NOTE: This bill has been prepared for the signature of the appropriate legislative officers and the Governor. To determine whether the Governor has signed the bill or taken other action on it, please consult the legislative status sheet, the legislative history, or the Session Laws.



HOUSE BILL 01-1088

BY REPRESENTATIVE(S) Rippy, Larson, Plant, Smith, Snook, Weddig, and White; also SENATOR(S) Dyer (Durango) and Hanna.

CONCERNING NOTIFICATIONS REGARDING SEVERED MINERAL RIGHTS.

Be it enacted by the General Assembly of the State of Colorado:

**SECTION 1.** Article 11 of title 10, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

- **10-11-123. Notification of severed mineral estates.** (1) FOR PURPOSES OF THIS SECTION:
- (a) "MINERAL ESTATE" MEANS A MINERAL INTEREST IN REAL PROPERTY.
- (b) "SEVERED" MEANS THAT THE SURFACE OWNER DOES NOT OWN ALL OR ANY PART OF THE MINERAL ESTATE.
- (c) "Surface estate" means an interest in real property that does not include the full mineral estate as shown by recorded documents that impart constructive notice in the office of the

Capital letters indicate new material added to existing statute; dashes through the words indicate deletions from existing statutes and such material not part of act.

CLERK AND RECORDER OF THE COUNTY IN WHICH THE REAL PROPERTY IS SITUATED.

- (d) "Surface owner" means the owner of the surface estate and any purchaser with rights under a contract to purchase all or part of the surface estate.
- (2) A TITLE INSURANCE AGENT OR TITLE INSURANCE COMPANY SHALL PROVIDE, AS PART OF EACH TITLE COMMITMENT FOR THE ISSUANCE OF AN OWNER'S TITLE INSURANCE POLICY, THE FOLLOWING WRITTEN STATEMENT WHEN IT IS DETERMINED THAT A MINERAL ESTATE HAS BEEN SEVERED FROM THE SURFACE ESTATE:
- (a) That there is recorded evidence that a mineral estate has been severed, leased, or otherwise conveyed from the surface estate and that there is a substantial likelihood that a third party holds some or all interest in oil, gas, other minerals, or geothermal energy in the property; and
- (b) That such mineral estate may include the right to enter and use the property without the surface owner's permission.
- (3) IN DETERMINING COMPLIANCE WITH THIS SECTION, A TITLE INSURANCE AGENT OR TITLE INSURANCE COMPANY MAY RELY ON RECORDED DOCUMENTS THAT IMPART CONSTRUCTIVE NOTICE IN THE OFFICE OF THE CLERK AND RECORDER OF THE COUNTY IN WHICH THE REAL PROPERTY IS SITUATED AND SHALL NOT BE LIABLE FOR ANY ERRORS OR OMISSIONS IN SUCH RECORDS.
- (4) A TITLE INSURANCE COMPANY OR TITLE INSURANCE AGENT MAY RELY ON ANY DOCUMENT PURPORTING TO SEVER MINERAL INTERESTS TO ACT AS NOTICE OF SUCH SEVERANCE WHEN SUCH DOCUMENT IS RECORDED IN THE OFFICE OF THE COUNTY CLERK AND RECORDER IN THE COUNTY IN WHICH THE REAL PROPERTY IS SITUATED.
- (5) A TITLE INSURANCE AGENT OR TITLE INSURANCE COMPANY SHALL BE DEEMED TO BE IN COMPLIANCE WITH THIS SECTION WHEN IT RELIES ON ANY DOCUMENT PURPORTING TO SEVER MINERAL INTERESTS OR TO ACT AS NOTICE OF SUCH SEVERANCE WHEN SUCH DOCUMENT IS RECORDED IN THE OFFICE OF THE COUNTY CLERK AND RECORDER OF THE COUNTY IN WHICH THE REAL PROPERTY IS SITUATED. NO TITLE INSURANCE AGENT OR TITLE

INSURANCE COMPANY SHALL BELIABLE FOR OBLIGATIONS ABOVE, OR FOR AN AMOUNT IN EXCESS OF, THOSE STATED IN THE OWNER'S POLICY OF TITLE INSURANCE ISSUED PURSUANT TO THE COMMITMENT FOR FAILURE TO COMPLY WITH THE PROVISION OF SUBSECTION (2) OF THIS SECTION.

