

By: Keffer

H.B. No. 2207

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the foreclosure sale of property subject to oil or gas  
3 lease.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Subtitle B, Title 5, Property Code, is amended by  
6 adding Chapter 66 to read as follows:

7 CHAPTER 66. SALE OF PROPERTY SUBJECT TO OIL OR GAS LEASE

8 Sec. 66.001. SALE OF PROPERTY SUBJECT TO OIL OR GAS LEASE.

9 (a) Notwithstanding any other law, an oil or gas lease covering  
10 real property subject to a security interest that has been  
11 foreclosed remains in effect after the foreclosure sale if the oil  
12 or gas lease has not terminated or expired on its own terms and:

13 (1) was executed and recorded in the real property  
14 records of the county before the date the security interest was  
15 recorded; or

16 (2) was executed and recorded in the real property  
17 records of the county after the date the security interest was  
18 recorded but before the foreclosure sale.

19 (b) Any royalty payment due to the owner of the real  
20 property under an oil or gas lease shall be paid to the purchaser of  
21 the foreclosed real property.

22 (c) The lessee of the oil or gas lease shall indemnify the  
23 purchaser and any mortgagee of the foreclosed real property from  
24 actual damages resulting from the lessee's operations conducted

1 under the oil or gas lease.

2 (d) If an oil or gas lease is executed and recorded in the  
3 real property records of the county after the date a security  
4 interest in the affected real property is recorded and the affected  
5 real property is subsequently sold in a foreclosure sale, the  
6 foreclosure sale terminates and extinguishes the lessee's right to  
7 use the surface of the real property under the oil or gas lease.

8 (e) A subordination agreement between a lessee of an oil or  
9 gas lease and a mortgagee of real property controls over any  
10 conflicting provision of this section.

11 SECTION 2. Chapter 66, Property Code, as added by this Act,  
12 applies only with respect to a foreclosure sale for which the notice  
13 of sale is given under Section 51.002, Property Code, on or after  
14 the effective date of this Act or a judicial foreclosure for which  
15 the judicial foreclosure action commenced on or after the effective  
16 date of this Act.

17 SECTION 3. This Act takes effect January 1, 2016.