

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 2432
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Natural Resources
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, only property in which the State of Texas has a direct or indirect interest is exempt from pooling of mineral interests. Pooling of mineral interests creates a host of issues for municipalities that own land in fee simple title, and for municipalities that act as the trustee for other taxing entities for tax foreclosed property by forcing the municipalities into pooling agreements on terms set by the gas company.

Forced pooling gives the gas company the power to control any and all terms of the lease agreement, which leaves municipalities with few options. An example is the City of Fort Worth. A gas company approached the City of Fort Worth about mineral interests found on multiple tracts of property owned by the city or held as a trustee and gave them three options: (1) lease at a bonus price, lease term, and royalty percentage pre-determined by the gas company; (2) participate as a working interest owner and pay upfront the proportionate share of well costs; or (3) participate in a Farmout Agreement where the company gets 80 percent net revenue interest and the mineral owner retains a 20 percent overriding royalty until payout and the gas company recoups all drilling, and then, upon payout of the mineral owner share, converts to a 25 percent working interest.

Additionally, due to an Attorney General Opinion, tax-foreclosed properties are prevented from being leased.

C.S.S.B. 2432 amends current law relating to the application to political subdivisions of this state of the law governing pooling of mineral interests.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 102.004(a), (c), and (d), Natural Resources Code, as follows:

(a) Provides that the provisions of this chapter do not apply to land owned by the State of Texas; land in which the State of Texas has an interest directly or indirectly; land held by a political subdivision of this state pursuant to Subtitle E (Collections and Delinquency), Title 1 (Property Tax Code), Tax Code; or land owned or held by a political subdivision of this state that is subject to a right of reverter. Makes nonsubstantive changes.

(c) Provides that the provisions of this chapter do not amend, repeal, change, alter, or affect in any manner the authority, jurisdiction, or consent of a political subdivision of this state on the pooling of any interest owned by the political subdivision. Makes nonsubstantive changes.

(d) Authorizes a political subdivision of this state to consent to land being pooled under the provisions of this chapter.

SECTION 2. Effective date: upon passage or September 1, 2009.