**SECTION 2.** Title 24, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW ARTICLE to read:

## **ARTICLE 65.5 Notification of Surface Development**

24-65.5-101. Legislative declaration - intent. The General assembly recognizes that the surface estate and the mineral estate are separate and distinct interests in real property and that one may be severed from the other. The general assembly further recognizes that if the surface estate and mineral estate are severed, the owners of these estates shall be entitled to the notice specified in section 31-23-215 or 34-60-106 (14), C.R.S. It is the intent of the general assembly that this article provide a streamlined procedure for providing notice to owners of mineral interests concerning impending surface development. Further, it is the intent of the general assembly to include local governments in the notification process without creating additional liabilities for local governments.

**24-65.5-102. Definitions.** AS USED IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

- (1) "APPLICANT" MEANS A PERSON WHO SUBMITS AN APPLICATION FOR DEVELOPMENT TO A LOCAL GOVERNMENT.
- (2) "APPLICATION FOR DEVELOPMENT" MEANS AN APPLICATION FOR A PRELIMINARY OR FINAL PLAT FOR A SUBDIVISION, A PLANNED UNIT DEVELOPMENT, OR ANY OTHER SIMILAR LAND USE DESIGNATION THAT IS USED BY A LOCAL GOVERNMENT. "APPLICATION FOR DEVELOPMENT" INCLUDES APPLICATIONS FOR ZONING, REZONING, GENERAL DEVELOPMENT PLANS, AND SPECIAL USE PERMITS WHERE SUCH APPLICATIONS ARE IN ANTICIPATION OF NEW SURFACE DEVELOPMENT, BUT DOES NOT INCLUDE BUILDING PERMIT APPLICATIONS.

- (3) "LOCAL GOVERNMENT" MEANS A COUNTY; A HOME RULE OR STATUTORY CITY, TOWN, OR CITY AND COUNTY; OR A TERRITORIAL CHARTER CITY.
- (4) "MINERAL ESTATE" MEANS AN INTEREST IN REAL PROPERTY THAT IS LESS THAN FULL FEE TITLE AND THAT INCLUDES MINERAL RIGHTS AS SHOWN BY THE REAL ESTATE RECORDS OF THE COUNTY IN WHICH THE REAL PROPERTY IS SITUATED.
- (5) "MINERAL ESTATE OWNER" MEANS THE OWNER OR LESSEE OF A MINERAL ESTATE UNDERNEATH A SURFACE ESTATE THAT IS SUBJECT TO AN APPLICATION FOR DEVELOPMENT.
- (6) "SURFACE ESTATE" MEANS AN INTEREST IN REAL PROPERTY THAT IS LESS THAN FULL FEE TITLE AND THAT DOES NOT INCLUDE MINERAL RIGHTS AS SHOWN BY THE REAL ESTATE RECORDS OF THE COUNTY IN WHICH THE REAL PROPERTY IS SITUATED.
- (7) "SURFACE OWNER" MEANS THE OWNER OF THE SURFACE ESTATE AND ANY PERSON WITH RIGHTS UNDER A RECORDED CONTRACT TO PURCHASE ALL OR PART OF THE SURFACE ESTATE.
- **24-65.5-103. Notice requirements.** (1) Not less than thirty days before the date scheduled for the initial public hearing by a local government on an application for development, the applicant shall send notice, by first class mail, to:
- (a) THE MINERAL ESTATE OWNER. SUCH NOTICE SHALL CONTAIN THE TIME AND PLACE OF THE INITIAL PUBLIC HEARING, THE NATURE OF THE HEARING, THE LOCATION OF THE PROPERTY THAT IS THE SUBJECT OF THE HEARING, AND THE NAME OF THE APPLICANT.
- (b) THE LOCAL GOVERNMENT CONSIDERING THE APPLICATION FOR DEVELOPMENT. SUCH NOTICE SHALL CONTAIN THE NAME AND ADDRESS OF THE MINERAL ESTATE OWNER.
- (2) (a) THE APPLICANT SHALL IDENTIFY THE MINERAL ESTATE OWNER BY EXAMINING THE RECORDS IN THE OFFICE OF THE COUNTY CLERK AND RECORDER OF THE COUNTY IN WHICH THE REAL PROPERTY IS LOCATED. NOTICE SHALL BE SENT TO THE MINERAL ESTATE OWNER IF THE RECORDS IN THE OFFICE OF THE COUNTY CLERK AND RECORDER ESTABLISH:

