



HAPL Newsletter

February 1, 2022

"LAND IS THE BASIS OF ALL WEALTH"

IN THIS ISSUE

HAPL FEBRUARY LUNCHEON & LIVE WEBCAST



FEBRUARY 1, 2022
11:30AM - 1:00PM
PETROLEUM CLUB OF HOUSTON

Speaker: Texas Railroad Commissioner, Christi Craddick

Topic: What's To Come In 2022 For The Railroad Commission

Luncheon Registration:

HAPL Members: \$35

Non-Members: \$40

Price goes up after January 26, 2022. Register today to get early registration pricing.

Live Webcast Registration:

HAPL Members: \$10

Non-Members: \$15



1 RPL/CPL credit will be available.

Register Online

**In-Person
Luncheon**

**Live
Webcast**



Registration closes
Monday, January 31,
2022 at 7:00 pm

Registration closes
Tuesday, February 1,
2022 at 11:00 am

www.hapl.org

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[Register for the luncheon here](#)
[Register for the live webcast here](#)

Upcoming Events:

HAPL Events:

February 1

HAPL February Luncheon, Petroleum Club

Speaker: Christi Craddick, Railroad Commissioner

March 1

HAPL March Luncheon, Petroleum Club

Speaker: TBA

March 15

HAPL Scholarship Applications Due

March 18

HAPL Teacher Nominations Due

March 30

HAPL 23rd Annual South Texas Social, Armadillo Palace

April 5

HAPL April Luncheon, Petroleum Club

Speaker: Tim Duncan, Talos CEO

April 7

HAPL 5th Annual Women's Spring Networking Social, Grotto Downtown

April 26

HAPL 53rd Annual Technical Workshop, Live Seminar & Webinar

April 26

HAPL 20th Annual Rockies Social, St. Arnold Brewery

Other Industry Events:

February 8-11

NAPE Summit, Houston, TX

February 8

AAPL Surface Use and Access - Short Course, NAPE Summit

February 22

AAPL Solar Lease Fundamentals, Webinar

April 6

AAPL's Code of Ethics and Standards of Practice - II, Webinar


April 21

Texas Energy Council's 33rd Annual Symposium, Dallas Petroleum Club

June 15 -18

AAPL 68th Annual Meeting & Conference, Chicago

You can view more events and their details on the HAPL website at www.hapl.org.




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Houston Association of Professional Landmen

BOOTH # 1635

SUMMIT WEEK

FEB 8-11, 2022

George R. Brown Convention Center | Houston, TX

HAPL will be attending NAPE Summit at the George R. Brown Convention Center on February 10-11, 2022. We will be in booth #1635. If you are attending NAPE, come stop by and say hi! We will also be renewing 2022 HAPL membership dues. HAPL membership dues expired on December 31, 2021. If you are expired, now is the time to get your dues current. We can also update your contact information if your information is out of date. Lastly, we will be signing up new members. If your company will be attending NAPE, this is a great time to get your colleagues and friends signed up for HAPL membership. We even run a special for our new members who sign up while at NAPE. So, it's a great time to sign up new members, or renew your own, so that you can get the member rate for all the events we have coming up this year. See you out there!

NAPE SUMMIT IS BACK IN PERSON AND RIGHT AROUND THE CORNER.

It's time to connect, *reconnect*
and make deals happen.

Register at NAPEexpo.com.

NAPE SUMMIT

2022 FEB 9-11

Houston | GRB Convention Center



NAPE
Where Deals Happen

2021-2022 HAPL Officers, Directors & Committee Chairmen

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Surprise Valley Resources, LLC
wedington@surprisevalleyresources.com
713-834-2415

First VP - Amanda L. Van Deusen, CPL
Jackson Walker LLP
avandeusen@jw.com
713-752-4315

Second VP – Vernon Henry
Val Verde Minerals, LLC
vernon.henry@valverdeminerals.com
713-859-8566

Third VP – John Gerrish, CPL
Outrun Resources, LLC
john.gerrish@gmail.com
281-620-3583

Secretary – Claire Morse
Chevron USA, Inc.
morsech@chevron.com
281-536-7119

Treasurer – Kyle Lesak, CPL
Percheron, LLC
kyle.lesak@percheronllc.com
832-300-6400

Assistant Treasurer – Darshan Naik, CPL
ConocoPhillips Company
darshan.m.naik@conocophillips.com
281-647-1849

Immediate Past President – Eric Thomas,
CPL
SunCoast Land Services, Inc.
erict@suncoastland.com
337-265-2900

Director – Hunter M. Arbuckle, CPL
EP Energy
Hunter.arbuckle@epenergy.com
713-997-5424

Director – Lacy Clark, RPL
QuarterNorth Energy LLC
Lacy.Clark@qnenergy.com
713-969-1237

Director – Josh Gautreau, CPL
Chevron USA, Inc.
JoshGautreau@chevron.com
713-372-4393

Director – Rob Lee, CPL
Oxy
robert_lee@oxy.com
713-497-2268

Director – Emily McMahon, CPL
Magnolia Oil & Gas
emcmahon@mgyoil.com
713- 842-9084

Director – Briana Pantel, CPL
Widmer Energy Inc.
widmerenergy@yahoo.com
318-834-6860

Director – Chris Shannon, CPL
Bode & Werner PLLC
cshannon@bodewerner.com
713-443-2516

Director – Ash Shepherd
Talos Energy
ash.shepherd@talosenergy.com
713-380-4944

Director – Christine Touchstone, CPL
LeFrak Energy
ctouchstone@lefrakenergy.com
713-302-0042

Director – Lance Young, RPL
Independent
lanceyoung1033@gmail.com
405- 642-9097

AAPL Director, Region IV –
Allyson Howard, CPL
Howard Consulting, LLC
Allyson@Howard-Consulting.net
512-619-1358

2021-2022 HAPL Committee Chairmen

AAPL Awards – Claire Morse
Chevron USA, Inc.
morsech@chevron.com
281-536-7119

Annual Gala – Randi Walsh
Randi L. Walsh Co., LLC
RLWalshCo.LLC@outlook.com
702-686-3807

Co-Chair - Christine Touchstone, CPL
LeFrak Energy
ctouchstone@lefrakenergy.com
713-302-0042

Audit – Kyle Lesak, CPL
Percheron, LLC
kyle.lesak@percheronllc.com
832-300-6400

**Company of the Year Nominating
Committee** - Wade Edington, CPL
Surprise Valley Resources, LLC
wedington@surprisevalleyresources.com
713-834-2415

Executive Night – Daniel Negron, RPL
Chevron USA, Inc.
danielnegron03@gmail.com
972-898-4112

Golf – Darshan Naik, CPL
ConocoPhillips Company
darshan.m.naik@conocophillips.com
281-647-1849

Governmental Affairs – Eric Thomas, CPL
SunCoast Land Services, Inc.
erict@suncoastland.com
337-265-2900

Luncheons – Vernon Henry
Val Verde Minerals, LLC
vernon.henry@valverdeminerals.com
713-859-8566

Membership – Luke McCarley, CPL
Magnolia Oil & Gas
lmccarley@mgyoil.com
713- 842-9083

Mentorship Program – Everett Grossman,
RPL
EQT Corporation
Everett.Grossman@eqt.com
412-651-6106

NAPE (Winter/Summer) – Lindsey Griffith
HAPL
hapl@hapl.org
713-622-6868

Newsletter & Website Oversight –
John Gerrish, CPL
Outrun Resources, LLC
john.gerrish@gmail.com
281-620-3583

