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- ◆ The PowerPoint and audio for the December "Changes in the Title & Real Estate Industries . . ." webinar is available on our website at [www.stewarttexas.com](http://www.stewarttexas.com).
- ◆ For Escrow Officer Credit please email password and attendees names to [ken.wrider@stewart.com](mailto:ken.wrider@stewart.com) for certificate (Please do this as soon as possible. Certificates will not be produced after the start of our next webinar)
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## Searching and Examining Minerals and the New Texas Mineral Endorsements

Stewart Title Guaranty Company  
Jim Gosdin and  
John F. Rothermel, III

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## Looking Back Over The Nearly 2 Years Of Dealing With Minerals

- ◆ Commissioner's Bulletin #b-0013-08
- ◆ Coverage of Mineral Estate April 2008
- ◆ Essentially this bulletin pointed out that P-5 prohibited general exceptions and that the typical all oil and gas and other minerals exception used in some cases violated the rule.
- ◆ Unfortunately, the bulletin also provided a road map for a class action lawsuit.

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## Looking Back Over The Nearly 2 Years Of Dealing With Minerals

*page 2*

- ◆ STG wrote a letter to the TDI asking for the bulletin to be withdrawn and a hearing held to create a proper rule.
- ◆ TLTA joined this letter and eventually, the Commissioner did withdraw the bulletin.
- ◆ He withdrew the bulletin with the understanding that the interested parties would work on a compromise.

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### Looking Back Over The Nearly 2 Years Of Dealing With Minerals

page 3

- ◆ TLTA held a series of stakeholder meetings where attorneys from the real estate section of the bar complained about the industry practices and were disabused of some of their perceptions about searches and examination of title.
- ◆ This meetings were well attended and at times contentious but ultimately led to a compromise.

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### Looking Back Over The Nearly 2 Years Of Dealing With Minerals

page 4

- ◆ The industry met with TDI staff and the commissioner several times and explained many of the issues.
- ◆ There were at least 2 public hearings and finally the compromise order was issued effective November 1, 2009.
- ◆ Hundreds of hours were expended on this issue by all concerned.
- ◆ All of the controversy caused by the now-infamous Barnett Shale that we have discussed before.

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### Looking Back Over The Nearly 2 Years Of Dealing With Minerals

page 5

- ◆ Work group meeting 5-22-08
- ◆ Public hearing 7-15-08
- ◆ Public meeting 12-16-08
- ◆ Published rules 2-13-09
- ◆ Public hearing 4-23-09
- ◆ 1<sup>st</sup> order 8-12-09
- ◆ Nunc pro tunc final order 9-11-09
- ◆ Effective date 11-1-09

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### Some Of The Issues With The Original Bulletin

- ◆ The original bulletin required that if the title company was willing to insure only with a mineral exception, the contract had to be amended first.
- ◆ There are times when the estate that the parties have agreed to sell and buy is not an estate that the title company is willing to insure. For example the sales contract is for 100% interest in the property. The search and examination of the property reveals that a 1/8th interest is outstanding in an heir of a prior owner. The title company requires that a deed to that 1/8th interest be obtained. The person's whereabouts cannot be easily ascertained, the seller insists upon closing and the buyer is willing to accept a deed for the entire interest and an exception for the 1/8th interest outstanding... Since we are not a party to the contract, we have no way to compel such an amendment. Are we to insure the full interest when we know a partial interest is outstanding?

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### Some Of The Issues With The Original Bulletin

- ◆ Mineral interests are very complex and many times are composed of numerous documents dealing with complex fractional interests. A typical land title examination is unlikely to have the necessary experience to determine, for example, whether a conveyance of a 1/2 interests is of a 1/2 of a 100% interest or only 1/2 of whatever interest the grantor has. See *Duhig v. Peavy Moore Lumber Company*, 144 SW2d 878, Texas Supreme Court, 1940 affirming 119 SW2d 688 and cited in at least 50 time showing the complexity and frequency of the problem. Requiring a title policy to insure a specific mineral estate rather than to simply provide a listing of documents affecting that estate is an invitation to disaster.

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### Some Of The Issues With The Original Bulletin

- ◆ The bulletin could have been read to imply that title companies do not have the right to refuse to insure certain transactions or to insure only with certain exceptions or to make certain requirements. While such an interpretation is likely not intended by the commissioner, and in fact is contrary to the express terms of the policy.