- (I) THE IDENTITY OF THE OWNER OF THE MINERAL ESTATE; OR
- (II) THAT AN APPLICABLE REQUEST FOR NOTIFICATION FORM PURSUANT TO SUBSECTION (3) OF THIS SECTION IS OF RECORD; OR
- (III) THAT THE MINERAL ESTATE OWNER HAS RECORDED AN INSTRUMENT SATISFYING ANY APPLICABLE DORMANT MINERAL INTEREST ACT.
- (b) If such records do not identify any mineral estate owners, the applicant shall be deemed to have acted in good faith and shall not be subject to further obligations under this article. The applicant shall not be liable for any errors or omissions in such records.
- (3) A MINERAL ESTATE OWNER OR MINERAL ESTATE OWNER'S AGENT MAY FILE IN THE OFFICE OF THE COUNTY CLERK AND RECORDER OF THE COUNTY IN WHICH THE REAL PROPERTY IS LOCATED A REQUEST FOR NOTIFICATION FORM THAT IDENTIFIES THE MINERAL ESTATE OWNER'S MINERAL ESTATE AND THE CORRESPONDING SURFACE ESTATE BY PARCEL NUMBER AND BY SECTION, TOWNSHIP, AND RANGE NUMBERS. THE CLERK AND RECORDER SHALL FILE REQUEST FOR NOTIFICATION FORMS IN THE REAL ESTATE RECORDS FOR THE COUNTY AND SHALL ALSO KEEP AN INDEX OF REQUEST FOR NOTIFICATION FORMS.
- (4) LOCAL GOVERNMENTS SHALL, AS A CONDITION OF APPROVAL OF AN APPLICATION FOR DEVELOPMENT, REQUIRE THE APPLICANT TO CERTIFY THAT NOTICE HAS BEEN PROVIDED TO THE MINERAL ESTATE OWNER PURSUANT TO SUBSECTION (1) OF THIS SECTION.
- (5) A MINERAL ESTATE OWNER MAY WAIVE THE RIGHT TO NOTICE UNDER THIS SECTION IN WRITING TO THE APPLICANT.
- **24-65.5-104. Enforcement.** (1) MINERAL ESTATE OWNERS ENTITLED TO NOTICE PURSUANT TO SECTION 24-65.5-103 OR 31-23-215, C.R.S., SHALL HAVE STANDING TO ENFORCE THE NOTICE REQUIREMENTS OF THOSE SECTIONS AND, SUBJECT TO THE PROVISIONS OF SUBSECTION (2) OF THIS SECTION, TO MAKE CLAIMS AS MAY BE AVAILABLE AT LAW OR EQUITY FOR NONCOMPLIANCE.
- (2) IF NO MINERAL ESTATE OWNER OR AGENT HAS FILED A REQUEST PAGE 5-HOUSE BILL 01-1088

