

SUPREME COURT OF NEW MEXICO

Ideal v. Burlington Resources Oil & Gas Co. LP, 148 N.M. 228

233 P.3d 362 (2010) · No. No. 31,491 · Decided April 27, 2010

SUMMARY

The Supreme Court of New Mexico reviews certification of a royalty owners' class action alleging that Burlington improperly deducted costs associated with placing natural gas in marketable condition. The court holds that Rule 1-023(B)(2) certification was appropriate and remands the Rule 1-023(B)(3) analysis to determine whether the marketable-condition rule applies as a matter of law or depends on individualized contractual intent. The court also holds that a pre-certification denial of class certification in prior litigation does not preclude absent class members and affirms the application of New Mexico law.

CASE DETAILS

COURT	Supreme Court of New Mexico
WRITING FOR THE COURT	Chávez, Justice; Patricio M. Serna; Petra Jimenez Maes; Richard C. Bosson; Freddie Joseph Romero, Judge, sitting by designation
JURISDICTION	New Mexico
DECIDED	April 27, 2010
DOCKET	No. 31,491
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Interlocutory appeal from an order certifying a royalty-owner class under Rule 1-023(B)(2) and (B)(3) NMRA.
STANDARD OF REVIEW	De novo review applies to questions of law, including issue preclusion when the facts are undisputed and the application of New Mexico law. The court reviewed the class-certification ruling under the applicable Rule 1-023 standards.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of New Mexico
PARTIES	Burlington Resources Oil & Gas Company LP, successor in interest to Burlington Resources Oil and Gas Company v. Phillis Ideal, Jose E. and Clara E. Gomez Living Trust, J. Fidel Candelaria

TOPICS

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PRACTICE AREAS

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QUESTIONS PRESENTED

1. Whether certification under Rule 1-023(B)(2) NMRA was proper despite individualized contract issues and the presence of monetary damages claims.
2. Whether certification under Rule 1-023(B)(3) NMRA was proper when the applicability of the marketable condition rule could depend on whether the covenant was imposed as a matter of law or arose from the parties' intent and extrinsic evidence.
3. Whether a prior pre-certification denial of class certification in the 1990-A litigation precluded the plaintiffs from seeking class certification in this case.
4. Whether the district court was required to detail its choice-of-law and conflict-of-law analysis before applying New Mexico law.
5. Whether New Mexico law properly applied to the plaintiffs' claims.

HOLDINGS

1. Certification under Rule 1-023(B)(2) NMRA was appropriate because individualized issues do not defeat certification where the defendant allegedly acted or failed to perform a legal duty on grounds generally applicable to the class, and declaratory or injunctive relief is sought as an integral part of the class relief even if damages are also sought.
2. The Rule 1-023(B)(3) certification determination had to be remanded because the district court needed to resolve whether the marketable condition rule applied as a matter of law or instead depended on the parties' intent. If the rule was imposed as a matter of law, certification was appropriate; if it depended on individualized contract interpretation or extrinsic evidence, certification would depend on whether individualized issues defeated predominance.
3. A prior denial of class certification in a case in which no class was certified does not preclude absent class members from seeking class certification in a later action.
4. Although a district court must conduct the disciplined choice-of-law analysis required before certifying a multistate class, it is not required to write an opinion or set out the details of that analysis.
5. New Mexico law properly applies to the plaintiffs' claims because the disputed contracts concern transfers of interests in real property located in New Mexico, and New Mexico has significant contacts and a substantial state interest in the dispute.

KEY QUOTATIONS

“Accordingly, we hold that virtual representation should be limited to apply to absent class members only in situations where the class has been properly certified and conducted. In addition, it does not apply to pre-certification decisions, including denial of class certification.” (233 P.3d at 367)

“Prior to a case being certified, absent class members are not offered a right to be heard, are given no notice, and are given no opportunity to opt out.” (233 P.3d at 368)

“Although the district court must conduct the disciplined analysis specified in Ferrell, and cannot certify a class without first determining which law will apply, id. ¶¶ 13-14, we do not require district courts to write opinions or the details of their analysis.” (233 P.3d at 369)

“Because the land is located in New Mexico, New Mexico law properly applies.” (233 P.3d at 370)

FACTUAL BACKGROUND

The plaintiffs are royalty owners who alleged that Burlington improperly deducted pre-tailgate processing costs from royalty and overriding royalty payments. They sought declaratory and injunctive relief as well as damages, and the district court certified a class. The leases and conveyances concerned mineral interests and land located in New Mexico.

