



## Colorado Court Upholds Victory for Operator

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Last month, the Colorado Court of Appeals (the “Court”) upheld the Garfield County District Court’s decision denying an unleased and statutorily pooled non-consenting mineral interest owner’s demand for a full cost and revenue audit.

Mineral interest owner Grant Brothers Ranch, LLC (“Grant Ranch”) sought an accounting of the past and present operator’s books and records. Grant Ranch alleged that it was entitled to bring suit in Colorado district court to determine whether the wells had reached payout despite failing to first avail itself of the administrative remedies provided for by the Colorado Oil and Gas Conservation Act (the “Act”). The Court of Appeals upheld the district court decision, and found that Grant Ranch was required to first exhaust its administrative remedies with the COGCC before filing suit in district court.

In so finding, the Court of Appeals found that Grant Ranch lacked jurisdiction to bring its claim for an accounting, and the district court properly dismissed the case before trial.

The Court found Grant Ranch’s claim was subject to the Act, specifically C.R.S. Sections 34-60-116 and 34-60-118.5 regarding allegations of amounts due to a payee by the operator. Further, the Court found that Section 34-60-118.5 of the Act provided Grant Ranch with a remedy. Under that section, Grant Ranch should have filed a written request using Form 37 with the COGCC for information about costs and revenues of the wells. If Grant Ranch felt that the information provided by the operator was insufficient to resolve its inquiry, Grant Ranch was then entitled to request a hearing by filing COGCC Form 38. Grant Ranch could then appeal any final COGCC determination under the Colorado’s Administrative Procedures Act.

Finally, the Court found the Colorado legislature intended the Act to be a comprehensive scheme and Grant Ranch’s primary and exclusive remedy. The Court found that, contrary to Grant Ranch’s suggestion, the 1998 amendments to the Act removing the word “exclusive” from Section 34-60-118.5(5) did not evidence an intent by the COGCC to grant primary jurisdiction of these types of non-contractual claims to the district courts. After reviewing the relevant legislative history, the Court found that the legislative intent of the 1998 amendments was only to remove contract disputes from the COGCC’s exclusive jurisdiction. The legislative history did not evidence the intent to provide concurrent jurisdiction between the COGCC and the district courts to resolve disputes for payment of proceeds not governed by a private contract.

The case is *Grant Brothers Ranch v. Antero Resources Piceance Corp., et al.*, and the decision of the Court of Appeals is available [here](#).

For further information regarding this case or other payment disputes, please contact [Malinda Morain](#) or [Karen Spaulding](#).

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