Oil and Gas Update

Ernest E. Smith Oil and Gas CLE
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The briefs appear in roughly the order of the Texas Law of Oil and Gas treatise, chapter 1-7 and 16 and 17; however, not all cases are discussed in the treatise because some are unreported decisions and others fall outside of its scope. Every attempt was made to include in thus update available Texas decisions as of approximately February 1, 2021.

CHAPTER 2 TYPES OF OIL AND GAS INTERESTS

***Samson Exploration, LLC v. Moak*, No. 09-18-00463-CV, 2020 WL 238538 (Tex. App.—Beaumont Jan. 16, 2020, no. pet) (mem. op.)**

In *Samson*, the appeals court deals with a question of a claim for an accounting**.** Lucas Petroleum Group ("Lucas"), and Bold Minerals II, LLC ("Bold") created a pooling unit in February of 2012. T.W. Moak and Moak Mortgage and Investment Co. ("Moak") eventually acquired oil and gas interests with respect to six tracts of land included in the unit after the properties were foreclosed on. Moak filed suit against Samson Exploration, LLC ("Samson"), Lucas, and Bold alleging that the defendants failed to account to Moak for production attributable as to its share of the undivided mineral interests.

The trial court denied summary judgment as to Moak's causes of action for suit to quiet title, negligence, conversion, and unjust enrichment, but granted defendants' motion for summary judgment as to Moak's claim for an accounting. The trial court entered an order on defendants' and Moak's competing motions for summary judgment, granting defendants' motion as to Moak's claim for an accounting and denying defendants' and Moak's motions as to the remainder of the issues. The case proceeded to a bench trial where the trial court ordered that Moak recover equitable damages from Samson in the amount of $43,188.88, but ordered that Moak take nothing against Bold on its claims for suit to quiet title and negligence.

After both parties appealed the issue, the appeals court addressed the issue of whether the trial court erred in granting summary judgment in favor of Samson on Moak's accounting claim and whether the trial court erred in concluding that Moak was entitled to damages against Bold. The appeals court affirmed the grant of summary judgment and reversed the judgment of damages against Samson and affirmed the judgment that Moak take nothing as to Bold.

The court explained that a right to an accounting exists by virtue of contract, and because there was no contractual relationship between Moak and the defendants, the trial court did not err in determining that Moak was not entitled to an accounting. The court agreed with Samson's argument that Moak was not entitled to equitable damages because Moak failed to prove its claims of unjust enrichment and conversion. Therefore, the court reversed the equitable damages award and rendered judgment that Moak take nothing as to Samson. The court also held that, in light of the reversal of final judgment against Samson, Bold's cross-point arguing that Moak is not entitled to damages from Bold is affirmed.

***ConocoPhillips Co. v. Ramirez*, 599 S.W.3d 296 (Tex. 2020), *cert. denied*, 141 S.Ct. 453 (2020)**

At the time she executed her will, Leonor Ramirez ("Leonor') owned a 1/2 interest in the surface acreage of Las Piedras Ranch and an undivided 1/4 mineral interest in the entire 7,016-acre family estate. Leonor's three children together owned a 1/4 mineral interest, while their aunt, Leonor's sister-in-law, owned the remaining 1/2 mineral interest. Leonor devised a life estate in "all of [her] right, title and interest in and to Ranch 'Las Piedras'" to her son Leon Oscar Sr. ("Leon Sr.") with the remainder to his living children in equal shares. Leonor devised the residuary of her estate equally to her three children. At the time, Leonor's children believed that Leonor had devised her mineral interest in the entire 7,016 acres, including Las Piedras Ranch, to them in equal shares as part of Leonor's residuary estate.

After Leonor's death, her children signed several oil and gas leases on portions of the family estate. In 1990, the children along with their aunt, who owned a 1/2 mineral interest in the entire family estate, signed an extension of a 1983 lease to Enron Oil and Gas Company ("EOG") of the minerals under Las Piedras Ranch. The extension treated the siblings as equal fee owners of the minerals under Las Piedras Ranch. The 1990 lease was later transferred to ConocoPhillips.

