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9lr2447 CF SB 775

By: **Delegate Beitzel** Introduced and read first time: February 10, 2009 Assigned to: Environmental Matters

Committee Report: Favorable with amendments House action: Adopted Read second time: March 21, 2009

CHAPTER _____

1 AN ACT concerning

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Maryland Dormant Mineral Interests Act

3 FOR the purpose of stating the purpose of this Act; authorizing a certain owner of real 4 property to maintain an action to terminate a certain mineral interest under $\mathbf{5}$ certain circumstances; establishing certain actions that constitute use of a 6 mineral interest; requiring a certain owner to bring a certain action in the 7 circuit court of a certain jurisdiction under certain circumstances; authorizing 8 an owner of a mineral interest to record the mineral interest under certain 9 circumstances; providing that a mineral interest is preserved in the county in 10 which the notice is recorded; authorizing certain individuals to record a certain 11 notice under certain circumstances; requiring certain information to be included 12 in a certain notice; requiring a mineral interest to be identified in a certain 13 manner; requiring a court to permit a certain owner to record a late notice under certain circumstances; authorizing the circuit court of a certain 14 15jurisdiction to place a severed mineral interest into trust under certain 16 circumstances, to appoint a trustee for the trust, and to order or authorize the trustee to take certain actions on behalf of the trust; authorizing a person 17vested in certain property to institute proceedings to create a trust and to 18 19 appoint a trustee; authorizing a certain trustee to file a motion containing 20 certain elements to terminate the trust and to convey title to a severed mineral 21interest under certain circumstances; requiring the court to enter an order 22requiring the trustee to convey the title to a severed mineral interest to a 23certain party under certain circumstances; requiring the trustee to take certain 24actions if the court issues the order; providing that certain surface owners are entitled to certain proceeds after the conveyance of the severed mineral interest 2526 by the trustee; requiring the court to terminate the trust and discharge the

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.



$1 \\ 2 \\ 3 \\ 4 \\ 5$	<u>trustee after receiving a certain report from the trustee; providing that a certain</u> <u>lease will remain in force and effect following certain events unless it has</u> <u>previously expired by its own terms;</u> defining certain terms; providing for the application of this Act; making the provisions of this Act severable; and generally relating to dormant mineral interests.
$ \begin{array}{c} 6 \\ 7 \\ 8 \\ 9 \\ 10 \\ 11 \end{array} $	BY adding to Article – Environment Section 15–1201 through <u>15–1205</u> <u>15–1206</u> to be under the new subtitle "Subtitle 12. Maryland Dormant Mineral Interests Act" Annotated Code of Maryland (2007 Replacement Volume and 2008 Supplement)
$\begin{array}{c} 12\\ 13 \end{array}$	SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:
14	Article – Environment
15	SUBTITLE 12. MARYLAND DORMANT MINERAL INTERESTS ACT.
16	15–1201.
17 18	(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.
19 20 21 22 23 24	(B) "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 OR ANY KIND OF ROYALTY, PRODUCTION PAYMENT, EXECUTIVE RIGHT, NONEXECUTIVE RIGHT, LEASEHOLD, OR LIEN IN MINERALS, REGARDLESS OF CHARACTER.
25	(C) "MINERAL" INCLUDES:
26	(1) GAS;
27	(2) OIL AND OIL SHALE;
28	(3) COAL;
29	(4) GASEOUS, LIQUID, AND SOLID HYDROCARBONS;
$\begin{array}{c} 30\\ 31 \end{array}$	(5) CEMENT MATERIALS, SAND AND GRAVEL, ROAD MATERIALS, AND BUILDING STONE;
32	(6) CHEMICAL SUBSTANCES;

