



Beatty & Wozniak secures precedent-setting victory before the North Dakota Supreme Court—establishes lessee rights in quiet-title actions

The North Dakota Supreme Court recently confirmed that the lessee of an oil and gas lease is a necessary party for any quiet-title action concerning the ownership of leased minerals. In *Gerrity Bakken, LLC v. Oasis Petroleum North American, LLC*, the court confronted two issues of first impression in the state. 2018 ND 180, 915 N.W.2d 677. First, the *Gerrity* court addressed whether a lessee is a necessary party to a quiet-title action. Next, it faced an issue of how to properly construe two conflicting fractions within the granting clause of a deed. Andrew Glenn and Karen Spaulding argued the case on behalf of the plaintiff, Gerrity Bakken, LLC. They convinced the court that: (1) a lessee is a necessary party; and (2) it must multiply the two conflicting fractions together in order to determine the mineral interest conveyed by the deeds at issue.

The case arose from unconventional circumstances. In 2013, several minerals owners initiated a suit to determine the amount of interest conveyed by the operative deeds (“2013 Suit”). Although leases covered nearly all of the minerals at issue, none of the mineral owners notified their lessees of the quiet-title action. The defendants in the 2013 Suit succeeded in convincing the district court to ignore the second of the two conflicting fractions in the deeds’ granting clauses. So instead of the conveyed minerals equaling 1/8 of 1/2 of the minerals owned by the grantor, for example, the court reasoned that the deeds conveyed 1/8 of 100 percent of the minerals in the subject lands.

But just weeks after the district court issued its decision in the 2013 Suit, Gerrity filed a separate quiet-title action naming all lessees, mineral owners and other interested parties, including those party to the 2013 Suit. To the chagrin of the 2013 Suit defendants, Gerrity convinced the district court to reach the opposite conclusion. The district court multiplied the two sets of fractions in the granting clause together to determine the mineral interest conveyed by the deeds.

On appeal, the 2013 Suit defendants argued that the district court erred in the second action and that the action itself was impermissible since the decision in the 2013 Suit controls. The North Dakota Supreme Court rejected both arguments. First, the court relied upon the case law and argument presented by Gerrity to conclude that the defendants offered no reasonable explanation for why the two sets of fractions should not be read together. Second, the court determined that the judgment obtained in the 2013 Suit could not bind Gerrity because it was not a party to that suit. Consequently, the court vacated the judgment in the 2013 Suit. In doing so, the court held that lessees are necessary parties to any quiet-title suit affecting their real-property interests. And because the 2013 Suit omitted all lessees, among other interest holders and unknown parties, it could not stand.

The North Dakota Supreme Court's decision establishes two points of law. Anyone seeking to quiet title to mineral interest in North Dakota must include all necessary parties, including lessees, or risk subsequent and potentially inconsistent judgments. The court's ruling also provides additional direction for construing granting clauses in North Dakota.

For more information on the ruling, please contact [Karen Spaulding](#) or [Andrew Glenn](#).

[Read the full decision here.](#)

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