Offshore Liaison – Ford Peters
W&T Offshore, Inc.
fpeters@wtoffshore.com
713-513-8621

Offshore Seminar – Bailey Coe
W&T Offshore, Inc.
bcoe@wtoffshore.com
713-624-7303

2021-2022 HAPL Committee Chairmen

Outstanding Landman Nominating Committee

– Allyson Howard, CPL
Howard Consulting, LLC
Allyson@Howard-Consulting.net
512-619-1358

Outstanding Senior Landman Nominating Committee

– Eric Thomas, CPL
SunCoast Land Services, Inc.
erict@suncoastland.com
337-265-2900

Past Presidents Council –

Grant Johnson, RPL
Lone Star Production Company
grant@lonestarproduction.com
713-784-7474

Saltwater Fishing Tournament –

Chris Shannon, CPL
Bode & Werner PLLC
cshannon@bodewerner.com
713-443-2516

Saturday Seminar (Fall) –

Chris McGuirt, CPL
Independent
chrismcguirt@yahoo.com
337-258-6254

Saturday Seminar (Spring) –

Darshan Naik, CPL
ConocoPhillips Company
darshan.m.naik@conocophillips.com
281-647-1849

Scholarship – Ashlee Hansen

ConocoPhillips Company
ashlee.hansen@cop.com
832-486-6022

Service – Mimi McGehee

Independent
mrm1915@aol.com
713-784-0166

Shale Seminar – Jonathan Click, CPL

Click Energy
jt_click@hotmail.com
832-725-9910

Skeet Shoot – Lance Young, RPL

Independent
lanceyoung1033@gmail.com
405-642-9097

Social (Bridging the Gap) – Hunter M.

Arbuckle, CPL
EP Energy
Hunter.arbuckle@epenergy.com
713-997-5424

Social (Gulf Coast) – Lacy Clark, RPL

QuarterNorth Energy LLC
Lacy.Clark@qenergy.com
713-969-1237

Social (Louisiana) – Joe Chaney, RPL

INPEX Americas, Inc.
joseph.chaney@inpx.co.jp
713-600-2511

Social (Permian Basin) – Katherine Vairin

Edwards
Marathon Oil Company
kvedwards22@gmail.com
281-253-7560

Social (Rockies) – Mark Metz, CPL

Phoenix Energy Advisors, LLC
phoenixenergyadvisors@gmail.com
832-526-2400

Social (Shale Play) – Jonathan Click, CPL

Click Energy
jt_click@hotmail.com
832-426-4386

Social (South Texas) – Joe Dichiaro, RPL

Independent
jadichiaro@msn.com
713-907-0147

Social (Spring Swing Membership Drive) –

Will O'Neal, CPL
Castex Energy, Inc.
woneal@castexenergy.com
281-447-8601 Ext. 145

Co-Chair - Kris Korte

Texas Petroleum Investment Company
kris korte@gmail.com
832-485-4348

Social (Women's Networking – Fall/Spring)

Briana Pantel, CPL
Widmer Energy Inc.
widmerenergy@yahoo.com
318-834-6860

Co-Chair - Emily McMahon, CPL

Magnolia Oil & Gas
emcmahon@mgyoil.com
713-842-9084

Technical Workshop – Amanda L. Van

Deusen, CPL
Jackson Walker LLP
avandeusen@jw.com
713-752-4315

Co-Chair – Tegan Wisnosky, CPL

XTO Energy, Inc.
tegan.wisnosky@gmail.com
570-690-2376

Tribute to Education – Bailey Booher, RPL

C.H. Fenstermaker & Associates, Inc.
baileyb@fenstermaker.com
903-243-6606

University Liaison – Michelle Llanes, RPL

Senall Sabres, LLC
mfllanes@gmail.com
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HAPL Officer Forum



Darshan Naik, CPL
2021-2022 HAPL Assistant Treasurer

“The Winds of Change”

As we settle into the new year, the theme of this year’s HAPL Officer Forum, “The Winds of Change,” continue to be seen and felt across the oil and gas industry. I will touch on that later.

I want to start out by thanking HAPL President, Wade Edington, for giving me the opportunity to serve as your 2021-2022 HAPL Assistant Treasurer. When I moved to Houston in 2013, I did not think I would get as involved in the association as I have the past few years. From serving as Chairman of the HAPL Golf Tournament, Spring Saturday Seminar, and most recently as Director – the overall experience, service, and relationships I have been able to develop are invaluable. Attending HAPL events and serving on committees helped me build a network of Land professionals, attorneys, and other colleagues in the oil and gas industry. I encourage both new and old members to get more involved with HAPL by simply attending our upcoming social events, luncheons, educational seminars, or volunteering on a committee as we continue to get back to business as usual. Who knows? You might have fun, build your own network, and end up getting more out of it than you expect!

Getting back on theme, the winds of change are currently blowing in the right direction. Oil prices continue heading up and natural gas futures recently set a new record before settling back down. Acquisition and divestiture activity is in full swing, and many companies are hiring again as activity continues to ramp up across all phases. That is the rollercoaster we were all warned about when we joined this industry! The lack of investment, inflation, labor shortages, and supply chain bottlenecks set the stage for another ‘Boom’ cycle. While the source of energy might be changing for some, many public and private companies in the US continue to invest in our oil and gas industry which will undoubtedly create opportunities for Land professionals with strong networks and a commitment to delivering on our energy demands.

On a personal note, and in keeping with our theme, I recently made the difficult decision to step away from serving as an HAPL Officer and Chairman after the end of the current term. In December, I started a new position in our Global Supply Chain organization and look forward to trying something new and the challenges ahead. I have no doubt that HAPL will be in great hands based on the dedication and professionalism found on our Executive Committee, Board of Directors, and Committee Chairmen. I also want to take a moment to thank Allyson Howard and Eric Thomas for giving me the opportunity to serve as Chairman and Director in the past. Although my career path is changing, I plan to maintain my HAPL membership and occasionally attend events to maintain and expand the network that being involved with HAPL helped me build!



HAPL 23rd Annual South Texas Social



Come join us for BBQ, open bar, and door prizes!

On Wednesday, March 30, 2022, the Houston Association of Professional Landmen (HAPL) will be hosting its Annual South Texas Social from 5:30 p.m. to 9:30 p.m. The social will be held at Goode's Armadillo Palace at 5015 Kirby, which has a terrific dance hall and patio that provides a great networking opportunity.

We are requesting sponsor commitments in advance to reserve this exciting venue! A financial contribution by you or your company will ensure the success of this very special event. All sponsoring companies will be recognized at the event with the company name and level of sponsorship prominently displayed. In addition, the sponsor information will appear in the HAPL newsletter and on social media. The following sponsorship levels are available:

PLATINUM LEVEL: \$1,000 or above

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Let us make this another great year!
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Runsheets 101 - Revisited 2021 (Part II)

By: Randall K. Sadler, Sadler Law Group PLLC

This paper was originally presented on February 18, 2006, to the San Antonio Association of Professional Landmen at their Annual Mid-Winter Seminar. In the recent weeks, it was suggested that an update to the paper would be welcomed, particularly in light of the changes in law and technology that have occurred in the past 15 years. Numerous technological advances have occurred during that period, most notably the digitization of records, remote access to county records online from the County Clerk's websites, and third party county records websites. As a result of such changes, the aggregation of documents has become more efficient and expedient; however, the fundamental methods and manner of the preparation of a "title runsheet" have not substantially changed substantially, although the aggregation of the information is now mostly prepared in a digital world. In presenting this topic once again, the paper repeats the relevant material as it was presented in 2006 paper with the addition of the adaptations presented by the technological advances and any changes in the law that have occurred.

