed mineral interest by
20 filing an action in the circuit court of the county where the abandoned
21 severed mineral interest is located.

22 (2) The surface owner shall make a party to the action any
23 person that is either:

24 (A) Designated by the Oil and Gas Commission as the
25 operator of a well or proposed well within a drilling unit containing all or
26 a portion of the real property burdened by the abandoned severed mineral
27 interest; or

28 (B) A record owner of an interest in a receiver's lease.

29 (b)(1) In an action under subsection (a) of this section where it is
30 alleged that the owner of the abandoned severed mineral interest cannot be
31 personally served with process, the surface owner shall attach to his or her
32 petition an affidavit:

33 (A) By a person who is experienced, trained, or educated
34 in conducting a search for the owner of a severed mineral interest; and

35 (B) That describes the effort that the affiant made to
36 locate the owner of the severed mineral interest.

1 (2) If the court finds that a diligent effort to locate the
2 owner of the severed mineral interest has been made, it shall authorize the
3 surface owner to serve the owner of the severed mineral interest by
4 publication of a warning order weekly for at least two (2) consecutive weeks
5 in a newspaper of general circulation in the county where the severed mineral
6 interest is located.

7 (c) The court shall afford any party an opportunity to offer proof of
8 the use or the nonuse of the severed mineral interest.

9 (d) An action of the court that terminates an abandoned severed
10 mineral interest shall contain findings of fact that specifically describe
11 the efforts made to locate and serve any owner of the abandoned severed
12 mineral interest who was not personally served with process.

13 (e) The recordation of a court order that terminates an abandoned
14 severed mineral interest merges the abandoned severed mineral interest,
15 including all express and implied surface rights and obligations that pertain
16 to that severed mineral interest, with the surface estate.

17
18 18-11-705. Presumption of use.

19 (a) Any of the following actions taken by or on behalf of the owner of
20 a severed mineral interest in relation to any mineral that is part of the
21 severed mineral interest constitutes use of the severed mineral interest:

22 (1)(A) An active mineral operation on or below the surface of
23 the real property or other property unitized or pooled with the real property
24 if it is conducted by the owner of the severed mineral interest or by another
25 person under an oil and gas lease, other mineral lease, or other express
26 agreement that authorizes the operation that was executed by the owner of
27 the severed mineral interest or his or her attorney or legal representative.

28 (B)(i) A use under subdivision (a)(1)(A) of this section
29 also constitutes a use of any severed mineral interest owned by the owner of
30 the severed mineral interest and by any other owner of the severed mineral
31 interest whose interest derives from the same instrument, devise, or
32 inheritance as the owner of the severed mineral interest.

33 (ii) However, the use is limited to only those
34 minerals that are:

35 (a) The object of the active mineral
36 operation; or

1 (b) Otherwise covered by the oil and gas
2 lease, other mineral lease, or other express agreement authorizing the
3 mineral operation;

4 (2)(A) Receipt by the owner of the severed mineral interest of a
5 royalty, including a shut-in royalty, or any other proceeds of production
6 resulting from a mineral operation whether or not the owner of the severed
7 mineral interest or the attorney or legal representative of the owner of the
8 severed mineral interest executed the oil and gas lease, other mineral lease,
9 or other express agreement permitting that operation.

10 (B) A use under subdivision (a)(2)(A) of this section also
11 constitutes a use by a co-owner of the severed mineral interest whose
12 interest derives from the same instrument, devise, or inheritance as does the
13 owner of the severed mineral interest.

14 (ii) However, the use is limited to only those
15 minerals that are the object of the royalty payment.

16 (C) If the title of an owner of a severed mineral interest
17 is not marketable, the deposit of the royalty or other proceeds described in
18 subdivision (a)(2) of this section into a bank account that is separately
19 maintained for the benefit of the owner of the severed mineral interest and
20 any other similarly situated mineral owner constitutes receipt of those
21 payments by the owner of the severed mineral interest;

22 (3)(A) A payment of an ad valorem tax on a separate assessment
23 of the severed mineral interest by or on behalf of an owner of the severed
24 mineral interest.

25 (B) The payment of an ad valorem tax constitutes a use of
26 the entire severed mineral interest assessed;

27 (4)(A) Recordation of an instrument that transfers, leases, or
28 divides the severed mineral interest.

29 (B) Recordation of an instrument constitutes use of any
30 recorded severed mineral interest in the property that is owned by:

31 (i) A party to the instrument; or

32 (ii) Another owner of the severed mineral interest
33 that has a recorded interest in a severed mineral that is the subject of the
34 instrument; and

35 (5) Either:

36 (A) Entry of a judgment or decree by a court of record

1 within the county in which the severed mineral interest is located; or

2 (B) The recording within the county in which the severed
3 mineral interest is located of a judgment or decree of a court of another
4 county in this state that makes specific reference to the severed mineral
5 interest.

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

12
13 18-11-706. Preservation of a severed mineral interest.

