

Top 5 Considerations for Navigating Midstream Energy Projects

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The midstream sector of the energy industry presents a complex landscape shaped by legal, contractual, and economic variables. As companies pursue infrastructure development and operations, a clear understanding of contractual nuances, regulatory shifts, and litigation trends is essential.

This summary highlights the top five considerations professionals should keep in mind when navigating midstream energy projects in 2025 and beyond, which were recently presented at [GableGotwals' Sixth Annual Energy Market Drivers and Current Legal Issues Seminar](#).

1. Contract Structures and Economic Terms

Midstream agreements vary widely but typically revolve around gathering, processing, and transportation services. Key elements include:

- Fee structures (pure fee vs. percentage of proceeds/“POP”)
- Incentives (e.g., drilling incentives, minimum volume commitments)
- Term lengths and creditworthiness of counterparties. Understanding how these components interact with market conditions and jurisdiction-specific laws is critical for negotiation and enforcement.

2. Dedication Language and Litigation Risk

Dedication clauses—where producers commit specific wells, pads, or acreage to a midstream provider—have been the subject of repeated litigation over the last nine years, generally in bankruptcy courts.

- The central issue has been whether dedications are “covenants that run with the land” and therefore remain binding, and whether such dedications can be rejected in bankruptcy proceedings.
- Although initially believed that a dedication found to “run with the land” could not be rejected in bankruptcy proceedings, recent decisions suggest that a dedication may be rejected regardless of whether it runs with the land.

- Even though it may not make a dedication “rejection-proof,” parties should still take care in drafting dedication provisions to meet the requirements of a covenant running with the land so that the dedications are more likely to remain binding on successors to the contract.
- However, given the challenges to dedications, midstream entities should consider other alternative methods to secure their long-term investment in building and developing gathering and processing systems.

3. Regulatory Environment and LNG Pipeline Developments

The recent lifting of the Department of Energy’s pause on LNG pipeline approvals signals a regulatory rebound. However, the process remains politically charged:

- Public comment and litigation are shaping timelines.
- Regulatory uncertainty continues to affect project planning and international LNG export strategies. This evolving environment necessitates careful tracking of federal actions and local implications.

4. Impact of Tariffs on the Midstream Sector

New tariffs, particularly on steel and aluminum, are affecting project economics:

- Increased costs for pipelines, refineries, and infrastructure development.
- Retaliatory tariffs from other countries may decrease the competitiveness of U.S. energy exports.
- Market volatility resulting from trade disputes can hinder long-term planning. Companies must adopt procurement strategies and assess supply chain vulnerabilities in response to these pressures.

5. Condemnation Proceedings and Legislative Reform in Oklahoma

Land acquisition for pipeline projects often involves condemnation, a process vulnerable to delays and high costs:

- Condemnation proceedings are inherently contentious and pose unique legal challenges.
- House Bill 2036 seeks to revise Oklahoma’s outdated statutes by limiting fee-shifting provisions that currently disadvantage companies.
- Understanding the local legal landscape, particularly in states like Oklahoma, is vital to mitigating risk in land disputes.

Conclusion

Navigating midstream energy projects today requires more than technical and operational know-how—it demands a strategic understanding of legal, economic, and regulatory dynamics. From carefully structuring contracts to managing geopolitical risks and navigating local condemnation laws, industry professionals must remain agile and well-informed. As federal

policy and global markets continue to shift, those who can proactively address these top considerations will be better positioned for sustained success.

GableGotwals' [Energy, Oil & Gas team](#) will continue to monitor developments and keep our clients informed.



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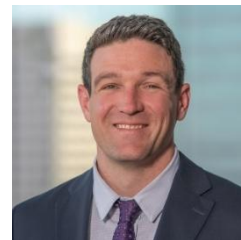
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