

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
OKLAHOMA

Teresa Garrison Pratt, et al. v. Calyx Energy III, LLC, et al.

Pratt · No. 6:24-cv-00452 · Decided December 18, 2025

SUMMARY

The United States District Court for the Eastern District of Oklahoma grants Defendants’ motion to dismiss an amended putative class action concerning alleged natural-gas revenue earnouts. The court holds that the plaintiffs’ oil-and-gas leases, rather than the Oklahoma Production Revenue Standards Act, determine whether they are entitled to royalties on the earnouts, and concludes that the amended complaint does not adequately allege such an entitlement. The court therefore dismisses claims for breach of the PRSA, breach of the reasonably prudent operator standard, unjust enrichment, fraud, and breach of the Energy Litigation Reform Act.

CASE DETAILS

COURT	United States District Court for the Eastern District of Oklahoma
WRITING FOR THE COURT	Gerald L. Jackson
JURISDICTION	United States District Court for the Eastern District of Oklahoma
DECIDED	December 18, 2025
DOCKET	6:24-cv-00452
DISPOSITION	dismissed
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss Plaintiffs' amended class-action complaint for failure to state a claim. The court granted the motion and dismissed the action.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and determines whether the complaint contains sufficient factual matter to state a facially plausible claim. Legal conclusions and formulaic recitations of the elements are insufficient. Fraud claims must satisfy Rule 9(b)'s particularity requirement.
PRECEDENTIAL VALUE	unknown

PARTIES

Teresa Garrison Pratt, Longreach Energy 2, LLC, Royfin Natural Gas, LLC v. Calyx Energy III, LLC, Calyx Energy III Holdings, LLC, Riverside Midstream Partners, LLC, Riverside Gathering, LLC, Calvin D. Cahill, Calyx Investments, LLC, Calyx Investments II, LLC

TOPICS

oil and gas mineral rights motions to dismiss contract interpretation unjust enrichment

PRACTICE AREAS

oil and gas law mineral rights commercial litigation civil procedure remedies

QUESTIONS PRESENTED

1. Whether the oil and gas leases or the Oklahoma Production Revenue Standards Act entitled Plaintiffs to royalties on earnout payments received by Defendants.
2. Whether Plaintiffs adequately pleaded claims for breach of the Production Revenue Standards Act, breach of the reasonably prudent operator standard, unjust enrichment, actual or constructive fraud, and violation of the Energy Litigation Reform Act.
3. Whether Plaintiffs' alter-ego theory could proceed as a stand-alone claim after dismissal of the substantive causes of action.
4. Whether Plaintiffs should receive further leave to amend.

HOLDINGS

1. The leases did not, as pleaded, entitle Plaintiffs to a portion of the earnouts because Plaintiffs failed to allege that the earnouts constituted payment for gas produced and sold or otherwise affected royalties due under the leases. The Production Revenue Standards Act does not itself create royalty rights; it presupposes a contractual entitlement established by the lease.
2. The PRSA claim failed because Plaintiffs did not allege a contractual entitlement to the earnout proceeds.
3. Those claims failed because Plaintiffs did not allege an entitlement to the earnouts, a royalty-impacting breach, an unjust detriment, or a duty to disclose the earnout proceeds.
4. The court denied further leave to amend because Plaintiffs did not request it, had already received an opportunity to amend, and did not indicate that additional facts could cure the pleading deficiencies.

KEY QUOTATIONS

“Oklahoma law is clear, the PRSA does not create royalty rights—the oil and gas leases do.” (Analysis § I)

“Thus, because there remain no viable causes of action, the Court dismisses Plaintiffs’ alter-ego claim.”
(Analysis § II, Count I)

FACTUAL BACKGROUND

Plaintiffs alleged that they owned royalty interests in oil and gas wells in McIntosh County and surrounding counties. Calyx Energy entered gathering and processing arrangements involving the wells, later diverted gas to Tall Oak under a Gas Gathering and Processing Agreement, and received earnout payments under related transaction documents. Plaintiffs alleged that Defendants failed to pay them a share of the earnouts and concealed revenue attributable to natural-gas production, but they did not allege that the gas was sold, that the earnouts constituted payment for gas sold, or that the transaction reduced royalties otherwise owed under the leases.

