

“No Obligation” Clause Dooms Oil and Gas Asset Bid

“In *Chalker Energy Partners III LLC v. LeNorman Operating LLC*, the Texas Supreme Court reaffirmed its belief in the sanctity of the written contract and the freedom of parties to negotiate and agree to contracts as they desire,” reports Charles Sartain in Gray Reed’s ***Energy and the Law***.

“Chalker and other sellers wanted to sell leases in several Panhandle counties. LeNorman signed a Confidentiality Agreement, which had a provision entitled ‘No Obligation’, ... unless and until a definitive agreement has been executed and delivered, no contract ... providing for a transaction ... shall be deemed to exist and neither Party will be under any legal obligation of any kind whatsoever with respect to such transaction ... ”

“After a bidding war between LeNorman and Jones Energy, the Sellers declined to sell and LeNorman elected not to pursue the transaction. Then, after the bidding deadline the Sellers offered to sell 67 percent of the assets, LeNorman emailed what it termed a “counter-proposal”, setting a deadline and adding that it would not be modifying or accepting any changes. Sellers’ representative emailed an acceptance before the deadline, subject to a “mutual agreeable Purchase and Sale Agreement”, sent LeNorman a revised draft PSA, and took off for Thanksgiving. LeNorman sent a redlined PSA for consideration. During that time Jones made another offer that was accepted and Jones acquired the assets.”

Read the article.