

Texas Jury Awards Enercorp \$9.3M In Bakken Lease Fight

By **Kat Greene**

Law360, Los Angeles (April 1, 2016, 9:48 PM EDT) -- A Texas federal jury on Thursday awarded \$9.3 million to U.S. Enercorp Ltd. for lost profits after another investor in Bakken shale swept in to take over some of its leases for land, interfering with its existing contracts and compromising a proposed sale of the oil country properties.

The jury found after a two-week trial that began on March 18 that Ringo Shapiro and his companies had wrongfully persuaded a broker acquiring leases for Enercorp to hand over some of those leases after Enercorp had already paid for them, intervening in Enercorp's contract with the broker, according to the verdict form.

The Shapiro entities had themselves recorded as owners of the properties, complicating Enercorp's planned sale of the properties and almost costing it the deal, according to court records.

The jury found that the Shapiro entities had tortiously interfered with Enercorp's contract with its broker and that the Shapiro group had later broken a contract with Enercorp to clear the titles on the leases, according to the verdict form. It hit the Shapiro companies with \$9.3 million in damages, including more than \$3 million in punitive damages, according to the form.

Enercorp had a hunch about some previously unexplored territory on the Bakken shale, an oil- and gas-rich rock formation in the northern part of the U.S. in Montana and North Dakota, according to filings in the case. The company hired a broker, SDC Montana Consulting, to buy up a few acres of property that Enercorp would then drill to prove out the theory to potentially pick up more leases, according to the suit.

While SDC Montana was in the process of picking up leases for Enercorp, it ran into financial trouble, according to records in the case. Ringo Shapiro and his companies, including Val Verde Investments, stepped in purportedly to bail the broker out. But it persuaded the broker to fork over leases that were already recorded in Enercorp's name, according to the plaintiff's case.

When another company offered to buy Enercorp's leases, Enercorp and the Shapiro companies entered a contract under which the Shapiro entities would clear the titles for the leases so Enercorp could sell them, but the Shapiro group didn't clear the records, instead leaving some in its name, nearly jeopardizing the deal, court records show.

Enercorp sued in 2012 alleging that Shapiro had interfered with the original contract with the broker, then breached the contract it struck with Enercorp. The Shapiro group hit back, alleging Enercorp had breached the contract by not paying up to clear the leases, according to filings in the case.

The jury agreed that Enercorp hadn't upheld its end of the deal and said it owed \$2.5 million for the contract, but U.S. District Judge Royce C. Lamberth ruled Thursday that because the jury had found that the Shapiro group breached first, Enercorp had cause to breach the deal and didn't have to pay the sum, according to a judgment filed in the case.

Bruce Gates, president of Enercorp, said in a statement he was extremely happy with the decision and that it had renewed his faith in the justice system.

"We are not a litigious organization, but a menace infiltrated our business dealings in Montana, illegally as proven by the court verdict, and threatened to compromise the productive efforts of many people only for the greed of one egregious man," Gates said. "We were forced to bring this lawsuit in order to rid ourselves of the scourge."

A representative for the Shapiro companies didn't immediately respond to a request for comment.

Enercorp was represented by Corey Wehmeyer, Ben Robertson and Katy Pier Moore of Santoyo Moore Wehmeyer PC.

The Shapiro companies were represented by Olivier A. Taillieu, Maura Gerwitz and Raffi V. Zerounian of The Taillieu Law Firm LLP, and Scott M. Garelick of McElree Savage Smith.

The case is U.S. Enercorp Ltd v. SDC Montana Bakken Exploration LLC et al., case number 5:12-cv-01231, in the U.S. District Court for the Western District of Texas.

--Editing by Aaron Pelc.