The purpose of this paper is to discuss the manner of preparation of a title "Runsheets," by a landman concerning interests in real property in Texas, from the records of an abstract company, if available, and from the Official Public Records of the County Clerk, and the Minutes of the District Clerk, collectively "Public Records," in the county where the land covered by an Runsheet ("subject land") is located. This paper will provide a very practical hands-on description of the necessary steps to follow in order to prepare the Runsheet. The first part of this paper is addressed to lesser experienced landmen, who are now assigned the task of preparing a Runsheet for use by an attorney in the preparation of a title opinion. The later part of this paper will contain a discussion on "risk management" as applied to the content of Runsheets, which is included in this paper for company management charged with the task of approving the title for its exploration and production purposes.

Continued from Part I...

F. CHECKLIST OF RESEARCH. Once a complete chain of title for the subject land has been established, a landman should search each of the indices set forth below against all owners of the subject land, to wit:

1. Grantor Index to Deed Records against all owners of the subject land in order to determine whether they have transferred the same land or any interest therein twice, or whether there are any competing instruments.
2. Grantee Index to Deed Records against all owners of the subject land in order to find any other instruments affecting the subject land.
3. Index to Probate Records, where necessary, to determine ownership of the subject land.
4. Index to the District Court Records against all owners of the subject land in order to determine whether any civil suits affect the subject land.
5. Grantor Index to Deed of Trust Records against all owners of the subject land to determine whether any mortgages affect the subject land.
6. Indices to the Lien Records, if other than Items 7-10 below, against all owners of the subject land to determine whether any liens affect the subject land.
7. Index to Lis Pendens Records against all owners of the subject land to determine whether any legal actions are pending against the subject land.
8. Index to Abstract of Judgment Records against all owners of the subject land for at least the ten (10) year period preceding the present date to determine whether there are any judgment liens affecting the subject land.
9. Index to Federal Tax Lien Records against all owners of the subject land for at least the twenty (20) year period preceding the present date to determine whether there are any Federal tax liens or abstracts of judgment affecting the subject land.

10. Index to State Tax Lien Records against all owners of the subject land for at least the twenty (20) year period preceding the present date to determine whether there are any state tax liens affecting the subject land. A search should be made of the child support lien records, if available in the County Clerk's records.

11. A search should be made in the Daily Register of Instruments against all owners of the subject land from the date of the last entry in the Index to Official Public Records to the present date to determine whether any instruments affecting the subject land have been filed for record.

12. Prepare a list of all names run in the records, the dates covered and the particular indices reviewed; the preparation of this names list is more efficient if it is prepared during the examination of the record title.

13. In the age of multi-tasking, the tendency is to try to make a simple process more complicated by reviewing multiple Indices for multiple names simultaneously rather than reviewing the reviewing multiple Indices for one name at a time or reviewing one Index for multiple names in an orderly, prescribed manner. Of course, the software apps the landman uses will facilitate recording his/her progress and speed up the process, but keep the process simple, it's a step by step process, and record the progress of work through the completion of the Runsheet. In putting the methods presented in this paper into practice, each landman should develop their own version of the principles and methods set forth in this paper, and as such, the likelihood of errors will be lessened.

A. The results of the search above for each instrument or proceeding should be recorded on the Runsheet software in the paper or digital medium of choice, and should contain the following information for each instrument or proceeding which affects the subject land:

- (a) Grantor
- (b) Grantee
- (c) Nature of instrument
- (d) Date of instrument
- (e) Date instrument filed for record
- (f) Recording information
- (g) Acreage
- (h) Remarks

B. After completing the necessary steps in preparing the Runsheet and regardless of the method used to record the individual instruments or proceedings, the instruments and proceedings will need to be arranged in chronological order by the date or effective date of the instrument and the information relating such instrument transferred to the final Runsheet.

C. In order to conduct the above search efficiently, a landman may choose to use a research checklist. In the "name" column, record the name of each owner of the subject land, beginning with the original patentee and continuing down to the present owner. Then, in the "date" column, for each owner, record the month/day/year in which the owner acquired title and the month/day/year in which the conveyance out of the owner was filed for record. If the instrument includes an effective date place the instrument in order by the effective date.

1. Proceed to check each index set forth on the checklist one at a time against all owners of the subject land. The scope of search for each owner will be from the date the owner acquired title to the present. Record the pertinent information about each instrument and proceeding that affects the subject land.

2. After a search of each index has been completed, arrange the instruments and proceedings in chronological order. Determine whether there are any unreleased liens or leases or any other outstanding matters. It may be necessary to search the indices again to find releases, heirship affidavits or other instruments and proceedings in order to cure any outstanding matters.

G. ONLINE RESEARCH. A survey has not been conducted to determine how many County Clerk's records are online through their website or the number of commercial records firms make the county records of the County Clerks in Texas available, and whether the online records are from sovereignty of the soil or begin at some later date, and then to the present day. Care and attention

should always be given to whether the online records are the authentic records of the County Clerk or whether the online records are copies of some or all of the County Clerk's records, which have been copied by a third party vendor who makes those records available for a fee. The time period of which the records of the County Clerk are posted online should be determined with certainty. Many of the Official Public Records may be accessed directly through the county website or in some cases, the County Clerk's website. For the most part some or all of the Official Public Records are available online through commercial online title search companies, but such online records may or may not cover the period of time from sovereignty of the soil to the present, nor should such records be considered the equivalent of the actual records themselves. Regardless of the manner in which the records are accessed, the commercial provider in each case will clearly state through a multiple page agreement or on the face of the document itself, that it disclaims any representation or warranty as to the accuracy of the information, and use of such service and access of such records are at the users sole risk. The search engines are sometimes difficult to maneuver within, similar to the early digitized Official Public Records in the Courthouse, but many are organized in such a way that a Grantor/Grantee search may be conducted. As is always the case with research or indexing records at a computer terminal, whether it be at the courthouse or online at the landman's office, no standardized system exists for data input, and in most cases, the person who is charged with the task of data input is left to their own imagination as to how to abbreviate entities, trusts, or persons with more letters than will fit in the dialog box.

Many of the Official Public Records are available through a monthly paid subscription through the County Clerk's website or the commercial title search firms. In those instances where the County Clerk is providing access to the online records through the County Clerk's website, most landmen seem to rely on such records in the same manner as the reliance on the physical records in the County Clerk's offices. The best practice in this respect is to confirm with the County Clerk that the records are identical. Some of the online records provide access to all of the county records from sovereignty to the present, but some clerk's websites and online services do not have access to some of the older records of the County Clerks' offices. Many landmen have had success with relying on the online records, if it can be determined that the online records are identical to the records in the courthouse or the County Clerk's offices. It should be noted that many of the District Clerk's records are often times not available online. As is always the case with online, digitized records, poor copy quality will always be an issue and may require another approach to obtaining a copy of the affected instrument.