PROCEDURAL HISTORY

Plaintiffs filed the action in the District Court for McIntosh County, Oklahoma, alleging claims arising from Defendants' alleged diversion of natural-gas production and retention of earnout revenue. Defendants removed the action to the Eastern District of Oklahoma on November 19, 2024. After Plaintiffs were granted leave to amend, they filed an amended complaint on July 15, 2025; the court dismissed all claims and denied further leave to amend.

DISPOSITION

dismissed

CASES CITED

- Ashcroft v. Iqbal, 556 U.S. 662, 678-79 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 545, 555-57, 570 (2007)
- Commonwealth Prop. Advocs., LLC v. Mortg. Elec. Registration Sys., Inc., 680 F.3d 1194, 1201-02 (10th Cir. 2012)
- Forest Guardians v. Forsgren, 478 F.3d 1149, 1160 (10th Cir. 2007)
- Khalik v. United Air Lines, 671 F.3d 1188, 1192 (10th Cir. 2012)
- Base v. Devon Energy Prod. Co., 2024 OK 3, ¶ 37, 563 P.3d 934, 954
- Purcell v. Santa Fe Minerals, Inc., 1998 OK 45, ¶¶ 19-22, 961 P.2d 188, 192-94
- Panhandle Coop. Royalty Co. v. Cuninghame, 1971 OK 63, ¶ 15, 495 P.2d 108, 113
- Royce Realty & Developing, Inc. v. Watson, 1996 OK 93, ¶¶ 32-33, 2 P.3d 320, 328-29
- Walden v. Potts, 1944 OK 299, ¶ 8, 152 P.2d 923, 924
- Watts v. Atl. Richfield Co., 115 F.3d 785, 790-94 (10th Cir. 1997)
- H.B. Krug v. Helmerich & Payne, Inc., 2015 OK 74, 362 P.3d 205, 214
- Heiman v. Atl. Richfield Co., 1995 OK 19, ¶ 9, 891 P.2d 1252, 1257
- Cline v. Sunoco, ___ F.4th ___, 2025 WL 3199871, at *23-24 (10th Cir. Nov. 17, 2025)
- Foster v. Apache Corp., 285 F.R.D. 632, 641 (W.D. Okla. 2012)
- Mittelstaedt v. Santa Fe Mins., Inc., 1998 OK 7, ¶ 8, 954 P.2d 1203, 1205
- B&B Buckles Props., LLC v. Oil Producers Inc. of Kan., 2022 OK CIV APP 34, ¶ 26, 520 P.3d 392, 401

- Texas Consol. Oils v. Vann, 1953 OK 90, ¶ 45, 258 P.2d 679, 401
- Rogers v. Westhoma Oil Co., 291 F.2d 726, 732 (10th Cir. 1961)
- Harvell v. Goodyear Tire & Rubber Co., 2006 OK 24, ¶ 18, 164 P.3d 1028, 1035
- Randle v. City of Tulsa, 2024 OK 40, ¶ 26, 556 P.3d 612, 620
- Cherokee Nation v. McKesson Corp., 529 F. Supp. 3d 1225, 1240 (E.D. Okla. 2021)
- Okla. Dep't of Secs. ex rel. Fought v. Blair, 2010 OK 16, ¶ 22, 231 P.3d 645, 658
- City of Tulsa v. Bank of Okla., N.A., 2011 OK 83, ¶ 19, 280 P.3d 314, 319
- McBride v. Bridges, 1950 OK 25, ¶ 8, 215 P.2d 830, 832
- Van Zanen v. Qwest Wireless, L.L.C., 522 F.3d 1127, 1130 (10th Cir. 2008)
- Sutton v. David Stanley Chevrolet, Inc., 2020 OK 87, ¶¶ 10, 31, 475 P.3d 847, 852, 854
- Patel v. OMH Med. Ctr., Inc., 1999 OK 33, ¶ 34, 987 P.2d 1185, 1199
- Barry v. Orahoad, 1942 OK 419, ¶ 14, 132 P.2d 645, 648
- Howell v. Texaco, Inc., 2004 OK 92, ¶ 31, 112 P.3d 1154, 1161
- Lifetouch Nat'l Sch. Studios Inc. v. Okla. Sch. Pictures, LLC, 2024 OK CIV APP 17, ¶¶ 22-24, 554 P.3d 764, 772-73
- Calderon v. Kan. Dep't of Soc. & Rehab. Servs., 181 F.3d 1180, 1186 (10th Cir. 1999)
- Conley v. Gibson, 355 U.S. 41, 47 (1957)