

## **BILL ANALYSIS**

C.S.H.B. 3372  
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Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

In the event there are competing claims to ownership of a royalty interest, an oil company will sometimes suspend payments until the title issue is resolved to avoid or mitigate the company's exposure to paying a royalty twice. This practice, known as "royalty suspense," has long been considered by the oil and gas industry to be protected by statute. A recent court decision, however, has resulted in a need for clarity from the legislature with regard to the withholding of royalty payments without liability for breach of contract claims in the event of a bona fide title dispute. C.S.H.B. 3372 seeks to provide this clarity.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 3372 amends the Natural Resources Code to establish that a payee does not have a common law cause of action against a payor for withholding payments of proceeds from the sale of oil or gas production beyond time limits as authorized under applicable statutory provisions.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2019.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3372 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute replaces the provision prohibiting a payee from bringing an action for breach of contract against a payor for withholding payments with a provision establishing that a payee does not have a common law cause of action against a payor for withholding payments.