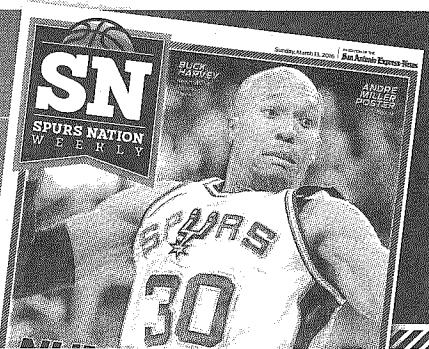


What's in a number?

Spurs players offer reasons for choosing jersey numbers.

▶ PLUS: Nick Moyle breaks down how well LaMarcus Aldridge has played since he exited Twitter.



Fill out your bracket for NCAA hoops tournament

Page C4

Dozens killed by bombing in Turkey's capital city

Page 6A

San Antonio Express-News

EXPRESSNEWS.COM AND MYSA.COM | Monday, March 14, 2016 | THE VOICE OF SOUTH TEXAS SINCE 1865

Suits on royalties emerging in shale

Mineral owners aim for energy company

By Jennifer Hiller
STAFF WRITER

A wave of royalty lawsuits against Chesapeake Energy Corp. is starting in South Texas' Eagle Ford Shale oil field, with mineral owners accusing the company of underpaying them and charging expenses that breached their contracts.

The cases echo previous lawsuits filed by mineral owners against Chesapeake in the Barnett Shale, a natural gas field in

the Fort Worth area.

The Eagle Ford lawsuits are believed to be the first of their kind in the 400-mile field. There are at least four filed so far in McMullen, Dimmit and La Salle counties by longtime ranching families.

"You'll see a tidal wave of royalty suits coming up in the Eagle Ford," said Daniel Charest of the Burns Charest LLP law firm in Dallas. He filed a lawsuit in McMullen County this month against the company. Oklahoma

ExpressNews.com

+ **Interactive:** Explore crude oil prices from 1986 to now.

+ **Interactive map:** Get a look at oil and gas production in South Texas.

City-based Chesapeake did not respond to requests for comment Friday.

South Texas courthouses are already a tangle of lawsuits as mineral owners and would-be



Jerry Lara / San Antonio Express-News

David Holdsworth examines a well on his land in Zavala County in 2013. He contracted some mineral rights with Chesapeake Energy, which some mineral owners say is underpaying them.

mineral owners — often members of the same family — battled with each other. Those arguments have been about who owns what and about what percentage of minerals was really conveyed with a land sale

that may have happened decades ago. At stake was millions of dollars and family relationships strained by the newfound wealth of the Eagle Ford, where the first well was drilled in

Lawsuits continues on A5

Still a party on South Padre



Photos by Edward A. Ornelas / San Antonio Express-News

Spring Breakers take in the music of DJ Quinten "Quintino" van den Berg of Amsterdam at Clayton's Beach Bar on Sunday.

Deaths in area last March haven't deterred Breakers

By Aaron Nelsen
RIO GRANDE VALLEY BUREAU

SOUTH PADRE ISLAND — On a recent sunny afternoon, scores of college students frolicked on the beach, plenty of beers and fruity alcoholic beverages at hand. Some played volleyball, while others gyrated to the thumping music blasted from a nearby bar. For better or



ExpressNews.com

+ **More:** See a slideshow of this year's Spring Break at South Padre Island.

Break craziness included the sort of garden-variety peccadilloes that have become synonymous with the annual event — regrettable tattoos and embarrassing affairs — but which

I-10 fixes in Leon Springs may slow drivers

By Katherine Blunt
STAFF WRITER

The Texas Department of Transportation is in the midst of a major project meant to improve traffic flow around Leon Springs, but until it's complete, drivers will hit some backups.

The project involves converting the two-way Interstate 10 access roads between Boerne Stage Road and Dominion Drive into one-way roads and constructing new lanes and access ramps in that area. To complete the work, the department has temporarily closed parts of the access roads and will continue to make closures in coming months.

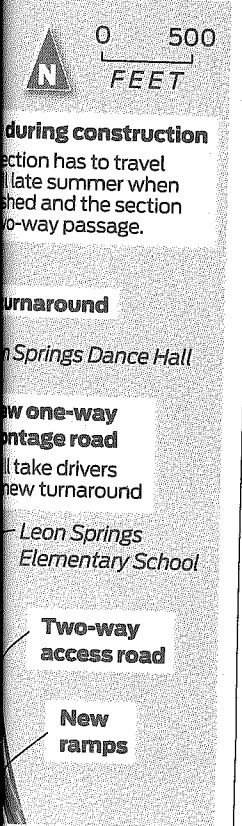
"The growth in Leon Springs and Boerne has been tremendous, and we expect that growth to continue," said Mike Coward, an engineer in TxDOT's Kerrville office. "Recently, it has become a lot more apparent that we need to work on I-10 west of the city."