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1 (7) GEMSTONE, METALLIC, FISSIONABLE, AND NONFISSIONABLE 2 **ORES; AND** 3 COLLOIDAL AND OTHER CLAY, STEAM, AND GEOTHERMAL (8) 4 **RESOURCES.** $\mathbf{5}$ "SEVERED MINERAL INTEREST" MEANS A MINERAL INTEREST THAT **(D)** 6 IS SEVERED FROM THE INTEREST IN THE SURFACE ESTATE OVERLYING THE 7 MINERAL INTEREST. 8 **(E)** "SURFACE ESTATE" MEANS AN INTEREST IN THE ESTATE 9 **OVERLYING A MINERAL INTEREST.** 10 "SURFACE OWNER" MEANS ANY PERSON VESTED WITH A (1) **(F)** 11 WHOLE OR UNDIVIDED FEE SIMPLE INTEREST OR OTHER FREEHOLD INTEREST 12IN THE SURFACE ESTATE. 13 (2) "SURFACE OWNER" DOES NOT INCLUDE THE OWNER OF A 14 RIGHT-OF-WAY, EASEMENT, OR LEASEHOLD ON THE SURFACE ESTATE. 15"UNKNOWN OR MISSING OWNER" MEANS ANY PERSON VESTED (G) (1) 16 WITH A SEVERED MINERAL INTEREST WHOSE PRESENT IDENTITY OR LOCATION 17CANNOT BE DETERMINED FROM THE RECORDS OF THE COUNTY WHERE THE 18 SEVERED MINERAL INTEREST IS LOCATED. 19 (2) "UNKNOWN OR MISSING OWNER" INCLUDES THE HEIRS, 20SUCCESSORS, OR ASSIGNEES OF AN UNKNOWN OR MISSING OWNER. 2115-1202. 22(A) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS 23SUBSECTION, THIS SUBTITLE APPLIES TO ALL MINERAL INTERESTS. 24(2) THIS SUBTITLE DOES NOT APPLY TO A MINERAL INTEREST: 25**(I)** HELD BY THE UNITED STATES OR A NATIVE AMERICAN 26TRIBE, EXCEPT TO THE EXTENT PERMITTED BY FEDERAL LAW; OR 27HELD BY THE STATE OR AN AGENCY OR POLITICAL **(II)** 28SUBDIVISION OF THE STATE, EXCEPT TO THE EXTENT PERMITTED BY STATE 29 LAW. 30 **(B)** THE PURPOSE OF THIS SUBTITLE IS TO MAKE UNIFORM THE LAW 31 GOVERNING DORMANT MINERAL INTERESTS AMONG THE STATES.

1(C) THIS SUBTITLE DOES NOT LIMIT OR AFFECT ANY OTHER2PROCEDURE PROVIDED BY LAW FOR CLEARING AN ABANDONED MINERAL3INTEREST FROM TITLE TO REAL PROPERTY.

4 (D) THIS SUBTITLE DOES NOT LIMIT OR AFFECT WATER RIGHTS.

5 **15–1203.**

6 (A) (1) ON OR AFTER OCTOBER 1, 2011, A SURFACE OWNER OF REAL 7 PROPERTY THAT IS SUBJECT TO A MINERAL INTEREST MAY MAINTAIN AN 8 ACTION TO TERMINATE A DORMANT MINERAL INTEREST.

9 (2) A MINERAL INTEREST IS DORMANT FOR THE PURPOSE OF 10 THIS SUBTITLE IF:

(I) THE MINERAL INTEREST IS UNUSED FOR A PERIOD OF
 20 OR MORE YEARS PRECEDING THE COMMENCEMENT OF TERMINATION OF THE
 MINERAL INTEREST; AND

14(II) NOTICE OF THE MINERAL INTEREST WAS NOT15RECORDED DURING THE PERIOD OF 20 OR MORE YEARS PRECEDING THE16COMMENCEMENT OF TERMINATION OF THE MINERAL INTEREST.

