

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 576

(Delegate Beitzel)

Environment and Transportation

Education, Health, and Environmental Affairs

Maryland Dormant Minerals Interests Act - Use of Mineral Interest -
Clarification

This bill makes several clarifying changes to Maryland’s Uniform Dormant Mineral Interests Act that relate to actions that constitute use of the mineral interest.

Fiscal Summary

State Effect: The bill clarifies current law and is not anticipated to materially affect State operations or finances. However, to the extent that State agencies own real property subject to a mineral interest, or own a mineral interest, the proposed legislation provides clarity regarding when a mineral interest is “dormant” and potentially subject to termination.

Local Effect: No material impact on local governments. However, to the extent that a local government owns real property subject to a mineral interest, or owns a mineral interest, the proposed legislation provides clarity regarding when a mineral interest is “dormant” and potentially subject to termination.

Small Business Effect: Minimal. However, to the extent that a small business owns real property subject to a mineral interest, or owns a mineral interest, the proposed legislation provides clarity regarding when a mineral interest is “dormant” and potentially subject to termination.

Analysis

Bill Summary: The bill clarifies that when *an* owner of a mineral interest takes any of the following specified actions in relation to any mineral that is part of the mineral interest, that action shall constitute use of the entire mineral interest *owned by that owner*: (1) specified active mineral operations on or below the surface of the real property or other

property used or pooled with the real property; and (2) 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.

Additionally, the payment of specified taxes by or under the authority of an owner of the taxed mineral interest constitutes use of the entire mineral interest that is taxed and any other mineral interest that is not taxed but on which the owner owns all or a partial interest.

Finally, the bill clarifies that a judgment or decree recorded by or under the authority of an owner that makes a specific reference to any mineral interest that is part of the mineral interest constitutes use of the mineral interest specified in the judgment or decree.

Current Law: Chapters 268 and 269 of 2010 codified provisions of the Uniform Dormant Mineral Interests Act, thereby establishing criteria by which a severed mineral interest in Maryland becomes dormant; authorizing the owner of the surface estate to bring an action to terminate a mineral interest; specifying who may preserve a mineral interest and how it may be preserved; and governing the disposition of a terminated mineral interest.

A mineral interest is “dormant” if it remains unused or if notice of the interest was not recorded for 20 or more years prior to the commencement of a suit brought by a surface owner of real property to terminate the mineral interest at issue. The Act specifies the actions taken by, or under the authority of, *the* owner of a mineral interest, in relation to any mineral that is part of the mineral interest, that constitute the use of the *entire* mineral interest. These actions include specified active mineral operations, payment of specified taxes (including of a transfer or severance tax) related to the mineral interest, recordation of specified instruments affecting or in relation to the interest, and recordation of a judgment or decree that makes a specific reference to the interest. Disposal or storage of substances into the mineral estate is not use of the mineral estate.

A surface owner of real property subject to a mineral interest who brings an action to terminate a dormant mineral interest must file the suit in the circuit court of the jurisdiction in which the real property is located. Resulting court orders terminating a mineral interest are recorded by the clerk of court issuing the order in the land records.

A court order that terminates a mineral interest merges the terminated interest with the surface estate in shares proportionate to the ownership of the surface estate, subject to existing liens for taxes or assessments, and must contain specific identifying information. This information includes the mineral interest; each surface estate into which the mineral interest is merged, including the tax map and parcel number; the name of each surface owner; the name of each known person that owned the mineral interest prior to termination; and any other information determined by the court as appropriate to describe the effect of the termination and merger of the mineral interest.

Additional Information

Prior Introductions: None.

Cross File: SB 525 (Senator Edwards) - Education, Health, and Environmental Affairs.

Information Source(s): Garrett County, Judiciary (Administrative Office of the Courts), Maryland Department of the Environment, Department of Natural Resources, State Department of Assessments and Taxation, Department of Legislative Services

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