

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**May 11, 2021**

**TO:** Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB4218** by Craddick (Relating to a cause of action for the bad faith washout of an overriding royalty interest in an oil and gas lease.), **As Engrossed**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would amend the Property Code to provide that a person may bring a cause of action for a bad faith “washout” (as defined) of the person's overriding royalty interest in an oil and gas lease. The bill would entitle a person to a remedy if the person proves certain facts by a preponderance of the evidence. The bill would set venue in the action in a district court of a county in which any part of the property subject to the oil and gas lease is located. The bill would allow an owner of an overriding royalty interest who prevails in an action under the new chapter to recover certain damages, enforcement of a certain constructive trust, and certain costs and fees.

Based on information provided by the Office of Court Administration, no significant fiscal impact to the state court system is anticipated as a result from implementing the provisions of the bill.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 212 Office of Court Admin

**LBB Staff:** JMc, AJL, SLE, BH