PROCEDURAL HISTORY

Royalty owners filed a class action alleging that Burlington underpaid royalties by deducting costs associated with placing natural gas in marketable condition. The district court certified a class under Rule 1-023(B)(2) and (B)(3) NMRA, held that New Mexico law applied, and rejected Burlington's preclusion argument based on an earlier denial of class certification in the 1990-A litigation. The Supreme Court of New Mexico affirmed the Rule 1-023(B)(2) certification, affirmed the rulings on preclusion and applicable law, and remanded the Rule 1-023(B)(3) certification issue.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The district court must determine whether the marketable condition rule applies as a matter of law or because the parties intended it to apply. If the rule applies as a matter of law, Rule 1-023(B)(3) certification is appropriate; if it depends on party intent and individualized proof, the court must determine whether individual issues defeat predominance.

CASES CITED

- Davis v. Devon Energy Corp., 2009-NMSC-048, 147 N.M. 157, 218 P.3d 75
- Continental Potash, Inc. v. Freeport-McMoran, Inc., 115 N.M. 690, 858 P.2d 66 (1993)
- Mark V, Inc. v. Mellekas, 114 N.M. 778, 845 P.2d 1232 (1993)
- Deflon v. Sawyers, 2006-NMSC-025, 139 N.M. 637, 137 P.3d 577
- Shovelin v. Central New Mexico Electric Cooperative, Inc., 115 N.M. 293, 850 P.2d 996 (1993)
- Reeves v. Wimberly, 107 N.M. 231, 755 P.2d 75 (Ct. App. 1988)
- Sundance Mechanical & Utility Corp. v. Atlas, 118 N.M. 250, 880 P.2d 861 (1994)

- *Alvarez v. May Department Stores Co.*, 143 Cal. App. 4th 1223, 49 Cal. Rptr. 3d 892 (2006)
- *Johnson v. GlaxoSmithKline, Inc.*, 166 Cal. App. 4th 1497, 83 Cal. Rptr. 3d 607 (2008)
- *Taylor v. Sturgell*, 553 U.S. 880 (2008)
- *Bittinger v. Tecumseh Products Co.*, 123 F.3d 877 (6th Cir. 1997)
- *Richards v. Jefferson County, Alabama*, 517 U.S. 793 (1996)
- *Phillips Petroleum Co. v. Shutts*, 472 U.S. 797 (1985)
- *Eastham v. Public Employees' Retirement Association Board*, 89 N.M. 399, 553 P.2d 679 (1976)
- *Sims v. Sims*, 1996-NMSC-078, 122 N.M. 618, 930 P.2d 153
- *State v. Moreland*, 2008-NMSC-031, 144 N.M. 192, 185 P.3d 363
- *State v. Javier M.*, 2001-NMSC-030, 131 N.M. 1, 33 P.3d 1
- *Ferrell v. Allstate Insurance Co.*, 2008-NMSC-042, 144 N.M. 405, 188 P.3d 1156
- *Manning v. Atchison, Topeka & Santa Fe Railway Co.*, 42 N.M. 381, 79 P.2d 922 (1938)
- *Meiboom v. Watson*, 2000-NMSC-004, 128 N.M. 536, 994 P.2d 1154
- *Allsup's Convenience Stores, Inc. v. North River Insurance Co.*, 1999-NMSC-006, 127 N.M. 1, 976 P.2d 1
- *Uhden v. New Mexico Oil Conservation Commission*, 112 N.M. 528, 817 P.2d 721 (1991)
- *Johnson v. Gray*, 75 N.M. 726, 410 P.2d 948 (1966)
- *Hart v. Oliver Farm Equipment Sales Co.*, 37 N.M. 267, 21 P.2d 96 (1933)
- *Team Bank v. Meridian Oil Inc.*, 118 N.M. 147, 879 P.2d 779 (1994)