While we view the third party, commercial online records as a very useful tool, many such services utilize their own indexing methods, which creates a risk of missing a relevant document. In practice, attempting to prepare a Runsheet online has generally proven to be tedious and a time consuming exercise, accompanied by the knowledge that when a landman prepares a Runsheet online without verification at the courthouse or the County Clerk's verification of their online records, that landman assumes the responsibility for the accuracy of the data included in the Runsheet. However, the online Public Records have proven to be very helpful in reviewing documents online from a Runsheet prepared by a landman from the Public Records at the courthouse. Most courthouses are open Monday to Friday, 8 a.m. to 5 p.m., if one is lucky, and may be very crowded depending on which counties are the most active at the time, but the online Public Records are available 24/7, which is very useful when time is of the essence. Many landmen have also found the online records very useful in a number of different situations as a stop-gap measure, but caution should always be used when relying on third party websites for title information. In addition to the county Public Records online, the Secretary of State, Comptroller of Public Accounts, Texas Railroad Commission and most governmental agencies have websites in which to search for information regarding individuals and entities, and drilling activity upon the subject land.

H. RUNSHEET ORDER AND CONTENT. Runsheets come in many shapes and sizes, containing all the information needed to conduct a thorough examination of title to the subject land, and sometimes not, as the case seems to be more often with the up and down influx of inexperienced persons to the land business in the upside cycle of the oil and gas business, and the intense pressure to meet drilling deadlines. To some extent, the content of a Runsheet is subjective, depending on the preparer and the extent of detail beyond the basic recording information which is included in the Runsheet.

1. The Runsheet should contain a separate entry for each instrument and proceeding determined from the review of the Official Public Records as described above. It should also include any instrument referenced in any instrument, whether or not the referenced instrument seems to apply to the subject land or not. Any recorded or unrecorded instruments referenced in a recorded instrument should be included in the Runsheet to the extent it is available. If the referenced instrument is recorded in a different county other than the county where the subject land is located, the preparer should note such exception. Landman's notes as to correction instruments or future instruments in the Runsheet that affect an earlier entry are very helpful to the title attorney as an indication of upcoming documents.

2. As noted above, the Texas recording statutes are not dependent upon when an instrument is filed; therefore, all Runsheets should be arranged in Texas by instrument date (or effective date, if applicable) and not by file date. Arranging the documents by instrument date not only makes it easier for the title attorney to examine and chain the title, but also allows the attorney to determine when issues arise concerning the recording statutes. The recording statutes apply in Texas when a Grantor makes a conveyance of an interest in land which is not filed until after the same Grantor makes a subsequent conveyance of the same interest to a different Grantee. If the Runsheet is arranged by file date, the examining attorney will read the second instrument first and would not be aware at that point in time that a previous conveyance had been made, which will require a re-thinking and re-charting the chain of record title.
3. Probates should not be placed in the Runsheet on the date of the Will or the date that the probate is filed, but rather on the date of the death of the Decedent because a Will becomes effective upon the death of the Decedent. The date of death of the decedent is usually stated in the application to probate a will. If the probate proceedings do not reveal the date of death, then the probate proceedings should be placed in the Runsheet on the date the proceedings were filed and not on the date of the Will with a notation that the date of death is unknown. If the probate proceedings are filed in a county other than where the land is located, at a minimum, the Runsheet should include a reference to the Will and the Order Admitting the Will to Probate.
4. Law suits should be inserted in the Runsheet on the date of the judgment. The recording statutes of Texas only apply to instruments that are filed in the Deed Records in the County Clerk's Office and not the District Court Records. A person is only on notice of the instruments and proceedings of the District Court filed in the Deed Records (other than by actual notice). If there is some reference in the Deed Records to a lawsuit filed in the District Clerk's Office, then under Texas case law, everyone is on notice and has a duty to make a reasonable review of the District Court Records to review the file and insert those proceedings in the Runsheet. Therefore, one is not on notice of a judgment in the District Court Records, unless a certified copy or an abstract of judgment thereof is filed in the County Clerk's Office.
5. With respect to Affidavits of Heirship, the examination is more logical for the examining attorney if such affidavits are placed in the Runsheet on the date of death of the decedent and not on the date of the affidavit. In this case, the examining attorney will recognize conveyances by heirs of the decedent immediately and can avoid the confusion caused by such conveyances as strangers to the title. If the subject of the Affidavit is a matter other than heirship, the Affidavit should be placed in the order of its date.
6. As noted above, it is very important to the examining attorney that the specific record where the instrument or proceedings are recorded be clearly identified, whether Deed Records, Official Records, Official Public Records and so forth.
7. Beyond the basic recording information and in the proper chronological order, what should a Runsheet include. This depends in part on whether the examination is to a "stand-up" conducted by the attorney at the courthouse, or an examination in more of the nature of an abstract of title examination from the Runsheet with copies of all instruments listed on the Runsheet. Each approach will depend on the company ordering the Runsheet and title examination.
8. A Runsheet for a stand-up examination should include as a minimum the following (this is the bare minimum and not the preferred):
 - a. Runsheet containing all instruments and proceedings pertinent to the tracts, preferably in a common, digital format.
 - b. Plats sufficient to identify the subject land.
 - c. Copies of all oil and gas leases, if only memoranda are recorded.
 - d. Cover letter identifying the preparer, description of the property, scope of search as to surface and minerals or any limitation thereon, time period covered and the order in which the instruments are included, the records reviewed in the preparation of the Runsheet, a list of the names/entities searched and the period of time searched for each, and any exceptions and limitations on the Runsheet.
 - e. Tax Certificates, not uncertified tax statements, which may not be relied upon for establishing the payment of taxes in prior years. The attachments of tax statements to a Runsheet has become a common practice, but a Tax Certificate is the proper evidence of the payment of ad valorem taxes.

- g. A Runsheet with copies of the instruments to be examined, more in the nature of an abstract of title, should include as a minimum the following:
- a. Runsheet containing all instruments and proceedings pertinent to the tracts, preferably in a common, digital format.
 - b. Plats sufficient to identify the subject land, but preferably plats showing the outsale of tracts, and in the best situation, plats for each instrument in the Runsheet, including plats prepared on a plotting program that reflect if the metes and bounds descriptions close.
 - c. Copies of all documents contained in the Runsheet along with any curative documents that may have been obtained. The copies of the documents should be a complete copy of the instrument through the County Clerk's recording stamp, and if the recording volume of the instrument is not present on the face of the document, the volume and page should be noted on the first page of the instrument.
 - d. Separate copies of the current Oil and Gas Leases for the subject land, regardless of whether the period of time covered by the Runsheet begins after the date of the Oil and Gas Leases.
 - e. Copies of the reference Deeds described in any current Oil and Gas Lease.
 - f. Tax Certificates, not uncertified tax statements, which may not be relied upon for establishing the payment of taxes in prior years, unless so directed by the client.
 - g. If the Runsheet is prepared as a supplemental Runsheet to a prior title opinion, a complete copy of the prior title opinion should be included in the Runsheet.
 - h. Cover letter or certification letter identifying the preparer, description of the subject land covered by the Runsheet, scope of search as to the surface estate and the mineral estate or any limitation thereon, i.e., depth limitations, the time period covered, including the beginning date and the closing date, and the order in which the instruments are included, the records reviewed in the preparation of the Runsheet, a list of the names/entities searched and the period of time searched for each party, and any exceptions and limitations on the records searched and included or excluded from the Runsheet.

