

By: Hyde-Smith (By Request)

To: Oil, Gas and Other  
Minerals

## SENATE BILL NO. 2878

1 AN ACT TO PROVIDE AN ANNUAL ASSESSMENT ON NONPRODUCING  
2 MINERAL ESTATES THAT ARE OWNED BY SOMEONE OTHER THAN THE OWNER OF  
3 THE SURFACE RIGHTS OF THE LAND; TO PROVIDE THAT THE TITLE TO THE  
4 NONPRODUCING MINERAL ESTATE SHALL REVERT TO THE STATE OF  
5 MISSISSIPPI UPON FAILURE OF THE OWNER TO PAY THE ASSESSMENT FOR A  
6 PERIOD OF THREE YEARS; TO PROVIDE THAT THE OWNER OF THE SURFACE  
7 RIGHTS TO THE LAND MAY REDEEM THE NONPRODUCING MINERAL ESTATE; TO  
8 PROVIDE THE PROCEDURE FOR NOTICE AND REDEMPTION OF THE  
9 NONPRODUCING MINERAL ESTATE; TO PROVIDE THAT MINERAL ESTATES  
10 SEPARATED FROM THE SURFACE ESTATE SHALL REVERT TO THE OWNER OF THE  
11 SURFACE ESTATE AFTER TEN YEARS OF NONPRODUCTION; TO DEFINE  
12 NONPRODUCTION; TO PROVIDE THAT THE OWNERS OF SUCH MINERAL ESTATES  
13 SHALL HAVE AN EXCLUSIVE OPTION TO RENEW THE AGREEMENT CREATING THE  
14 MINERAL ESTATE; AND FOR RELATED PURPOSES.

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

16 SECTION 1. (1) There is levied an assessment to be equal to  
17 one hundred percent (100%) of the annual property taxes to be  
18 collected annually on each nonproducing mineral estate that is  
19 located within the county that is owned by any person, firm,  
20 partnership, association or corporation other than the owner of  
21 the surface rights of the land. If the nonproducing mineral  
22 estate extends into more than one (1) county, the annual  
23 assessment shall be collected by each county wherein the  
24 nonproducing mineral estate is located.

25 (2) (a) Upon default of the payment of the assessment  
26 required in subsection (1) of this section, the tax collector  
27 shall give written notice to the owner of the nonproducing mineral  
28 estate demanding the payment of the assessment then remaining in  
29 default within twenty (20) days from the date of the delivery of  
30 the notice. The notice shall be sent by certified or registered  
31 mail to the owner of the nonproducing mineral estate or delivered  
32 by an employee of the tax collector either to the owner or someone

33 of suitable age and discretion at the owner's place of business or  
34 residence. If any person liable for the payment of the assessment  
35 fails or refuses to pay the assessment after receiving the notice  
36 and demand as provided in this subsection, the tax collector may  
37 file a notice of a lien for such assessment with the circuit clerk  
38 of the county in which the nonproducing mineral estate is located.

39 (b) If the owner of the nonproducing mineral estate  
40 other than the owner of the land, as provided in subsection (1) of  
41 this section, fails or refuses to pay the assessment for a period  
42 of three (3) years, his interests in the land and the title to  
43 such nonproducing mineral estate shall revert to the State of  
44 Mississippi. The owner of such mineral estate shall have six (6)  
45 months from the date of reversion in which to redeem his property  
46 by payment of the delinquent assessment, interest, fees and costs.

47 If the owner of the nonproducing mineral estate has not redeemed  
48 the nonproducing mineral estate within the six-month period, the  
49 owner or owners of the surface estate wherein the mineral estate  
50 lies may redeem the nonproducing mineral estate as provided in  
51 Section 2 of this act.

52 (3) For purposes of this section, the mineral estate is  
53 deemed to be nonproducing if there have been no bona fide drilling  
54 or production operations for minerals or no actual production of  
55 minerals for a period of ten (10) years. The period of ten (10)  
56 years may run continuously or be interrupted. If there are bona  
57 fide drilling or production operations for minerals or actual  
58 production of minerals, the period shall be interrupted and shall  
59 begin to run again on the last day that drilling or production  
60 operations are conducted or the last day of actual production.  
61 The period shall be interrupted in the case of contracts providing  
62 for shut-in rental payments in lieu of production, but if there is  
63 no production, the period shall begin to run again at the end of  
64 the period for which the last such rental payment was made. For  
65 purposes of this section, oil and gas are deemed to be not in  
66 production if, in the case of oil production, the well is not  
67 located on the regular governmental quarter-quarter section of  
68 surface estate where the severed mineral estate lies, or in the  
69 case of gas production, if the gas well is not located in the

70 regular governmental one-half (1/2) section wherein the mineral  
71 estate lies.