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### Some Of The Issues With The Original Bulletin

- ◆ Misunderstandings as to the intent of a commitment
  - Some attorneys expressed the opinion that they had the right to rely on the commitment for title insurance as a representation that a complete examination of the minerals had been done.
  - Even though the promulgated form states that it is not a title report or opinion of title but rather an offer to insure under certain terms
    - ◆ Final compromise amended this provision to clarify that we don't necessarily insure minerals

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### Some Of The Issues With The Original Bulletin

- ◆ Although not totally persuasive, many title industry members pointed out that title plants only had to cover a 25-year period which was not long enough to cover minerals in lots of counties.
  - Forcing companies to use the courthouse records for such a complex search would compromise the concept of a geographically index title plant in favor of the grantor-grantee system
  - Also dealt with in HB 4338 requiring all plants begin with 1-1-79 (also not old enough but does address the quality of plants over time).

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### Bill To Require Insurance On Minerals Had Other Problems

- ◆ Unclear what constitutes a mineral estate or what value it holds
- ◆ In order to insure something you must be able to define it and value it. In the case of the so-called "minerals" there is no clear definition of what it includes relative to mineral estate. Does it include oil, gas, uranium, water? Assuming you can identify the components of a mineral estate—absent production on nearby properties—there is no practical way to appraise its value for insurance purposes. For this reason, appraisers exclude minerals from their appraisal of home and surface real estate value.

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**Bill To Require Insurance On Minerals Had Other Problems**

- ◆ Rates do not cover the mineral estate
- ◆ Assuming that the Title Insurance Industry could remain in Texas, the new costs associated with this new coverage would dramatically increase the costs of real estate transactions for the consumer. Today's regulated rates are based on an [mostly] objective formula. These rates do not account for the cost of insuring the mineral estate or even determining the status of minerals in all real property transactions. If the Legislature would impose the requirement that purchaser's know the status of the mineral estate then the cost of each transaction would increase by thousands of dollars and delay closings by weeks and months.

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**Jim Gosdin's Testimony At Hearing**

- ◆ Jim Gosdin's testimony:
- ◆ These items were the product of months of dialogue, negotiation, and drafting. They were negotiated with those in the real estate industry, including a number of real estate lawyers, who, in their daily practice or business, were able to convey not only their views on fairness but also their understanding of the needed title insurance coverage and proper expenses for customers in the real estate market. Each item, including the rate proposal for the new endorsements, was determined in the discussions to be a modest, fair and reasonable result. Consequently, the results of the negotiations are Mineral Proposals that provide realistic responses by the title insurance industry: optional use of the proposed promulgated exceptions and exclusions, and required use (if the promulgated exclusion or exception appears in the policy) of endorsements providing protection to the consumer. The exceptions and exclusions, endorsements and rates reflect a balanced product that can facilitate real estate closings, while providing realistic alternatives to the title companies.

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**Jim Gosdin's Testimony At Hearing**

- ◆ New Procedural Rule P-5.1 authorizes an exclusion in Schedule A or an exception in Schedule B to coal, lignite, oil, gas and other minerals, together with the rights, privileges, and immunities relating thereto. If the title company inserts the minerals exclusion or exception, it must, upon request of the insured in the Owner's Policy or the Loan Policy, issue one of the Minerals and Surface Damage Endorsement, as provided in Procedural Rule P-50.1. This new Rule will allow title companies to exclude or except to minerals due to the difficulties of determining such rights, but will also provide the consumer with the option of securing additional coverage concerning surface damage.

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**Jim Gosdin's Testimony At Hearing**

◆ Amended Procedural Rule P-50 recognizes that the Minerals and Surface Damage Endorsements (T-19.2 and T-19.3) are also available to provide coverage as to minerals, as provided in New Procedural Rule P-50.1. Amended Procedural Rule P-50 also authorizes issuance of the Restrictions, Encroachments, Minerals Endorsement – Owner Policy (T-19.1) on residential real property, at the request of the consumer. Formerly, the consumer has not had the option to secure the Endorsement T-19.1 on residential real property, and has had no coverage with respect to excepted minerals. With this amendment, the consumer will have the opportunity for additional coverage that will be issued in the based solely on the decision of the consumer.