II. RISK MANAGEMENT

This section of the paper will address "risk management" as applied to the content of Runsheets or limitations of the content of Runsheets based on the policy of management of the company requesting the preparation of a Runsheet. The trend in the policy or attitude of company management has been to view some aspects of title examination as a part of an overall risk management strategy. This may have occurred because of a need to complete examinations faster or to save money, or because they now view title as something that can be assigned a risk factor, similar to the way the production department and exploration department assign a risk factor to wells before they are drilled. Much of a company's risk management strategy depends on the nature of the company and its goals for the company, whether short term as with some private equity funded companies, or long term as with the majors. Whatever the reason may be, on a company by company basis, the following discussion sets forth many of the limitations on the manner of the preparation of Runsheets by the landman in today's oil and gas environment.

A. PUBLIC RECORDS REVIEW.

1. Obtaining a Runsheet by a knowledgeable landman, and a title opinion by an examining attorney, usually represents a significant expense for most exploration companies. Many companies encourage their landmen to not review every document for overall content or in its entirety, but simply determine if it applies to the subject land and include it on the Runsheet. Their position is that the examining attorney has the responsibility of making the determination of whether instrument applies or is relevant to the subject land. Many companies take the position, when in doubt include the instrument.
2. Many companies limit the scope of the Runsheet by not including title to the surface estate where same has been severed from the mineral estate. The Runsheet will include the instrument severing the mineral estate from the surface estate and include a notation that the chain of title to the surface was not included beyond such date.

3. Many companies limit the scope of the Runsheet by not running the leasehold title to the prior oil and gas leases of record, other than the current client leases, with a notation in the Runsheet that such chain of title has been excluded subsequent to the recordation of the related leases. There are many variations on this limitation, which involve picking a date in the past in after which not to include the prior oil and gas lease leasehold title, but rather including the chain of title of the leasehold title for all prior oil and gas leases which are recorded after a certain date in the past. Generally, thirty years seem to be a popular number of years. In some cases, the Runsheet contains a limitation that none of the leasehold title to prior oil and gas leases, based on the County Clerk's records, was included after the date of the lease, rather the records of the abstract company were relied upon by the preparer.

4. With respect to prior Liens, whether they be created by mortgages, deeds of trust, mechanics and materialmans liens, security agreements, vendor's liens or supplements or amendments thereto (collectively "Prior Lien"), many companies limit the scope of the Runsheet by not considering a Prior Lien, which is dated prior to a certain date in the past. Generally, thirty to forty years is the time period selected. In some cases, Runsheets do not include a Prior Lien if it is dated before the selected date, or it may be listed and the chain of title to the Lien not "run" forward in the Official Public Records. Some companies will want a Runsheet to only include Prior Liens that occur before a certain date but only if same has been foreclosed. With respect to Prior Liens after the selected date, many companies will want a Runsheet to only list those liens which in the landman's opinion have not been released. However, all lien documents should be identified in the runsheet if the recorded lien document does not reflect the maturity date of the underlying promissory notes referenced in the specific lien document. Some Runsheets will include all liens when there is no release of record, and the date of the lien is less 40 years prior to the closing date of the Runsheet.

5. Often, companies will limit the scope of the Runsheet to not include any subsequent title review of easements or rights-of-way beyond the date of the original conveyance with the appropriate notation of same in the Runsheet. In addition, any lien interest created in any right-of-way or easement would be excluded from the coverage of the Runsheet. This limitation in most cases is not significant.

6. Some companies will elect not to include a review of the District Court Records unless the Deed Records or Lien Records or other records reveal a Lis Pendens or Abstract of Judgment, or an instrument in the Runsheet contains a reference to a cause of action in the District Court Records, whether or not the subject land is referenced in the cause of action.

7. Many companies will limit the scope of the Runsheet to not include any review of the Indices of Abstract of Judgment Records or Lien Records for more than ten to fifteen years prior to the closing date of the Runsheet, unless some instance occurs that would cause a reason to include same. The period which the Runsheet should cover as to a lien search should always be at least 20 years due to the fact that some tax liens and federal judgment liens remain in effect for a period of 20 years from the date of filing of such lien. Child support liens filed on or after September 1, 1997, and before May 26, 2009, are effective indefinitely.

8. In some instances, companies will limit the scope of the Runsheet by instructing the landman not to chain the title of a person or entity beyond the filing date of the instrument in which such person or entity purportedly divests itself of title to all interest in the subject land, but review the chain of title of the names of all owners within the past ten years as to surface and mineral ownership.

9. The most radical departure from the traditional manner of preparing Runsheets has been by many companies limiting the scope of the Runsheet to give the preparing landman a date certain, other than severance from sovereignty, in which to start the review of the Official Public Records. In some cases, the date of 1900 has been selected, with instruction to the landman to include the patent or grant and to review all conveyances of the subject land prior to 1900 for any mineral reservations or conveyances.

B. CONSEQUENCES

Every title to a specific tract of land is unique and subject to exceptions to the general rules. Although not common before Spindletop at the beginning of the twentieth century, the earliest mineral severance in Texas known to this attorney was in 1883, If one does not include the reservations by certain of the successive sovereigns prior to the Republic of Texas. Each instrument is unique, often times has been drafted by the less artful, who are not cognizant of the relevant statutes regarding liens and foreclosures, construction of descriptions and proper parties to conveyances and many more discrepancies too numerous to list. Each company in today's environment must make its own decision as to the limitation of the information on which it chooses to base its decision to spend millions of dollars for one well. Suffice it to say, each limitation placed on a landman on the manner of

preparation of the Runsheet on which the examining attorney is to base the title opinion, limits the appropriate and best data available to the company in assessing its risks relevant to its operations.

With regard to the preparation of Runsheet 101, as to the original paper, I would like to thank Randy Boatright for encouraging the presentation of a paper on the preparation of Runsheets, and acknowledge the assistance of Arthur Moore, John Clennan, Joel Muscat and Howard Martin for their input on this paper, particularly the likes and dislikes of the Runsheets utilized by them, and acknowledge the writings of Fred A. Lange, and a prior paper on the subject by John R. Thomason, Huntsville, Texas.

With regard to the preparation of Runsheet 101 – Revisited 2021, I would like to thank Frank Robinson for his recommendation about updating the paper, and Mike Nelson and Clay Stanley for their input and experiences on the preparation of Runsheets in the digital world.

