

SCOMM

#9:141

and carried into effect from time to time which may be necessary to prevent the loss of, or damage to, the property donated, or an abuse or neglect of the trust so as to defeat, materially change, or prevent the objects of the donation.

(h) Copies of the donation shall be filed with the board or the branch to which the donation applies; and the board shall report the condition and management of the property and the manner in which the trust is being administered as part of the matters reported pertaining to the institution.

[Acts 1971, 62nd Leg., p. 3146, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971; Acts 1973, 63rd Leg., p. 1577, ch. 568, § 1, eff. Aug. 27, 1973.]

§ 65.37. Funds Received for Trust Services

The board may deposit in an appropriate university account all funds received as administrative fees or charges for services rendered in the management and administration of any trust estate under the control of the university system or any institution of the system. The funds so received as administrative fees or charges may be expended by the board for any educational purpose of the university system. [Acts 1971, 62nd Leg., p. 3147, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 65.38. Nonsectarian

No religious qualification shall be required for admission to any office or privilege in the university system. No course of instruction of a sectarian character shall be taught in the system. [Acts 1971, 62nd Leg., p. 3147, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 65.39. Management of Lands other than Permanent University Fund Lands

The board of regents of The University of Texas System has the sole and exclusive management and control of the lands set aside and appropriated to, or acquired by, The University of Texas System. The board may sell, lease, and otherwise manage, control, and use the lands in any manner and at prices and under terms and conditions the board deems best for the interest of The University of Texas System, not in conflict with the constitution. However, the land shall not be sold at a price less per acre than that at which the same class of other public land may be sold under the statutes. No grazing lease shall be made for a period of more than 10 years. [Acts 1971, 62nd Leg., p. 3147, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 65.40. Environmental Science Park

(a) The board is hereby authorized to establish, maintain, and support an environmental science park in Bastrop County, Texas, on lands owned or controlled by it, the administration and business management of which shall be delegated to The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston.¹

(b) The board shall have authority to cooperate with agencies, institutions, instrumentalities, and subdivisions of this state, other states, and the federal government; and with private institutes, institutions, foundations, and organizations, in the furtherance of this section, and the promotion of educational and environmental science programs.

(c) The board is specifically authorized upon terms and conditions acceptable to it, to accept and administer, gifts, grants, or donations, of any kind, from any source, to aid in the establishment, operation, maintenance, or administration of the environmental science park.

[Acts 1971, 62nd Leg., p. 3336, ch. 1024, art. 2, § 2, eff. Sept. 1, 1971.]

¹ See § 72.101 et seq.

CHAPTER 66. PERMANENT UNIVERSITY FUND

SUBCHAPTER A. COMPOSITION, INVESTMENT, AND USE

Section

- 66.01. Permanent University Fund.
- 66.02. Available University Fund.
- 66.03. Apportionment and Use of Available Fund.
- 66.04. Validity of Bonds Purchased by Board.
- 66.05. Reports.

SUBCHAPTER B. PERMANENT UNIVERSITY FUND BONDS AND NOTES

- 66.21. Registration.
- 66.22. Refunding Bonds and Notes.
- 66.23. Refunding Bonds and Notes: Approval; Registration.
- 66.24. Authorized Investments; Security for Deposits.
- 66.25. Tax Exempt.

SUBCHAPTER C. MANAGEMENT OF UNIVERSITY LANDS

- 66.41. Management of University Lands.
- 66.42. Duty of Land Commissioner.
- 66.43. University Lands: Surveys; Personnel.
- 66.44. Management of Minerals Other than Oil and Gas.

SUBCHAPTER D. BOARD FOR LEASE OF UNIVERSITY LANDS

- 66.61. Definition.
- 66.62. Board for Lease.
- 66.63. Oil and Gas Subject to Sale.
- 66.64. Placing Oil and Gas on Market; Public Auction; Advancement.
- 66.65. Royalty; Bonus; Annual Rental; Special Fee.
- 66.66. Withdrawal of Lands Before Bids Received.
- 66.67. Award of Lease.
- 66.68. Provisions of Lease.
- 66.69. Lease: Additional Provisions.
- 66.70. Compensatory Royalties in Lieu of Offset Wells.
- 66.71. Prorated or Reduced Production Contracts.
- 66.72. Extension of Producing Lease.
- 66.73. Assignment; Relinquishment.
- 66.74. Royalty Payments; Inspection of Records.
- 66.75. Protection from Drainage.
- 66.76. Forfeiture; Other Remedies; Lien.
- 66.77. Filing of Records.
- 66.78. Payments; Disposition.
- 66.79. Forms; Contracts; Regulations.
- 66.80. Expenses of Executing this Subchapter.

