

SUPREME COURT OF LOUISIANA

Clovelly Oil Co., LLC v. Midstates Petroleum Co., LLC

112 So. 3d 187 (La. 2013) · No. 12-2055 · Decided March 19, 2013

SUMMARY

The Louisiana Supreme Court held that a 1972 joint operating agreement did not apply to an oil and gas lease acquired by Midstates Petroleum in 2008 within the geographic area described in the agreement. Applying Louisiana contract-interpretation principles, the court concluded that the agreement covered leases and unleased mineral interests owned by the parties when the agreement was executed, and that it did not contain an area-of-mutual-interest provision covering future leases. The court reversed the court of appeal and reinstated the trial court's judgment in favor of Midstates.

CASE DETAILS

COURT	Supreme Court of Louisiana
WRITING FOR THE COURT	Johnson, C.J.; Hughes, J., assigned as Justice pro tempore for oral argument and sitting as an elected Justice when the opinion was rendered
JURISDICTION	Louisiana
DECIDED	March 19, 2013
DOCKET	12-2055
DISPOSITION	reversed
PROCEDURAL POSTURE	Midstates sought review of the court of appeal's reversal of a trial court partial summary judgment ruling that a 1972 joint operating agreement did not apply to a 2008 oil-and-gas lease. The Louisiana Supreme Court granted Midstates's writ application and reviewed the summary judgment issue de novo.
STANDARD OF REVIEW	De novo review applies to rulings on summary judgment motions and to the interpretation of an unambiguous contract.
PRECEDENTIAL VALUE	Published Louisiana Supreme Court opinion; precedential.
PARTIES	Midstates Petroleum Co., LLC v. Clovelly Oil Co., LLC

TOPICS

- contract interpretation
- oil and gas
- mineral rights
- summary judgment
- appellate procedure

PRACTICE AREAS

contract law

oil and gas law

mineral rights

commercial litigation

appellate procedure

QUESTIONS PRESENTED

1. Whether the 1972 joint operating agreement applies to an oil-and-gas lease acquired by one party in 2008 within the geographic area described in Exhibit A.
2. Whether the court of appeal correctly interpreted the geographic description in Exhibit A as covering all present and future leases within that area.
3. Whether Midstates was entitled to partial summary judgment under the JOA and applicable Louisiana contract-interpretation principles.

HOLDINGS

1. The JOA applies to leases and unleased mineral interests located within the geographic area described in Exhibit A only when those interests were owned by the parties at the time the JOA was executed; it does not automatically apply to Midstates's 2008 after-acquired lease.
2. Partial summary judgment in favor of Midstates was proper because the undisputed JOA language established that the agreement did not govern the 2008 lease.

KEY QUOTATIONS

“A court must grant a motion for summary judgment “[i]f the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to material fact, and that mover is entitled to judgment as a matter of law.”” (112 So. 3d at 192)

““Contracts have the effect of law for the parties” and the “[interpretation of a contract is the determination of the common intent of the parties.”” (112 So. 3d at 192-193)

“A court is not authorized to alter or make new contracts for the parties. A court’s role is only to interpret the contract.” (112 So. 3d at 196)

“The language of the JOA, properly interpreted, compels us to conclude that the JOA does not apply to the new lease acquired by Midstates.” (112 So. 3d at 196)

FACTUAL BACKGROUND

Clovelly and Midstates became parties by assignment to a 1972 AAPL Form 610 joint operating agreement covering specified oil-and-gas leases and interests in an area of Evangeline Parish, Louisiana. Clovelly succeeded to the operator's interest, while Midstates succeeded to a nonoperating working interest. In 2008, Midstates acquired a new oil-and-gas lease covering acreage within the geographic area described in Exhibit A, and Clovelly asserted that the lease was subject to the JOA and that Clovelly held a 56.25% working interest and the right to operate it.

PROCEDURAL HISTORY

Clovelly filed an action for breach of contract and declaratory judgment, claiming that Midstates's 2008 lease and related operations were subject to the joint operating agreement. The trial court granted Midstates partial summary judgment and declared that the agreement did not apply to the new lease. The court of appeal reversed, holding that any lease within the geographic area in Exhibit A was covered. The Supreme Court reversed the court of appeal and reinstated the trial court's ruling.

DISPOSITION

reversed

REMAND INSTRUCTIONS

The ruling of the trial court is reinstated. The court pretermitted discussion of Midstates's second assignment of error.

CASES CITED

- Clovelly Oil Co., LLC v. Midstates Petroleum Co., LLC, 95 So. 3d 1168 (La. App. 3 Cir. 2012)
- Property Insurance Association of Louisiana v. Theriot, 31 So. 3d 1012 (La. 2010)
- Greemon v. City of Bossier City, 65 So. 3d 1263 (La. 2011)
- Marin v. Exxon Mobil Corp., 48 So. 3d 234 (La. 2010)
- Prejean v. Guillory, 38 So. 3d 274 (La. 2010)
- Amend v. McCabe, 664 So. 2d 1183 (La. 1995)
- Amoco Production Co. v. Charles B. Wilson, Jr., Inc., 976 P.2d 941 (Kan. 1999)
- Kuhn v. Planche Real Estate Co., 185 So. 2d 210 (La. 1966)
- Frey v. Amoco Production Co., 603 So. 2d 166 (La. 1992)
- Pelican State Associates, Inc. v. Winder, 219 So. 2d 500 (La. 1969)
- Webb v. Zurich Insurance Co., 205 So. 2d 398 (La. 1967)
- John Bailey Contractor, Inc. v. State, DOTD, 439 So. 2d 1055 (La. 1983)
- Burmaster v. Plaquemines Parish Government, 64 So. 3d 312 (La. App. 4 Cir. 2011)
- Bown v. Austral Oil Co., Inc., 322 So. 2d 866 (La. App. 3 Cir. 1975)