

NATURAL RESOURCES CODE

TITLE 2. PUBLIC DOMAIN

SUBTITLE F. LAND OF POLITICAL SUBDIVISIONS

CHAPTER 71. LEASE FOR MINERAL DEVELOPMENT

SUBCHAPTER A. LEASES BY POLITICAL SUBDIVISIONS

Sec. 71.001. DEFINITION. In this subchapter, "political subdivision" means any body corporate with a recognized and defined area.

Acts 1977, 65th Leg., p. 2504, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.002. AUTHORITY TO LEASE. A political subdivision may lease land owned by it for mineral development, including development of coal and lignite.

Acts 1977, 65th Leg., p. 2504, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.003. GOVERNING BODY TO EXERCISE AUTHORITY. The governing body of the political subdivision which is vested by law with management, control, and supervision of the political subdivision shall exercise the right to lease the land.

Acts 1977, 65th Leg., p. 2504, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.004. NOTICE AND HEARING. Before a lease is made under this subchapter, notice must be given and a public hearing must be held for consideration of bids.

Acts 1977, 65th Leg., p. 2504, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.005. NOTICE OF INTENTION TO LEASE LAND. (a) After the governing body determines that it is advisable to lease land belonging to the political subdivision, it shall give notice of the intention to lease the land.

(b) The notice shall describe the land to be leased and

designate the time and place at which the governing body will receive and consider bids for the lease.

(c) The notice shall be published once a week for three consecutive weeks in a newspaper published in the county and with general circulation in the county.

Acts 1977, 65th Leg., p. 2504, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.006. RECEIVING BIDS AND AWARDING LEASE. On the date specified in the notice, the governing body of the political subdivision shall receive and consider bids submitted for leasing all or part of the land that was advertised for lease, and the governing body may award the lease to the highest and best bidder who submits a bid.

Acts 1977, 65th Leg., p. 2504, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.007. REJECTION OF BIDS AND ADDITIONAL BIDS. If the governing body believes that the bids submitted to it do not represent the fair value of the leases, the governing body may reject the bids, give notice, and call for additional bids.

Acts 1977, 65th Leg., p. 2505, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.008. GRANT OF LEASE. A lease made under this subchapter, including leases for coal and lignite, may be granted by public auction.

Acts 1977, 65th Leg., p. 2505, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.009. ROYALTY. (a) In each lease other than a lease for coal and lignite executed under this subchapter, the lessor shall retain at least a one-eighth royalty.

(b) In a lease for coal and lignite executed under this subchapter, the lessor shall retain at least a royalty based on one of the following or a combination of the following:

- (1) a sum certain per ton;

(2) a percentage certain of the gross sale price F.O.B. at the mine site of the coal and lignite; or

(3) a sum certain for each acre-foot of coal and lignite mined and removed from the premises.

(c) Royalties under a coal and lignite lease may be paid as advanced mineral royalties.

Acts 1977, 65th Leg., p. 2505, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.010. LEASE TERM. (a) No primary term of a lease other than a lease for coal and lignite made under this subchapter may be for a period of more than 10 years from the date of the execution and approval of the lease.

(b) No primary term for a coal and lignite lease made under this subchapter may be for a period of more than 35 years from the date of execution.

Acts 1977, 65th Leg., p. 2505, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER B. POOLING MINERAL LEASES

Sec. 71.051. DEFINITIONS. In this subchapter:

(1) "City or town" means a city or town organized or chartered under the general laws of the state or under a special act or charter.

(2) "Political subdivision" means a body corporate which has a recognized and defined area.

Acts 1977, 65th Leg., p. 2505, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.052. INSERTING POOLING PROVISIONS IN LEASES. A city, town, or political subdivision may insert in an oil and gas lease or in an oil, gas, and mineral lease executed by it a provision authorizing the lessee to pool the lease, the land or minerals included in the lease, or any part of these with any other land, leases, mineral estates, or parts of any of these to form a drilling or spacing unit for the exploration, development, and

production of oil or gas and authorizing the lessee to form the units and accomplish the pooling by written designations filed in the county in which the land is located.

Acts 1977, 65th Leg., p. 2505, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.053. COMPLIANCE WITH GOVERNMENTAL AGENCIES. With respect to land owned by the city or town or other land owned by the political subdivisions, the drilling or spacing units may not be more than the minimum number of acres on which an oil and gas well must be located to comply with the rules or orders of the Railroad Commission of Texas or any other federal or state regulatory body that has authority to control or regulate the spacing of oil and gas wells.

Acts 1977, 65th Leg., p. 2506, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.054. TERMS AND CONDITIONS OF LEASES OF COUNTY SCHOOL LAND. Leases of county school land that are governed by Article VII, Section 6, of the Texas Constitution, may include authorization for the formation of drilling and spacing units on any terms and provisions the commissioners court considers best.

Acts 1977, 65th Leg., p. 2506, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.055. ADDITIONAL TERMS OF LEASES. A lease covered by this subchapter may provide:

(1) that the entire acreage pooled into a unit shall be treated for all purposes except the payment of royalties as if it were included in the lease and drilling or reworking operations and production of oil or gas on any part of the unit shall be considered for all purposes except the payment of royalties as if the operations were on and production were from the land included in the lease whether or not the well or wells are located on the premises included in the lease; and

(2) that instead of the royalties provided in the lease, the lessor shall receive on production from a pooled unit

only the proportion of the royalty provided in the lease as the amount of the lessor's acreage placed in the unit or its royalty interest on an acreage basis bears to the total acreage included in the unit.

Acts 1977, 65th Leg., p. 2506, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.056. AMENDING LEASE. On application of the lessee or present owner of any oil and gas lease or any oil, gas, and mineral lease validly executed before June 4, 1953, by any city, town, or political subdivision, the governing body of the city, town, or political subdivision may amend the lease to include a pooling provision that includes the terms provided in this subchapter.

Acts 1977, 65th Leg., p. 2506, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 71.057. AUTHORITY TO COMMIT ROYALTY INTERESTS. (a) A city, town, or political subdivision without notice may commit, to any agreement that provides for the operation of areas as a unit for the exploration, development, and production of oil or gas, any royalty interests owned by the city, town, or political subdivision in oil or gas.

(b) The agreement may include any terms and provisions that the city, town, or political subdivision considers best and may provide in substance:

(1) that operations incident to drilling a well on any portion of a unit shall be considered for all purposes to be the conduct of the operation on each separately owned tract in the unit by the several owners of the tracts;

(2) that the production allocated to each tract included in a unit shall, when produced, be considered for all purposes to have been produced from the tract by a well drilled on it;

(3) that any lease that covers any part of the area committed to the agreement shall continue in force as long as oil or gas is produced in paying quantities from any part of the unit area;

and

(4) that royalties reserved to the city, town, or political subdivision from any tract or portion of a tract included within the unit shall be paid only on that portion of the production allocated to the tract or on the value of the production allocated according to the agreement.

(c) No agreement may be made by any city, town, or political subdivision which commits the city, town, or political subdivision to the payment of any part of the cost or expense of operating any unit area or any well located on the area.

Acts 1977, 65th Leg., p. 2506, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.