

Oil & Gas Law

Class 21:

Lessor Title Issues (6 of 6) – Pooling and L'or's Property Interests

Admin. Announcement



L'or Interests & Pooling

- **Last 3 weeks:** L'or title issues, and creating / conveying mineral and royalty interests
- **Tonight:** How pooling affects title, those interests and those conveyances
- Pooling – familiar topic; looked at it:
 - ❑ Reg. response to RoC/“small tract” prob. (CL 7)
 - ❑ How it affects the OGL (CL 12)

Pooling – Quick Review



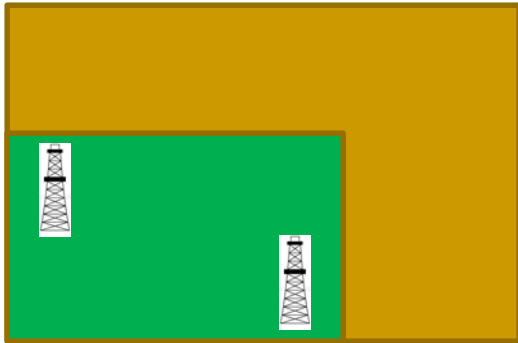
Pooling – Quick Review

- **Disclaimer!!**
- drlg/prod. on 1 tract = drlg/prod. on all tracts
- 2 effects
 - erase lease lines; change L'ee's obligations
- 4 ways to effect a pooling-type arrangement
 - 1. pooling agreement 2. OGL pooling cl.
 - 3. community lease 4. entireties cl.
- Royalties shared [diff. from CL 20, where royalty only on land conveyed severally]

Wagner Brown v. Sheppard – 1

■ Facts

- ❑ “std. pooling cl.” (???) in OGL →
- ❑ ~ half of pooled acreage
- ❑ 1/8 royalty



- ❑ Sheppard's OGL: termination if royalty not paid
- ❑ S: 1/8 of 100% of net profits from production
- ❑ WB: 1/8 of 51.4% of net profits (62.72 / 122)

Wagner Brown v. Sheppard – 2

- **2 Issues (per the Ct):** [p. 584]
 - Does termination of OGL = termination of unit?
 - Does Sheppard bear costs?
- **Are those really the issues?**
- **Question:** OGL is both a FS determinable (L'ee) and a possibility of reverter (L'or) ... can L'ee pool the L'or's property interest?

Wagner Brown v. Sheppard – 3

- *What Sheppard means going forward?*
Open questions still to be decided
- =====
- Power(s) L'ee has under the pooling cl.
- L'or enter into new OGL after termination?
- L'or bound by JOAs after termination?
- L'ee's std. of care change?
- Pooling cl. re-drafted

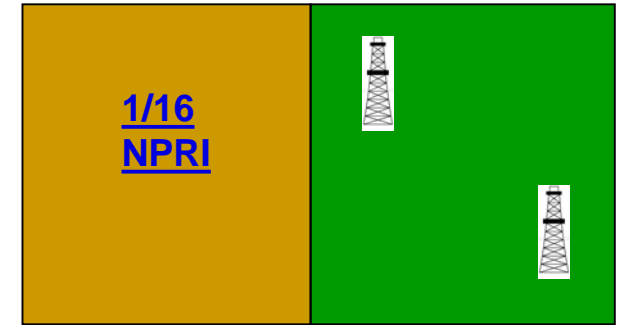
Pooling: Effect on Royalty Interests (esp. NPRI's)

- **NPRI defn.** (CL 16)
 - *royalty carved from min. est. before OGL*
- **Executive Rt.** (CL 18)
 - *the right to affect the expl. / prod. of the min estate, incl. the rt. to lease*
- *If landowner conveys an NPRI and then signs an OGL w/ a pooling cl., does the pooling clause apply to the NPRI?*
- **London:** another situation where one party is trying to commit another party's prop. rt.

Pooling: Effect on Royalty (esp. NPRIs)

■ London: facts

- ❑ 2 tracts/ownership differences
- ❑ 1 OGL: wells drilled in E/2
- ❑ NPRI Owners claim:



- L'ee breached duty to protect vs. drainage
- They'd ratified OGL; t/f, they should share in the \$\$

■ *What's the difference btwn being pooled and not being pooled?*

■ **Pooled:** $1/16 \times 1/8 \times 1/2$

■ **Not pooled (well on land):** $1/16 \times 1/8$

■ **Not pooled (well not on land):** 0

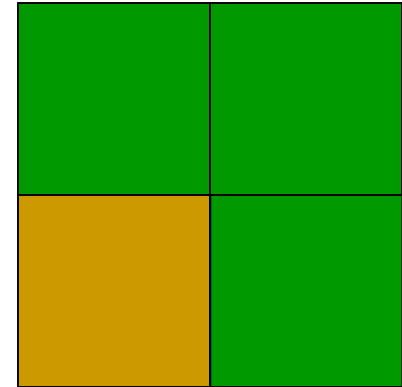
Pooling: Effect on Royalty (esp. NPRI)

- *Can exec authorize pooling NPRI royalty rts w/o NPRI consent?*
- *Why does NPRI have this rt / power?*
 - [Montgomery N2 pp. 592-94]
- **The real issues in NPRI / pooling cases:**
 - Whether the well(s) are on the NPRI acreage
 - Whether NPRI ratified (and if the claim is being made that they did, how / when did they do it)
- *Did Merrimans ratify OGL? How / when?*
- See MCZ p. 592 N1: multiple and inconsistent ratifications

Pooling: Effect on Terminable Interests

■ Edmonston

- Term interest
- Statutory compulsory unitization:
 - SE/4
 -
- **Issue:** did unitization maintain mineral owner's interest in all the sections? NO
- **Real issue:** does the fact that the interest is for a limited duration / less than full set of rights alter the impact of pooling? NO



NEXT WEEK...

■ TU 4/8: CL 22

- Lessee Contracts (1 of 4): OGL Assignments
- Ch. 6 Sec. A → pp. 913 – 914; 923 – 960

■ TH 4/10: CL 23

- Lessee Contracts (2 of 4): Farmouts
- Ch. 6, Sec. C 2-4 → pp. 961 – 962 & 970 – 989
- → + Supplemental Materials