Until his death in 2006, Leon Sr.'s actions, along with his siblings, were consistent with their understanding that Leonor's will had given them a fee interest in the minerals under the 7,016 acre family estate, including Las Piedras Ranch.

In 2010, Leon Sr.'s children brought suit against their father's two other siblings, ConocoPhillips, and EOG contending that Leonor's residuary estate did not include the mineral interest in Las Piedras Ranch, but instead passed to Leon as part of his life estate. Leon Sr.'s children asserted that their father's life estate under Leonor's will included her interest in not only the surface of Las Piedras Ranch, but also the minerals beneath it, and that the mineral interest their father and his siblings received under the will's residuary provision did not include those under Las Piedras Ranch. Thus, Leon Sr.'s children claimed that as remaindermen under the will, they own their father's life estate interest in 1/2 of the surface of Las Piedras Ranch and 1/4 of the minerals, and as heirs claimed to own Leon Sr.'s fee interest I the other 1/2 of the surface. Leon Sr.'s children also claimed that the leases their father and his siblings executed were not effective as to them and sought an accounting from EOG and ConocoPhillips as well as sought declarations of the parties' ownership interests.

The trial court ordered a final judgment in favor of Leon Sr.'s children awarding a total judgment of almost $12 million against ConocoPhillips. The Fourth Court of Appeals affirmed the trial court's judgment.

The Texas Supreme Court noted that it focuses on the plain meaning of the will to ascertain the testatrix's intent. The court also stated that it can consider the circumstances when the will was executed when a term in the will is "open to more than one construction." The court noted that "Ranch Las Piedras" was both capitalized and in quotation marks in Leonor's bequest, indicating that the term contained a specific meaning. Additionally, the court pointed to previous documents such as partition and exchange agreements between the siblings that used "Las Piedras Ranch" as designating the tract of land known as Las Piedras Ranch as a surface estate only. Further, the court noted that the history of conveyances since 1941 demonstrates the Ramirez family's intent that each member's mineral interest in the family estate remain undivided. The court also stated that the fact that the family expressly declined to separate the minerals when the surface estate was separated into Las Piedras Ranch and two other parcels years before served as strong evidence that the family intended that their ownership of all the estate mineral be joint. Thus, the court concluded that Leonor's will gave Leon Sr. her interest in the surface of Las Piedras Ranch, but gave her mineral interest in the family estate equally to her three children under the residuary provision. The court held that ConocoPhillips was entitled to judgment as a matter of law, and reversed the Fourth Court of Appeals.

***Parker v. Jordan*, 2021 Tex. App. LEXIS 458 (Tex. App.—El Paso Jan. 21, 2021)**

The El Paso court of appeals opined that a gift deed of "all of [his] right, title and interest in and to" certain land transferred only the donor's fractional life estate, not the donor's separate fractional vested remainder interest because the instrument failed to expressly state an intent to transfer the remainder interest.

***Geary v. Two Bow Ranch Limited P'ship*, No. 04-18-00610-CV, 2020 WL 354763 (Tex. App.—San Antonio Jan. 22, 2020, pet. filed) (mem. op.)**

In 1981, B.M. Rankin Jr., W.K. McWilliams Jr., and Joseph W. Geary each owned an undivided 1/3 interest in 2,614 acres of real property in Bandera County, Texas. That same year, they executed a warranty deed which conveyed the property to Meader Construction Company, Inc. ("Meader") The warranty deed contained the following language: "Grantee may control the executory rights pertaining to the minerals provided the Grantors and Grantee share equally in any and all proceeds related thereto" (referred to as the "Provisional Authority"). As a result of the 1981 Deed, Meader owned 1/2 mineral interest in the conveyed acreage and the Grantors each owned an undivided 1/6 mineral interest in the acreage. Rankin later conveyed his mineral interest to Falcon. After a series of conveyances, Two Bow Ranch Limited Partnership ("Two Bow") obtained Meader's interest, which was expressly made subject to the original Grantor's 1/2 of the mineral reservation. Two Bow executed several mineral leases from 2001 to 2006, and Geary and Falcon contended that they took action to ratify the leases.

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