FOR NOTIFICATION FORM PURSUANT TO SECTION 24-65.5-103 (3), IN DETERMINING THOSE MINERAL ESTATE OWNERS ENTITLED TO NOTICE PURSUANT TO SECTION 24-65.5-103 OR 31-23-215, C.R.S., ANY SURFACE OWNER REQUIRED TO PROVIDE SUCH NOTICE SHALL BE ENTITLED TO RELY ON A LISTING OF SUCH PARTIES PREPARED BY AN ATTORNEY LICENSED TO PRACTICE LAW IN THE STATE OF COLORADO, A TITLE INSURANCE COMPANY LICENSED TO DO BUSINESS IN THE STATE OF COLORADO, OR A TITLE INSURANCE AGENT LICENSED IN SUCH CAPACITY BY THE STATE OF COLORADO. THE PROVISIONS OF ANY LAW TO THE CONTRARY NOTWITHSTANDING, IF A SURFACE OWNER PROVIDES THE REQUIRED NOTICE IN A TIMELY MANNER TO A PARTY NAMED IN SUCH LISTING OR WHOSE IDENTITY IS DISCLOSED IN A REQUEST FILED PURSUANT TO SECTION 24-65.5-103(3) ATTHE ADDRESS OF SUCH PARTY AS THAT ADDRESS APPEARS IN SUCH LISTING, SUCH PARTY SHALL BE DEEMED TO HAVE CONSTRUCTIVELY RECEIVED THE REQUIRED NOTICE, AND THE SURFACE OWNER SHALL BE DEEMED TO HAVE OTHERWISE COMPLIED WITH THE NOTICE REQUIREMENTS OF SECTIONS 24-65.5-103 AND 31-23-215, C.R.S. IN SUCH EVENT, THE SURFACE OWNER SHALL NOT HAVE ANY LIABILITY TO ANY MINERAL ESTATE OWNER OR OTHER PARTY DEEMED TO HAVE CONSTRUCTIVELY RECEIVED SUCH NOTICE FOR ANY LEGAL OR EQUITABLE REMEDY OR RELIEF ARISING FROM, IN CONNECTION WITH, OR OTHER WISE RELATING TO THE APPLICATION FOR DEVELOPMENT, ANY DEVELOPMENT ACTIVITIES COMMENCED ON THE SURFACE OF THE REAL PROPERTY, ANY INABILITY OR IMPEDIMENT OR OTHER HINDRANCE TO DRILLING OPERATIONS OR OTHER DEVELOPMENT OF THE MINERAL ESTATE OR ANY PORTION THEREOF, OR ANY ACTUAL FAILURE TO RECEIVE ANY NOTICE REQUIRED BY SECTION 24-65.5-103 OR 31-23-215, C.R.S., UNLESS:

- (a) PRIOR TO FINAL APPROVAL OF THE APPLICATION FOR DEVELOPMENT BY THE LOCAL GOVERNMENT, A MINERAL ESTATE OWNER PROVIDES WRITTEN NOTICE TO THE SURFACE OWNER AND TO SUCH LOCAL GOVERNMENT SETTING FORTH THE NATURE OF ANY OBJECTION SUCH MINERAL ESTATE OWNER MAY HAVE TO THE APPROVAL OF SUCH DEVELOPMENT APPLICATION, IN WHICH EVENT SUCH MINERAL ESTATE OWNER AND ALL OTHER PARTIES MAY SEEK ANY LEGAL OR EQUITABLE REMEDY OR RELIEF THAT MAY BE AVAILABLE TO SUCH PARTIES; OR
- (b) (I) A MINERAL ESTATE OWNER COMMENCES AN ACTION IN A COURT OF COMPETENT JURISDICTION SEEKING COMPENSATORY MONETARY DAMAGES PRIOR TO THE LATER OF THE FOLLOWING TO OCCUR:

