



Breakthrough Ruling on the Wyoming Royalty Payment Act

By: [Becky Noecker](#) and [Drake Hill](#)

The Wyoming Supreme Court has drawn to a close nearly a decade of claims made by royalty owner plaintiffs that the Wyoming Royalty Payment Act (the "Act" or "WRPA") should be construed to result in unlimited reporting penalties for asserted mis-reporting or non-reporting violations.

In *Morris v. CMS Oil and Gas Co.*, No. S-08-103 (Wyo. 2010), the Court ruled that the Act's express language does not support the so-called "cumulative" theory of calculating reporting penalties in which penalties from prior months are accumulated in the next month's penalty calculations to exponentially inflate the penalty calculation.

The Court also held that the Act does not provide for the penalty to be inflated by the number of wells. Rather, finding the statute unambiguous, the Court held that WRPA penalties are limited to \$100 per month per royalty owner, for a maximum reporting penalty of \$1,200 per royalty owner per year. Thus ends the era of speculation by royalty owners through reporting penalty claims in the litigation process.

In addition to portions of the ruling reiterating when a payor must escrow funds when title is in dispute and the timing of required reporting, the Court also clarified who would be considered a "prevailing party" for purposes of awarding attorney fees under the Act. Despite the fact that Ms. Morris failed in her claim that she was entitled to over \$2 million in reporting violations and had failed to establish a claim to relief as to other claims, the Court found that she had prevailed in part because she was entitled to less than \$3,000 in reporting penalties. On this basis, the Court reversed the award of attorney fees to CMS and awarded attorney fees to Morris, finding that Morris was the prevailing party because she "improved" her position through the litigation.

CMS was represented by [Tom Reese](#) and [Drake Hill](#) from Beatty & Wozniak's Wyoming offices.