72       SECTION 2. (1) In order to effectuate the redemption  
73 provided for in Section 1 of this act, the owner or owners of the  
74 surface estate each shall file a statement of claim with the  
75 chancery clerk of the county or counties in which the land within  
76 which the nonproducing mineral estate is located after the period  
77 of three (3) years has elapsed and the title to the mineral estate  
78 has reverted to the State of Mississippi. The owner or owners of  
79 the surface estate shall notify the owner or owners of the  
80 nonproducing mineral estate by personal service, if they can be  
81 found upon reasonable search and inquiry, that the nonproducing  
82 mineral estate is subject to redemption by the surface owner or  
83 owners. If the owner or owners of the nonproducing mineral estate  
84 cannot be found upon reasonable search and inquiry, the owner or  
85 owners of the surface estate shall give notice by publication for  
86 three (3) consecutive weeks in a newspaper having general  
87 circulation in the county or counties in which the land within  
88 which the nonproducing mineral estate is located, and, if the  
89 address of the owner or owners of the mineral estate is shown of  
90 record or can be determined upon reasonable inquiry, by mailing a  
91 copy of such notice to the owner or owners of the mineral estate  
92 not later than ten (10) days after the first publication. The  
93 notice shall state the name of the owner or owners of the mineral  
94 estate as shown of record, if known, a description of the land and  
95 the name of the person or persons giving such notice. If a copy  
96 of such notice, together with an affidavit of service thereof, is  
97 promptly filed with the chancery clerk of the county or counties  
98 in which the land within which the mineral estate is located, the  
99 record thereof shall be prima facie evidence in any legal  
100 proceeding that such notice was given.

101       (2) If, within thirty (30) days after personal service or  
102 the last publication of notice, no conclusive written evidence is

103 presented to the chancery clerk that there have been bona fide  
104 drilling or production operations for minerals or actual  
105 production of minerals for a period of ten (10) years, the  
106 nonproducing mineral estate may be redeemed by the owner or owners  
107 of the surface estate, and the chancery clerk shall record the  
108 statement of claim and the redemption of the nonproducing mineral  
109 estate and shall indicate the redemption of the nonproducing  
110 mineral estate by marginal notation on the instrument creating the  
111 original mineral estate. If conclusive written evidence is  
112 presented to the chancery clerk within the stated period of time  
113 that there have been bona fide drilling or production operations  
114 for minerals or actual production of minerals within the period of  
115 ten (10) years, then the reverter to the State of Mississippi and  
116 the right of redemption by the surface owner or owners shall not  
117 take effect and the chancery clerk shall record the statement of  
118 claim but shall not record or indicate on the instrument creating  
119 the original mineral estate that there has been a reversion or  
120 redemption of the mineral estate.

121 SECTION 3. (1) Mineral estates separated from the surface  
122 estate after July 1, 2000, shall revert to the owner of the  
123 surface estate if, after a ten (10) year period, there is no bona  
124 fide attempt to drill for or produce minerals or no actual  
125 production of minerals. The ten (10) year period may run  
126 continuously or be interrupted. If there is attempted or actual  
127 production, the period shall be interrupted and shall start to run  
128 again on the day after the last day of actual production or the  
129 last day actual drilling or production operations are conducted on  
130 the property. For contracts providing for shut-in rental payments  
131 in lieu of production, the ten (10) year period may be  
132 interrupted, but will start to run again at the end of the period  
133 for which the last such rental payment was made if there is no  
134 production. The possibility of interruption is not limited to the  
135 instances stated in this section, but may extend to other

136 circumstances as equity may demand. If the ten (10) year period  
137 is interrupted and starts to run again with less than one hundred  
138 eighty (180) days remaining in the period, the period shall not  
139 expire less than one hundred eighty (180) days after the date on  
140 which the period starts to run again.

141 (2) The surface estate owner to which the mineral estate  
142 shall revert by operation of this act is the holder of the surface  
143 estate at the time of the reversion.

144 (3) For purposes of this section, oil and gas are deemed to  
145 be not in production if: (a) in the case of oil production, the  
146 well is not located on the regular governmental quarter-quarter  
147 section of surface estate where the severed mineral estate lies;  
148 or (b) in the case of gas production, the gas well is not located  
149 in the regular governmental one-half section in which the mineral  
150 interest lies.

151 SECTION 4. The owner of a mineral estate subject to the  
152 reverter provided by Section 1 of this act is granted an exclusive  
153 option of one hundred eighty (180) days to renew the provisions of  
154 the agreement by which he holds the mineral estate. The option  
155 period shall be a period beginning one hundred eighty (180) days  
156 before the date of reverter. This section shall not be construed  
157 to define, limit or restrict the terms of a new agreement, and it  
158 is the intent of this section to provide for free and open  
159 negotiation between the parties. However, the surface owner of  
160 the mineral estate after the reverter may not lease, sell,  
161 transfer, sever or otherwise alleviate the mineral estate gained  
162 from the reverter for a one (1) year period after the reverter,  
163 except with respect to the previous owner of the mineral estate.

164 SECTION 5. Sections 1 and 2 of this act shall be in force  
165 from and after the date that Section \_\_ 112A is inserted as a part  
166 of the Constitution by proclamation of the Secretary of State  
167 certifying that Senate Concurrent Resolution No. 555, 2000 Regular  
168 Session, received the majority vote required by the Constitution.

169 The remainder of this act shall be in force from and after July  
170 1, 2000.