

By: Bailes

H.B. No. 2881

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the applicability of provisions governing payment of
3 the proceeds derived from the sale of oil or gas production to
4 nonparticipating royalty interest owners.

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

6 SECTION 1. Section 91.401, Natural Resources Code, is
7 amended by adding Subdivision (5) to read as follows:

8 (5) "Nonparticipating royalty interest owner" means a
9 mineral interest owner whose interest was conveyed without the
10 right to negotiate lease terms or receive a bonus.

11 SECTION 2. Section 91.402, Natural Resources Code, is
12 amended by amending Subsection (a) and adding Subsection (a-1) to
13 read as follows:

14 (a) In this section, the term "payee" includes a
15 nonparticipating royalty interest owner.

16 (a-1) The proceeds derived from the sale of oil or gas
17 production from an oil or gas well located in this state must be
18 paid to each payee by payor on or before 120 days after the end of
19 the month of first sale of production from the well. After that
20 time, payments must be made to each payee on a timely basis
21 according to the frequency of payment specified in a lease or other
22 written agreement between payee and payor. If the lease or other
23 agreement does not specify the time for payment, subsequent
24 proceeds must be paid no later than:

1 (1) 60 days after the end of the calendar month in
2 which subsequent oil production is sold; or

3 (2) 90 days after the end of the calendar month in
4 which subsequent gas production is sold.

5 SECTION 3. Section 91.5001, Natural Resources Code, is
6 amended to read as follows:

7 Sec. 91.5001. DEFINITIONS [~~DEFINITION~~]. In this
8 subchapter:

9 (1) "Nonparticipating royalty interest owner" means a
10 mineral interest owner whose interest was conveyed without the
11 right to negotiate lease terms or receive a bonus.

12 (2) "Payor" [~~"payer"~~] has the meaning assigned by
13 Section 91.401.

14 SECTION 4. Section 91.504, Natural Resources Code, is
15 amended by amending Subsection (a) and adding Subsection (a-1) to
16 read as follows:

17 (a) In this section, "royalty interest owner" includes a
18 nonparticipating royalty interest owner.

19 (a-1) If the payor does not explain on the check stub,
20 attachment to the payment form, or other remittance advice, or by a
21 separate mailing, deductions from or adjustments to payments, the
22 payor must provide an explanation by certified mail not later than
23 the 60th day after the date the payor receives a request from the
24 royalty interest owner. The royalty interest owner must send the
25 request by certified mail.

26 SECTION 5. Section 91.505, Natural Resources Code, is
27 amended to read as follows:

1 Sec. 91.505. PROVIDING OTHER INFORMATION. (a) In this
2 section, "royalty interest owner" includes a nonparticipating
3 royalty interest owner.

4 (b) If a royalty interest owner requests information or
5 answers to questions concerning a payment made pursuant to this
6 subchapter, other than information requested under Section 91.504,
7 and the request is made by certified mail, the payor must respond to
8 the request by certified mail not later than 30 days after the
9 request is received.

10 SECTION 6. The change in law made by this Act applies only
11 to a division order issued on or after the effective date of this
12 Act. A division order issued before the effective date of this Act
13 is governed by the law in effect on the date the division order was
14 issued, and the former law is continued in effect for that purpose.

15 SECTION 7. This Act takes effect September 1, 2021.