

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 92-1561
(Summary Calendar)

J.D. Helms

Plaintiff-Counter
Defendant-Appellant

versus

Speartex Grain Company and
Carl Archer

Defendants-Counter
Plaintiffs-Appellees

Appeal from the United States District Court
Northern District of Texas
(2:91-CV-0130)

(January 8, 1993)

BEFORE KING, DAVIS, and WIENER, Circuit Judges.

PER CURIAM:*

In this Texas diversity case, Plaintiff-Appellant J.D. Helms originally appealed the district court's (1) dismissal of his claims for failure to join indispensable parties pursuant to Fed. R. Civ. P. 19, and (2) denial of his motion to amend his complaint to delete those claims for which there were indispensable parties

*Local Rule 47.5 provides: "The publication of opinions that have no precedential value and merely decide particular cases on the basis of well-settled principles of law imposes needless expense on the public and burdens on the legal profession." Pursuant to that Rule, the Court has determined that this opinion should not be published.

who were not joined. In the original appeal we were unable to resolve these issues unequivocally based on the record before us. Consequently, we remanded for additional proceedings by the district court. We now review the court's additional findings and affirm its denial of Helms' motion to amend and its dismissal of the claim under Fed. R. Civ. P. 19.

I

FACTS AND PROCEEDINGS

A. FIRST PROCEEDING

This suit originated in state court in 1990 when Helms, as plaintiff, brought an action against Defendants-Appellees, Speartex Grain Company (Speartex) and Carl Archer relating to their management of thirteen oil and gas wells in Texas, in which Helms is a working-interest owner. Helms sought and received a dismissal without prejudice of his state court claims and refiled them in federal district court, invoking diversity jurisdiction. The claims asserted by Helms include: (1) fraud and misrepresentation; (2) a right to an accounting; (3) breach of fiduciary duties; (4) conversion; (5) breach of contract; (6) negligence; (7) unjust enrichment; (8) failure to act as prudent operators; and (9) violations of the Deceptive Trade Practices Act (DTPA) of Texas. In addition to actual and punitive damages, Helms requested the removal of Speartex and Archer as operators of the wells, the appointment of a receiver, and the imposition of a constructive trust.

Speartex and Archer filed a series of motions, including one for dismissal of the claim under Fed. R. Civ. Pro. 19 for non-

joinder of indispensable parties—namely, the remaining nineteen working-interest owners. In response, Helms moved the court to certify a class comprising every person with working-interests in each of the thirteen wells. Alternatively, Helms moved for leave to amend his complaint to delete any claims that the district court decided to dismiss for failure to join indispensable parties.

The court did not rule on the motions immediately, instead leaving the motions pending for approximately seven months. During that time the court set a trial date and the parties conducted discovery. One day before trial, the court granted Speartex and Archer's motion to dismiss for non-joinder of indispensable parties and denied Helms' motion to amend. The court later denied Helms' motion to reconsider. In its opinion, the court addressed the issues of non-joinder and Helms' motion to certify as a class. The opinion was silent, however, on Helms' motion to amend.

In its consideration of the issue of joinder of parties, the court focused on the non-monetary remedies sought by Helms—the removal of Speartex and Archer as operators, the imposition of a constructive trust, an accounting of the proceeds, and the abandonment of wells alleged to be non-commercial. The court concluded that the practical effect of this relief, if granted, would be to impair or impede the remaining working-interest owners' ability to protect their interests and would subject Speartex and Archer to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of their interests.

B. PROCEEDING ON REMAND

In this first proceeding, we were unable to determine whether the district court had concluded that the parties unable to be joined were indispensable as to all Helms' claims. As a result, we vacated and remanded the decision to the district court for additional findings that would make this issue clear.

On remand, the district court entered an order detailing its reasons for denying Helms' motion to amend. In its order, the court examined those claims that would remain if Helms' were allowed to amend his complaint. The court found that Helms intended to abandon: (1) the unjust enrichment claim; (2) the removal of Archer and Speartex as operators of the wells; and (3) the appointment of a receiver. The court was uncertain, however, whether Helms desired to abandon his request that the unproductive wells be plugged. But the court found clearly that Helms had retained the bulk of his claims. It concluded that if Helms' allegations proved truthful, the only feasible way to protect his interests would be to appoint a receiver for the wells or to impose a constructive trust. Neither action could be taken, however, without joining indispensable parties whose presence would destroy diversity jurisdiction. Therefore, the court determined, Helms' amendment of his complaint would be futile.

