Administrative Office of the Courts

FOR IMMEDIATE RELEASE
July 13, 2023

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Supreme Court rules on ownership of mineral rights in southeastern New Mexico

SANTA FE – The state Supreme Court ruled today that an oil company's acquisition of mineral rights remains protected as a good faith purchase because it relied at the time on a judicial determination about heirship of the land although years later the judgment was voided.

In a unanimous decision, the Court resolved a dispute over the ownership of several acres of mineral rights in Eddy County by concluding that Premier Oil and Gas Inc. was entitled to "bona fide purchaser status" because it had no notice of possible claims against the property at the time of its acquisition. Mineral rights allow for the production of oil, natural gas and other minerals associated with land.

Potential heirs of a couple who owned the mineral rights decades ago challenged heirship of the property several years after a final court judgment and after Premier had purchased an interest in the mineral rights. They contended a district court wrongly determined in 2007 that one family member was the sole heir. That heir leased the mineral rights to an individual, and Premier acquired a leasehold in 2010.

The estate dispute made its way to the state Court of Appeals, which issued a decision in 2020 that invalidated the district court judgment because not all possible heirs had been properly notified about the heirship proceeding in 2007. However, the Court found that Premier retained title to the mineral rights as a good faith purchaser because it had relied on what appeared to be a valid judgment at the time in determining whether the property was free of claims that could jeopardize its ownership.

In today's opinion, the Supreme Court addressed whether Premier had notice of an "adverse title claim" on the mineral rights.

Before purchasing the minerals interest, Premier hired a title attorney that found records of the 2007 heirship judgment and a 1974 will of one of the initial mineral rights owners. The potential heirs challenging the estate settlement argued Premier's review of the documents should have notified the company of errors in the 2007 judgment. The Court disagreed.

"We conclude that Premier did not have actual notice of title defects for two independent reasons," the Court wrote in an opinion by Justice David K. Thomson. "First, as bona fide purchasers, Premier may rely on the 2007 Judgment as a facially regular judgment. Second, a judgment that is the result of a court improvidently exercising its jurisdiction is not to be corrected at the expense of an innocent third party who relied on that judgment."

The justices reasoned that "subsequent purchasers of property that has been the subject of judgments at some point in the property's chain of title must be able to rely on those final judgments as accurate unless invalid on their face."

"To rule otherwise would mean that purchasers would have to delve into the merits of the judgment to ponder its legitimacy and even speculate as to whether the judgment would be upheld in the face of a collateral attack. This outcome is absurd," the Court wrote. "It would not only be unfair to purchasers, but would invalidate the legitimacy of our judgments and diminish public trust in our judicial system."

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To read the decision in *Premier Oil & Gas v. Welch*, No. S-1-SC-38601, please visit the New Mexico Compilation Commission's website using the following link: https://nmonesource.com/nmos/nmsc/en/item/521908/index.do