No Takebacks? Royalty Recoupment, Not a Breach of Lease in *Lindsay Golf Group v. XTO Energy*

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Not getting paid royalties is the usual reason for a breach-of-lease fight, but what happens when the operator *did* pay royalties — too much of them — only to later recoup its overpayment by withholding from future checks? That was the question before the U. S. District Court for the Western District of Pennsylvania in *Lindsay Golf Group Ltd. v. XTO Energy Inc.*, No. 2:24-CV-781 (W.D. Pa. Aug. 10, 2026), and the court's answer is a reminder that not every royalty interruption amounts to a breach.

Backstory

The plaintiffs — Lindsay Golf Group Ltd., the Betty G. Lindsay Oil and Gas Trust, members of the Lindsay family, and William and Carol Kronen — are royalty owners who leased their mineral interests to XTO Energy Inc. The leases entitled the Lindsays to 18% of net proceeds on production. According to XTO, a software error caused the company to misallocate approximately $240,000 in royalties — paying that sum to the Lindsays when it should have been paid to other royalty owners.[1] Once XTO discovered its mistake, it withheld/recouped further royalties from the plaintiffs until the negative balance was cleared, resuming regular payments thereafter.[2]

The plaintiffs sued in state court, alleging breach of lease. XTO removed to federal court in May 2024 on diversity grounds.[3] District Court Judge J. Nicholas Ranjan partially granted XTO's motion to dismiss in November 2024, throwing out a standalone accounting claim (Count II) and the plaintiffs' demand for punitive damages, while preserving the core breach-of-lease claim (Count I).[4] The case proceeded through discovery, and both sides filed cross-motions for summary judgment.[5]

Court's Analysis

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Judge Ranjan's August 10, 2026, memorandum order resolved both motions in two pages — and entirely in XTO's favor.[6]

No breach: The court first held that the plaintiffs failed to produce evidence of any breach. The lease required XTO to pay 18% on net proceeds of oil and gas — "and that's what XTO did."[7] The $240,000 in royalties were indisputably attributable to gas volumes not allocable to the plaintiffs, so XTO's failure to pay *those* royalties could not be a breach.[8] As for the withholding during recoupment, the court observed that the leases did not require monthly royalty payments or otherwise constrain XTO beyond paying at "regular" intervals.[9]

Recoupment found appropriate: The court then addressed whether XTO's self-help remedy — simply deducting the overpayment from future royalties — was permissible. The plaintiffs pointed to two lease provisions they claimed limited XTO's ability to withhold payments, but Judge Ranjan found those provisions applied only to title-defect scenarios and were therefore "inapposite" to the circumstances where royalties were overpaid by mistake.[10] The leases contained no other restriction on recoupment for overpayments and, as the court pointed out, there was no dispute that royalties had been overpaid and the amount XTO recouped was correct.[11]

Common industry practice: In addition to the leases themselves, the court also noted that recoupment is "a well-accepted practice in the oil and gas industry," citing *Gulf Oil Corp. v. Lone Star Producing Co.*, 322 F.2d 28, 32–33 (5th Cir. 1963), and the Kuntz treatise's statement that "[a] lessee may recover from the lessor any overpayment of royalty that was made because of mistake of law or fact" and "may also recoup from current royalties any overpayments made by mistake."[12] XTO had presented undisputed evidence supporting both the fact of misallocation and the correctness of the amounts recouped.[13]

Practical Takeaways

The *Lindsay Golf Group* decision is brief, but its implications for Appalachian Basin practitioners are worth noting:

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- **Lease silence on payment timing controlled.** With no language specifically addressing recoupment, the royalty payment provision and its prescription on when payments were due (or not) played a much bigger role than the parties to the lease likely ever imagined. A lease that does not guarantee monthly payments gave the operator flexibility — including the flexibility to pause payments while correcting an overpayment.
- **Title-defect clauses are not catch-all withholding limits.** The plaintiffs tried to shoehorn a software-error royalty overpayment into lease provisions governing title disputes, and the court was unpersuaded. Withholding restrictions that are expressly limited to certain conditions/triggers will be interpreted that way and won't be expanded just because they seem to address a similar situation and/or because there are no other provisions addressing it.
- **Document the error, document the math.** XTO prevailed in part because it presented "undisputed evidence" of the misallocation and the recoupment amounts. Operators who discover overpayment errors would be well-served to preserve contemporaneous records — the software logs, the corrected allocation reports, the royalty statements showing the negative-balance offset — so that the recoupment can withstand scrutiny if challenged.

For guidance on how this decision may affect your operations, please contact the author or any member of FBT Gibbons' Oil, Gas & Minerals team.

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[1] *Lindsay Golf Grp. Ltd. v. XTO Energy Inc.*, No. 2:24-CV-781, 2026 WL 2294359, at *1 (W.D. Pa. Aug. 10, 2026).

[2] *Id.*

[3] Docket, *Lindsay Golf Grp.*, No. 2:24-CV-781 (W.D. Pa.) (ECF No. 1, Notice of Removal filed May 28, 2024).

[4] *Id.* (ECF No. 27, Order dated Nov. 22, 2024) (granting in part and denying in part motion to dismiss).

[5] *Id.* (ECF Nos. 50, 54).

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[6] *Lindsay Golf Grp.*, 2026 WL 2294359, at *1.

[7] *Id.*

[8] *Id.* (citing ECF 52-34 at 49:5–50:7; ECF 1-4).

[9] *Id.*

[10] *Id.* (citing ECF 54 at 3–5).

[11] *Id.*

[12] *Id.* (quoting *Gulf Oil Corp. v. Lone Star Producing Co.*, 322 F.2d 28, 32–33 (5th Cir. 1963); 3 Kuntz, *Law of Oil and Gas* § 42.8 (2023)).

[13] *Id.*

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