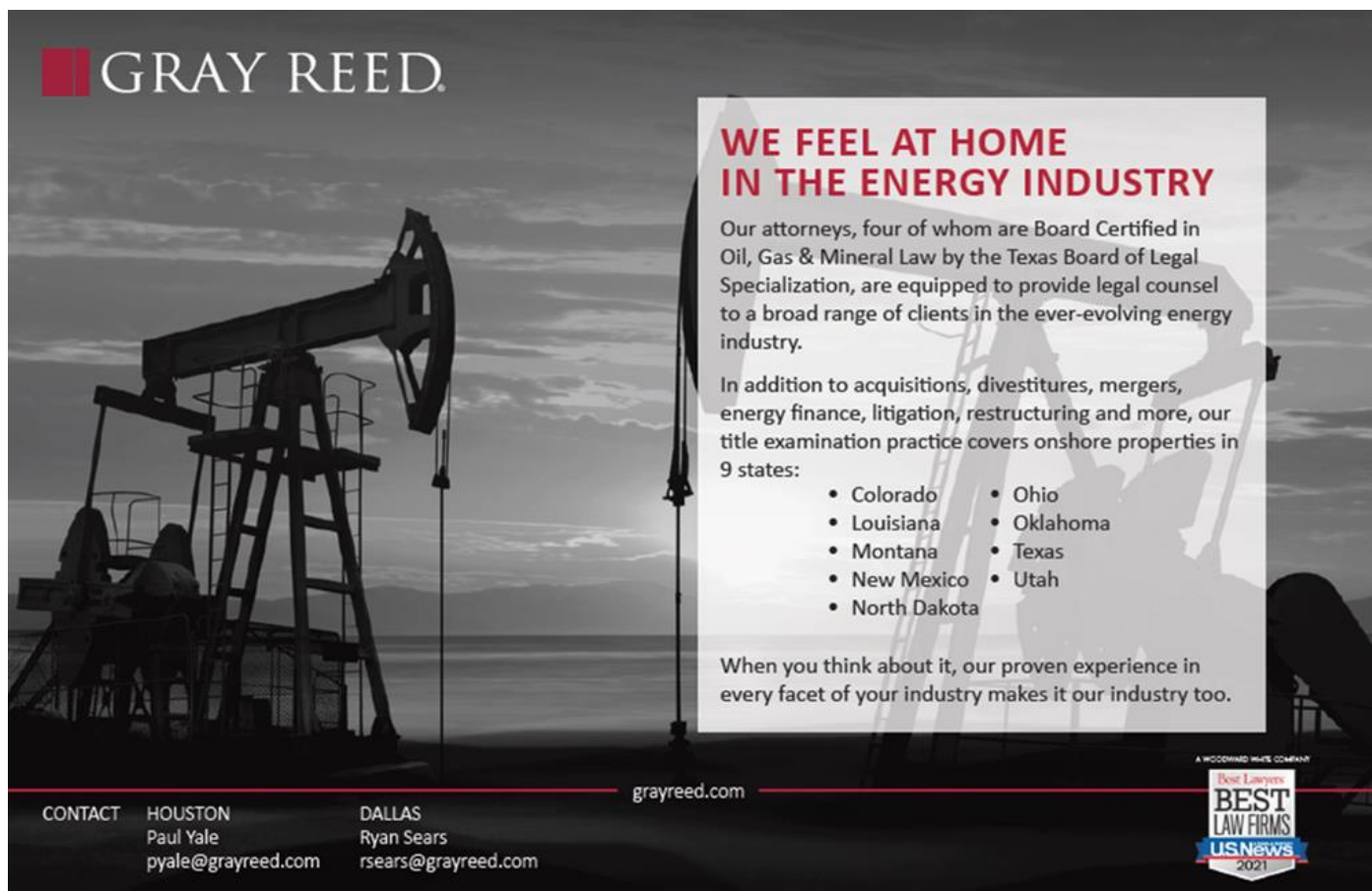
Finally, I thank Michael P. Miller for his time and effort in editing this revision of the original paper.

Randall K. Sadler

December 9, 2021

Sadler Law Group PLLC

rsadler@sadlerlaw.com



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HAPL scholarships are available for graduating high school students of current members and college students enrolled in an AAPL approved Petroleum Land Management or Energy Management Program. The criteria for applying and online application can be located by visiting our website at <http://www.hapl.org/scholarships/>.

The fully completed application, transcript (if required), and two letters of recommendation must be submitted online or received by the HAPL Office located at 800 Bering Dr., Ste. 120, Houston, TX 77057 **postmarked on or before March 15**. Late applications **will not** be considered.

Scholarship recipients will be honored at the HAPL Scholarship and Tribute to Education Luncheon on May 3, 2022.

For questions, please contact the Scholarship Chairman – Ashlee Hansen at ashlee.hansen@conocophillips.com or 832-486-6022, or the HAPL Office at hapl@hapl.org.

HAPL Tribute To Education - Teacher Nominations

The Houston Association of Professional Landmen (HAPL) Tribute to Education Event is scheduled for May 3, 2022, at the Petroleum Club in Downtown Houston (subject to cancellation/postponement). This event honors local area teachers who have gone above and beyond their normal role as an educator in promoting education, creativity, self-discipline, and motivation to the hundreds of students whom they have touched during their tenure as an educator.

We are accepting nomination submissions for honorees for worthy teacher candidates from our members. **Nominations are due by March 18th**. Please submit your online nominations forms on the HAPL website at <https://www.hapl.org/teacher-excellence-awards/>.

We are currently seeking sponsors for this event. If you or your organization is interested in being a sponsor, please contact Bailey Booher via e-mail at baileyb@fenstermaker.com or by phone at 902-243-4036 or donate online at <https://www.hapl.org/donations/> and select "Tribute to Education Luncheon" from the dropdown menu.

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PURPOSE:

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NOMINATIONS:

Landman must be an Active, Life, or Honorary Life member of HAPL (dues current). If the HAPL member has been transferred to Houston within the last three years, said Landman should be a member of HAPL for a minimum of six months and be able to provide proof of membership of the local organization from which they were transferred.

ELIGIBILITY:

- Teachers who work in private or public school systems within the Houston Metro area, this includes North, West, South, East Houston, and the surrounding suburban areas.
- Teachers must be secondary education level (Junior, Middle, or High School). Elementary school teachers who work in specialized areas (autism, special needs) will be accepted. If you are unsure whether or not the educator you have in mind qualifies, send in the nomination.
- Teachers may be related to the nominating Landman. All submittals will be held in strictest confidence.
- Each recipient will be honored at the Tribute to Education Luncheon where they will be allowed to bring a guest at no cost to themselves or their guests. The recipient will receive a plaque to display at home and/or school and a nice gift basket.

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Top Ten Texas Oil & Gas Cases of 2021 - Part II of III

By: *Ethan Wood, Gray Reed*

This is a continuation of the three-part series that began last month discussing significant oil and gas decisions from state courts in Texas during 2021. It is not intended to be a strict legal analysis, but

rather a useful guide for landmen in their daily work. Therefore, a complete discussion of all legal analyses contained in the decisions are not always included.

Lockhart as Tr. of Lockhart Family Bypass Tr. v. Chisos Minerals, LLC, 621 S.W.3d 89 (Tex. App.—El Paso 2021, pet. denied)

Decided March 24, 2021

In this case, the El Paso Court of Appeals held that a trespass-to-try title claim failed because the record conclusively negated the plaintiff's claim to superior title. The Court rejected several alternative theories for why a conveyance was void (not voidable), but this decision is especially notable for its analysis of quitclaim and special warranty language in conveyances.

William Lockhart owned mineral interests in a tract of land in Howard County and died in 2001. His will bequeathed these interests to a Bypass Trust and named his wife, Jean, as independent executor, granting her "all of the powers enumerated in this will and all powers now or hereafter conferred by the Texas Trust Code." By a Distribution Deed (which was subsequently corrected twice), Jean Lockhart "as Executor of the Warren L. Lockhart Estate" conveyed the mineral interests to three individuals. The individuals ultimately conveyed the interests to Chisos, *et al.*

Jean Lockhart—in her capacity as trustee of the Bypass Trust—filed suit against Chisos, asserting claims for trespass to try title, rescission and cancellation of one of the correction deeds and a suit to quiet title. The trial court denied Lockhart's motion for summary judgment, granted Chisos' motion for summary judgment, quieted title to the

interests, and ordered that Lockhart take nothing. Lockhart appealed.

The primary issue on appeal concerned whether Lockhart conclusively established one of the elements of a trespass-to-try title claim. The Court of Appeals first noted the differences between a trespass-to-try title claim and a quiet title action: a claimant in a trespass-to-try title action must prove superior title to the interests. To the extent Lockhart could establish the Distribution Deeds were void and not simply voidable, her trespass claim could proceed. Otherwise, her waiver of the quiet title and rescission claims on appeal would preclude relief.