SUBCHAPTER A. COMPOSITION, INVESTMENT, AND USE

§ 66.01. Permanent University Fund

The composition, investment, purposes, and use of the permanent university fund are governed by Article VII, Sections 10, 11, 11a, 15, and 18, of the Texas Constitution.

[Acts 1971, 62nd Leg., p. 3149, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.02. Available University Fund

The dividends, interest, and other income from the permanent university fund shall constitute the available university fund.

able university fund. All income derived from the permanent university fund shall be deposited in the State Treasury to the credit of the available university fund within five days after receipt by any state officer, agent, or employee.

[Acts 1971, 62nd Leg., p. 3149, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.03. Apportionment and Use of Available Fund

(a) The reference in Article VII, Section 18 of the Texas Constitution, to "Chapter 42 of the Acts of the Regular Session of the 42nd Legislature of the State of Texas" shall be construed to mean this section.

(b) The board of regents of The University of Texas System shall expend as much of the available university fund as is appropriated by the legislature for the administration of the university lands and of the permanent university fund, the expenses to be apportioned between the two systems in proportion to their receipts of available university funds under the terms of this section.

(c) The board of directors of The Texas A&M University System shall expend one-third of all the available university fund received from the permanent university fund arising from the 1,000,000 acres of land appropriated by the constitution and the land appropriated by the Act of 1883, except income from grazing leases on university lands (less its proportion of expenses of administration and excluding any expenses of administration from grazing leases); and the board of regents of The University of Texas System shall expend the balance of the available fund, including all the income from grazing leases on university lands (less its proportion of expenses of administration).

[Acts 1971, 62nd Leg., p. 3149, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.04. Validity of Bonds Purchased by Board

Whenever the board has purchased the bonds of any city, county, or municipality, approved by the attorney general, the certificate of the attorney general attesting their validity shall be admitted and received as prima facie evidence of the validity of the bonds; and in all cases in which the proceeds of the sale of these bonds have been received by the proper officers of the city, municipality, or county, or by the party acting for them in negotiating the sale of the bonds, the city, municipality, or county is thereafter estopped from denying the validity of the bonds and they shall be held to be valid and binding obligations. In the case of any bonds bought under this section, premium or discount shall be distributed over the life of the bonds.

[Acts 1971, 62nd Leg., p. 3149, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.05. Reports

(a) Before December 1 of each year the board of regents of The University of Texas System shall prepare a written report disclosing all details concerning the investments made and income realized from the permanent university fund during the year ending August 31 preceding the publication of the report.

(b) The report shall contain a summary of all investments and an itemized list of all securities held

for the fund on August 31, a summary of investment changes during the preceding year, and a summary of all income realized from the various components of the fund. The report shall also contain any other information needed to clearly indicate the nature and extent of investments made of the fund and all income realized from the components of the fund.

(c) The report shall be distributed to the governor, state treasurer, state comptroller of public accounts, state auditor, attorney general, commissioner of higher education, and to the members of the legislature by the 1st day of January each year. The board shall furnish copies of the report to any interested person on request.

[Acts 1971, 62nd Leg., p. 3347, ch. 1024, art. 2, § 20, eff. Sept. 1, 1971.]

[Sections 66.06 to 66.20 reserved for expansion]

SUBCHAPTER B. PERMANENT UNIVERSITY FUND BONDS AND NOTES

§ 66.21. Registration

All bonds and notes issued pursuant to the provisions of Article VII, Section 18, of the Texas Constitution, as originally adopted or as amended, shall be registered by the comptroller of public accounts after they have been approved by the attorney general.

