

TEXAS SUPREME COURT HANDS DOWN RULING ON FORCE MAJEURE IN OIL AND GAS LEASE DISPUTE

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/EINPresswire.com/ -- In a significant ruling regarding lease maintenance in the oil and gas industry, the Texas Supreme Court has issued an opinion in *Point Energy Partners Permian LLC v. MRC Permian Co.* The court's decision centers on the application of the force majeure clause to continuous drilling obligations.

Force majeure is a time-honored legal principle that provides exemption from performance under a lease due to unforeseen circumstances or so-called "Acts of God." The case in question revolved around an oil and gas lease

that required the commencement of new drilling operations within a specific time to prevent lease termination on undeveloped acreage. The oil company scheduled drilling for a date three weeks after the critical date had expired, raising considerable questions about the lease's validity.

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Randy Loewen

The lease contained a force majeure clause stating, "[w]hen Lessee's operations are delayed by an event of force majeure," the lease would remain in effect during the delay, with ninety days to resume operations. Citing this clause, the oil company sent a letter to the lessor, stating their drilling rig was engaged in remedying wellbore instability on another, unrelated lease, preventing them from drilling the new well before the critical date. Another

oil company executed a new lease with the lessor on the undeveloped acreage, so if the force



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majeure clause didn't apply the new lease would cover the undeveloped acreage.

The Texas Supreme Court ruled that the force majeure clause did not apply to this case and that the original lease expired at the end of its critical date for continuous drilling to occur. According to [Randy Loewen](#), an attorney at [Milling, Benson Woodward](#) law firm, "This ruling is a reminder of the importance of scheduling and adhering to lease drilling deadlines. The original oil company either miscalculated or overlooked the critical drill date. They could have employed an additional rig for drilling rather than waiting for their own. Arguing for force majeure due to the lack of a rig in these circumstances is what we in the legal field term a 'Hail Mary' attempt to salvage the lease."

Mr. Loewen further commented, "This Supreme Court decision is a harsh reminder to companies in the oil and gas industry to be meticulous in planning, precise scheduling, and due diligence in honoring lease agreements. It also sends a clear message about the limitations of force majeure clauses. These clauses are not a safety net for poor planning or unforeseen business complications. Instead, they are designed to protect parties during truly unforeseeable, uncontrollable events."

Reference: [Appeal from the 143rd District Court of Loving County, Texas \(TC# 17-06-869\)](#)

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