Lockhart argued that (1) she did not sign the Distribution Deeds as trustee, (2) she lacked authority to sign as executor, (3) the Distribution Deeds were mere quitclaims (and the estate owned no interest to convey), and (4) the correction deeds were not valid (and therefore, the original deed did not properly convey mineral interests). The court agreed that she did not execute the Distribution Deeds as Trustee, but nevertheless concluded she did have authority to sign them as executor, the Distribution Deeds were *not* quitclaim deeds, and the original Distribution Deed was properly corrected. Accordingly, the Distribution Deeds were not void and the record conclusively negated a crucial element of her trespass-to-try title claim.

The Court of Appeals' analysis of the quitclaim issue is particularly of interest. For years, Texas oil and gas commentators have warned that conveyances of "all right, title and interest" coupled with general or special warranty language without including a specific quantum of interest may actually be quitclaim conveyances. Whether an instrument is a quitclaim or not affects several legal rights of the grantees. Consequently, many lawyers and landmen insist upon including a warranty of a specific quantum of interest where a deed grants "all right, title and interest"

to protect grantees (based in part on the 2009 Eastland Court of Appeals decision in *Enerlex, Inc. v. Amerada Hess, Inc.*).

Here, the Distribution Deed conveyed "all of the Estate's interest, if any" and further recited that grantor would "warrant and forever defend the said property ... against every person lawfully claiming or to claim the same or any part thereof, by, through, or under grantor but not otherwise." The *Lockhart* Court looked to the recent Texas Supreme Court case—*Chicago Title Ins. Co. v. Cochran Investments, Inc.*—to conclude that the Correction Deeds were not quitclaims because they contained a special warranty provision. Lockhart had argued that *Enerlex* controlled because "the inclusion of a special warranty does not preclude [a] deed from being a quitclaim." But, the court concluded that the precedent established in *Chicago Title* "leads us to conclude that a deed containing a special warranty is not a quitclaim deed because it gives the grantee recourse against the grantor for any claim of title defect arising by, through or under such grantor."

It should be noted, however, that *Lockhart* is factually distinguishable from *Chicago Title* on this point; the deed in *Chicago Title* conveyed "all that certain tract of land..." and not "all right, title and interest" of the grantor. Whether a deed was a quitclaim or not was not at issue in *Chicago Title*, rather the issue was whether a party could recover for breach of the implied covenant of seisin. Petition for review in *Lockhart* was denied, but lawyers and landman should still exercise caution when it comes to conveyances of "all right, title and interest" until the Texas Supreme Court takes another look at what *Chicago Title* has to say about the nature of quitclaim deeds.

Sundown Energy LP v. HJSA No. 3, Ltd. P'ship, 622 S.W.3d 884 (Tex. 2021)

Decided April 9, 2021

In this case, the Texas Supreme Court held that a lease's special definition of "drilling activities" that included activities other than spudding-in a well were sufficient to satisfy a lease's continuous operations clause.

HJSA (Lessor) and Sundown Energy (Lessee) were successors-in-interest to an oil and gas lease covering a 30,450 acre tract of land in Ward County. The lease became effective August 4, 2000 and had a primary term of six years. At the end of the primary term, Sundown was required to "reassign to Lessor ... all of Lessee's operating rights in [each individual tract] of the lease not then held by production" unless Sundown was engaged in a continuous drilling program.

The continuous drilling clause (Paragraph 7b) provided that the "first such continuous development well shall be *spudded-in* on or before the [end of the primary term], with no more than 120 days to elapse between completion or abandonment of operations on one well and commencement of *drilling operations* on the next ensuing well."

"Drilling Operations" was defined in Paragraph 18 of the lease as "[1] actual operations for drilling, testing, completing and equipping a well (spud in with equipment capable of drilling to Lessee's object depth); [2] reworking operations, including fracturing and acidizing; and [3] reconditioning, deepening, plugging back, cleaning out, repairing or testing of a well."

Before the end of the primary term, Sundown spudded in three development wells and continued to engage in "drilling operations" thereafter. Despite the continued development, HJSA filed suit in 2016 seeking a declaration that the lease had terminated in 2007 as to non-producing tracts because Sundown had failed to comply with the continuous drilling program. HJSA argued that Sundown had to "spud-in" a new well every 120 days to maintain the lease, whereas Sundown argued that after the first well, "drilling operations" as defined in Paragraph 18 of the lease (e.g., drilling,

reworking, fracturing and other operations) were sufficient.

The trial court agreed with Sundown and granted partial summary judgment. But on appeal, a divided El Paso court of appeals reached the opposite conclusion. The Texas Supreme Court ultimately reversed the court of appeals decision, holding that Sundown was not obligated to reassign the contested tracts to HJSA.

HJSA argued that the term "drilling operations" in the continuous drilling provision must be inferred to be something more specific than the expressly defined term in Paragraph 18 of the lease. The Court noted that although words must be construed in the context in which they are used, courts "cannot interpret a contract to ignore clearly defined terms." Here, the continuous drilling provision distinguished between "spudded-in" and "drilling operations", evidencing the intent of the parties to apply the broader "drilling operations" definition after the first continuous development well. The Court reasoned that had the Lessor and Lessee intended well-spudding activities to be required to maintain the lease, "they could easily have done so."

HJSA additionally argued that "from a utilitarian standpoint," permitting the broader definition to control would hinder the objective of the Lessor to encourage full exploration and development of the entire lease block. Sundown countered that fracturing, reworking, and other "drilling operations" are production-maximizing activities that can ultimately be more cost-effective than drilling new wells. The Court noted that freedom of contract requires the recognition that "sophisticated parties have broad latitude to define the terms of their business relationship" and that the express language of the lease must control—including the express provision that nothing in the lease relieves the Lessee of its implied duty to reasonably develop the leased premises.

This case once again demonstrates the importance of using defined terms correctly and consistently in oil and gas

contracts. Parties should say what they mean and mean what they say in every contract; Texas courts are loathe to deviate from clearly defined terms.

Concho Resources, Inc. v. Ellison, 627 S.W.3d 226 (Tex. 2021)

Decided April 16, 2021

This case picks up where one of 2019's Top Ten cases left off. In reversing the Court of Appeals' decision in *Ellison v. Three Rivers Acquisition, LLC*, the Texas Supreme Court held that a boundary stipulation regarding disputed acreage was valid and properly ratified.

J.D. Sugg died in 1925 owning land in Irion County. Some of his heirs decided to swap land with nearby landowners, and in 1927 the Suggs executed a deed conveying to the Noelkes "All of [the Section] located North and West of the public road which now runs across the corner of said Survey, containing 147 acres, more or less." But, the actual acreage lying north and west of the road was 301 acres, not 147.

In 2008, Samson Resources' landman prepared a "Boundary Stipulation of Ownership of Mineral Interest" agreement to be executed by the successors to the mineral interests 1927 deed that established a new boundary line (see Fig. 1)

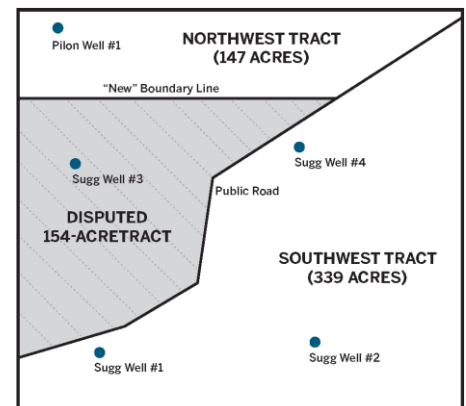


Fig. 1

The agreement was signed and filed of record. Samson's landman then sent a letter to Ellison (lessee of the 301 acre tract) enclosing the stipulation and requesting that Ellison "signify your acceptance of the description of the ... 147 acre tract as set out in the Stipulation

(your leasehold)". Ellison countersigned the letter and although Ellison and Samson agreed to execute a "more formal and recordable document", no such formal agreement was ever signed.

