

# Federal Court Affirms Sublessee's Liability for Original Lessee's Obligations

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In *AWT Be Good LLC v. Chesapeake Louisiana, L.P.*, No. 16-1412, 2019 WL 2385199 (W.D. La. June 4, 2019), the Western District Court of Louisiana reaffirmed the longstanding principle under Mineral Code article 128 that an assignee or sublessee of a mineral lease is directly liable to a mineral lessor for the performance of the original lessee's obligations.

Central to this dispute is an amendment to an oil and gas lease between AWT Be Good LLC, as lessor, and Chesapeake Louisiana, L.P., as lessee. Before amending the lease, Chesapeake subleased a 20% interest in the lease to PXP. In 2016, AWT sued Chesapeake and PXP alleging that Chesapeake was underpaying royalties to AWT in violation of the lease amendment.

In a motion for summary judgment, PXP argued that it was not a party to the lease amendment entered into by AWT and Chesapeake and, therefore, (1) AWT could seek relief only from Chesapeake, and (2) PXP could not be held liable to AWT for any of its claims. In denying PXP's motion for summary judgment, the court explained that "because the Mineral Code makes both assignees and sublessees directly liable to a mineral lessor for the lessee's obligations, the Court finds that AWT can seek to hold PXP liable for the same claims it brings against Chesapeake (the original lessee) regardless of whether PXP is classified as an assignee or sublessee of Chesapeake's interest in the Lease." Despite PXP's contentions, the court determined that PXP had failed to support its claim that it was not bound to the lease amendment.

In response, PXP asserted in a motion for reconsideration that the court erred in holding that "a sublessee or assignee of an undivided interest in a mineral lease is bound, as a matter of law, by an amendment to the original mineral lease even where that amendment was: (a) executed by the sublessor/assignor after the sublessee/assignee acquired its interest, and (b) the sublessee/assignee did not join in, or consent to, the amendment." The court corrected PXP's proposition by clarifying that it "held only that given the general rule under the Mineral Code that an assignee/sublessee is directly liable to a mineral lessor for the lessee's obligations, and because PXP did not meet its burden on summary judgment in showing that it did not consent to the Lease Amendment, AWT 'can seek to hold PXP liable for the same claims it brings against

Chesapeake.” Thus, had PXP shown that it was not bound to the lease amendment, Mineral Code article 128 likely would not have applied.