

## **BILL ANALYSIS**

Senate Research Center

S.B. 2432  
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Natural Resources  
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As Filed

### **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.

As proposed, S.B. 2432 amends Sections 102.004(a), (c), and (d), Natural Resources Code, to add political a subdivision of this state as an entity exempt from 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 or a political subdivision of this state or in which the State of Texas or a political subdivision of this state has an interest directly or indirectly. 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.