

By: Eltife

S.B. No. 1384

A BILL TO BE ENTITLED

AN ACT

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

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

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

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

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

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

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

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

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

(c) The lessee of the oil or gas lease shall indemnify the purchaser and any mortgagee of the foreclosed real property from 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.