

Texas First Purchaser Liens

PROVIDING INTEREST OWNERS
WITH A SECOND CHANCE AT
FIRST-PRIORITY PROTECTION

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Overview

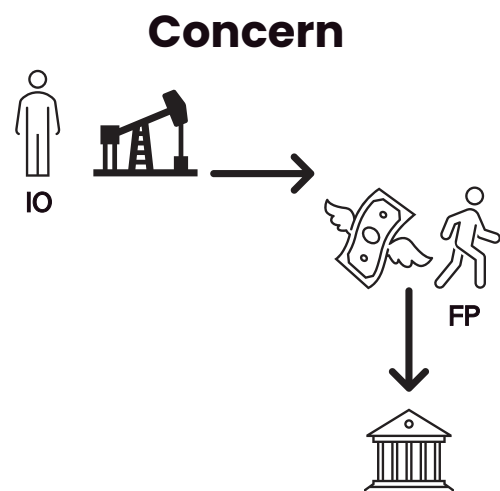
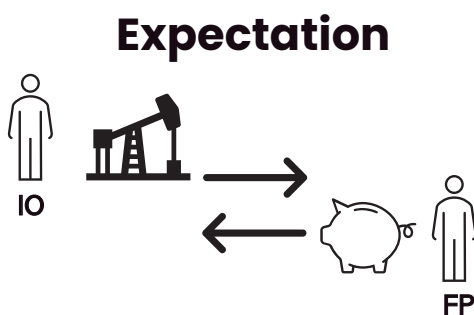
- First Purchaser Statutes
- Texas and Oklahoma's First Purchaser Statutes - 1983 and 1988
- *In re SemCrude, L.P.*
- Oklahoma's Revision - 2010
- *In re First River Energy, LLC*
- Texas' Revision - 2021
- Other provisions in Texas' revised statute

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What are first purchaser statutes?

- Protect the oil and gas interests of royalty owners and producers — referred to as “interest owners” — by securing their rights to amounts owed for their oil and gas produced and sold to “first purchasers”.
- Issues arise when the first purchaser does not pay for the production it receives.
 - Interest owners could be considered unsecured creditors.
- Ensure interest owners receive payment for their share of proceeds from the sale of production by providing the interest owners with a security interest or lien.

Interest Owners and First Purchaser



Texas's First Purchaser Statute – 1983

- An interest owner was provided a security interest to secure the payment obligations of a first purchaser.
- Covered oil and gas production in the first purchaser's possession and the identifiable sales proceeds owned, received or due to the first purchaser.
- Automatically perfected without the need to file a financial statement or other document.

Oklahoma's First Purchaser Statute – 1988

- Passed in response to pressure from Oklahoma mineral interest owners and working interest owners to guarantee a “right to payment” for such owners' share of the production sold to a first purchaser.
- The act expressly provided that the liens created thereunder did not impair the priorities of other secured creditors under Oklahoma's Uniform Commercial Code.

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