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**Jim Gosdin's Testimony At Hearing**

◆ New Procedural Rule P-50.1 requires the title company to issue a Minerals and Surface Damage Endorsement to either the Owner's Policy or Loan Policy at the request of the insured, if the policy includes an exclusion or exception to minerals as provided in Procedural Rule P-5.1. The Minerals and Surface Damage Endorsement (T-19.2) must be issued upon request if the real property is (1) one acre or less and is improved or intended to be improved for one-to-four family residential use, or (2) a tract of any size that is improved or intended to be improved for (a) office, (b) industrial, (c) retail, (d) mixed use retail/residential, or (e) multifamily purposes. The Minerals and Surface Damage Endorsement (T-19.3) must be issued upon request for other real property, such as farming or ranch land if the policy includes and exclusion or exception to minerals pursuant to Procedural Rule P-5.1. Because of this Rule, the consumer will always be able to secure the new coverage as to damage to the surface because of mineral development, unlike in the past where the consumer has not had that option either with an Owner's Policy on residential real property, or in other circumstances where the title company declined to provide coverage. If the title company does not wish to issue the new Endorsements T-19.2 or T-19.3, it may not use the new mineral exclusion or exception set forth in Procedural Rule P-5.1, and must specifically except to mineral reservations or conveyances by reference to a particular instrument.

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**Jim Gosdin's Testimony At Hearing**

◆ New Minerals and Surface Damage Endorsement (T-19.2) provides coverage relating to minerals that is generally broader than the coverage provided by existing Endorsements T-19 and T-19.1. It includes (1) coverage with respect to coal and lignite, which in some circumstances are not considered minerals under Texas law, and (2) coverage with respect to existing and future improvements (excluding lawn, shrubbery, and trees). Both the New Endorsements and the existing Endorsements T-19 and T-19.1 provide coverage as to minerals excepted in Schedule B or excluded (from the description) in Schedule A. If the title company is unwilling to issue the New Minerals and Surface Damage Endorsement (T-19.2) where applicable, it may not include in its policy the mineral exception or exclusion set forth in New Procedural Rule P-5.1.

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### Jim Gosdin's Testimony At Hearing

- ◆ New Minerals and Surface Damage Endorsement (T-19.3) also provides coverage relating to minerals that is generally not available if the title company is unwilling to provide the coverage in the Endorsements T-19 or T-19.1. It includes (1) coverage with respect to coal and lignite, which in some circumstances are not considered minerals under Texas law, and (2) coverage with respect to existing and future permanent buildings. Both the New Endorsements and the existing Endorsements T-19 and T-19.1 provide coverage as to minerals excepted in Schedule B or excluded (from the description) in Schedule A. If the title company is unwilling to issue the New Minerals and Surface Damage Endorsement (T-19.3) where applicable, it may not include in its policy the mineral exception or exclusion set forth in New Procedural Rule P-5.1

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### Jim Gosdin's Testimony At Hearing

- ◆ The coverage of the respective endorsements is as follows:
- ◆ Endorsement T-19: "Damage to improvements, including lawns, shrubbery, or trees, located on the Land on or after Date of Policy resulting from the future exercise of any right to use the surface of the Land for the extraction or development of minerals excepted from the description of the Land or excepted in Schedule B."
- ◆ Endorsement T-19.1: "Damage to improvements (excluding lawns, shrubbery, or trees) located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of minerals excepted from the description of the Land or excepted in Schedule B."
- ◆ New Endorsement T-19.2: "[D]amage to improvements (excluding lawns, shrubbery, or trees) located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of coal, lignite, oil, gas or other minerals excepted or excluded on Schedule A, Item 2 or excepted in Schedule B. This endorsement does not insure against loss resulting from subsidence."
- ◆ New Endorsement T-19.3: "[D]amage to permanent buildings located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of coal, lignite, oil, gas or other minerals excepted or excluded on Schedule A, Item 2 or excepted in Schedule B. This endorsement does not insure against loss resulting from subsidence."

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### FAQs

- ◆ Q: Which is the correct interpretation of P5: We only will take the exception for minerals on Schedule A or B when the lender or owner is requesting the T19. 2 or T19.3 endorsements or do we always have the exception on Schedule A or B but just don't charge unless requested?
- ◆ A: The idea is that if there is any indication that minerals have been excepted, a lease or mineral reservation for example, you take exception to that document, take the general exception and then give T-19.2 or T-19.3 upon request.

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**FAQs**

- ◆ Q: Does Stewart have a preference for their agents to either except to on A or B?
- ◆ A: We like both. No firm preference
  
- ◆ Q: If we issue the T19.2 or T19.3 do we need to require a survey?
- ◆ A: No
  
- ◆ Q: If the owner does not want the endorsements, should we have them sign something (Rejection Form)?
- ◆ A: This depends on how you are handling the T-19.2&.3. Some people are going to default and charge the customer for the extra coverage and let them opt out. Others are going to wait for the customer to opt in. Since the disclosure in the commitment provides the information telling the proposed insured to ask about mineral coverage, unless you are forcing them to opt out, the rejection form is really not needed. It is a business decision for you which way you go and whether you want to protect yourself by using a rejection form.

