

Chapter 19

Recent Decisions in Oil and Gas Jurisprudence

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§ 19.01. Introduction.

The past year has been a time of transition for the oil and gas industry. Prior to 2014, domestic oil and gas production was the impetus of one of the largest energy booms in American history. Chiefly due to the advent and success of hydraulic fracturing, American energy production expanded at a breakneck pace and countless individuals and organizations sought to share in the bounty of this revolutionary industry. While the industry’s success and rate of expansion was nothing short of remarkable, it also had the unintended effect of contributing to a considerable drop in the price of crude oil and natural gas. In turn, this shift in the global energy markets finally managed to curb domestic oil and gas development. In addition to forcing many operators to drastically reduce rig counts, implement steep reductions in drilling budgets and generally rethink their operational strategies, these economic happenings also had a significant impact on many ancillary businesses that relied on domestic energy production.

The oil and gas industry’s abrupt shift was also felt in the judiciary, as courts across the country were faced with a number of novel legal issues impacting oil and gas development. By recounting some of the most important oil-and-gas-related judicial developments of the past year from Appalachia and beyond, this chapter will assist oil and gas practitioners in staying abreast of the industry’s constantly changing legal landscape. This chapter opens with a discussion of issues related to leasing and conveyancing in Louisiana, Texas and New York. It proceeds with an examination of decisions concerning the calculation of royalties in Texas. Next, this chapter addresses local and state preemption in New York, North Dakota and Pennsylvania. It continues with a review of important decisions from Ohio regarding the State’s Dormant

Mineral Act. It then recounts an array of important judicial decisions which address unique legal issues from several jurisdictions. Finally, this chapter concludes with an eye to the future, predicting which legal issues will rise to the forefront in years to come and providing guidance to oil and gas practitioners as to how to best protect client interests in a rapidly shifting legal environment.

§ 19.02. Land, Leasing and Conveyancing.

With many operators focusing on already-producing wells and slowing expansion to a fraction of what it was just a year ago, numerous lessors have become dissatisfied that their leases are not as profitable as they had hoped they would be. As a result, many lessors have moved to try to avoid their leases, in the (largely misguided) hopes of signing a more advantageous lease with another operator. Courts across the country have been tasked with assessing the validity of these leases. The following decisions are several of the most interesting and impactful cases to deal with leasing and conveyancing in 2014.

[1] — *Questar Exploration & Prod. Co. v. Woodard Villa, Inc.*⁴

Decided in late 2013, this decision addressed the novel issue of whether a well drilled off-lease, but reaching horizontally into a formation under the lease, can maintain operations as to all or part of the lease.

The lease at issue contained a standard Pugh clause⁵ and horizontal Pugh clause,⁶ both of which proved determinative in construing the effect of the lease itself.⁷ During the lease's primary term, Questar Exploration

⁴ *Questar Exploration & Prod. Co. v. Woodard Villa, Inc.*, 48,401 (La. App. 2 Cir. 8/7/13), 123 So. 3d 734, 736, *reh'g denied* (Sept. 19, 2013), *writ denied*, 2013-2467 (La. 2/21/14), 133 So. 3d 682.

⁵ A clause designed to sever the pooled and the non-pooled portions of the leasehold in the event of a partial pooling by the lessee. 4-6 Williams & Meyers, *Oil and Gas Law* § 670.4.

⁶ Severing a leasehold on the basis of horizontal planes, as opposed to a typical Pugh clause which severs the leasehold on the basis of vertical planes only. *Id.*

⁷ *Questar Exploration*, 123 So. 3d at 736.