



## Fifth Circuit Clarifies Highly Compensated Employee Exemption in FLSA Case

In a significant decision for employers in the oil and gas industry, the U.S. Court of Appeals for the Fifth Circuit in *Gilchrist v. Schlumberger Tech. Corp.* reversed a district court ruling and held that two former Schlumberger employees were exempt from overtime pay under the Fair Labor Standards Act (FLSA) due to their status as highly compensated employees (HCEs).

### **Background: Who Were the Plaintiffs?**

John Gilchrist and Byron Brockman worked as Measurements While Drilling (MWDs) Field Specialists for Schlumberger Technology Corporation. Their role involved monitoring and interpreting real-time drilling data – such as trajectory, pressure, and temperature – to guide directional drilling operations. These decisions were critical to avoiding costly or dangerous mistakes like drilling outside lease boundaries or causing well collisions.

Despite earning over \$200,000 annually, neither Gilchrist nor Brockman received overtime pay. They sued Schlumberger, arguing that their work did not qualify for any FLSA exemption.

### **District Court Ruling**

The district court sided with the plaintiffs, concluding that Schlumberger failed to prove that the MWDs met the criteria for any FLSA exemption, including the HCE exemption. The court emphasized that the MWDs did not exercise sufficient discretion or independent judgment to qualify as administrative employees.

## **Fifth Circuit Reversal**

The Fifth Circuit disagreed. It found that the district court had misapplied the legal standard for HCEs. Under the HCE exemption, an employee is exempt from overtime if:

1. They earn at least \$100,000 annually.
2. They customarily and regularly perform at least one of the duties of an executive, administrative, or professional employee.
3. Their primary duties involve non-manual work.

The court emphasized that the HCE exemption uses a more flexible duties test than the standalone administrative exemption. It does not require that the employee's primary duty involve discretion and judgment – only that they regularly perform one qualifying duty.

## **Key Findings**

- The MWDs were responsible for real-time decision-making that affected drilling operations.
- They performed quality control on data logs and made judgment calls about data integrity.
- They worked independently, without a second layer of review, and were responsible for ensuring accurate data was sent to clients.

These responsibilities, the court held, were sufficient to meet the administrative duties requirement under the HCE exemption.

## **Implications for Employers and Employees**

This ruling reinforces the idea that HCEs – even those in field roles – may be exempt from overtime if they regularly perform any qualifying duty. It also underscores the importance of understanding the nuanced differences between the HCE exemption and other FLSA exemptions.

For employers, this decision provides a clearer roadmap for defending against overtime claims from high-earning employees. For employees, it's a reminder

that salary level and job duties both play a role in determining FLSA coverage.

*This blog was drafted by [Amy Mitchell](#), an attorney in the Spencer Fane Houston office. For more information, visit [www.spencerfane.com](http://www.spencerfane.com).*

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