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**FAQs**

- ◆ Q: Is the original T-19 still 5% like before except that if the calculated amount falls below \$50.00 then it is \$50.00?
- ◆ A: There have been no changes in the rate for the T-19. The minimum premium for the T-19 is \$50.00.

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**FAQs**

- ◆ Q: Has Stewart assigned this Rate Rule a temporary "stat" code for the T-19.2 and T-19.3 until TDI issues codes? The TDI has issued stat codes for the T-19 series of endorsements:
- ◆ **Description of Endorse Rate Rule Reference Code**  
Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for a single issue policy on land which is residential property and no amendment of exception to area and boundaries is made R-29C (new) 897
  
- Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for single issue policy on land which is residential and an amendment of exception to area and boundaries is made R-29C (new)898
  
- Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for a single issue policy on land which is not residential property and no amendment of exception to area and boundaries is made R-29D (was R-29C)889

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### FAQs

- ◆ Restrictions, Encroachments, Minerals Endorsement - Owner's Policy (T-19.1) for a single issue policy on land which is not residential property and an amendment of exception to area and boundaries is made R-29D (was R-29C) 895
- ◆ Minerals and Surface Damage Endorsement (T-19.2) for Owner's Policy on land which is for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes R-29.1801
- ◆ Minerals and Surface Damage Endorsement (T-19.2) for Loan Policy on land which is for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes R-29.1802
- ◆ Minerals and Surface Damage Endorsement (T-19.3) for Owner's Policy on land which is not for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes R-29.1803
- ◆ Minerals and Surface Damage Endorsement (T-19.3) for Loan Policy on land which is not for one-to-four family residential use of less than one acre or office, industrial, retail, mixed use retail/residential or multifamily purposes R-29.1804

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### FAQs

- ◆ Q: I've conducted a sovereignty search on 6 acres. My normal procedure would be to include a general exception on Schedule B and items shown above would be shown as exceptions. Also, I'd include that paragraph 4 on the T-19 would be deleted. Let me just say here that it is our practice to include a general mineral exception on all rural acreage tracts regardless of size. So, do I still issue a T-19 deleting paragraph 4 and then issue a 19.3?
- ◆ A: Yes.
- ◆ Q: Do you consider coal and uranium leases to be in a different category than oil and gas leases? Are you really willing for those leases to be excepted to (or not excepted to) in conjunction with the P-5.1 general exception, resulting in a possible mandatory T-19.2 or T-19.3 insuring against destruction of a present or future house by open-pit mining?
- ◆ A: Such leases are different and we will not give the option of T-19.2 or T-19.3 in such cases. Especially if there actually are such leases outstanding (which should be in the last 30-40 years and definitely would not give such coverage on acreage property, since the existence of such lease could lead to destruction of improvements. So unless there was some limit on surface use in the lease, or unless we had good evidence that the lease had terminated, we would decline to give T-19.2 or T-19.3 coverage. We would also decline to provide coverage in a T-19 or T-19.1 where there are such leases, since coal and lignite can be a mineral depending on the facts (whether near surface).

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### Why Is This Such An Issue At Times?

price/barrel	prod/well	daily income	Monthly inc	difference	yrly income	difference
\$20	6.12	\$122	\$3,672		\$44,064	
\$60	6.12	\$367	\$11,016	\$7,344	\$132,192	\$88,128
\$80	6.12	\$490	\$14,688	\$11,016	\$176,256	\$132,192
\$101	6.12	\$618	\$18,544	\$14,872	\$222,523	\$178,459
\$120	6.12	\$734	\$22,032	\$18,360	\$264,384	\$220,320
\$141	6.12	\$863	\$25,888	\$22,216	\$310,651	\$266,587

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### Are General Exceptions Really A Major Problem?

