

Headline News

Texas District Court Judge Orders Shell Subsidiary to Pay EOTT Energy \$30 Million

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Texas New Mexico Pipeline Company responsible for fraud, willful misconduct and gross negligence

MIDLAND, Texas -- After a two-day evidentiary hearing on EOTT's Motion for Entry of Judgment, Honorable Billy John Edwards presiding over the 238th District Court of Midland County, Texas, rendered final judgment in the case of EOTT Energy Pipeline Limited Partnership v. Texas-New Mexico Pipeline Company, awarding EOTT Energy a combined total of \$30 million in actual and punitive damages from Texas-New Mexico Pipe Line, a wholly owned subsidiary of Shell Pipeline Company, involving a 1992 oil pipeline leak that contaminated groundwater in the Kniffen Estates subdivision in Midland.

The case was tried by Andrews Kurth LLP environmental litigators Paul Bohannon and Sara Galley.

A 12-person jury in July found Texas-New Mexico Pipe Line Company was grossly negligent and committed willful misconduct related to the spill. In addition, the jury found Texas-New Mexico Pipe Line Company fraudulently failed to disclose the extent of environmental liabilities associated with the Kniffen Estates spill when they sold the pipeline to EOTT Energy in 1999.

Judge Edwards ordered that Texas-New Mexico Pipe Line pay EOTT Energy approximately \$6.8 million in actual damages, including interest, to recover its costs to date to clean up the spill and groundwater contamination. In addition, the judge ordered Texas-New Mexico Pipe Line to pay EOTT Energy approximately \$3.2 million in settlement costs and litigation fees, including interest. Due to mandatory statutory caps on the size of exemplary damage awards in Texas, Judge Edwards adjusted the jury award of \$50 million to a total of \$20 million in punitive damages.

In addition, the court found that Texas-New Mexico Pipe Line is obligated to indemnify EOTT Energy for future costs associated with Kniffen Estates remediation efforts.

"This case is a bellwether for companies that do not honor their environmental indemnities," said EOTT litigation counsel Paul Bohannon. "The jury was offended by the Shell Pipeline subsidiary's environmental operation of the pipeline."

The case involved a 1992 oil pipeline spill that resulted in a significant groundwater contamination discovered in 2000 when oil began entering the homes of residents in Kniffen Estates through water wells. EOTT Energy bought pipeline assets from Texas-New Mexico Pipe Line Company in 1999, and the groundwater contamination problem was discovered in 2000. EOTT Energy sued the Shell Pipeline Company subsidiary in the 238th Judicial District Court in Midland County, Texas, to recover contamination clean-up costs and other costs related to the oil spill.

About Andrews Kurth LLP environmental practice. Recognized for its contested regulatory and litigation experience, the Andrews Kurth LLP environmental practice is based in The Woodlands, Texas. With fourteen environmental lawyers in Austin, Dallas, The Woodlands, and Washington, D.C., the firm represents clients on significant environmental engagements, including riverine, port, and upland issues.

Andrews Kurth L.L.P., founded in 1902, is headquartered in Houston, has approximately 400 lawyers and additional offices in Austin, Dallas, Los Angeles, London, New York, The Woodlands and Washington D.C. The firm has an international clientele and broad industry experience, particularly in the areas of energy, finance, technology, real estate, tax, litigation, labor, health care and many others.