

Phillips Murrah Directors Discuss Oil and Gas Lease Cancellation Lawsuits at Petroleum Alliance Lunch and Learn



Director John M. Bunting discusses legal actions related to a lease cancellation lawsuit.

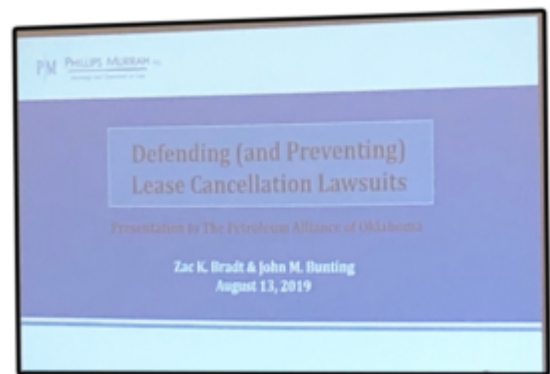
Defending Against and Preventing Lease Cancellation Lawsuits

As leasing and drilling activities have increased over the last few years, so have lawsuits by mineral owners seeking to

cancel existing oil and gas leases. More often than not, those suits allege that existing wells have ceased [producing in paying quantities](#), and therefore the leases are no longer held by production or “HBP”.

On August 13, Phillips Murrah P.C. hosted a lunch and learn presentation at [The Petroleum Alliance of Oklahoma](#) headquarters. Phillips Murrah Director John Bunting discussed the factors courts consider in determining whether a well is producing in quantities sufficient to hold the lease and provided some tips on how to minimize the risk of having the court rule that a lease has terminated for lack of production in paying quantities.

“It is important for oil and gas producers to have an understanding of how courts are interpreting oil and gas lease terms,” said Phillips Murrah Director Liz Brown, who is also a member of the Petroleum Alliance of Oklahoma Board of Directors.



In her introduction statement to the well-attended program, Liz explained that a typical situation ripe for this type of litigation is when a producer has an old lease with a one-eighth royalty and marginal production that is holding acreage in hot areas for oil and gas development such as in the SC00P or the STACK.

“There have been quite a few recent court decisions exploring what constitutes production in paying quantities,” Liz continued. “I’m glad John took the time to share his insights with us, so that our members can have a better understanding of what the courts are looking at in making these determinations.”

Some of the other information provided at the recent Lunch and Learn included an explanation of the habendum clause and other lease terms, suggestions as to how a producer can position itself to defend against a lease cancellation lawsuit, and a comparison of how the courts in Texas and Oklahoma interpret production in paying quantities for purposes of determining whether a lease is held by production.

About the presenters:



[Elizabeth K. Brown](#) is a Director whose practice is focused on serving her privately-held business clients at a strategic level as outside general counsel where she assists in managing the many legal issues that arise in running a business, including structuring and negotiating business transactions, managing litigation, settling disputes, assisting with [tax planning](#) and designing the [estate and succession plan](#) for the family business owners.



[John M. Bunting](#) is an attorney practicing all facets of [commercial litigation](#) and [insurance coverage](#) law. His experience includes representing clients in complex commercial disputes; representing energy producers, disposal well operators, and oilfield service companies; representing auto dealers in disputes with manufacturers and competitors; and helping business clients obtain insurance coverage.

Video courtesy of the Petroleum Alliance of Oklahoma