- ◆ Probably not. We did a study of a statistically meaningful group of 1034 policies and found the following results:
  - 422 special exceptions (41%)
  - 349 no mineral exceptions (34%)
  - 134 general exceptions (13%)
  - 129 both general and special (12%)

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### Stewart Bulletin Tx-200905

- ◆ **Commitment**
- ◆ The Title Information Sheet on the Commitment has been revised to add the following language:
- ◆ The Policy is not an abstract of title nor does a Company have an obligation to determine the ownership of any mineral interest.
- ◆ ---MINERALS AND MINERAL RIGHTS may not be covered by the Policy. The Company may be unwilling to insure title unless there is an exclusion or an exception as to Minerals and Mineral Rights in the Policy. Optional endorsements insuring certain risks, including minerals and the use of improvements (excluding lawns, shrubbery and trees) and permanent buildings may be available for purchase.
- ◆ This amendment addresses concerns expressed by customers that they were not aware that minerals were not routinely insured.
- ◆ **What you need to do:**
- ◆ Commitment forms are being revised and you need to do nothing special in this regard.

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### Stewart Bulletin Tx-200905

- ◆ **Exception or Exclusion Regarding Minerals**
- ◆ Procedural Rule P-5, prohibiting general exceptions, has been left intact. A new Procedural Rule P-5.1 has been promulgated. This rule defines minerals as meaning coal, lignite, oil, gas and other minerals in, under and that may be produced from the Land, together with all rights, privileges, and immunities relating thereto. It restates the notice from the coverage statement that the policy is not an abstract of title nor does the company have a duty to search for mineral ownership.
- ◆ The rule then provides that Company may take an exception for minerals using the following language:
- ◆ On Schedule A:
  - ◆ Subject to and the Company does not insure title to, and excepts from the description of the Land, coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto;
  - ◆ Or
  - ◆ On Schedule B:
  - ◆ "All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records whether listed in Schedule B or not. There may be leases, grants, exceptions or reservations of mineral interest that are not listed."

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**Stewart Bulletin Tx-200905**

- ◆ **What you need to do:**
- ◆ You are not required to do a complete search for minerals. We advise you that when you encounter a document that appears to reserve, convey or affect minerals or provide evidence that a document exists that affects the mineral estate, you should use this exception. You do not have to identify the exact recorded document or whether there is a recorded document. The reference to a document is sufficient. We believe that you may use either the Schedule A or Schedule B language or you may use both. In any event, if you use either or both exceptions, you **must** issue one or more of the applicable endorsements (T-19.2 or T-19.3) as provided in Procedural Rule P-5.1. Since you will have taken exception to minerals, the estate being insured can remain "fee simple" or whatever estate you are insuring. If you are asked to specify the mineral estate and can reasonably do so with your title plant supplemented by the courthouse records, it is not sufficient to do a 60-year search (or whatever time period is appropriate in your county due to mineral activity in the past) and ignore possibility of state ownership of some minerals or royalty interest.

*(Continued on next slide)*

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**Stewart Bulletin Tx-200905**

- ◆ **Exception or Exclusion regarding minerals** *(continued)*
- ◆ Unless you have already searched the mineral title in the past, you will need to go back to the patent or otherwise be satisfied that either the patent is pre- 9/1/1895 or that you have verified whether minerals were reserved. As to patents before September 1, 1895, the state does not own the minerals. As to patents between September 1, 1895 and August 21, 1931, the examiner should look at the patent and secure a Certificate of Classification or Certificate of Facts from the General Land Office to determine whether the land was formally classified as mineral land (for example, all public free school land sold since 1919 was classified as mineral land); if the land was formally classified as mineral, an exception must be made to all of the minerals retained by the state, regardless of whether a reservation appears in the patent. As to patents after August 21, 1931, the examiner may rely upon a review of the patent to determine the mineral and/or royalty interest retained by the state (generally land subsequently sold after August 21, 1931 and until September 1, 1983 reserved a 1/16th free royalty, and land sold subsequently by the state reserved no less than a 1/16th free royalty). ( For more information on state ownership of minerals please see section of Virtual Underwriter [vuwriter.com] or the article posted on stewarttexas.com).

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**Stewart Bulletin Tx-200905**

- ◆ **P-50A is the revised rule dealing with T-19 and T-19.1.** It requires that coverages regarding minerals may be insured by the use of the new T-19.2 or T-19.3 as provided in P-50.1 (discussed in the next section).