[Acts 1971, 62nd Leg., p. 3150, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.22. Refunding Bonds and Notes

Any bonds or notes issued pursuant to the constitutional provisions described in Section 66.21 of this code, or issued pursuant to this subchapter, may be refunded by the governing board which issued the bonds or notes, upon such terms and conditions, including interest rates and maturities, as may be determined by that board, provided that such terms and conditions shall not be inconsistent with the applicable constitutional provisions. Any such bonds or notes may be so refunded by the issuance of refunding bonds or notes, either to be exchanged for the bonds or notes being refunded and cancelled, or to be sold, with the proceeds to be used for the redemption and cancellation of the bonds or notes being refunded.

[Acts 1971, 62nd Leg., p. 3150, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.23. Refunding Bonds and Notes: Approval; Registration

All refunding bonds or notes authorized to be issued under this subchapter and the records relating to their issuance, including any proceedings relating to the redemption of any outstanding bonds or notes, shall be submitted to the attorney general for examination, and if he finds that they have been issued in accordance with law, he shall approve them, and then they shall be registered by the comptroller of public accounts, and after such approval and registration they shall be incontestable. When any such refunding bonds or notes are issued to be exchanged for any outstanding bonds or notes, the comptroller of public accounts shall register and deliver such refunding bonds on surrender for cancellation of the bonds or notes being refunded. When any such refunding bonds or notes are sold, with the proceeds to be used for redeeming any outstanding bonds or notes, the comptroller of public accounts shall regis-

ter such refunding bonds or notes, even though the bonds or notes to be redeemed shall not have been surrendered for redemption or cancellation.
[Acts 1971, 62nd Leg., p. 3150, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.24. Authorized Investments; Security for Deposits

All bonds and notes, whether original or refunding, issued pursuant to the constitutional provisions or issued pursuant to this subchapter, shall be fully negotiable instruments, and all bonds and notes are declared to be legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and for the sinking funds of cities, towns, villages, counties, school districts, and all other political corporations or subdivisions of the State of Texas; and the bonds and notes shall be eligible to secure the deposit of any and all public funds of the State of Texas, and any and all public funds of cities, towns, villages, counties, school districts, and all other political corporations or subdivisions of the State of Texas; and the bonds and notes shall be lawful and sufficient security for those deposits to the extent of their par value when accompanied by all unmatured coupons appurtenant to them.

[Acts 1971, 62nd Leg., p. 3150, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.25. Tax Exempt

The carrying out of the purposes of the constitutional provisions and of this subchapter will be performing an essential public function under the constitution, and all bonds and notes, whether original or refunding, heretofore or hereafter issued pursuant to the constitutional provisions or this subchapter, and their transfer and the income from them, including the profits made on their sale, shall at all times be free from taxation of this state.

[Acts 1971, 62nd Leg., p. 3151, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

[Sections 66.26 to 66.40 reserved for expansion.]

SUBCHAPTER C. MANAGEMENT OF UNIVERSITY LANDS

§ 66.41. Management of University Lands

The board of regents of The University of Texas System has the sole and exclusive management and control of the lands set aside and appropriated to, or acquired by, the permanent university fund. The board may sell, lease, and otherwise manage, control, and use the lands in any manner and at prices and under terms and conditions the board deems best for the interest of the permanent university fund, not in conflict with the constitution. However, the land shall not be sold at a price less per acre than that at which the same class of other public land may be sold under the statutes. No grazing lease shall be made for a period of more than 10 years.

[Acts 1971, 62nd Leg., p. 3151, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.42. Duty of Land Commissioner

The commissioner of the general land office shall:

- (1) furnish to the board of regents complete and accurate maps and all other data necessary

to show the location and condition of every tract of the university lands;

- (2) furnish to the board any additional information it may require; and

- (3) render to the board any possible assistance it may request in the discharge of its duties under this chapter.

[Acts 1971, 62nd Leg., p. 3151, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.43. University Lands; Surveys; Personnel

(a) The board of regents shall cause to be done such surveying or resurveying of the blocks and subdivisions of the university lands as may be necessary to enable the lines of the blocks and sections and fractional sections to be determined and identified and have such corners as may be necessary to that end permanently marked. When it is impracticable to establish such lines and corners as originally surveyed, or when such sections have not been actually surveyed on the ground, the blocks shall be surveyed or resurveyed and divided into surveys of sections and fractional sections, and as many corners thereof as may be necessary for the identification shall be permanently marked. The surveyors to do such surveying shall be employed by the board. The field notes of such surveys shall be returned to the general land office, and when correct and in accordance with law shall be approved by the commissioner of the general land office, filed in the general land office, and become archives therein.