- (A) ONE YEAR AFTER THE FINAL APPROVAL OF THE APPLICATION FOR DEVELOPMENT BY THE LOCAL GOVERNMENT; OR
- (B) SIXTY DAYS AFTER THE EARLIEST TO OCCUR OF THE COMMENCEMENT OF DEVELOPMENT ACTIVITIES WITH HEAVY EQUIPMENT OR THE POSTING OF THE SURFACE OF THE REAL PROPERTY WITH NOTICE THAT THE LOCAL GOVERNMENT HAS GIVEN FINAL APPROVAL OF THE APPLICATION FOR DEVELOPMENT, WHICH POSTING SHALL BE MADE IN THE MANNER THAT WOULD BE REQUIRED BY THE LOCAL GOVERNMENT TO PROVIDE NOTICE OF AN APPLICATION FOR A CHANGE IN ZONING CLASSIFICATION, BUT, IN ALL EVENTS, WHICH POSTING SHALL BE MADE FACING, AND REASONABLY VISIBLE FROM, ALL PUBLIC ROADS ABUTTING THE SURFACE OF THE REAL PROPERTY.
  - (II) SUCH ACTION SHALL ALLEGE, AT A MINIMUM, THAT:
- (A) THE PROVISIONS OF SECTION 24-65.5-103 OR 31-23-215, C.R.S., REQUIRE NOTICE TO HAVE BEEN SENT TO SUCH MINERAL ESTATE OWNER; AND
- (B) The required notice was not sent to such mineral estate owner in compliance with the requirements of section 24-65.5-103 or 31-23-215, C.R.S.
- (III) IF THE MINERAL ESTATE OWNER COMMENCES SUCH AN ACTION IN A COURT OF COMPETENT JURISDICTION ON OR BEFORE THE LAST DAY DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH (b), SUCH MINERAL ESTATE OWNER MAY SEEK TO RECOVER COMPENSATORY MONETARY DAMAGES IN CONNECTION WITH THE FAILURE OF THE SURFACE OWNER TO PROVIDE THE NOTICE REQUIRED BY SECTION 24-65.5-103 OR 31-23-215, C.R.S., BUT SUCH MINERAL ESTATE OWNER SHALL NOT BE ENTITLED TO RECOVER SPECIAL, PUNITIVE, OR OTHER EXTRAORDINARY DAMAGES, NOR SHALL SUCH MINERAL ESTATE OWNER BE ENTITLED TO ANY EQUITABLE REMEDY OR RELIEF. A FINDING BY SUCH COURT THAT THE ALLEGATIONS OF SUCH MINERAL ESTATE OWNER DESCRIBED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH (b) ARE ACCURATE AND MATERIALLY COMPLETE SHALL BE A CONDITION PRECEDENT TO THE RECOVERY OF ANY SUCH COMPENSATORY MONETARY DAMAGES BY SUCH MINERAL ESTATE OWNER.
- (3) If a surface owner certifies to the local government that such surface owner has complied with the notice requirements of section 24-65.5-103 or 31-23-215, C.R.S., and no mineral estate owner has provided the written notice required by

PARAGRAPH (a) OF SUBSECTION (2) OF THIS SECTION TO THE SURFACE OWNER AND TO THE LOCAL GOVERNMENT, NO DEVELOPMENT OR RELATED ACTIVITIES CONTEMPLATED BY THE APPLICATION FOR DEVELOPMENT, NO PERMIT OR OTHER APPROVAL BY SUCH LOCAL GOVERNMENT, AND NO PERMIT OR OTHER APPROVAL BY ANY OTHER LOCAL GOVERNMENT OR AGENCY THAT APPROVES OR PERMITS SUCH DEVELOPMENT OR RELATED ACTIVITIES OR ANY ASPECT THEREOF SHALL, SUBSEQUENT TO THE FINAL APPROVAL OF SUCH APPLICATION, BE RESCINDED, CURTAILED, ABROGATED, OR OTHERWISE RESTRICTED IN CONNECTION WITH ANY PURPORTED NONCOMPLIANCE WITH THE NOTICE REQUIREMENTS OF SECTION 24-65.5-103 OR 31-23-215, C.R.S., THAT MAY BE ALLEGED BY ANY PARTY.