17 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS 18 SUBSECTION, THE FOLLOWING ACTIONS TAKEN BY OR UNDER THE AUTHORITY 19 OF THE OWNER OF A MINERAL INTEREST IN RELATION TO ANY MINERAL THAT IS 20 PART OF THE MINERAL INTEREST SHALL CONSTITUTE USE OF THE ENTIRE 21 MINERAL INTEREST:

(I) ACTIVE MINERAL OPERATIONS ON OR BELOW THE
 SURFACE OF THE REAL PROPERTY OR OTHER PROPERTY UTILIZED OR POOLED
 WITH THE REAL PROPERTY, INCLUDING PRODUCTION, GEOPHYSICAL
 EXPLORATION, EXPLORATORY OR DEVELOPMENTAL DRILLING, MINING,
 EXPLOITATION, AND DEVELOPMENT OF MINERALS;

(II) PAYMENT OF TAXES ON A SEPARATE ASSESSMENT OF
 THE MINERAL INTEREST OR OF A TRANSFER OR SEVERANCE TAX RELATING TO
 THE MINERAL INTEREST, IN ACCORDANCE WITH § 8–229 OF THE
 TAX – PROPERTY ARTICLE;

(III) 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; AND

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1(iv) Recordation of a judgment or decree that2Makes a specific reference to the mineral interest.

3 (2) THE INJECTION OF SUBSTANCES FOR THE PURPOSE OF
 4 DISPOSAL OR STORAGE DOES NOT CONSTITUTE USE OF A MINERAL INTEREST.

5 (C) (1) A SURFACE OWNER OF REAL PROPERTY THAT IS SUBJECT TO 6 A MINERAL INTEREST WHO BRINGS AN ACTION TO TERMINATE A DORMANT 7 MINERAL INTEREST IN ACCORDANCE WITH THIS SECTION SHALL BRING THE 8 ACTION IN THE CIRCUIT COURT OF THE JURISDICTION IN WHICH THE REAL 9 PROPERTY IS LOCATED.

10 (2) A COURT ORDER THAT TERMINATES A MINERAL INTEREST 11 MERGES THE TERMINATED MINERAL INTEREST, INCLUDING EXPRESS AND 12 IMPLIED APPURTENANT SURFACE RIGHTS AND OBLIGATIONS, WITH THE 13 SURFACE ESTATE IN SHARES PROPORTIONATE TO THE OWNERSHIP OF THE 14 SURFACE ESTATE, SUBJECT TO EXISTING LIENS FOR TAXES OR ASSESSMENTS.

15(D) THIS SECTION SHALL APPLY NOTWITHSTANDING ANY PROVISION TO16THE CONTRARY IN:

17 (1) THE INSTRUMENT THAT CREATES, RESERVES, TRANSFERS,
 18 LEASES, DIVIDES, OR OTHERWISE EVIDENCES THE CLAIM TO, OR THE
 19 CONTINUED EXISTENCE OF, THE MINERAL INTEREST; OR

20(2)ANOTHER RECORDED DOCUMENT, UNLESS THE INSTRUMENT21OR OTHER RECORDED DOCUMENT PROVIDES AN EARLIER TERMINATION DATE.

22 **15–1204.**

(A) (1) AN OWNER OF A MINERAL INTEREST MAY RECORD, AT ANY
 TIME, A NOTICE OF INTENT TO PRESERVE THE MINERAL INTEREST OR A PART
 OF A MINERAL INTEREST.

26(2) A MINERAL INTEREST IS PRESERVED IN THE COUNTY IN27WHICH THE NOTICE IS RECORDED.

(B) (1) THE FOLLOWING INDIVIDUALS MAY RECORD A NOTICE IN
 ACCORDANCE WITH SUBSECTION (A) OF THIS SECTION:

30 (I) AN OWNER OF THE MINERAL INTEREST;

31(II)ANOTHER PERSON ACTING ON BEHALF OF THE OWNER32IF THE OWNER:

