Court awards $10.8 million in damages to Signalta Resources Limited in trespassing dispute

April 24, 2019

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In a February 2023 decision, the Court ruled that Signalta Resources Limited (Signalta) successfully proved that Canadian Natural Resources Limited (CNRL) committed trespass and conversion when it produced, sold or used for its own benefit, Signalta's non-solution gas. BLG (Randall Block, K.C., David Madsen, K.C., Chidinma Thompson, Ph.D) acted for Signalta. The Court held that Signalta was entitled to $10.8 million in damages for negligent trespass on an Adjusted Gross Revenue basis, which deducts royalties and CNRL's costs for gathering, transportation and compression from the gross revenue of the produced non-solution gas. CNRL had rights to bitumen and natural gas dissolved in the bitumen (solution gas), while Signalta had the rights to natural gas that was not in solution prior to human disturbance (non-solution gas) from the same subsurface reservoir within the same lands. Signalta alleged that CNRL knowingly or recklessly produced and converted to its own use, natural gas that belonged to Signalta and sought recovery of the same without any deduction for CNRL's costs associated with producing native gas (harsh damages).

This case is significant due to the size and complexity of the dispute and the detailed analysis undertaken by the Court with respect to the duties of experts. The Court's decision that CNRL committed trespass and conversion when it produced Signalta's non-solution gas is important for the energy industry. It built upon existing common-law in respect of ownership of mineral rights in split title situations, the associated duties and trust obligations, and their interrelationship with modern legislation and regulatory directives.

The trial took place in 2022 and in February 2023, the Court issued a decision. CNRL has appealed the decision and Signalta cross-appealed on the quantum of damages, seeking "harsh damages" based on alleged intentional conduct or recklessness on the part of CNRL.

By

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