

United States Court of Appeals
for the Fifth Circuit

United States Court of Appeals
Fifth Circuit

FILED

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Lyle W. Cayce
Clerk

No. 25-30741

TRIPLE C MINERALS, L.L.C.,

Plaintiff—Appellant,

versus

X T O ENERGY, INCORPORATED,

Defendant—Appellee.

Appeal from the United States District Court
for the Western District of Louisiana
USDC No. 5:24-CV-4

Before STEWART, HIGGINSON, and HO, *Circuit Judges*.

PER CURIAM:*

This case concerns the operation of a Pugh clause in an oil, gas, and mineral lease covering property in Louisiana (the “Collins Lease”). Triple C Minerals, L.L.C. (“Triple C”) is a lessor to the Collins Lease. XTO Energy, Inc. (“XTO”) is a lessee to the Collins Lease. Paragraph 6 of the Collins Lease states that the lease will remain in effect after its primary term so long as production does not cease for more than 90 days. Triple C asserts

* This opinion is not designated for publication. See 5TH CIR. R. 47.5.

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that they are entitled to cancel a portion of the Collins Lease for Tract 1, a unit on which there has been no production for 90 days. XTO agrees that there has been no production on that unit but nonetheless claims that because Louisiana has a codified rule of “indivisibility,” their production on other parts of the lease count for maintaining the entire lease. *See* La. R. S. § 31:114. The Collins Lease contains a “Pugh clause,” which is a provision that “seeks to protect the landowner-lessor from the anomaly of having the entire property held under lease by production from a very small portion.” *Will-Drill Resources, Inc. v. Huggs Inc.*, 738 So.2d 1196, 1200 (La. Ct. App. 1999). Triple C points to the Pugh clause as evidence that the Collins Lease has contracted out of the default rule of indivisibility.

The Pugh clause in the Collins Lease states that “[t]wo (2) years following the expiration of the primary term of this lease or the expiration of any extension or renewal of the primary term, whichever occurs last, in the event a portion or portions of the leased premises is pooled with other land so as to form a pooled unit or units, Operations on such unit or units will not maintain this lease in force as to the land not included in such unit or units. This lease may be maintained in force as to any land covered hereby and not included in such unit or units in any manner provided for herein.” If triggered, the Pugh clause will override the default rule of indivisibility. La. R. S. § 31:114.

Pooling refers to the practice of combining separate tracts of land into a single drilling unit, or an area which may be efficiently and economically drained of its minerals by a single well. *See* La. R. S. § 30:9(B). Landowners can agree to pool their land voluntarily. Or they can be compelled by the Louisiana Commissioner of Conservation (“commissioner”) to create a unit, known as compulsory unitization. *See* La. R. S. § 30:9.

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Tract 1 was ordered into a compulsory unit by the commissioner. Triple C claims that this compulsory unitization triggered the Pugh clause and divided the units, meaning that the Collins Lease terminated as to Tract 1 after 90 days without production. The district court held that the Pugh clause in the Collins Lease is not triggered by compulsory unitization and granted summary judgment to XTO. Triple C appealed.

We review grants of summary judgment *de novo*, applying the same standard as the district court. *In re La. Crawfish Producers*, 852 F.3d 456, 462 (5th Cir. 2017). A party is entitled to summary judgment on a claim in which there is no genuine dispute of material fact and the moving party is entitled to judgment as a matter of law. FED. R. CIV. P. 56(a).

If compulsory unitization triggers the Collins Lease Pugh clause as an “event” in which “a portion or portions of the leased premises is pooled with other land so as to form a pooled unit or units,” then Triple C is entitled to a judgment releasing that tract from the Collins Lease. The language does not expressly state that it applies to compulsory units. But the Louisiana Supreme Court has previously interpreted similar language to extend to compulsory units in another context. *Peironnet v. Matador Resources Co.*, 144 So.3d 791, 823–24 (La. 2013). Interpreting a clause setting out the consequences of failing to conduct continuous drilling operations, the Louisiana Supreme Court held that the phrase “on land pooled therewith” included compulsory unit wells. *Id.* (“[T]here is no proviso, whatsoever, in this clause that can be read to limit the scope of ‘on land pooled therewith’ or to exclude compulsory unit wells from its application.”). Thus, at a high level of generality, there is some evidence that the language here includes compulsory units.

But our precedents have more specific instructions for interpreting Pugh clauses. We have previously affirmed the view that in the context of

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Louisiana's presumption of indivisibility, Pugh clauses must clearly and unequivocally express the intent to contract out of the presumption of indivisibility. *Bennett v. Sinclair Oil & Gas Co.*, 275 F.Supp. 886, 893 (W.D. La. 1967), *affirmed*, 405 F.2d 1005 (5th Cir. 1968) (citing *Hunter Co. v. Shell Oil Co.*, 31 So.2d 10 (La. 1947)). Even if the language here is broader than the Pugh clause in *Bennett*, because the Collins Lease did not clearly and unequivocally express the intent for its Pugh clause to apply to compulsory units, it cannot be read to do so. The district court also did not err in holding that the general contract law principle of considering extrinsic evidence to interpret the contract yields to the specific mineral law principle requiring express intent in Pugh clauses. *Cf.* La. Civ. Code art. 2047 (giving precedence to specific, technical meanings for technical terms in contractual interpretation); ANTONIN SCALIA & BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 183 (2012) ("If there is a conflict between a general provision and a specific provision, the specific provision prevails (*generalia specialibus non derogant*).").

Triple C further claims that the district court incorrectly found that Paragraph 7 of the form lease did not mention compulsory pooling or the commissioner. Paragraph 7 appears to set out how large a voluntary unit can be if the commissioner increases the spacing rule or creates a compulsory unit that does the same. But this reference is immaterial. We require the language in Pugh clauses to clearly and unequivocally express the intent to apply to compulsory units. Even if the form lease referenced compulsory pooling elsewhere, the Pugh clause needed to do the same to contract out of Louisiana's presumption of indivisibility.

XTO is entitled to judgment as a matter of law. The district court did not err by granting summary judgment to XTO. *Affirmed.*