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1 1. IS DISABLED OR UNABLE TO ASSERT A CLAIM ON 2 THE OWNER'S BEHALF: OR 3 2. **CANNOT BE IDENTIFIED; OR** 4 (III) A CO-OWNER, FOR THE BENEFIT OF ANY OR ALL $\mathbf{5}$ **CO-OWNERS.** 6 (2) A NOTICE RECORDED UNDER SUBSECTION (A) OF THIS 7 SECTION SHALL CONTAIN: 8 **(I)** THE NAME OF THE OWNER OF THE MINERAL INTEREST, 9 OR THE CO-OWNERS OR OTHER PERSONS FOR WHOM THE MINERAL INTEREST IS 10 TO BE PRESERVED; OR 11 **(II)** IF THE IDENTITY OF THE OWNER CANNOT BE 12DETERMINED, INFORMATION THAT STATES THAT THE OWNER CANNOT BE 13 **DETERMINED; AND** 14 (III) AN IDENTIFICATION OF THE MINERAL INTEREST OR 15PART OF THE MINERAL INTEREST TO BE PRESERVED, IN ACCORDANCE WITH 16 SUBSECTION (C) OF THIS SECTION. 17 (C) A MINERAL INTEREST SHALL BE IDENTIFIED BY: 18 (1) A REFERENCE TO THE LOCATION IN THE RECORDS OF THE 19 INSTRUMENT THAT CREATES, RESERVES, OR OTHERWISE EVIDENCES THE 20 **INTEREST:** 21 **(2)** THE JUDGMENT OR DECREE THAT CONFIRMS THE MINERAL 22**INTEREST:** 23(3) A LEGAL DESCRIPTION OF THE MINERAL INTEREST, IF 24ACCOMPANIED BY A REFERENCE TO THE NAME OF THE RECORD OWNER UNDER 25WHOM THE OWNER OF THE MINERAL INTEREST CLAIMS; OR 26 (4) A GENERAL REFERENCE TO ANY OR ALL MINERAL INTERESTS 27OF THE OWNER IN ANY REAL PROPERTY SITUATED IN THE COUNTY, IF: 28**(I)** A PREVIOUSLY RECORDED INSTRUMENT CREATED, 29 **RESERVED, OR OTHERWISE EVIDENCED THE MINERAL INTEREST; OR** 30 **(II)** A JUDGMENT OR DECREE CONFIRMS THE MINERAL 31 **INTEREST.**

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1 **15–1205.**

2 (A) IN THIS SECTION, "LITIGATION EXPENSES" MEANS COSTS AND
 3 EXPENSES THAT THE COURT DETERMINES ARE REASONABLY AND NECESSARILY
 4 INCURRED IN PREPARING FOR AND PROSECUTING AN ACTION, INCLUDING
 5 REASONABLE ATTORNEY'S FEES.

6 (B) IN AN ACTION TO TERMINATE A MINERAL INTEREST IN 7 ACCORDANCE WITH § 15–1203 OF THIS SUBTITLE, THE COURT SHALL PERMIT 8 THE OWNER OF THE MINERAL INTEREST TO RECORD A LATE NOTICE OF INTENT 9 TO PRESERVE THE MINERAL INTEREST AS A CONDITION OF DISMISSAL OF THE 10 ACTION, IF THE OWNER OF THE MINERAL INTEREST PAYS THE LITIGATION 11 EXPENSES INCURRED BY THE SURFACE OWNER OF THE REAL PROPERTY THAT IS 12 SUBJECT TO THE MINERAL INTEREST.

13(c) This section does not apply in an action in which a mineral14interest has been unused in accordance with § 15–1203 of this15subtitle for a period of 40 years or more preceding the16commencement of the action.

17 **<u>15–1206.</u>**

18(A)IF THE TITLE TO A SEVERED MINERAL INTEREST IS VESTED IN AN19UNKNOWN OR MISSING OWNER, THE CIRCUIT COURT OF THE COUNTY WHERE20THE SEVERED MINERAL INTEREST IS LOCATED MAY BY ORDER:

- 21 (1) PLACE THE SEVERED MINERAL INTEREST IN TRUST;
- 22 (2) <u>APPOINT A TRUSTEE FOR THE UNKNOWN OR MISSING OWNER;</u>
- 23(3)ORDER THE TRUSTEE TO CREATE A SEPARATE TRUST BANK24ACCOUNT TO MANAGE ALL TRUST ASSETS;

