

Gray Reed & McGraw Announces Settlement of Long-Running Oil & Gas Class Action Case

November 14, 2016

(Houston) – On November 14, 2016, a New Mexico District Court entered a Final Judgment and Order approving a class action settlement in an oil and gas case that was litigated for more than 10 years. The Class alleged Defendant Yates Petroleum Corporation, which was recently acquired by EOG Resources, Inc., failed to pay interest on production proceeds held in suspense in violation of the New Mexico Oil and Gas Proceeds Payment Act. The suit was filed in August 2006, and the Class prevailed at a trial held in September 2009, but the judgment was reversed by the New Mexico Court of Appeals. In 2014, the New Mexico Supreme Court issued an opinion in favor of the Class and reinstated the judgment, subject to further proceedings. The parties reached a settlement after being ordered to mediate the dispute.

The settlement will result in Yates paying \$2.5 million to establish a Settlement Common Fund, to be allocated and distributed to the Class members, net of legal fees and costs. As part of the settlement, Yates also agreed to comply with the Act in the future, which will benefit the Class members and other mineral owners.

In its opinion, the New Mexico Supreme Court rejected Yates' argument that form division orders executed by the interest owners excused Yates from the obligation to pay interest under the Act. The Court held the Act expresses a strong public policy in favor of mineral interest owners, and the form division order language violates that public policy by subverting the mandatory, statutory requirement to pay interest on suspense funds. The New Mexico Supreme Court's opinion also makes it clear other oil and gas producers must pay interest on suspense funds under the Act.

The Class is represented by lead counsel [Jim Ormiston](#) of Gray Reed & McGraw (Houston) and Kelly Mack Cassels of Sanders, Bruin, Coll & Worley, P.A. (Roswell, NM).

"I am pleased we were able to achieve an excellent result for the Class after more than 10 years of hard-fought litigation," Gray Reed & McGraw attorney Jim Ormiston said. "The settlement will result in payments to Class members, and also obligates Yates to pay interest on suspense funds in the future. In addition, the New Mexico Supreme Court's opinion properly concluded that operators can't side-step the statutory requirement to pay interest on suspense funds by inserting contrary language in a form division order."

About Gray Reed & McGraw



Founded in 1985, Gray Reed & McGraw is a full-service, Texas based law firm with more than 120 lawyers practicing in Dallas and Houston. Gray Reed & McGraw offers a wide range of legal services including business litigation, corporate transactions, oil & gas, tax planning and litigation, real estate, healthcare, trusts and estates, labor and employment law, family law, intellectual property and bankruptcy.