SUPREME COURT OF WYOMING

Questar Exploration and Production Company, now known as QEP Energy Company, a Texas corporation; Wexpro Company, a Utah corporation v. Rocky Mountain Resources, LLC

Questar, 2017 WY 10 (Wyo. 2017) · No. S-16-0026 · Decided February 1, 2017

SUMMARY

The Wyoming Supreme Court reviewed a dispute over whether a 4% overriding royalty reserved in assignments of two state oil and gas leases extended to a later lease covering the same land. The court held that the later Ribbe Lease was not a renewal lease, substitute lease, or new lease issued in lieu of the earlier leases under the assignment language, reversed the district court's judgment, and remanded the case.

CASE DETAILS

COURT	Supreme Court of Wyoming
WRITING FOR THE COURT	Fenn, District Judge; Burke, C.J.; Hill, J.; Davis, J.; Kautz, J.; Fenn, D.J.
JURISDICTION	Wyoming
DECIDED	February 1, 2017
DOCKET	S-16-0026
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from a judgment entered after cross-motions for summary judgment and a jury trial on damages in an action seeking unpaid overriding royalties, together with an appeal from the denial of a motion for a new trial.
STANDARD OF REVIEW	Summary judgment is reviewed de novo, using the same materials and standards as the district court, viewing the record in the light most favorable to the party opposing summary judgment and giving that party the benefit of favorable inferences. Contract interpretation on summary judgment is also reviewed de novo when the court determines whether the contract is unambiguous and what its language means.
PRECEDENTIAL VALUE	Published Wyoming Supreme Court opinion; precedential

PARTIES	Questar Exploration and Production Company, now known as QEP Energy Company, Wexpro Company v. Rocky Mountain Resources, LLC

TOPICS

oil and gas · mineral rights · contract interpretation · standard of review · appellate procedure

PRACTICE AREAS

oil and gas · contracts · minerals · appellate procedure

QUESTIONS PRESENTED

1. Whether the Ribbe Lease was a renewal lease, substitute lease, or new lease issued in lieu of the 505 and 529 Leases under the State Land Board assignment language.

HOLDINGS

1. The Ribbe Lease was not a renewal lease, substitute lease, or new lease issued in lieu of the 505 and 529 Leases. It was an entirely new lease, issued on different terms to a different lessee through a public drawing, so Davis's overriding royalty ended when the original leases terminated and did not attach to the Ribbe Lease.

KEY QUOTATIONS

> *"TO HAVE AND TO HOLD unto the said Continental Oil Company, its successors and assigns, subject to the terms and conditions of said lease; the grants and reservations herein contained extending to any renewal lease, substitute lease or new lease issued in lieu thereof with full effect."* (¶ 4)

> *"Therefore, Mr. Davis's overriding royalty interest in the 505 and 529 Leases ended in 1979 when the leases were terminated; it did not attach to the Ribbe Lease, nor was it resurrected when Mountain Fuel Supply subsequently obtained the Ribbe Lease."* (¶ 38)

> *"The Ribbe Lease did not fall into any of these categories and, therefore, the overriding royalty interest did not attach to the Ribbe Lease."* (¶ 40)

FACTUAL BACKGROUND

Walter Davis reserved a four-percent overriding royalty when he assigned the 505 and 529 Wyoming oil-and-gas leases to Continental in 1953. The State Land Board assignment form provided that the grants and reservations extended to any renewal lease, substitute lease, or new lease issued in lieu of the original lease. After the original leases expired in 1979, the State combined the acreage and issued a wholly new lease through a public drawing to Robert Ribbe, who later sold it to a Mountain Fuel affiliate; QEP and Wexpro subsequently held working interests in the Ribbe Lease. Rocky Mountain Resources, successor to Davis's mineral interests, sued for royalties from production under the Ribbe Lease.

PROCEDURAL HISTORY

The district court ruled on cross-motions for summary judgment that a four-percent overriding royalty reserved in assignments of the 505 and 529 oil-and-gas leases extended to the later Ribbe Lease. After a damages trial, the jury awarded Rocky Mountain Resources more than $30 million in past royalties and found liability for ongoing royalties. The district court denied QEP and Wexpro's motion for a new trial, and they appealed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The district court must enter summary judgment in favor of QEP and Wexpro.

CASES CITED

- Sawyer v. Guthrie, 215 F. Supp. 2d 1254, 1258 n.2, 1264 (D. Wyo. 2002)
- Ultra Resources v. Hartman, 2010 WY 36, 226 P.3d 889 (Wyo. 2010)
- Fayard v. Design Committee of the Homestead Subdivision, 2010 WY 51, 230 P.3d 299, 302 (Wyo. 2010)
- Caballo Coal Co. v. Fidelity Exploration & Production Co., 2004 WY 6, 84 P.3d 311, 313 (Wyo. 2004)
- Moats v. Professional Assistance, LLC, 2014 WY 6, 319 P.3d 892, 896 (Wyo. 2014)
- Union Pacific Railroad Co. v. Caballo Coal Co., 2011 WY 24, 246 P.3d 867, 871 (Wyo. 2011)
- M & M Auto Outlet v. Hill Investment Corp., 2010 WY 56, 230 P.3d 1099, 1104 (Wyo. 2010)
- Leithead v. American Colloid Co., 721 P.2d 1059, 1063-64 (Wyo. 1986)
- Alexander v. Phillips Oil Co., 707 P.2d 1385 (Wyo. 1985)
- Moncrief v. Williston Basin Interstate Pipeline Co., 880 F. Supp. 1495, 1514 (D. Wyo. 1995)
- Whitney Holding Corp. v. Terry, 2012 WY 21, 270 P.3d 662, 673 (Wyo. 2012)
- State v. Pennzoil, 752 P.2d 975, 978 (Wyo. 1988)
- Amoco Production Co. v. Stauffer Chemical Co. of Wyoming, 612 P.2d 463, 465 (Wyo. 1980)
- Wangler v. Federer, 714 P.2d 1209, 1213 (Wyo. 1986)
- Klutznick v. Thulin, 814 P.2d 1267, 1270 (Wyo. 1991)