25 (4) <u>AUTHORIZE THE TRUSTEE TO SELL, EXECUTE, AND DELIVER A</u> 26 <u>VALID LEASE ON THE MINERALS; AND</u>

- 27(5)PLACE CONDITIONS ON THE AUTHORIZATION IN ITEM (4) OF28THIS SUBSECTION.
- 29(B)PROCEEDINGS TO CREATE A TRUST FOR A SEVERED MINERAL30INTEREST AND TO APPOINT A TRUSTEE UNDER SUBSECTION (A) OF THIS31SECTION MAY BE INSTITUTED BY A PERSON VESTED IN:

	8 HOUSE BILL 748
1 2	(1) FEE SIMPLE WITH THE WHOLE OR UNDIVIDED INTEREST IN THE SURFACE ESTATE OR ESTATES;
3	(2) FEE SIMPLE WITH THE WHOLE OR UNDIVIDED INTEREST IN
4 5	MINERAL INTERESTS THAT ARE ADJACENT AND CONTIGUOUS TO THE SEVERED MINERAL INTEREST VESTED IN AN UNKNOWN OR MISSING OWNER; OR
6	(3) A VALID MINERAL LEASE WITH THE WHOLE OR UNDIVIDED
7	INTEREST IN THE INTERESTS SET FORTH IN ITEM (1) OR (2) OF THIS
8	SUBSECTION.
9	(C) (1) IF THE UNKNOWN OR MISSING OWNER OF A VESTED SEVERED
10	MINERAL INTEREST DOES NOT CONTEST A TRUST CREATED UNDER SUBSECTION
11	(A)(1) OF THIS SECTION ON OR BEFORE 5 YEARS AFTER THE DATE THAT THE
$\frac{12}{13}$	COURT ISSUED THE ORDER CREATING THE TRUST, THE TRUSTEE SHALL FILE A
1314	MOTION TO TERMINATE THE TRUST AND TO CONVEY TITLE TO THE SEVERED MINERAL INTEREST TO THE SURFACE OWNERS.
15	(2) THE MOTION IN PARAGRAPH (1) OF THIS SUBSECTION SHALL:
16	(I) NAME AS DEFENDANTS:
17	1. <u>The surface owners; and</u>
18	2. ANY OTHER PERSON WITH A LEGAL INTEREST IN
19	THE SEVERED MINERAL INTEREST, INCLUDING ANY UNKNOWN OR MISSING
20	OWNERS; AND
21	(II) INCLUDE:
22	1. A LEGAL DESCRIPTION OF THE SEVERED
23	MINERAL INTEREST;
24	2. A DESCRIPTION OF THE PUTATIVE PROPERTY
25	INTERESTS OF EACH OF THE PARTIES;
26	3. THE LAST KNOWN ADDRESS OF EACH OF THE
27	PARTIES;
28	4. AN AFFIDAVIT SIGNED BY THE SURFACE OWNERS,
29	AFFIRMING FEE SIMPLE OWNERSHIP OF THE SURFACE ESTATE OR ESTATES,
30	AND REQUESTING THE COURT TO CONVEY TITLE TO THE SEVERED MINERAL
31	INTEREST AT ISSUE; AND

