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Crude oil downturn keeping San Antonio lawyers more than busy

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Collections. Liens. Lawsuits. Bankruptcies. Acquisitions. Royalty battles. Title diligence.

The downturn in crude oil prices has brought its fair share of courtroom drama and kept San Antonio's 130 energy lawyers busy over the past year and a half.

At the same time, the downturn has not been without casualties in the legal community. Law firms known as "title shops" for oil and gas leases took a hit, laying off lawyers as record-low oil prices dried up their work.

One example is mega energy law firm Burleson LLP, which at its peak had nearly 150 attorneys in four states. The firm closed all its offices at the end of 2015 as a direct result of the downturn.

In San Antonio, Burleson had 15 lawyers who have either landed at other law firms or ventured out on their own.

Despite the game of musical chairs in the legal community, distress from low oil prices continues to keep energy lawyers busy.

Keeping busy: collections and liens

With crude oil still trading below \$50 per barrel, collections work and mineral liens are keeping lawyers like Wade Caldwell of Barton East & Caldwell PLLC busy.

Caldwell has been sending an average of four to five demand letters a month to companies that owe his clients money for work in the Eagle Ford or Permian Basin.

"Over half of them pay and half of them you have to file a lien," Caldwell said.

Under Texas law, service companies that do not receive payment from an oil company can file a mineral lien that stays with the well until the legal dispute is resolved.

"It's usually a ripple effect of either the operator that's drilling the well or one of the major players involved in the well that gets in trouble, doesn't pay people and then it cascades down the food chain," Caldwell said.

Although liens can become fodder for breach of contract lawsuits, Caldwell said both parties usually try to resolve them before they get to that point.

New firm working trials and titles

Meanwhile, a younger crop of San Antonio lawyers is cutting their teeth on lawsuits and trials that have ended in multimillion-dollar verdicts.

Following the March 2015 merger of the Cox Smith and Dykema law firms, lawyers Paul Santoyo, Katy Pier Moore and Corey Wehmeyer left the San

Antonio office of Cox Smith to start their own boutique energy law firm Santoyo Moore Wehmeyer P.C.

Right out of the gate, the young firm won a \$4.2 million judgment in a natural gas royalties trial in Zapata County against a company owned by oil giant Anadarko Petroleum Corp. (NYSE: APC.).

In April, the firm won a \$9.3 million verdict in a federal jury trial on behalf of San Antonio-based oil company U.S. Enercorp Ltd.

"We've been able to lower rates, be cost effective and nimble, all the things that larger platform firms struggle with," Wehmeyer told the Business Journal.

With crude oil prices poised to move above \$50 per barrel, the firm is also seeing some signs of life on the title work, research and transactional side of the business.

Although it's nowhere near the predownturn levels, some of the firm's operator clients are getting back into the game by acquiring new leaseholds and picking the drill bit back up.

"I think you get the sense from a lot of the participants in the industry that we've probably reached the bottom, and you've started to see a lot more players putting the pieces in position for an upswing," Santoyo said. "I think they're waiting for it to get a little bit higher or reach whatever their target number is."

Low oil prices lead to increase in litigation ... not necessarily

Marty Truss, who heads the energy division for Dykema Cox Smith, said it's commonly believed that downturns lead to an increase of lawsuits but that he has never seen that phenomenon materialize in his 20-plus years as a litigator.

Although the firm has seen more work from the distressed marketplace, Truss said new litigation did not happen at the rate that one might expect.

"A year ago, things got to the point where companies really tightened down so much on their expenditures everywhere that it even affected litigation," Truss said.

Companies proceeded with litigation that they had pending before the downturn, but legal action deemed either optional, nonstrategic or non-core was "put in the freezer," Truss said.

"The philosophy that permeated the companies was any nonessential expenditures were just trimmed back as much as possible," he said.

Like other energy law firms, the recent upswing in crude oil to around \$49 per barrel is also resulting in a fair amount of work in acquisitions.

"There's been a fair amount of activity recently for companies that are in a good cash position to acquire properties," Truss said. "It's a very good environment for that."