Mineral Rights/Lease: Louisiana Appellate Court Addresses Applicability to Natural Gas Condensate



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11/05/2026

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Louisiana's Second Circuit Court of Appeal ("Court") considered an issue involving mineral rights. *See Furlow v. Petro-Chem Operating Co.*, No. 56,802-CW, 2026 WL 2507847 (La. Ct. App. Aug. 26, 2026).

The Court addressed a conversion claim brought by a group of Claiborne Parish landowners ("landowners").

The landowners alleged that Petro-Chem Operating Company, Inc. ("PC") had taken natural gas condensate from their land and sold it for profit in violation of their mineral rights.

The landowners in 2012 leased their mineral rights for the tracts of land in question to AIX Energy, Inc. ("AIX"). The lease allowed AIX the right to use the land "for all purposes incident to the exploration for and production, ownership, possession and transportation" of the minerals.

A separator near the terminus of the pipeline separated the natural gas condensate from the commingled gas stream. The condensate was piped to a drip tank. Title to fugitive minerals like natural gas vest when the minerals are reduced to possession at the well hand. *See Frey v. Amoco Prod. Co.*, 603 So. 2d 166 (La. 1992).

AIX after bankruptcy in 2015 transferred those leases to Contango Resources, Inc. ("Contango"). Continuing a practice started by AIX, Contango continued gathering the gas condensate from the wells on the landowners' property at a different well on an adjacent tract of land that was controlled by PC.

PC then sold the condensate and paid Contango directly for the royalties to the landowners.

The question addressed by the Court was whether the landowners could claim ownership over the gas condensate extracted from the leased land.

The Court held that by executing the leases, the landowners severed their right of ownership to all minerals in exchange for royalties. Furthermore, because the right of ownership of the condensate was determined at the time of capture, ownership vested in Contango and not the landowners.

The Court concludes that the landowners could not demonstrate ownership over the minerals because the lease gave Contango ownership rights over the minerals instead.

A copy of the opinion can be found here.