(b) The board of regents may employ and compensate personnel the board deems necessary in connection with performance of any duties under this section or under Subchapter D of this chapter.

[Acts 1971, 62nd Leg., p. 3151, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

¹ Section 66.61 et seq.

§ 66.44. Management of Minerals Other than Oil and Gas

The board of regents has the sole and exclusive management and control of all minerals, other than oil and gas, in lands set aside and appropriated to, or acquired by, the permanent university fund. The board may sell, lease, and otherwise manage and control the minerals, other than oil and gas, in these lands as may seem best to it for the interests of the permanent university fund. The board may also explore and have explored and developed the minerals and may make any contract or contracts with any person, association of persons, firm, or corporation for the exploration, development, mining, production, disposition, and sale of the minerals in these lands.

[Acts 1971, 62nd Leg., p. 3152, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

[Sections 66.45 to 66.60 reserved for expansion.]

SUBCHAPTER D. BOARD FOR LEASE OF UNIVERSITY LANDS

§ 66.61. Definition

As used in this subchapter, "board" means the Board for Lease of University Lands.

[Acts 1971, 62nd Leg., p. 3152, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.62. Board for Lease

(a) The Board for Lease of University Lands is composed of the commissioner of the general land office and two members of the board of regents selected by the board of regents. In the event that a regent member of the Board for Lease of University Lands is unable to attend any meeting of that board, the chairman of the board of regents shall appoint another member of the board of regents as a substitute member of the Board for Lease of University Lands to attend the meeting that the regular regent member is unable to attend. The substitute regent member of the Board for Lease of University Lands shall exercise all the powers, duties, and responsibilities of the absent regent member during the conduct of the meeting for which he was appointed. Any substitute regent member of the Board for Lease of University Lands is subject to the provisions of this subchapter.

(b) Neither regent member may be directly or indirectly employed by, or be an officer of or an attorney for, an oil or gas company.

(c) A majority of the board has the power to act for the board.

(d) The board shall perform the duties prescribed by this subchapter and shall keep a public record of all its proceedings.

[Acts 1971, 62nd Leg., p. 3152, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971; Acts 1973, 63rd Leg., p. 1578, ch. 569, § 1, eff. June 15, 1973.]

§ 66.63. Oil and Gas Subject to Sale

The oil and gas in the university lands are subject to sale under the regulations, at the times, and on the terms provided in this subchapter, and under the rules and regulations adopted by the board as authorized by this subchapter, not inconsistent with the provisions of this subchapter.

[Acts 1971, 62nd Leg., p. 3152, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.64. Placing Oil and Gas on Market; Public Auction; Advertisement

(a) Whenever there is a demand for the purchase of oil and gas in any university land that will reasonably insure that the oil and gas may be sold advantageously, the board shall place the oil and gas in the land on the market in separate tracts of such area and extent as the board may determine most suitable for profitable marketing; but in no event shall any tract in which oil and gas is offered for as a unit exceed in area of 6,000 acres.

(b) The sale of the oil and gas shall be made at public auction held in Austin at any hour between 10 a. m. and 5 p. m.

(c) The board shall cause an advertisement to be made of the sale in two or more newspapers of general circulation in this state. The advertisement shall state the method, time, and place of sale; the primary term of the lease proposed to be executed covering any sale; the royalty to be paid; that lists describing the land to be sold may be obtained from the board; and other matters that in the judgment of the board are deemed advisable. In addition to the foregoing mandatory provisions, the board may

cause the advertisement to be placed in oil and gas journals in and out of the state and to be mailed generally to persons it thinks might be interested.

[Acts 1971, 62nd Leg., p. 3152, p. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.65. Royalty; Bonus; Annual Rental; Special Fee

(a) The oil and gas in each tract shall be offered for sale for a bonus in addition to the stipulated royalty. Each tract shall be offered separately.