The two-way access roads between Boerne Stage Road and Dominion Drive are some of the last ones in San Antonio. The one-way conversion would make traffic flow and highway access more consistent in the I-10 corridor.

It also could make the area safer for drivers. TxDOT traffic studies have found that two-way access roads increase the risk of wrong-way crashes.

Last month, TxDOT closed

ver
on a major project
some changes for drivers.
y access road between
open only to westbound
rt the two-way
oad and Dominion Drive
ose intersections by
times in coming months.



and in coming months
San Antonio Express-News
complex renova-
said Leon Springs
nted the access
n Aue and Old
rg roads to remain
en the project is
ause there are
n either side of it,
ilt a new segment
s the businesses
to the Boerne
und.
h, TxDOT expects
p to the new seg-
as a westbound
p from Dominion.
mmer, it expects
ew exit and en-
on the eastbound

s-news.net
erineblunt

LAWSUITS

From page A1

2008.

Now, mineral owners appear to be turning their legal wrath against oil and gas companies.

Oil prices are slumping — causing landowners to scrutinize their royalty statements — and there's a four-year statute of limitations in Texas for making a legal claim for breach of contract. (But some savvy mineral owners have lease provisions that set aside the four-year time limit.) While mineral owners often assume that their royalty payments are correct, Texas courts have made clear that they have the burden of discovering any problems and taking legal action.

"As you see oil prices having fallen in the last year, people will be looking in greater detail at their revenue statement," Charest said. "Where they may not have felt a pinch in the past, they're feeling a pinch now. It happened in the Barnett when gas prices went down. I think you'll see the same thing in oil-rich plays in the Eagle Ford and Bakken (in North Dakota)."

A lawsuit filed by Charest on behalf of several members of the Dilworth family in McMullen County includes several allegations. Some of the key ones are that Chesapeake underpaid by basing the royalties on improper volumes and prices for oil, gas and natural gas liquids and that the company charged post-production costs for things such as moving products to market, which was not allowed under the terms of the lease. The family has mineral interests on 15,900 acres, with more than 85 producing oil and gas wells, on the Prince Ranch, the 76 Ranch and the Dilworth Ranch.

Burns Charest represented the Bass family of Fort Worth, one of the state's wealthiest families, in a lawsuit against Chesapeake over unpaid oil and gas royalties in North Texas. That case was settled late last year, in what the law firm called a "a favorable, confidential settlement."

Three other law firms —

Houston-based Christian, Smith and Jewell LLP; Fort Worth's Circelli, Walter & Young PLLC; and Langley & Banack Inc. of San Antonio — together have filed three lawsuits that cover around 30,000 acres in Dimmit, La Salle and McMullen counties and include similar issues about royalty payments.

"We have evidence to show that they are charging expenses that they can't charge," said Wes Christian of Christian, Smith and Jewell. "Basically, it's a duplication on a much larger scale of what's going on in the Barnett. This will be hundreds of millions of dollars over time."

The lawsuits also name the Chinese National Offshore Oil Corp., which invested in Chesapeake's Eagle Ford acreage in 2010 as a drilling partner.

Christian said he expects more lawsuits against Chesapeake to follow. The consortium of law firms involved so far is looking at other operators in the region, too.

The Texas Supreme Court last year ruled in Chesapeake vs. Hyder, a Barnett Shale case, that Chesapeake could not deduct post-production costs from a lease that had language that shifted those costs to the company. The Hyder family won nearly \$1 million.

Chesapeake holds around 500,000 acres in the Eagle Ford, and at one time, it was the biggest acreage holder in South Texas — leasing 785,000 acres in the region. Though Chesapeake would eventually sell off some South Texas acreage and let other mineral leases expire, it remains one of the largest companies operating in South Texas, where it produces an estimated 97,000 barrels of oil equivalent per day, a measure that includes oil, condensate and natural gas.

The Eagle Ford now produces around 1.2 million barrels of crude oil and other liquids daily, according to the U.S. Energy Information Administration.

jhiller@express-news.net
Twitter: @Jennifer_Hiller
Express-News archives contributed to this report.