Devon Energy Production Company, L.P., Devon Energy Corporation, BPX Operating Company, and BPX Production Company v. Robert Leon Oliver

No. 13-25-00131-CV · No. 13-25-00131-CV · Decided February 26, 2026

SUMMARY

The Thirteenth Court of Appeals of Texas held that the oil and gas leases established a royalty valuation point at the wells, despite addendum provisions allocating post-production costs. The court concluded that the trial court improperly instructed the jury to value royalties at a downstream Houston Ship Channel location, reversed the judgment awarding approximately $15.8 million in damages, and remanded for further proceedings.

CASE DETAILS

COURT	Texas Court of Appeals, Thirteenth District, Corpus Christi–Edinburg
WRITING FOR THE COURT	Jon West; Chief Justice Tijerina; Justice Peña; Justice West
JURISDICTION	Texas Court of Appeals, Thirteenth District, Corpus Christi–Edinburg
DECIDED	February 26, 2026
DOCKET	13-25-00131-CV
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appellants appealed from a final judgment entered after the trial court granted appellees' motion for summary judgment on the interpretation of two oil and gas leases and a jury subsequently determined damages.
STANDARD OF REVIEW	The interpretation of a mineral lease, the grant of summary judgment, and whether a jury charge misstated the law are reviewed de novo. A judgment is reversed for charge error when the error was harmful because it probably caused the rendition of an improper verdict.
PRECEDENTIAL VALUE	Published Texas Court of Appeals memorandum opinion
PARTIES	Devon Energy Production Company, L.P., Devon Energy Corporation, BPX Operating Company, BPX Production Company v. Robert Leon Oliver, et al.

TOPICS

oil and gas · mineral rights · contract interpretation · appellate procedure · damages

PRACTICE AREAS

oil and gas · mineral rights · contracts · appellate procedure · remedies

QUESTIONS PRESENTED

1. Whether the oil and gas leases established the royalty valuation point at the wells as of the day the oil was run to the pipeline or storage tanks.
2. Whether the addendum provisions concerning market value, royalty percentages, and post-production costs superseded or rendered ambiguous the form provision establishing the valuation point.
3. Whether the trial court's summary judgment findings and jury charge improperly permitted damages to be calculated using a downstream market value.
4. Whether the jury-charge error was harmful.

HOLDINGS

1. The leases establish the royalty fraction, yardstick, and valuation point as the average posted market price of one-fifth of the oil at the wells as of the day it is run to the pipeline or storage tanks.
2. The addendum's post-production-cost provision supersedes the corresponding cost language in the form provision but does not change the well valuation point; at that valuation point, the provision is surplusage because no post-production costs are incurred at the well.
3. The trial court's summary judgment findings and jury charge improperly construed the leases by permitting damages based on downstream market value, and the error was harmful because it probably caused the rendition of an improper judgment.

KEY QUOTATIONS

> *"The lease establishes the royalty fraction, yardstick, and valuation point: "the average posted market price of such 1/5th part of such oil at the wells as of the day it is run to the pipe[]line or storage tanks.""* (11)

> *"The trial court's summary judgment findings and jury charge improperly construed the leases."* (13)

> *"Because the trial court's charge allowed the jury to assess damages based on the price at the Houston Ship Channel—a valuation point where the crude oil has incurred all post-production costs and is the most valuable according to the parties—we find the error was harmful in that it probably caused the rendition of an improper judgment."* (13)

FACTUAL BACKGROUND

Appellees and appellants' predecessors-in-interest entered two substantially identical oil and gas leases covering approximately 110 wells on more than 3,700 acres in DeWitt County. The leases contained a form royalty provision referring to the average posted market price of one-fifth of the oil at the wells as of the day it was run to the pipeline or storage tanks, along with addendum provisions addressing royalty percentages, post-production costs, and the lessor's right to take oil in kind. Appellees alleged that appellants underpaid royalties, and the trial court instructed the damages jury to use market value at a downstream Houston Ship Channel location rather than the lease's specified well valuation point.

PROCEDURAL HISTORY

Appellees sued appellants for allegedly underpaying royalties under two substantially identical oil and gas leases. The trial court granted summary judgment for appellees, ruling that the royalty was not valued at the well, that the royalty formula was one-fifth of market value on the day of sale, and that appellants breached the leases by using another formula. After a jury awarded damages, the trial court entered a final judgment awarding appellees $15,800,937 in combined actual damages. The court of appeals reversed and remanded.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Remanded for further proceedings consistent with the opinion.

CASES CITED

- Devon Energy Prod. Co., L.P. v. Sheppard, 668 S.W.3d 332, 343-48 (Tex. 2023)
- JLB Builders, L.L.C. v. Hernandez, 622 S.W.3d 860, 864 (Tex. 2021)
- St. Joseph Hosp. v. Wolff, 94 S.W.3d 513, 525 (Tex. 2002)
- City of Austin v. Membreno Lopez ex. rel. Lopez, 632 S.W.3d 200, 227 n.21 (Tex. App.—Austin 2021, pet. denied)
- Vaughn v. Vaughan, 710 S.W.3d 412, 418 (Tex. App.—Eastland 2025, pet. denied)
- Quick v. City of Austin, 7 S.W.3d 109, 116 (Tex. 1998)
- Columbia Rio Grande Healthcare, L.P. v. Hawley, 284 S.W.3d 851, 856 (Tex. 2009)
- BlueStone Nat. Res. II, LLC v. Randle, 620 S.W.3d 380, 387-89 (Tex. 2021)
- Blackmon v. XTO Energy, 276 S.W.3d 600, 604 (Tex. App.—Waco 2008, no pet.)
- Heritage Res., Inc. v. NationsBank, 939 S.W.2d 118, 122-23, 131 (Tex. 1996)
- French v. Occidental Permian Ltd., 440 S.W.3d 1, 4 n.8 (Tex. 2014)
- City of Crowley v. TotalEnergies E&P USA, Inc., No. 02-24-00088-CV, 2025 WL 2005511, at *3, *8 (Tex. App.—Fort Worth July 17, 2025, pet. filed) (mem. op.)
- Shirlaine W. Properties Ltd. v. Jamestown Res., L.L.C., No. 02-18-00424-CV, 2021 WL 5367849, at *5-*7 (Tex. App.—Fort Worth Nov. 18, 2021, pet. denied) (mem. op.)
- Chesapeake Expl., L.L.C. v. Hyder, 483 S.W.3d 870, 871, 873, 875 n.25 (Tex. 2016)