SUPREME COURT OF WYOMING

Cabot Oil & Gas Corp. v. Followill

93 P.3d 238 (Wyo. 2004); 2004 WY 80 · No. No. 02-283 · Decided July 8, 2004

SUMMARY

The Wyoming Supreme Court answered certified questions concerning the Wyoming Royalty Payment Act. It held that gathering means collecting gas and moving it to a point where it can be processed or transported to the user, making associated costs nondeductible from royalty payments. The court also held that remedies for statutory violations accrue when a royalty owner knows or has reason to know of the violations.

CASE DETAILS

COURT	Supreme Court of Wyoming
WRITING FOR THE COURT	Golden, Justice; Hill, C.J.; Golden, J.; Lehman, J.; Voigt, J.; James, D.J.
JURISDICTION	Wyoming
DECIDED	July 8, 2004
DOCKET	No. 02-283
DISPOSITION	other
PROCEDURAL POSTURE	The United States District Court for the District of Wyoming certified two questions of Wyoming law to the Supreme Court of Wyoming under W.R.A.P. 11 concerning the interpretation of the Wyoming Royalty Payment Act.
STANDARD OF REVIEW	Questions certified under W.R.A.P. 11 are questions of law reviewed de novo. Statutory interpretation is reviewed de novo.
PRECEDENTIAL VALUE	Published Wyoming Supreme Court opinion answering certified questions of state law; precedential.
PARTIES	Cabot Oil & Gas Corporation v. Dorman Followill, Emil Hecht, Eva Hecht, Eva Oil and Gas, LLC, C. Dennis Irwin, PDI Trust Dated February 23, 1994, Barton Johnson, Everett Johnson, Larry Mizel, Yosemite Creek Oil and Gas, LLC, Marvin Wolf, The Melvin and Elaine Wolf Foundation, Inc., Norita M. Weigand

TOPICS

oil and gas · mineral rights · statutory interpretation · remedies · appellate procedure

PRACTICE AREAS

oil and gas law · royalty payments · statutory interpretation · appellate procedure

QUESTIONS PRESENTED

1. What does the term "gathering" mean as used in Wyo. Stat. Ann. § 30-5-304(a)(vi) in defining costs of production?
2. When do claims for the statutory penalty for failure to provide complete royalty reporting and for improper deduction of costs of production accrue: when the statutory violations occur or when the royalty owner knows or has reason to know of the violations?

HOLDINGS

1. “Gathering” means collecting gas and moving it to a point where it can be processed or transported to the user. All costs associated with that activity are costs of production under Wyo. Stat. Ann. § 30-5-304(a)(vi) and are nondeductible from royalty payments.
2. Claims for the remedies provided by the Wyoming Royalty Payment Act accrue when the royalty owner knows or has reason to know of the statutory violation.

KEY QUOTATIONS

> *“We hold that "gathering" means to collect gas and move it to a point where it can be processed or transported to the user. All costs associated with that activity are "costs of production" under § 30-5-304(a)(vi) and nondeductible from royalties.”* (¶ 3)

> *“In answer to the second question, we hold that the remedies provided accrue when a royalty owner knows or has reason to know of statutory violations.”* (¶ 3)

> *“We hold that "gathering" means to collect gas and move it to a point where it can be processed or transported to the user.”* (¶ 12)

FACTUAL BACKGROUND

The appellees owned overriding royalty interests in thirteen federal oil and gas leases covering approximately ninety-six wells in Wyoming. Cabot, as successor to the original lessees, paid the royalties and deducted pro rata transportation charges incurred by unaffiliated third-party transporters that moved gas from the wells to downstream delivery points and interstate transmission interconnections. The royalty owners contended that the transportation activity constituted nondeductible gathering or other costs of production under the Wyoming Royalty Payment Act.

PROCEDURAL HISTORY

Royalty owners disputed Cabot's deductions from overriding royalty payments for transportation of natural gas produced from federal oil and gas leases. The federal district court certified questions concerning the meaning of gathering costs and accrual of statutory remedies under the Wyoming Royalty Payment Act. The Wyoming Supreme Court accepted the certification and answered both questions.

DISPOSITION

other

REMAND INSTRUCTIONS

The court answered the two certified questions; the opinion does not specify additional remand instructions.

CASES CITED

- Chevron U.S.A., Inc. v. State, 918 P.2d 980, 983 (Wyo. 1996)
- Allied-Signal, Inc. v. Wyoming State Bd. of Equalization, 813 P.2d 214, 219-20 (Wyo. 1991)
- Parker Land & Cattle Co. v. Wyoming Game & Fish Comm'n, 845 P.2d 1040, 1042 (Wyo. 1993)
- Rasmussen v. Baker, 7 Wyo. 117, 133, 50 P. 819, 823 (1897)
- State Dep't of Revenue and Taxation v. Pacificorp, 872 P.2d 1163, 1166 (Wyo. 1994)
- State v. Bannon Energy Corp., 999 P.2d 1306, 1309 (Wyo. 2000)
- Wold v. Hunt, 52 F. Supp. 2d 1330, 1334, 1336 (D. Wyo. 1999)
- Moncrief v. Harvey, 816 P.2d 97, 105 (Wyo. 1991)
- Independent Producers Marketing Corp. v. Cobb, 721 P.2d 1106, 1110 (Wyo. 1986)
- Amoco Production Co. v. EM Nominee Partnership Co., 2 P.3d 534, 542 (Wyo. 2000)