86R23262 NC-F

By:  Bailes, et al. H.B. No. 3838

Substitute the following for H.B. No. 3838:

By:  Paddie C.S.H.B. No. 3838

A BILL TO BE ENTITLED

AN ACT

relating to a disclosure in certain offers to purchase a mineral or royalty interest.

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

SECTION 1.  Subchapter F, Chapter 5, Property Code, is amended by adding Section 5.152 to read as follows:

Sec. 5.152.  CERTAIN PURCHASES OF MINERAL OR ROYALTY INTERESTS VOID. (a) 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)  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)  A conveyance instrument described by Subsection (a) must 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)  If the conveyance instrument does not include the statements required by Subsection (c), the conveyance is void.

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

(1)  all royalties and bonuses paid to the purchaser;

(2)  court costs;

(3)  reasonable attorney's fees; and

(4)  exemplary damages if the trier of fact determines the conduct of the purchaser is a violation of Section 27.01(c), Business & Commerce Code.

(f)  A person must bring suit under Subsection (e) not later than the fourth anniversary of the date the person executed the conveyance.

SECTION 2.  The change in law made by this Act applies only to an agreement entered into on or after the effective date of this Act. An agreement entered into before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 3.  This Act takes effect September 1, 2019.