14 (a)(1) The owner of a severed mineral interest may file for
15 recordation a notice of intent to preserve a severed mineral interest at any
16 time with the circuit clerk of the county in which the severed mineral
17 interest is located.

18 (2) The severed mineral interest is preserved in each county in
19 which a notice is recorded.

20 (3) A severed mineral interest is not abandoned if the notice is
21 recorded within twenty (20) years immediately preceding commencement of the
22 action to terminate the severed mineral interest.

23 (b)(1) The notice of intent to preserve a severed mineral interest may
24 be executed by a co-owner or an owner of the severed mineral interest or a
25 person acting on behalf of a co-owner or an owner of the severed mineral
26 interest.

27 (2) A notice of intent to preserve a severed mineral interest
28 executed by or on behalf of:

29 (A) A co-owner of the severed mineral interest inures to
30 the benefit of any co-owner of the severed mineral interest; and

31 (B) An owner of a severed mineral interest inures to the
32 benefit of any person claiming under the owner of the severed mineral
33 interest or other person under whom the owner of the severed mineral interest
34 claims.

35 (c) The notice of intent to preserve a severed mineral interest shall:

36 (1) Contain the name of the:

1 (A) Owner of the severed mineral interest, the co-owner of
2 the severed mineral interest, or other person for whom the severed mineral
3 interest is to be preserved; or

4 (B) Class of which the owner of the severed mineral
5 interest is a member if the identity of the owner of the severed mineral
6 interest cannot be established or is uncertain; and

7 (2) Identify the severed mineral interest or portion of the
8 severed mineral interest to be preserved by:

9 (A) A reference to the location in the records of the
10 instrument that creates, reserves, or otherwise evidences the severed mineral
11 interest or of the judgment or decree that confirms the severed mineral
12 interest;

13 (B) A description of the severed mineral interest that is
14 sufficient to put a third party on notice that the notice of intent to
15 preserve the severed mineral interest includes the real property covered by
16 the severed mineral interest; or

17 (C)(i) A general reference to the severed mineral interest
18 of the owner in any real property situated in the county.

19 (ii) However, a reference under subdivision
20 (c)(2)(C)(i) is not effective to preserve a severed mineral interest unless
21 there is in the county in the name of the person claiming to be the owner of
22 the severed mineral interest:

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

25 (b) A judgment or decree that confirms the
26 interest and name of the person claiming to be the owner of the severed
27 mineral interest; or

28 (c) An affidavit, proof of heirship, or other
29 document that identifies the person claiming to be the owner of the severed
30 mineral interest as an heir, devisee, or other successor in interest to a
31 person identified in subdivision (c)(2)(C)(ii)(a) or (b) of this section.

32
33 18-11-707. Late recording by an owner of a severed mineral interest.

34 (a) As used in this section, "litigation expense" means a cost or
35 expense, including a reasonable attorney's fee, that the court determines to
36 be reasonable and necessary for the preparation and commencement of an action

1 under this subchapter.

2 (b)(1) In an action to terminate an abandoned severed mineral interest
3 under this subchapter, the court shall dismiss the action if the owner of the
4 severed mineral interest:

5 (A) Has filed a notice of intent to preserve the severed
6 mineral interest after the twenty-year period; and

7 (B) Reimburses the petitioner his or her litigation
8 expense attributable to the severed mineral interest covered by the recorded
9 late notice of intent to preserve a severed mineral interest.

10 (2) However, subdivision (b)(1) does not apply in any action in
11 which a severed mineral interest has been unused for forty (40) years or more
12 immediately preceding commencement of the action.

13
14 18-11-708. Protection of a mineral operator.

15 (a)(1) Notwithstanding anything in this subchapter to the contrary, a
16 person who conducts or participates in a mineral operation on or within real
17 property burdened by an abandoned severed mineral interest or on or within
18 any real property pooled under an integration order issued by the Oil and Gas
19 Commission before the entry of a decree of abandonment of that severed
20 mineral interest or under a receiver's lease filed before the entry of a
21 decree of abandonment of that severed mineral interest shall continue to
22 enjoy the benefit of the integration order or receiver's lease.

23 (2)(A) A surface owner who obtains a decree of abandonment of a
24 severed mineral interest takes ownership of that abandoned severed mineral
25 interest subject to any integration order or receiver's lease.

26 (B) However, the surface owner under subdivision (a)(2)(A)
27 of this section is entitled to receive payments allocable to that severed
28 mineral interest as follows:

29 (i) All payments, including any royalty or other
30 proceeds of production of minerals, after the effective date of the decree of
31 abandonment are payable to the surface owner; and

32 (ii) Except to the extent that a payment has become
33 subject to a claim of the state under any applicable law of escheat, any
34 payment, including a royalty or other proceeds of production of mineral that
35 has been held in suspense for the period before the effective date of the
36 decree of abandonment, is payable to the surface owner.

