

Texas Court Holds Drop in Oil Prices is Not Force Majeure

A divided panel of the Texas Court of Appeals in Houston has held that the 2014-2015 drop in oil prices is not a force majeure for purposes of general force majeure contractual protection, **reports** Liskow & Lewis in its Energy Law Blog.

Jackie E. Hickman explains that the court addressed a dispute between ConocoPhillips Company and TEC Olmos over a farmout agreement that required Olmos to commence drilling by a specified date.

“During the interval between execution of the agreement and commencement of drilling, however, changes in the global supply and demand of oil caused the price of oil to drop significantly. As a result, Olmos was unable to secure financing for drilling and informed ConocoPhillips that it would be unable to meet its drilling obligations. ConocoPhillips filed suit against Olmos and the guarantor of the contract, Terrace Energy Company, for breach of the farmout agreement. The lawsuit sought \$500,000 in liquidated damages,” Hickman writes.

Olmos invoked the force majeure clause of the farmout agreement to excuse its inability to perform, but the court agreed with ConocoPhillips.

Read the article.