(b) Each bid is subject to the royalty specified in the official advertisement preceding the sale, but in no event less than one-eighth of the gross production of oil and gas in the land; and shall further be subject to the payment of an annual rental after the first year of not less than 10 cents per acre, payable each year in advance, unless the royalties received from the land during the preceding year equal or exceed the amount of the annual rental payment.

(c) Each bid is also subject to the payment of a special fee equal to one percent of the total sum bid, which special payment shall constitute a special fund from which the board for lease shall defray the expenses of the sale, including the payment for the services of the auctioneer crying the sale and the payment of the general operating expenses in geologizing, oil field supervision, and auditing oil and gas production of university lands, including salaries and traveling expenses of persons employed by the board of regents for those purposes, and for the purpose of acquiring, constructing, and equipping a building in the city of Midland or adjacent area to house the administrative staff of the offices of University Lands, Geology and Land Agent, and such other related agencies necessary for the management and development of university lands in West Texas.

(d) The board for lease may also direct the controller of The University of Texas System to transmit to the state treasurer for deposit to the credit of the permanent university fund any unexpended balances remaining in the special fund after reserving a sufficient amount in it for the payment of current expenses as set out in Subsection (c) of this section.

(e) The highest successful bidder shall pay to the commissioner of the general land office on the day the bid is accepted the full amount of bonus bid and the special fee.

[Acts 1971, 62nd Leg., p. 3153, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.66. Withdrawal of Lands Before Bids Received

The board may withdraw any lands advertised for lease before the hour set for receiving bids.

[Acts 1971, 62nd Leg., p. 3154, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.67. Award of Lease

(a) If any one of the bidders at the sale at public auction has offered a reasonable and proper price for any tract offered, not less than the price fixed by the board, the land advertised may be leased for oil and gas purposes under the terms of this subchapter and any regulations the board may prescribe, not inconsistent with the provisions of this subchapter. All bids may be rejected by the board.

(b) If the board determines that a satisfactory bid has been offered for the oil and gas, it shall make an award to the bidder offering the highest price, and a lease shall be executed by the commissioner of the general land office. A duplicate copy of the lease shall be filed in the general land office.

[Acts 1971, 62nd Leg., p. 3154, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.68. Provisions of Lease

(a) Each lease executed under this subchapter shall contain, and each valid and subsisting oil and gas lease previously executed by the commissioner under the source statute for this subchapter, on the application of the lessee and payment of a sum of money equal to one year's annual rental under the lease, shall be amended by written instrument to contain, the provisions prescribed by this section.

(b) Each lease shall provide that the primary term of the lease, as determined by the board prior to the promulgation of the advertisement, shall in no case exceed five years.

(c) Each lease shall provide that if oil and/or gas is being produced in paying quantities from the leased premises before the termination of the primary term, such lease shall not terminate but shall continue in force and effect as long as oil and/or gas is being so produced.

(d) Each lease shall provide that in the event production of oil or gas on the leased premises, after once obtained, shall cease for any cause within 60 days before the expiration of the primary term of such lease or at any time or times thereafter, such lease shall not terminate, if the lessee commences additional drilling or reworking operations within 60 days thereafter, and such lease shall remain in full force and effect so long as such operations continue in good faith and in workmanlike manner, without interruptions, totaling more than 60 days during any one such operation; and if such drilling or reworking operations result in the production of oil and/or gas, such lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities or payment of shut-in gas well royalty or compensatory royalties is made as hereinafter provided in this subchapter.

(e) Each lease shall provide that if at the expiration of the primary term or at any time thereafter there is located on the leased premises a well or wells capable of producing gas in paying quantities and such gas is not produced for lack of a suitable market and such lease is not being otherwise maintained in force and effect, the lessee may pay as royalty \$1,200 per annum for each well on the lease capable of producing gas in paying quantities, such payment to be made to the commissioner of the general land office at Austin, Texas, prior to the expiration of the primary term of the lease, or if the primary term has expired, within 60 days after lessee ceases to produce gas from such well or wells, and if such payment is made, the lease shall be considered to be a producing lease and such shut-in gas well royalty payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased; and thereafter if no suitable market for such gas exists, the lessee may extend the lease for two additional and successive periods of one year