II

ANALYSIS

A. STANDARD OF REVIEW

There are two separate issues presented for review: (1) the

district court's determination that the nineteen working-interest owners who were not parties to the suit were indispensable parties and (2) the court's denial of Helm's motion to amend his complaint. As we explained in the initial appeal of this case, the appropriate standard of review for application of Rule 19 is not settled in this circuit. We need not reach that issue, however, as we find that the district court properly applied Rule 19 regardless of the standard we apply.

We review a district court's denial of a motion to amend under an abuse of discretion standard.¹ The term "discretion" "may be a misleading term, for [Fed. Rule of Civ. P.] 15(a) severely restricts the judge's freedom, directing that leave to amend 'shall be freely given when justice so requires.' It evinces a bias in favor of granting leave to amend."² Thus, in practice, we review the district court decision by looking for a substantial reason for denial of the motion to amend.³

B. INDISPENSABLE PARTIES

In our first decision in this case we held that the court properly applied Rule 19 to Helms' claims for injunctive relief. We were unable to ascertain whether the court had determined that the working-interest owners were indispensable parties as to all of Helms' claims. As the court's order following remand clearly

¹ Dussouy v. Gulf Coast Inv. Corp., 660 F.2d 594, 597 (5th Cir. 1981).

² Id. (quoting FED. R. CIV. P. 15(a)).

³ Id. at 598.

answers this question in the affirmative, we consider the propriety of that determination. We conclude that the district court properly held that the working-interest owners were indispensable to all of Helms' claims because no effective remedy could be granted without involving the other owners.

Rule 19 provides a two-step analysis governing the determination of which parties are indispensable. First, the district court must determine if the parties in question fall into one of the categories listed in Rule 19(a). These categories include:

(1) in the person's absence complete relief cannot be accorded among those already parties, or (2) the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the person's absence may (i) as a practical matter impair or impede the person's ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligation by reason of the claimed interest.

The court found that if Helms' amended claims were true, only one form of remedy would protect his interests—the appointment of a receiver. Such action would impair and impede the ability of the non-party working-interest owners to protect their interests in the wells. Moreover, the court reasoned that if it were to impose a constructive trust, as requested by Helms, such a trust would be imposed on all of the defendants' assets, including all past and future proceeds of the wells. This too would affect the other working-interest owners.

In the second step of a Rule 19 analysis, the district court must determine whether each person falling into one of these

categories can be made a party and, if not, whether in equity and good conscience the action should be dismissed. The court should consider four factors in reaching this decision:

first, to what extent a judgment rendered in the person's absence might be prejudicial to the person or those already parties; second, the extent to which, by protective provision in the judgment, by the shaping of relief, or other measures, the prejudice can be lessened or avoided; third, whether a judgment rendered in the person's absence will be adequate; fourth, whether the plaintiff will have an adequate remedy if the action is dismissed for non-joinder.⁴

Without a doubt, the appointment of a receiver or the imposition of a constructive trust would be prejudicial to the interests of the other working-interest owners and would be virtually impossible to structure. In addition, as the court noted, any other remedy would not be adequate to protect Helms' asserted interests. We find no error in the court's determination that the remaining working-interest owners were indispensable to all of Helms' claims.

C. MOTION TO AMEND

Having determined that all working-interest owners are indispensable, it follows that the court did not err by denying Helms' motion to amend his complaint. Although "[t]he policy of the federal rules is to permit liberal amendment to facilitate determination of claims on the merits and to prevent litigation from becoming a technical exercise,"⁵ a court need not grant a motion to amend if the amendment will not cure the deficiencies of

⁴ FED. R. CIV. P. 19(b).

⁵ Dussouy, 594 F.2d at 598 (citations omitted).

the complaint.⁶ Even if Helms were allowed to amend his complaint, his amended claims would require the appointment of a receiver or the imposition of a constructive trust. Either action affects the remaining working-interest owners to such an extent that their joinder as parties is required. As this would destroy diversity, the court would be compelled to dismiss. Therefore, the grant of Helms' motion to amend would be a futile act.

The opinion of the district court is
AFFIRMED.

⁶ See Pan-Islamic Trade Corp. v. Exxon Corp., 632 F.2d 539 (5th Cir. 1980).