

Texas First Purchaser Liens

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

Ellen Conley

April 5, 2024



1

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

2

What are first purchaser statutes?

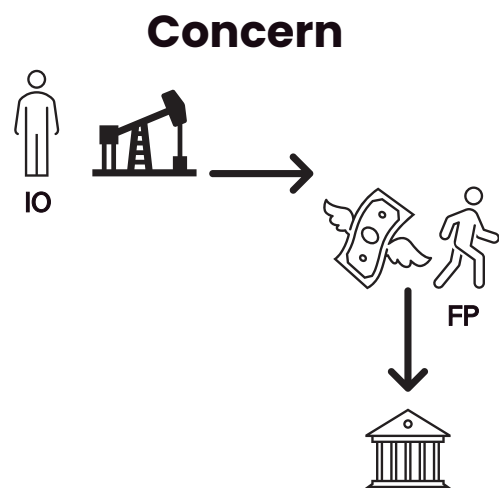
- Protect the oil and gas interests of royalty owners and producers — referred to as “interest owners” — by securing their rights to amounts owed for their oil and gas produced and sold to “first purchasers”.
- Issues arise when the first purchaser does not pay for the production it receives.
 - Interest 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.

HAYNES BOONE

3

3

Interest Owners and First Purchaser



HAYNES BOONE

4

4

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.

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Texas First Purchaser Liens

Also available as part of the eCourse

[Texas First Purchaser Liens](#)

First appeared as part of the conference materials for the
50th Annual Ernest E. Smith Oil, Gas and Mineral Law Institute session
"Texas First Purchaser Liens"