Case Summary: Coyote Ranch, LLC v. The City of Lubbock, No. 14-0572 (Tex. 2016)

By: Brendan P. Doherty, Gieger, Laborde and Laperouse L.L.C.

On May 27, 2016, the Texas Supreme Court issued its opinion in Coyote Lake Ranch, LLC v. The City of Lubbock. Chief Justice Hecht delivered the opinion of the Court, and framed the issue before the court as whether the accommodation doctrine applies as between a land owner and the owner of an interest in groundwater.

By way of background, the Coyote Lake Ranch is comprised of 26,600 acres located in the Texas panhandle. The Ranch is primarily used for agriculture, raising cattle, and recreational hunting. In 1953, the City of Lubbock, in response to a devastating drought, purchased the Ranch’s ground water to help supply its residents with water. The deed conveying the ground water to the city contained lengthy, detailed provisions regarding the City’s right to use the land. In 2012, the City announced plans to increase water extraction efforts on the Ranch, possibly drilling as many as 20 test wells followed by 60 additional wells spread across the ranch. The Ranch objected, however, the City claimed that it was acting within the broad rights granted by the deed. Accordingly, the City began mowing extensive paths through the native grass to prospective drill sites, and the Ranch sued to enjoin the City from proceeding.

The Ranch asserted that the City had a contractual and common law responsibility to use only that amount of surface reasonably necessary for its operations, and a duty to conduct its operations with due regard for the rights of the surface owner. The City contended that it had full rights under its deed to pursue its plans, and that the law imposed no duty on groundwater owners, as it does on mineral owners, to accommodate the surface owner. The trial court granted the Ranch’s application for a temporary injunction, concluding, among other things, that the proposed well plan could likely be accomplished through reasonable alternative means that did not unreasonably interfere with the Ranch’s current use. The Court thus enjoined the City from mowing, proceeding with any test or water well drilling, or erecting power lines.

The City appealed, arguing that its deed gave it the right to conduct the proposed operations and that the accommodation doctrine did not apply to ground water owners. In response, the Ranch argued that the accommodation doctrine should extend to ground water interests. The appellate court found no support for the Ranch’s position, and dissolved the temporary injunction.

The Texas Supreme Court began its analysis by explaining that although the City’s deed governed its use of the Ranch’s land to access and remove ground water, the deed left certain issues unclear. The Court therefore turned to the question of whether the accommodation doctrine should apply. The Court summarized the development of the accommodation doctrine and thereafter explained that the doctrine has provided a sound and workable basis for resolving conflicts between ownership interests. The Court acknowledged that the doctrine had only been applied to date where mineral interests were involved, and in a footnote, acknowledged that this was “in a sense a case of first impression.” However, the Court explained that the similarities between mineral and ground water estates, as well as in their conflicts with surface estates,
persuaded it to extend the accommodation doctrine to groundwater interests. The Court indicated that it was reluctant to search for a new approach to resolving disputes over a severed estate’s implied right to reasonable use of the surface. The Court thus held that the accommodation doctrine applied to resolve conflicts between severed ground water estates and surface estates that were not governed by the express terms of the parties’ agreement.

Turning to the terms of the trial court’s temporary injunction, the Court held that the injunction did not preserve the status quo, but instead denied the City its undisputed right to access the ground water. For example, the injunction prohibited the City from erecting power lines, although the deed gave it the expressed right to do so. Ultimately, the Court found that the injunction was overly broad, in that it enjoined the City from activities which were a lawful and proper exercise of its rights. The Court therefore found that the trial court’s injunction was an abuse of discretion, and that the Court of Appeals was correct in reversing the order and remanding for further proceedings.