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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/06/07

SPONSOR Bandy LAST UPDATED \_\_\_\_\_ HB HM 48

SHORT TITLE INFO TO PUBLIC ON EFFECT OF MINERAL LEASES SB \_\_\_\_\_

ANALYST Earnest

### APPROPRIATION (dollars in thousands)

| Appropriation |      | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|------|-------------------------|------------------|
| FY07          | FY08 |                         |                  |
| NFI           | NFI  |                         |                  |
|               |      |                         |                  |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

House Memorial 48 requests the Superintendent of Insurance and the New Mexico Real Estate Commission to study the conflicts arising from the existence of both surface and mineral rights, as well as the disclosure practice of title companies, and adopts measures to inform purchasers of real estate of the existence of mineral leases and the effect of any such lease.

### FISCAL IMPLICATIONS

None identified.

### SIGNIFICANT ISSUES

PRC notes that owners and lessees of mineral rights have common law rights to drill or otherwise gain access to their minerals. Conflicts arise when the owner of the “surface” real estate is either unaware of these “access” rights of mineral owners/lessees or is unaware of the existence and third-party ownership of oil, gas and other minerals beneath the land.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HM 48 is related to HB 925, which would require all title insurance policies issued in New Mexico to include copies of all recorded oil, gas and mineral leases relating to the insured property.

In addition, HB 827 and SB 960 would establish rules for surface access and compensation agreements between surface owners and mineral rights owners.

**OTHER SUBSTANTIVE ISSUES**

PRC reports that the scope of the searches and examinations performed by title companies prior to issuing title insurance policies does not usually include a search of mineral rights. Recorded mineral lease documentation can be extremely voluminous and complex and often involves searching the records of the State Land Office in Santa Fe, the U.S. Bureau of Land Management, and county in which the property is located. Parties that want to know if mineral leases exist on a property normally hire oil and gas “Landmen” and attorneys to perform this search.

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