1 5. AN AFFIDAVIT SIGNED BY THE TRUSTEE, $\mathbf{2}$ **AFFIRMING THAT:** 3 AFTER CONDUCTING A SEARCH IN THE COUNTY **A**. 4 WHERE THE SEVERED MINERAL INTEREST IS LOCATED AND PERFORMED IN $\mathbf{5}$ ACCORDANCE WITH GENERALLY ACCEPTED STANDARDS OF TITLE EXAMINATION 6 OF THE LAND RECORDS OF THE COUNTY, RECORDS OF REGISTER OF WILLS OF 7 THE COUNTY, AND RECORDS OF THE CIRCUIT COURT FOR THE COUNTY, THE 8 TRUSTEE CANNOT LOCATE THE UNKNOWN OR MISSING OWNER; AND 9 **B**. THERE IS A PERSON WILLING TO PURCHASE A 10 MINERAL LEASE FOR THE SEVERED MINERAL INTEREST HELD BY THE 11 UNKNOWN OR MISSING OWNER. 12FOLLOWING A MOTION BY THE TRUSTEE MADE UNDER SUBSECTION **(D)** 13 (C) OF THIS SECTION, THE COURT SHALL HOLD A HEARING ON THE MOTION AND 14 ENTER AN ORDER REQUIRING THE TRUSTEE TO CONVEY THE UNKNOWN OR 15**MISSING OWNER'S MINERAL INTEREST TO THE NAMED SURFACE OWNERS IF:** 16 (1) THE UNKNOWN OR MISSING OWNER DOES NOT APPEAR TO 17**CONTEST THE MOTION; AND** 18 THE COURT FINDS THAT THE INDIVIDUALS NAMED IN THE (2) 19 MOTION AS THE SURFACE OWNERS ARE IN FACT THE FEE SIMPLE OWNERS OF 20THE SURFACE ESTATE OR ESTATES. 21**(E)** IF THE COURT ORDERS THE CONVEYANCE IN ACCORDANCE WITH 22SUBSECTION (D) OF THIS SECTION, THE TRUSTEE SHALL: 23(1) CONVEY BY RECORDABLE INSTRUMENT THE UNKNOWN OR 24MISSING OWNER'S SEVERED MINERAL INTEREST TO THE NAMED SURFACE 25**OWNERS:** 26PAY FROM ANY TRUST ACCOUNT ALL REQUIRED TAXES, (2) 27COURT COSTS, EXPENSES, AND FEES, INCLUDING ANY FEE FOR SERVICES TO 28THE TRUSTEE AUTHORIZED BY THE COURT; 29 (3) PAY ANY BALANCE REMAINING IN ANY TRUST ACCOUNT 30 AFTER THE PAYMENTS SET FORTH IN ITEM (2) OF THIS SUBSECTION TO THE 31 NAMED SURFACE OWNERS: 32 (4) **CLOSE ANY TRUST ACCOUNT; AND** 33 (5) MAKE A FINAL REPORT TO THE COURT ACCOUNTING FOR THE 34FINANCIAL TRANSACTIONS OF THE TRUST.

1(F)AFTER THE CONVEYANCE TO THE SURFACE OWNERS IN2ACCORDANCE WITH SUBSECTION (E) OF THIS SECTION, THE SURFACE OWNERS3SHALL BE ENTITLED TO RECEIVE ALL PROCEEDS FROM THE LEASE OF THE4MINERAL INTEREST CONVEYED.

(G) AFTER RECEIVING THE FINAL REPORT OF THE TRUSTEE IN
 ACCORDANCE WITH SUBSECTION (E)(5) OF THIS SECTION, THE COURT SHALL
 ORDER THE TRUST TERMINATED AND THE TRUSTEE DISCHARGED.

8 <u>(H)</u> <u>A LEASE AUTHORIZED BY THE COURT UNDER SUBSECTION (A)(4) OF</u> 9 <u>THIS SECTION SHALL CONTINUE IN FORCE AND EFFECT AFTER THE</u> 10 <u>TERMINATION OF THE TRUST OR THE MERGER OF THE MINERAL INTEREST WITH</u> 11 <u>THE SURFACE ESTATE OR ESTATES UNLESS THE LEASE HAS PREVIOUSLY</u> 12 <u>EXPIRED BY ITS OWN TERMS.</u>

13 SECTION 2. AND BE IT FURTHER ENACTED, That if any provision of this 14 Act or the application thereof to any person or circumstance is held invalid for any 15 reason in a court of competent jurisdiction, the invalidity does not affect other 16 provisions or any other application of this Act which can be given effect without the 17 invalid provision or application, and for this purpose the provisions of this Act are 18 declared severable.

19 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect20 October 1, 2009.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.