

## **BILL ANALYSIS**

Senate Research Center

H.B. 3838  
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Natural Resources & Economic Development  
5/15/2019  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

H.B. 3838 amends current law relating to a disclosure in certain offers to purchase a mineral or royalty interest.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter F, Chapter 5, Property Code, by adding Section 5.152, as follows:

Sec. 5.152. CERTAIN PURCHASES OF MINERAL OR ROYALTY INTERESTS VOID. (a) Provides that this section applies only to the conveyance of a mineral or royalty interest by an instrument that:

(1) is presented to the owner of the interest by the person acquiring the interest;

(2) is titled an oil and gas lease or an oil and gas royalty lease or has other words in the caption or other prominently displayed label that indicate that the transaction is a lease of a mineral or royalty interest; and

(3) has the effect of conveying, permanently or for a term, all or a portion of the owner's:

(A) mineral interest in lands covered by an existing oil, gas, or mineral lease; or

(B) royalty interest in production from an existing oil, gas, or mineral lease.

(b) Provides that this section does not apply to a conveyance of a mineral or royalty interest by an instrument that:

(1) is an oil, gas, or mineral lease;

(2) conveys a mineral or royalty interest for a term; and

(3) provides that the interest conveyed vests in possession after the expiration or termination of all or a portion of the interest conveyed by an existing oil, gas, or mineral lease in effect at the time of the execution of the instrument, commonly referred to as a top lease.

(c) Requires a conveyance instrument described by Subsection (a) to include:

(1) a conspicuous statement printed at the top of the first page of the instrument below the caption, if any, in an approximate type size of at least 14 points and in substantially the following form: THIS IS NOT AN OIL AND GAS LEASE. YOU ARE SELLING ALL OR A PORTION OF YOUR MINERAL OR ROYALTY INTERESTS IN (DESCRIPTION OF PROPERTY BEING CONVEYED).; and

(2) a conspicuous statement printed at the top of each subsequent page of the instrument and immediately above the signature of the person conveying the interest in an approximate type size of at least 14 points and in substantially the following form: THIS IS NOT AN OIL AND GAS LEASE. YOU ARE SELLING ALL OR A PORTION OF YOUR MINERAL OR ROYALTY INTERESTS.

(d) Provides that, if the conveyance instrument does not include the statements required by Subsection (c), the conveyance is void.

(e) Authorizes a person who has conveyed a royalty or mineral interest in a conveyance that is void under this section to bring suit against the purchaser of the interest to remove the conveyance as a cloud on title and to recover from the purchaser:

(1) all royalties and bonuses paid to the purchaser and any successor or assign of the purchaser;

(2) court costs; and

(3) reasonable attorney's fees.

(f) Provides that the remedies under this section are in addition to any other rights or remedies a person may have at law or pursuant to contract.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2019.