After Samson drilled numerous wells in and around the "disputed" tract, its interests were ultimately assigned to Concho. Ellison sued, seeking a declaratory judgment that Ellison's leases covered the entire 301 acres north and west of the public road and that the 2008 boundary agreement and letter signed by Ellison had no impact on the Ellison leases. Concho and related parties counterclaimed and ultimately prevailed at the trial court. The court of appeals reversed, holding that the 1927 deed contained no "ambiguity or error" to correct and therefore the boundary agreement was void. Thus, Ellison could not have ratified it, and consequently was not bound by it.

In rejecting the court of appeals' analysis, the Texas Supreme Court agreed with Concho that requiring boundary stipulations to correct an objective "ambiguity or error" would "scuttle boundary agreements as a mechanism to avoid litigation." Citing to precedent, the Court noted that boundary agreements are generally binding once executed and delivered and ought not to be disturbed "regardless of whether it was afterwards shown that they had been erroneously settled." Because the agreement itself was valid, the Court further held that

Ellison's signature of the letter ratified the boundary stipulation.

This case was closely watched by industry stakeholders and many (including the Texas Land Title Association and the Texas Oil and Gas Association) filed amicus briefs. Whether one agrees or disagrees with the result, this case serves as a reminder of the importance of accurate legal descriptions and ratifications in oil and gas agreements.

STAY TUNED ...

Next month, we will discuss the final four cases that may have an impact on your daily work. We hope this series will help you address the legal issues presented by modern oil and gas activities. As always, if you believe one of these decisions might have a bearing on an action you are about to take or a decision you might make, consult a lawyer.

About the Author



Ethan Wood, an associate at Gray Reed, advises upstream and midstream energy clients on the entire range of transactions and issues that arise during oil and gas operations in Texas and many states across the country. He has guided clients through a variety of multi-million-dollar deals and other operational transactions,

with a strong emphasis on the acquisition, divestiture and financing of producing assets, private securities offerings, oil and gas leases and joint operating agreements. Ethan is Board Certified in Oil, Gas and Mineral Law by the Texas Board of Legal Specialization.

Ethan also conducts title examinations and renders opinions for producers with drilling operations throughout Texas and coordinates identical activities with local counsel in multiple jurisdictions, including New Mexico, Ohio, Pennsylvania and Oklahoma. As a former independent petroleum landman, Ethan has a unique perspective on the most important aspects of title examination, which allows him to focus on identifying practical ways for landmen to address issues quickly and proactively in the field.



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- \$4,700,000 Jury verdict, oil company violates geologist non-compete contract. Settled later on confidential terms.
- \$2,000,000 Settlement for downhole failure of casing results in loss of well bore, net to client \$1,372,411.79.
- \$1,175,000 Settlement for geologist and family where oil company drilled too close to geologist property. Case filed 18 years after well drilled. Net to client \$664,822.51.
- \$986,000 Cash settlement, net to clients \$657,207.60, plus future mineral interest valued at \$500,000.00. Dispute over mineral interest ownership from thirty year old contract.

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HAPL Mentorship Program Participant Spotlight

By: Everett Grossman, Mentorship Program Chairman

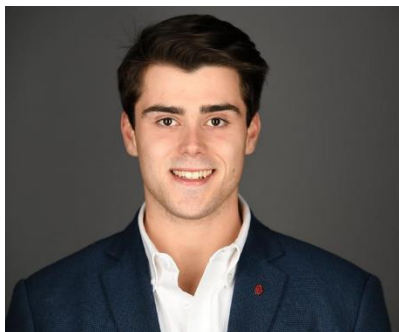
William R. Hamblin III, RL – Purple Land Management



William R. Hamblin III, RL is a Landman at Purple Land Management. William grew up in New Orleans, Louisiana, where he enjoyed playing recreational sports such as basketball, wrestling, rugby and track. Staying in his home state, William attended the University of Louisiana at Lafayette. During his time at ULL, William was involved with the Student Association of Professional Landmen (SAPL). As a student, William interned with R&O Energy based out of Shreveport, Louisiana. Throughout his time in Louisiana, William maintained involvement in the Lafayette Association of Professional Landmen. With his competitiveness, William's favorite LAPL event was the Annual Golf Tournament. William graduated from the University of Louisiana at Lafayette in 2017 with a degree in Energy Management. Upon graduation, William continued his career as a landman working various land projects throughout Southeast Louisiana.

William moved to Houston in 2021 when he accepted his current role at Purple Land Management. Now establishing roots in Houston, William hopes to get more involved with the HAPL & AAPL. In his free time, William likes to weightlift, golf, duck/deer hunt, and fish. William is also a big fan of LSU football. When he's not in the duck blind or cheering on the Tigers, he's probably at home meal prepping for a busy week. William is passionate about the oil and gas industry and the bright future ahead. His mentor in the program is William Daniel, JD, CPL.

Evan Smith – GeoSouthern Energy Corporation



Evan Smith is a Landman at GeoSouthern Energy Corporation in The Woodlands, Texas. He grew up in the Spring/Woodlands area where he enjoyed playing football and rugby in high school. Evan attended the University of Oklahoma, from where he graduated in Spring of 2020 with a degree in Energy Management. During his time at OU, Evan was involved in the Energy Management Student Association. He was also a member of the Kappa Sigma Fraternity. During his time as a student, Evan interned with GeoSouthern. He also interned at land brokerages in La Grange, Texas and Lafayette, Louisiana.

After graduation, Evan moved to Northern California for a logistics job in the wine industry. He transitioned back to oil & gas in the Fall of 2021, when he accepted his current role at GeoSouthern. Moving forward, Evan hopes to be more involved with the AAPL, HAPL, and NHAPL. In his free time, Evan likes to fish and travel. He is a big fan of the Oklahoma Sooners and Houston Astros. When he's not on the lake or watching sports, he enjoys lounging on the couch with his dog, Tito. Evan's mentor in the program is Eli Huffman.

Alexis Taylor - Opportune LLP



Alexis Taylor is a Senior Consultant at Opportune LLP, an oil & gas consulting firm. She grew up in Oklahoma City where she attended the University of Oklahoma. She graduated in 2018 with a degree in Finance. Since joining Opportune, Alexis has been involved in several projects ranging from oil & gas accounting system implementations, transactional due diligence, quality of earnings reporting and restructuring. Alexis recently completed a certificate in Petroleum Land Management from Midland College. She is also pursuing registered landman certification with the AAPL.

In the coming years, Alexis hopes to get more involved with HAPL & AAPL. Apart from participating in the HAPL mentorship program, she has joined the HAPL gala committee. In her free time, Alexis likes to play tennis and go to OU football games. Recently engaged, Alexis and her fiancé, Jacob are looking forward to further establishing roots in Houston. Her mentor in the program is Randi Walsh, RL.

More information about the HAPL Mentorship Program can be found online at <https://www.hapl.org/mentorship-program/>.



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HAPL
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