each by the payment of a like sum of money each year on or before the expiration of the extended term. Provided, however, that if, while such lease is being maintained in force and effect by payment of such shut-in gas well royalty, gas should be sold and delivered in paying quantities from a well situated within 1,000 feet of the leased premises and completed in the same producing reservoir or in any case where drainage is occurring, the right to further extend the lease by such shut-in gas well royalty payments shall cease, but such lease shall remain in force and effect for the remainder of the current one year period for which the shut-in gas well royalty has been paid, and for an additional period not to exceed a combined total of three years from the expiration of the primary term or from the first day of the month next succeeding the month in which production ceased by the payment by the lessee of compensatory royalty, at the royalty rate provided for in such university lease as would be due on an equivalent amount of like quality gas produced and delivered from the well completed in the same producing reservoir from which gas is being sold and delivered and which is situated within 1,000 feet of, or draining, the leased premises on which shut-in gas well is situated, such compensatory royalty to be paid monthly to the Commissioner of the General Land Office at Austin, Texas, beginning on or before the last day of the month next succeeding the month in which such gas is sold and delivered from the well situated within 1,000 feet of, or draining, the leased premises and completed in the same producing reservoir; provided further, that in the event such compensatory royalties paid in any 12-month period are in a sum less than the annual shut-in gas well royalties provided for in this section, the lessee shall pay an additional sum equal to the difference within 30 days from the end of such 12-month period; provided further, that nothing herein shall relieve the lessee of the obligation of reasonable development, nor of the obligation to drill offset wells required by Section 66.75 of this code.

(f) Each lease shall provide that if, at the expiration of the primary term, production of oil and/or gas has not been obtained in paying quantities on the leased premises but drilling operations are being conducted thereon in good faith and in good and workmanlike manner, the lessee may, on or before the expiration of the primary term, file in the general land office written application to the commissioner for a 30-day extension of such lease, such application to be accompanied by a payment of \$7.50 per acre for each acre in the lease, and the commissioner shall, in writing, extend such lease for a 30-day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities from the premises; provided further, that the lessee may, so long as such drilling operations are being conducted in good faith, make like application and payment during any 30-day extended period for an additional extension of 30 days not to exceed a combined total of 180 days; provided, however, lessee may, so long as such drilling operations are being conducted in good faith, make written application to the commissioner, on or before the expiration of the initial extended period, of 180 days for an additional extension of 180 days, such application to be accompanied by a payment of \$50 per acre for each acre in the lease, and the commissioner shall, in writing, extend such lease for an

additional 180-day period from and after the expiration of the initial extended period of 180 days, and so long thereafter as oil or gas is produced in paying quantities from the premises; provided, that no lease shall be extended under the provisions of this section for more than a total of 360 days from and after the expiration of the primary term unless production in paying quantities has been obtained.

(g) Each lease shall contain a provision enabling the board, at its election, to require that payment of royalty as stipulated in the lease be in kind. Such option may be exercised from time to time at the discretion of the board upon not less than six months' notice to the lessee. The board shall have all powers necessary to negotiate and execute sales contracts or any other instruments necessary for the disposition of any royalty taken in kind. Such other reasonable provisions, not inconsistent with this subchapter, as will facilitate the efficient and equitable payment of royalty in kind may be included in this lease by the board.

[Acts 1971, 62nd Leg., p. 3154, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971; Acts 1973, 63rd Leg., p. 621, ch. 265, § 1, eff. June 11, 1973.]

§ 66.69. Lease: Additional Provisions

Each oil and gas lease issued on university lands under this subchapter shall include any additional provisions and regulations, not inconsistent with the provisions of this subchapter, that the board may prescribe to preserve the interest of the state and safeguard the university funds.

[Acts 1971, 62nd Leg., p. 3155, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.70. Compensatory Royalties in Lieu of Offset Wells

(a) Subject to the provisions of this section, the commissioner of the general land office may execute agreements on behalf of the permanent university fund that provide for the payment by university land oil and gas lessees of compensatory royalty in lieu of drilling offset wells that may be required to protect a university oil and gas lease from drainage from a well or wells located on non-university lands or university lands leased at a lesser royalty situated within 1,000 feet of or draining the university-leased premises.

