

PROCLAMATION

BY THE

Governor of the State of Texas

TO ALL TO WHOM THESE PRESENTS SHALL COME:

Pursuant to Article IV, Section 14, of the Texas Constitution, I, Greg Abbott, Governor of Texas, do hereby disapprove of and veto House Bill No. 4218 as passed by the Eighty-Seventh Texas Legislature, Regular Session, because of the following objections:

Texas prizes the freedom of parties to enter into private contracts and to have their bargains enforced. House Bill 4218 would contravene these principles, representing a remarkable intrusion by the State into the contractual relationship between overriding royalty interest-holders and oil-and-gas lessees. The Legislature sought to address a “wash out” of an interest-holder, where a lessee allows the lease to terminate—which extinguishes the royalty interest under some contracts—and then acquires a new lease on the same property. But those are contractual rights the parties bargained for, and the interest-holder could have given something up in exchange for protection from a wash out. The answer is not to trample every such contract in Texas and provide an extra-contractual cause of action against the lessee, paired with an award of fees for the lawyers who will surely seek out these claims. Instead of enriching lawyers through costly litigation on the back end, as House Bill 4218 would do, Texas law should encourage the parties to negotiate wash out protections in advance.

Since the Eighty-Seventh Texas Legislature, Regular Session, by its adjournment has prevented the return of this bill, I am filing these objections in the office of the Secretary of State and giving notice thereof by this public proclamation according to the aforementioned constitutional provision.



IN TESTIMONY WHEREOF, I have signed my name officially and caused the Seal of the State to be affixed hereto at Austin, this 18th day of June, 2021.

A handwritten signature in black ink, reading "Greg Abbott", written over a horizontal line.

GREG ABBOTT
Governor of Texas

ATTESTED BY:

A handwritten signature in black ink, reading "Jose A. Esparza", written over a horizontal line.

JOSE A. ESPARZA
Deputy Secretary of State

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
_____ O'CLOCK

JUN 18 2021

A handwritten signature in black ink, written over a horizontal line.

Secretary of State