



## Oil and Gas Disputes: Colorado Court of Appeals Reinforces Value of Contractual Clarity

In [\*Renegade Oil & Gas Company, LLC v. Anadarko Petroleum Corporation\*](#), the Colorado Court of Appeals upheld a summary judgment ruling that could have significant implications for contract termination and implied covenant claims in the energy sector.

On March 7, 2024, the Colorado Court of Appeals affirmed district court's dismissal of claims brought by Renegade Oil & Gas against Anadarko entities. The decision reinforces the enforceability of unambiguous termination clauses and narrows the scope of implied covenants in commercial contracts.

### Overview of the Case

Renegade alleged that Anadarko entities improperly terminated gas gathering contracts to undermine Renegade's oil and gas leases. Specifically, Renegade claimed that Anadarko's actions amounted to:

1. Breach of the implied covenant of good faith and fair dealing,
2. Tortious interference with contractual rights, and
3. Civil conspiracy to harm Renegade's business.

The claims stemmed from Anadarko's decision to shut down its gas gathering system, effectively terminating Renegade's ability to transport and process gas under existing contracts.

## **Termination Clauses Were Clear and Enforceable**

The gas contracts allowed either party to terminate with written notice. The court rejected Renegade's argument that Anadarko was required to provide economic or safety justifications for termination, finding that such a condition would improperly add terms not contemplated by the contract. The court stated: "The implied covenant cannot inject new substantive terms into a contract or change its existing terms."

## **Good Faith Claims Do Not Override Explicit Terms**

Renegade argued that the implied covenant of good faith and fair dealing required Anadarko to act in good faith when terminating the contracts. The court disagreed, holding that the termination provisions left no room for discretion that could trigger the implied covenant. Implied covenant of good faith and fair dealing applies only when a contract leaves a material term to a party's discretion.

## **Tortious Interference and Conspiracy Claims Dismissed**

The court held that exercising a clear contractual right – such as terminating a contract – cannot form the basis of a tortious interference or conspiracy claim. Renegade's allegations of bad faith conduct and coordinated efforts by Anadarko entities were insufficient to overcome this principle.

## **Damages Limited Under the Uniform Commercial Code (UCC)**

The court also upheld the district court's ruling that the gas contracts were governed by the UCC. As a result, Renegade's damages were limited to those incurred during the unexhausted portion of the notice periods for termination outlined in the contracts.

## **Broader Implications**

The *Renegade* decision underscores two critical points for practitioners in the oil and gas industry and beyond:

- **Termination Clauses Matter:** Clear and unequivocal termination rights will be upheld, even against allegations of bad faith conduct.
- **Limitations on Implied Covenants:** Courts will not use the implied covenant of good faith and fair dealing to rewrite or supplement explicit contract terms.

This ruling serves as a reminder to carefully draft and review termination provisions and anticipate potential disputes over implied obligations. For businesses operating in complex sectors like oil and gas, ensuring that contracts align with operational realities and risks is essential to avoid economic losses and litigation.

### **What's Next?**

The Colorado Court of Appeals decision closes the door on Renegade's claims, but it leaves open broader questions about the balance between contractual freedom and implied obligations. For now, the ruling provides a robust precedent favoring contractual clarity and enforceability.

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