

BILL ANALYSIS

S.B. 1259
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Judiciary & Civil Jurisprudence
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In the event of 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. While this practice has long been considered by the oil and gas industry to be protected by statute, a recent Texas Supreme Court decision found that applicable state law is ambiguous and does not preclude a common law claim for breach of contract. There are calls for clarity with regard to the withholding of royalty payments without liability for breach of contract claims. S.B. 1259 seeks to provide this clarity by establishing that a payee does not have a common law cause of action for breach of contract against a payor for withholding payments of proceeds from the sale of oil or gas production beyond authorized time, except under certain conditions.

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

S.B. 1259 amends the Natural Resources Code to establish that a payee does not have a common law cause of action for breach of contract against a payor for withholding payments of proceeds from the sale of oil and natural gas production beyond time limits as authorized under applicable statutory provisions except, if in a dispute concerning the title, the contract requiring payment specifies otherwise.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.