**SECTION 3.** 24-67-107 (4), Colorado Revised Statutes, is amended to read:

24-67-107. Application and construction of article. (4) Nothing in this article shall be construed to waive the requirements for substantial compliance by counties and municipalities with the subdivision requirements of part 1 of article 28 of title 30 and part 2 of article 23 of title 31, C.R.S., respectively, and appropriate regulations promulgated thereunder. Counties and municipalities, including homerule cities, shall comply with the requirements of article 65.5 of this title. Subdivision regulations applicable to planned unit developments may differ from those otherwise applicable. In order to facilitate processing of applications, however, a county or municipality, pursuant to resolution or ordinance, may provide for concurrent or simultaneous processing of planned unit development and subdivision applications.

**SECTION 4.** 30-28-133 (10), Colorado Revised Statutes, is amended to read:

**30-28-133.** Subdivision regulations. (10) It is recognized that surface and mineral estates are separate and distinct interests in land and that one may be severed from the other and that the owners of subsurface mineral interests and their lessees, if any, are entitled to the notice specified in section 31-23-215, C.R.S., AND SECTION 24-65.5-103, C.R.S., and shall be recognized by the commission as having the same rights and privileges as surface owners.

**SECTION 5.** 31-23-215 (1), Colorado Revised Statutes, is amended

to read:

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**31-23-215.** Procedure - legal effect. (1) The commission shall approve or disapprove a plat within thirty days after said plat has been submitted to it; otherwise such plat shall be deemed approved and a certificate to that effect shall be issued by the commission on demand unless the applicant for the commission's approval waives this requirement and consents to an extension of such period. The ground of disapproval of any plat shall be stated upon the records of the commission. Any plat submitted to the commission shall have submitted with it the names and addresses of all surface owners, mineral owners, and lessees of mineral owners to whom notices of a hearing shall be sent as their names may appear upon the plats or records in the county clerk and recorder's office and as their most recent addresses may appear in a telephone or other directory of general use in the area of the property or on the tax records of the municipality or county. No plat shall be acted on by the commission without affording a hearing thereon. Notice of the time and place of such hearing shall be sent to said persons by registered mail not less than five THIRTY days before the date fixed therefor IN ACCORDANCE WITH ARTICLE 65.5 OF TITLE 24, C.R.S.

**SECTION 6.** 34-60-106 (14), Colorado Revised Statutes, is amended to read:

34-60-106. Additional powers of the commission. (14) The commission shall provide a means for giving reasonable advance notice of the commencement of oil and gas operations to the appropriate local government and surface owners whose lands will be affected thereby. BEFORE AN OPERATOR COMMENCES OPERATIONS FOR THE DRILLING OF ANY OIL OR GAS WELL, SUCH OPERATOR SHALL EVIDENCE ITS INTENTION TO CONDUCT SUCH OPERATIONS BY GIVING THE SURFACE OWNER WRITTEN NOTICE DESCRIBING THE EXPECTED DATE OF COMMENCEMENT, THE LOCATION OF THE WELL, AND ANY ASSOCIATED ROADS AND PRODUCTION FACILITIES. UNLESS EXCEPTED BY THE COMMISSION DUE TO EXIGENT CIRCUMSTANCES OR WAIVED BY THE SURFACE OWNER, SUCH NOTICE OF DRILLING SHALL BE MAILED OR DELIVERED TO THE SURFACE OWNER NOT LESS THAN THIRTY DAYS PRIOR TO THE DATE OF ESTIMATED COMMENCEMENT OF OPERATIONS WITH HEAVY EQUIPMENT. THE NOTICE OF DRILLING SHALL ALSO BE PROVIDED TO THE LOCAL GOVERNMENT IN WHOSE JURISDICTION THE WELL IS LOCATED IF SUCH LOCAL GOVERNMENT HAS REGISTERED WITH THE COMMISSION FOR RECEIPT THEREOF.

**SECTION 7. Effective date.** This act shall take effect July 1, 2001.

**SECTION 8. Safety clause.** The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Doug Dean
Stan Matsunaka
SPEAKER OF THE HOUSE
OF REPRESENTATIVES
THE SENATE

Judith Rodrigue
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Karen Goldman
SECRETARY OF
THE SENATE

APPROVED\_\_\_\_\_

Bill Owens
GOVERNOR OF THE STATE OF COLORADO