

SUPREME COURT OF THE STATE OF MONTANA

Interstate Explorations, LLC v. Morgen Farm and Ranch, Inc.

Interstate Explorations, LLC v. Morgen Farm & Ranch, Inc., 2016 MT 20 (2016) · No. DA 15-0472 · Decided January 26, 2016

SUMMARY

The Montana Supreme Court affirmed the denial of Interstate Explorations, LLC’s motion to dismiss counterclaims arising from alleged hydrocarbon spills on Morgen Farm and Ranch, Inc.’s property. The court held that Montana’s Surface Damage Act does not establish an administrative proceeding requiring exhaustion before a surface owner may litigate damage claims. The court also concluded that the Montana Administrative Procedure Act applies to Title 82, chapter 11, rather than the Surface Damage Act in chapter 10.

CASE DETAILS

COURT	Supreme Court of the State of Montana
WRITING FOR THE COURT	Justice Jim Rice; Justice Mike McGrath; Justice Michael E. Wheat; Justice Laurie McKinnon; Justice James Jeremiah Shea
JURISDICTION	Montana
DECIDED	January 26, 2016
DOCKET	DA 15-0472
DISPOSITION	affirmed
PROCEDURAL POSTURE	Interstate appealed the District Court’s denial of its motion to dismiss Morgen’s counterclaims for lack of subject matter jurisdiction based on failure to exhaust administrative remedies.
STANDARD OF REVIEW	A decision granting or denying a motion to dismiss for lack of subject matter jurisdiction is reviewed de novo for correctness.
PRECEDENTIAL VALUE	Published Montana Supreme Court opinion
PARTIES	Interstate Explorations, LLC v. Morgen Farm and Ranch, Inc.

TOPICS

- exhaustion of remedies
- subject matter jurisdiction
- administrative law
- oil and gas
- statutory interpretation

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether a surface owner must exhaust the statutory process under Montana's Surface Owner Damage and Disruption Compensation Act before litigating a surface-damage claim in court.
2. Whether the Montana Administrative Procedure Act's exhaustion provision applies to the Surface Damage Act in Title 82, chapter 10.

HOLDINGS

1. A surface owner is not required to exhaust the process established by the Surface Damage Act before litigating a surface-damage claim in court because the Act's process is not an agency or administrative proceeding subject to mandatory exhaustion.
2. The Surface Damage Act does not require completion of its process before litigation and does not preclude a person from pursuing other remedies allowed by law.
3. Montana's Administrative Procedure Act exhaustion provision does not apply to the Surface Damage Act because the statutory reference to MAPA in § 82-11-141(1), MCA, applies to chapter 11, not chapter 10.

KEY QUOTATIONS

“As such, while a statutory process has been enacted, it is not an agency or administrative proceeding that must be exhausted before litigation may be commenced.” (§ 13)

“The District Court correctly held that a surface owner is not required to exhaust an administrative remedy under the Surface Damage Act before litigating a damage claim in the courts, and correctly denied Interstate’s motion to dismiss Morgen’s counterclaims on this basis.” (§ 16)

FACTUAL BACKGROUND

Morgen owned the surface estate of property subject to an oil and gas lease, while Interstate held the assigned mineral lease and had drilled and completed a well. Interstate sued after Morgen allegedly refused to execute an easement for an electrical line needed to operate the well. Morgen counterclaimed that Interstate's oil and gas operations caused hydrocarbon spills and related surface damage, and asserted claims for trespass, unjust enrichment, and wrongful occupation.

PROCEDURAL HISTORY

Interstate filed a declaratory and damages action concerning an easement needed to install a power line for an oil well. Morgen answered and counterclaimed for damages allegedly caused by hydrocarbon spills, asserting trespass, unjust enrichment, and wrongful occupation. Interstate moved to dismiss the counterclaims for lack of subject matter jurisdiction, arguing that Morgen first had to pursue the Surface Damage Act process before the Montana Board of Oil and Gas Conservation. The District Court denied the motion, and the Montana Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Pickett v. Cortese, 2014 MT 166, 375 Mont. 320, 328 P.3d 660
- Ballas v. Missoula City Bd. of Adjustment, 2007 MT 299, 340 Mont. 56, 172 P.3d 1232
- Lorang v. Fortis Ins. Co., 2008 MT 252, 345 Mont. 12, 192 P.3d 186
- Stanley v. Lemire, 2006 MT 304, 334 Mont. 489, 148 P.3d 643
- Stanley v. Holms, 267 Mont. 316, 883 P.2d 837 (1994)
- Pinnacle Gas Res., Inc. v. Diamond Cross Properties, LLC, 2009 MT 12, 349 Mont. 17, 201 P.3d 160

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