Buddy Clark, Kraig Grahmann in Pratt's Energy Law Report: Oil and Gas Lender Not Liable, as Mortgagee, for Failure to Release Expired Leases

By Kraig Grahmann | January 14, 2019

RELATED PRACTICES Energy Finance, Energy, Power and Natural Resources, Oil and Gas

The Supreme Court of Louisiana has reversed the lower courts' decisions that held Wells Fargo Energy Capital, Inc., as the mortgagee of a mortgage granted by a mineral lessee, solidarily liable with the mineral lessee mortgagor for the lessee's failure to release an expired oil and gas lease covered by the mortgage. The authors of this article explain the decision, which will calm concerns of energy lenders, who feared a chilling effect on secured oil and gas ?nancing in Louisiana if solidary liability was upheld.

In the latest ruling from the contentious *Gloria's Ranch* case, the Supreme Court of Louisiana reversed the lower courts' decisions that held Wells Fargo Energy Capital, Inc. ("Wells Fargo"), as the mortgagee of a mortgage granted by a mineral lessee, solidarily liable with the mineral lessee mortgagor for the lessee's failure to release an expired oil and gas lease covered by the mortgage. The court also held that Wells Fargo was not responsible for a lessee's failure to release a lease in which Wells Fargo held a net pro?ts interests and overriding royalty interest granted by the lessee. This decision will calm concerns of energy lenders, who feared a chilling effect on secured oil and gas ?nancing in Louisiana if solidary liability was upheld.

The Supreme Court of Louisiana granted a writ application to determine whether Wells Fargo was properly held solidarily liable as an "owner" of the oil and gas lease under La. Mineral Code art. 207 and a "lessee" under La. Mineral Code art. 140. These statutes require that a former owner or lessee release the expired mineral lease and holds lessees liable for failure to pay royalties that are due. In its opinion denying solidary liability, the court articulated that Wells Fargo was not an "owner" or a "lessee" for purposes of the La. Mineral Code. ...

Excerpted from *Pratt's Energy Law Report*. To read the full article, click on the PDF linked below.

[Clark-Grahmann-Oil-Gas-Lending.PDF]