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**Stewart Bulletin Tx-200905**

- ◆ **P-50.1 Minerals and Surface Damage Endorsement (T-19.2), and Minerals and Surface Damage Endorsement (T-19.3)**
- ◆ The T-19.2 and T-19.3 Endorsements are required or available only when Minerals and Surface Damage coverage is not provided to the insured by issuance of a T-19 or T-19.1 Endorsement, as provided in P-50.
- ◆ Any insured matter covered in the Minerals and Surface Damage Endorsement T-19.2 or T-19.3 may be insured only by the use of these endorsements, except that coverage regarding minerals may be insured by the use of the T-19 or T-19.1 endorsements as provided in P-50.
- ◆ When the policy includes an exception regarding minerals as provided in Procedural Rule P-5.1.
- ◆ 1. As to real property of one acre or less improved or intended to be improved for one-to-four family residential use, upon request of the Insured the Company **must** issue its Minerals and Surface Damage Endorsement (T-19.2) to an Owner's or Loan policy
- ◆ 2. As to real property improved or intended to be improved for office, industrial, retail, or multifamily residential, or multifamily purposes upon request of the Insured the Company **must** issue its Minerals and Surface Damage Endorsement (T-19.2) to an Owner's or Loan policy
- ◆ 3. As to other real property, upon request of the Insured the Company **must** issue its Minerals and Surface Damage Endorsement (T-19.3) to an Owner's or Loan Policy .
- ◆ As to an Owner's or Loan Policy covering multiple parcels of real property that consist of a combination of real property described in paragraphs 1, 2, and 3, upon request of the Insured the company **must** issue for each parcel the applicable Minerals and Surface Damage Endorsement (T-19.2 or T-19.3) to an Owner's or Loan Policy. The adopted form provides for Parcel numbers.

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**Stewart Bulletin Tx-200905**

- ◆ **What you need to do**
- ◆ If you have determined to use the mineral exception discussed above on page 1, you must provide either the T-19.2 or T-19.3 endorsement depending on the type of property being insured. All residential property containing 1 acre or less which is or is intended to be 1-4 family residential property must have the T-19.2 endorsement. All commercial or mixed use property must use the T-19.2. All other property must use the T-19.3. If the policy covers tracts some with minerals and some without, you must issue the applicable T-19.2 or T-19.3 on the affected tracts. "Other property" could include farm and ranch land, access easements, conservation easements, and similar rights. If you have questions, please call a Texas underwriter.
- ◆ In determining the intended use of property, we believe that an affidavit from the proposed insured is sufficient to comply with the rule.

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**Stewart Bulletin Tx-200905**

- ◆ **R-29.1 Premium for Minerals and Surface Damage Endorsement (T-19.2), and Minerals and Surface Damage Endorsement (T-19.3)**
- ◆ A. When the Minerals and Surface Damage Endorsement (T-19.2) is issued in accordance with Rule P-50.1., the premium shall be \$50.00.
- ◆ When the Minerals and Surface Damage Endorsement (T-19.3) is issued in accordance with Rule P-50.1, the premium shall be \$50.00.
- ◆ **What you need to do**
- ◆ R-29.1 is a new rule dealing with just the new T-19.2 and T-19.3 endorsements. Once you have determined the existence of some mineral reference and the appropriate endorsement, the premium for either of the new endorsements is \$50.00. If there are multiple tracts, each tract bears a separate endorsement.

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### Why Is Searching Mineral So Difficult?

- ◆ Oil and gas production began in Texas as early as 1866 and then, depending on the area, in the 1930s and 1940s.
- ◆ Mineral reservations are often contained in old instruments (*see next slide*).
- ◆ Mineral reservations are often in fractions that get very small ( $1/2 \times 1/4 \times 1/16 \times 1/8 = .002604687\%$ )

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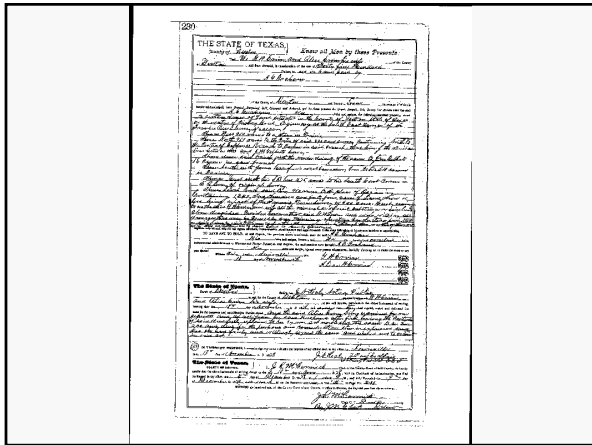
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### Why Is Searching Mineral So Difficult?

- ◆ Severed minerals constitute a separate estate that can be conveyed separate from the surface
- ◆ What is surface? When was the severance?
- ◆ Mineral law evolved separately from surface law.
- ◆ Foreigners don't understand Texas.

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