(b) Agreements providing for the payment of compensatory royalty must be approved by the board for lease of university lands.

(c) Any such agreement must be found by the commissioner and the board for lease to be in the best interest of the state and necessary to prevent economic waste.

(d) Nothing in an agreement shall relieve the lessee of the obligation of reasonable development or of the obligation to drill offset wells as required by Section 66.75 of this code as to other producing horizons.

(e) Beginning on the date fixed in the agreement, the lessee shall pay the compensatory royalty monthly to the commissioner at the land office in Austin.

(f) The agreement with respect to the interest of the state shall remain in force and effect as long as oil and gas, or either of them, is produced from a well located on university or non-university acreage and draining the university-leased premises.

(g) The agreement may contain other provisions the commissioner and the board for lease deem necessary to protect the interests of the permanent university fund.

[Acts 1971, 62nd Leg., p. 3154, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.71. Prorated or Reduced Production Contracts

Whenever in the discretion of the board it is to the best interest of the university and its permanent fund that production from any lease for a limited period of time should be prorated or reduced, the board may execute the necessary contract or contracts with the lessee or lessees and their assignees to effectuate the same and to carry out the intention of this subchapter.

[Acts 1971, 62nd Leg., p. 3156, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.72. Extension of Producing Lease

If oil or gas is discovered in paying quantities on any tract covered by a lease, then the lease as to that tract shall remain in force as long as oil and gas is produced in paying quantities from the tract, provided that the other provisions of this subchapter are complied with by the lessee.

[Acts 1971, 62nd Leg., p. 3157, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.73. Assignment; Relinquishment

(a) All rights purchased may be assigned in quantities of not less than 40 acres, unless there are less than 40 acres remaining out of the tract originally leased under this subchapter, in which case the lesser area may be assigned. All assignments shall be filed in the general land office within 100 days after the date of the first acknowledgment thereof, accompanied by 10 cents an acre for each acre assigned; and if not so filed and payment made, the assignment shall be ineffective.

(b) All rights to any entire lease and to any assigned portion thereof may be relinquished to the state at any time by having an instrument of relinquishment recorded in the county or counties in which the area may be situated and filed in the land office accompanied by \$1 for each area assigned; but such assignment shall not release the owners of any past due obligations theretofore accrued thereon.

[Acts 1971, 62nd Leg., p. 3157, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.74. Royalty Payments; Inspection of Records

(a) Royalty as stipulated in the sale shall be paid to the general land office at Austin for the benefit of the university permanent fund on or before the last day of each month for the preceding month during the life of the rights purchased; and it shall be accompanied by the sworn statement of the owner, manager, or other authorized agent showing the gross amount of oil produced and saved since the last report, the amount of gas produced and sold off the premises, and the market value of the oil and gas, together with a copy of gas meter readings, pipeline receipts, gas line receipts, and other checks and memoranda of the amounts produced and put into pipelines, tanks, or pools and gas lines or gas storage.

(b) The books and accounts, receipt and discharges of all wells, tanks, pools, meters, pipelines, and all contracts and other records pertaining to the production, transportation, sale, and marketing of the oil and gas shall at all times be subject to inspection and examination by the commissioner of the general land office, the attorney general, the governor, or any member of the board of regents, or the representative of either.

[Acts 1971, 62nd Leg., p. 3157, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.75. Protection from Drainage

In every case where the area in which the oil and gas sold shall be contiguous or adjacent to land not university land, the acceptance of the bid and the sale made thereby shall constitute an obligation on the lessee to adequately protect the land leased from drainage from adjacent lands. In cases where the area in which the oil and gas is sold is contiguous to other university lands leased or sold, at a lesser royalty, the lessee shall likewise protect the state from drainage from the land so leased or sold for a lesser royalty. On failure to protect the land from drainage, the sale and all rights thereunder may be forfeited by the board in the manner provided in this subchapter for forfeitures.

