



Legal Update

Title Issues

- **Conveyances of causes of action**
- **Injury occurred before Plaintiff owned the property**
- **Prior owners did not convey the cause of action in deed**
- **Discovery Rule**
- **Maybe applied to assignments of other estates in leasehold**

What is a mineral anyway?



- Water
....no, it is not a mineral
- Texas Granite
....Yes, it is a mineral



Strip & Gore
still alive and well



Will the Supreme Court ever rule on Poole?

- Ridenour v. Herrington
 - 60 day cessation of production clause
 - Lease terminated
- Krabbe v. Anadarko Petroleum Corp.
 - no express savings clause in lease
 - common law doctrine of temporary cessation of production was applied by court
 - lease is held by production

- Natural Gas Pipeline Co. of America v. Law

- revivor occurred

- lease held by production

- Anadarko Petroleum Corp. v. Thompson

- 60 day cessation of production

- as long thereafter as gas is or can be produced

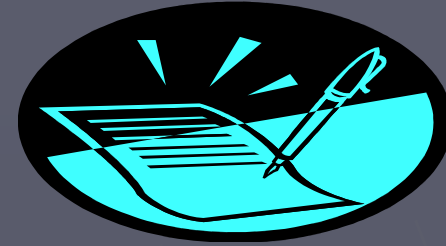
- did not really mean that

- permit lessee to drill well and forego production

- no adverse possession of leasehold because entered permissibly

- Revivor?

The Pooling Clause



- New doctrine
 - ... rule of capture
- Vertical wells
 - ... not diluted - it would be an improper unit
- Horizontal wells
 - ... lessee is entitled to royalties on production that can be attributed to their tract

Royalty Calculation & Payment



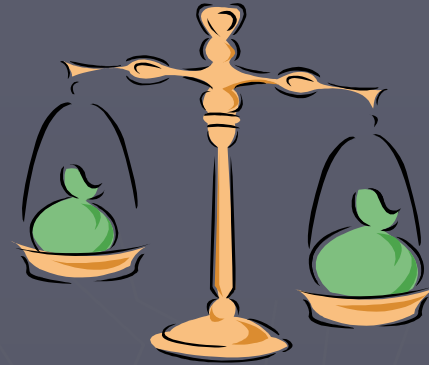
- Yzaguirre v. KCS Resources, Inc.
 - lease provided royalties to be paid on amount realized at well and market value for sale off premises
 - lessee enters favorable gas control with point of sale at processing plant
 - Supreme Court agreed royalty was based on market value (*not amount paid lessee under gas contract*)



- lessor argued lessee violated implied covenant to market gas reasonably
- court held the implied covenant did not apply when there is express provisions in the lease



Underpaid Royalties



- Suits brought as class actions
- Common element necessary for class is implied covenant to market
- Contrary to Supreme Court case

When is Gas really marketable?

Just when you think permissible deductions are set

....

.. Colorado court held cost to get gas to market was to be borne by lessee because of implied covenant to market



Hutchison v. Union Pacific Resources

- Ratification by Overriding Royalty Owner

Is it required?

- Underlying lease had pooling provision
- Was right to pool transferred in assignment reserving overriding royalty interest
- “all right, title and interest in and to the lease together with rights incident thereto”

Statute of Limitations

If you snooze, you lose



- Applies to category of claims
- Claim must be of a category that is inherently undiscoverable

Related Oil & Gas Agreements

Eminent Domain

- Damages
 - value of unimproved tract on bases of hypothetical subdivision

- Good Faith Negotiations

(1) the right to transport oil, petroleum products, or any other liquids, gases or substances which can be transported through pipeline

(2) the right to assign the easement to any person or entity

(3) the obligation of the landowner to warrant and defend title to the easement

Water Rights

- Current Status of Groundwater
- Current State of Surface
- New laws affecting Water Issues Enacted by 77th Legislature



PETROLEUM

LANDMEN

EAST TEXAS
ASSOCIATION OF