COURT OF APPEALS OF TEXAS, AMARILLO

Cambridge Production, Inc. v. Geodyne Nominee Corp.

292 S.W.3d 725 (Tex. App.—Amarillo 2009) · No. 07-08-0355-CV · Decided August 18, 2009

SUMMARY

The Texas Court of Appeals considered whether oil and gas leases covering Section 33 and the related Prater Unit remained in force despite an apparent depth-description error in the unit designations. The court held that the appellees established quasi-estoppel because Section 33 mineral-interest owners accepted royalties from production under the unit, and it rejected Cambridge's bona fide purchaser claim. The trial court's summary judgment was affirmed.

CASE DETAILS

COURT	Court of Appeals of Texas, Amarillo
WRITING FOR THE COURT	John T. Boyd, Senior Justice; Hancock, Justice; Pirtle, Justice
JURISDICTION	Texas
DECIDED	August 18, 2009
DOCKET	07-08-0355-CV
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from a final summary judgment entered after cross-motions for summary judgment in a suit seeking termination of oil and gas leases and a pooled unit, damages, and related declaratory relief.
STANDARD OF REVIEW	The court reviewed the cross-motions for summary judgment to determine whether either movant established the absence of a genuine issue of material fact and entitlement to judgment as a matter of law. It reviewed both parties' summary-judgment evidence and affirmed if any ground supporting the trial court's unspecified ruling was meritorious.
PRECEDENTIAL VALUE	Published and precedential Texas Court of Appeals opinion.
PARTIES	Cambridge Production, Inc. v. Geodyne Nominee Corporation, William L. Arrington, Amarillo National Bank, Columbus T. Helton, Section 33 necessary defendants, Section 39 necessary defendants

TOPICS

oil and gas | mineral rights | title disputes | standard of review | appellate procedure

PRACTICE AREAS

oil and gas | mineral rights | real estate | contracts | appellate procedure

QUESTIONS PRESENTED

1. Whether appellees established quasi-estoppel as a matter of law based on the Section 33 mineral-interest owners' acceptance of royalties from production attributed to the Prater Unit.
2. Whether Cambridge qualified as a bona fide purchaser of the new Section 33 leases despite Geodyne's visible operation of the producing Prater Unit and payment of royalties to the lessors.
3. Whether the trial court's summary judgment could be affirmed on either dispositive ground without deciding Cambridge's challenges concerning interpretation, reformation, limitations, and validity of the unit designations.

HOLDINGS

1. The Section 33 mineral-interest owners were barred by quasi-estoppel from repudiating the Prater Unit and the prior Section 33 leases after accepting royalties from production attributed to that unit; Cambridge, as a top lessee, could acquire no greater rights than its lessors.
2. Cambridge was not entitled to bona-fide-purchaser status because Geodyne's operation of the producing well and payment of royalties constituted circumstances requiring inquiry into Geodyne's claimed rights and placed Cambridge on constructive notice.
3. The trial court properly granted appellees' summary judgment because the quasi-estoppel and bona-fide-purchaser grounds were dispositive.

KEY QUOTATIONS

> *"Quasi estoppel is similar to but different from equitable estoppel. While equitable estoppel requires proof of a false statement or detrimental reliance, quasi estoppel requires no such showing."* (732)

> *"Rather, it precludes a party from accepting the benefits of a transaction and then taking a subsequent inconsistent position to avoid corresponding obligations or effects."* (732)

> *"A bona fide purchaser of real property is one who buys property in good faith for valuable consideration and without notice (actual or imputed) of outstanding claims in a third party and is an affirmative defense to a title dispute."* (733)

> *"Possession that meets these requirements visible, open, exclusive, and unequivocal possession affords notice of title equivalent to the constructive notice deed registration affords."* (733)

FACTUAL BACKGROUND

The Section 33 leases had five-year primary terms ending July 18, 1983, and contained pooling provisions treating production from a properly pooled unit as production from the leased premises. The Prater No. 1 well, located in Section 39, continuously produced from perforations at depths of 14,364 to 14,372 feet, while the original unit designations described a different stratigraphic interval and no production occurred from Section 33 itself. Section 33 mineral-interest owners nevertheless accepted royalties from the Prater well, and Cambridge later acquired new top leases containing provisions recognizing existing leases and unitization agreements. Cambridge then sought to terminate the prior leases and pooled unit, but Geodyne was operating the producing unit and paying royalties when Cambridge acquired its top leases.

PROCEDURAL HISTORY

Cambridge, a lessee under new top leases, sued Geodyne, Amarillo National Bank, William L. Arrington, and mineral and royalty interest owners, seeking termination of forty-four Section 33 oil and gas leases and the related Prater Unit. The trial court granted appellees' motion for summary judgment, declared the Section 33 leases and unit designations in full force and effect, and canceled the new Section 33 leases. Cambridge appealed, and the Court of Appeals affirmed on the dispositive grounds of quasi-estoppel and lack of bona-fide-purchaser status.

DISPOSITION

affirmed

CASES CITED

- Western Investments, Inc. v. Urena, 162 S.W.3d 547, 550 (Tex. 2005)
- FM Properties Operating Co. v. City of Austin, 22 S.W.3d 868, 872 (Tex. 2000)
- Stable Energy, L.P. v. Newberry, 999 S.W.2d 538, 548 (Tex. App.—Austin 1999, pet. denied)
- Atkinson Gas Co. v. Albrecht, 878 S.W.2d 236, 240 (Tex. App.—Corpus Christi 1994, writ denied)
- Steubner Realty 19, Ltd. v. Cravens Road 88, Ltd., 817 S.W.2d 160, 164 (Tex. App.—Houston [14th Dist.] 1991, no writ)
- Madison v. Gordon, 39 S.W.3d 604, 606-607 (Tex. 2001)
- Houston Oil Co. v. Hayden, 104 Tex. 175, 135 S.W. 1149, 1152 (1911)
- Flack v. First National Bank, 148 Tex. 495, 226 S.W.2d 628, 631-632 (1950)
- Collum v. Sanger Bros., 98 Tex. 162, 82 S.W. 459, 460 (1904)
- Dixon v. Cargill, 104 S.W.2d 101, 102 (Tex. Civ. App.—Eastland 1937, writ ref'd)
- Strong v. Strong, 128 Tex. 470, 98 S.W.2d 346, 350 (1936)
- Albright v. Hoyt, 57 S.W.2d 342, 345 (Tex. Civ. App.—Texarkana 1933, writ ref'd)