[Acts 1971, 62nd Leg., p. 3157, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.76. Forfeiture; Other Remedies; Lien

(a) If the owner of the rights acquired under this subchapter fails or refuses to make the payment of any sum due thereon, either as rental or royalty on the production, within 30 days after same becomes due, or if the owner or his authorized agent makes any false return or false report concerning production, royalty, or drilling, or if the owner fails or refuses to drill any offset well or wells in good faith, as required by his lease, or if the owner or his agent refuses the proper authority access to the records and other data pertaining to the operations under this subchapter, or if the owner or his authorized agent fails or refuses to give correct information to the proper authorities, or fails or refuses to furnish the log of any well within 30 days after production is found in paying quantities, or if any of the material terms of the lease are violated, the lease is subject to forfeiture by the board by an order entered upon the minutes of the board reciting the facts constituting the default and declaring the forfeiture.

(b) The board may have suit instituted for forfeiture through the attorney general.

(c) On proper showing by the forfeiting owner, within 30 days after the declaration of forfeiture, the lease may, at the discretion of the board and on such terms as it may prescribe, be reinstated.

(d) In case of violation by the owner of the lease contract, the remedy of the state by forfeiture is not the exclusive remedy, but suit for damages or specific performance, or both, may be instituted.

(e) The state shall have a first lien upon all oil and gas produced upon the leased area and upon all rigs, tanks, pipeline, telephone lines, and machinery and appliances used in the production and handling of oil and gas produced thereon, to secure any amount due from the owner of the lease.

[Acts 1971, 62nd Leg., p. 3158, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.77. Filing of Records

All surveys, files, records, copies of sale and lease contracts, and all other records pertaining to the sales and leases hereby authorized, shall be filed in the general land office and constitute archives thereof.

[Acts 1971, 62nd Leg., p. 3158, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.78. Payments; Disposition

Payments under this subchapter shall be made to the commissioner of the general land office at Austin, who shall:

(1) transmit to the state treasurer for deposit to the credit of the permanent university fund all bonus and royalty payments;

(2) transmit to the state treasurer for deposit to the credit of the available university fund all payments for delay in drilling, all filing, assignment, and relinquishment fees, and all other payments except those described in Subdivision (3) of this section; and

(3) transmit to the comptroller of The University of Texas System the special one percent fee payment prescribed by Section 66.65(e) of this code, which shall be disbursed by the comptroller for the authorized purposes after approval thereof by the board.

[Acts 1971, 62nd Leg., p. 3158, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.79. Forms; Contracts; Regulations

The board shall adopt forms and contracts and shall promulgate rules and regulations, not inconsistent with the terms of this subchapter, that in its judgment will best effectuate the purpose of this subchapter and will best protect the university, its lands, and the income from the lands.

[Acts 1971, 62nd Leg., p. 3159, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

§ 66.80. Expenses of Executing this Subchapter

The expenses of executing the provisions of this subchapter shall be paid monthly by warrants drawn by the comptroller on the state treasury.

[Acts 1971, 62nd Leg., p. 3159, ch. 1024, art. 1, § 1, eff. Sept. 1, 1971.]

CHAPTER 67. THE UNIVERSITY OF TEXAS AT AUSTIN

SUBCHAPTER A. GENERAL PROVISIONS

Section

67.01. Definitions.

67.02. The University of Texas at Austin.

SUBCHAPTER B. POWERS AND DUTIES OF BOARD

67.21. Special Fees.

67.22. Military Training.

67.23. Texas Memorial Museum.

67.24. Research and Experimentation for Highway Department.

SUBCHAPTER C. THE UNIVERSITY OF TEXAS McDONALD OBSERVATORY AT MOUNT LOCKE

67.51. Unit of University.

67.52. Programs.

SUBCH

Section

67.61. U

67.62. I

SU

§ 67.01

In th

Te

Th

[Acts 19

1, 1971.]

§ 67.02

The

tional

Univers

ageme

Univers

[Acts 19

1, 1971.]

[Secti

SU

§ 67.21.

(a) T

from ca

the uni

(b) T

student

for each

each su

(c) Th

student

improvi

to the

upe Str

semester

session,

known

ties of

or in p

activities

to parti

activities

al limits

at Aust

(d) Th

Union F

of and

of the T

nnually

accompl

activities

expendi

regents

deems

shall th

sufficien

Union to

174