

1-1 By: Craddick, Burrows, Morales of Maverick H.B. No. 450  
1-2 (Senate Sponsor - Hughes)  
1-3 (In the Senate - Received from the House April 11, 2023;  
1-4 April 12, 2023, read first time and referred to Committee on  
1-5 Administration; April 19, 2023, reported favorably by the  
1-6 following vote: Yeas 7, Nays 0; April 19, 2023, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	Hall	X		
1-10	Springer	X		
1-11	Alvarado	X		
1-12	Johnson	X		
1-13	Menéndez	X		
1-14	Middleton	X		
1-15	Parker	X		

1-16 A BILL TO BE ENTITLED  
1-17 AN ACT

1-18 relating to a cause of action for the bad faith washout of an  
1-19 overriding royalty interest in an oil and gas lease.

1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-21 SECTION 1. Title 4, Property Code, is amended by adding  
1-22 Chapter 31 to read as follows:

1-23 CHAPTER 31. BAD FAITH WASHOUT OF OVERRIDING ROYALTY INTEREST IN OIL  
1-24 AND GAS LEASE

1-25 Sec. 31.001. DEFINITIONS. In this chapter:

1-26 (1) "Bad faith" means the conscious taking of action  
1-27 for the purpose of washing out all or part of an overriding royalty  
1-28 interest.

1-29 (2) "Washout" means the elimination or reduction of an  
1-30 overriding royalty interest in an oil and gas lease by the  
1-31 forfeiture or surrender of the oil and gas lease by a lessee or the  
1-32 lessee's successors or assigns and the subsequent reacquisition of  
1-33 a lease, or all or part of the mineral estate associated with the  
1-34 lease, by the lessee or the lessee's successors, assigns,  
1-35 contractors, or subsidiaries on all or part of the same land, free  
1-36 of the overriding royalty interest.

1-37 Sec. 31.002. CAUSE OF ACTION FOR BAD FAITH WASHOUT. A  
1-38 person may bring a cause of action for a bad faith washout of the  
1-39 person's overriding royalty interest in an oil and gas lease. The  
1-40 person is entitled to a remedy under this chapter if the person  
1-41 proves by a preponderance of the evidence that:

1-42 (1) the person owned or had a legal right to the  
1-43 overriding royalty interest;

1-44 (2) the defendant had control over the oil and gas  
1-45 lease burdened by the overriding royalty interest;

1-46 (3) the defendant caused a washout of the person's  
1-47 overriding royalty interest; and

1-48 (4) the defendant acted in bad faith by knowingly or  
1-49 intentionally causing the washout.

1-50 Sec. 31.003. VENUE. An owner of an overriding royalty  
1-51 interest in an oil and gas lease may bring an action under this  
1-52 chapter in a district court of a county in which any part of the  
1-53 property subject to the oil and gas lease is located.

1-54 Sec. 31.004. REMEDIES; COSTS AND FEES. (a) An owner of an  
1-55 overriding royalty interest who prevails in an action under this  
1-56 chapter may recover:

1-57 (1) actual damages;

1-58 (2) enforcement of a constructive trust on the oil and  
1-59 gas lease or mineral estate acquired to accomplish the washout of  
1-60 the overriding royalty interest; and

1-61 (3) court costs and attorney's fees.

2-1 (b) The remedies provided by this chapter are cumulative of  
2-2 other remedies provided by common law or statute.

2-3 Sec. 31.005. LIMITATION ON FILING ACTION. A person must  
2-4 bring an action under this chapter not later than the second  
2-5 anniversary of the date the person obtained actual knowledge that  
2-6 the washout occurred.

2-7 SECTION 2. Chapter 31, Property Code, as added by this Act,  
2-8 applies only to a washout that occurs on or after the effective date  
2-9 of this Act. A washout that occurred before that date is governed  
2-10 by the law in effect immediately before the effective date of this  
2-11 Act, and that law is continued in effect for that purpose.

2-12 SECTION 3. This Act takes effect September 1, 2023.

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