

Litigators of the Week: Quinn Wins \$21M in Back Pay for St. Croix Oil Storage Facility and Preserves 9-Digit Lease with SINOPEC Affiliate

Chris Porter, Silpa Maruri and Mark McNeill of Quinn Emanuel Urquhart & Sullivan convinced an arbitration panel to deny a request by China’s Unipac to terminate its \$500 million oil storage lease with Limetree Bay Terminals, which still had about five years left.

By Ross Todd
September 30, 2022

It’s called a “contango” in the oil market. That’s when the market price of crude oil is lower than the price of oil futures.

What we had back in April 2020, when the economic ripples of COVID-19 were laying waste to the global energy markets, is what we call a “super contango.” And it drove Unipac, the global trading arm of China’s oil and gas giant SINOPEC, to ramp up its use of an oil storage facility in the Caribbean Island of St. Croix run by Limetree Bay Terminals.

Why am I telling you all this? Some complaints by Unipac that popped up at this time ultimately led the company to withhold payments to LBT. That led LBT to call on a team at **Quinn Emanuel Urquhart & Sullivan** to file for arbitration seeking back pay on its lease. Unipac responded with counterclaims seeking to rescind the lease, which has storage fees of about \$50 million per year.

After an eight-day arbitration hearing in New York earlier this year, the Quinn team—led by **Chris Porter**, the co-managing partner of the firm’s Houston office, **Silpa Maruri** and **Mark McNeill**—filed a petition in federal court in Manhattan to confirm an arbitration award for about \$21 million in back rent and litigation fees. The arbitration panel also refused Unipac’s request to terminate the agreement, putting the overall value of the win to LBT at more than \$200 million.



Courtesy photos

L-R: Mark McNeill, Silpa Maruri and Chris Porter of Quinn Emanuel Urquhart & Sullivan.

Lit Daily: Who is your client and what was at stake?

Chris Porter: We represented Limetree Bay Terminals, owner of a crude oil storage terminal in St. Croix, U.S. Virgin Islands, in a dispute with its customer, Unipac America, Inc. We initially sued to recover millions in storage fees that Unipac was withholding under the parties’ terminal storage agreement. The case expanded when Unipac counterclaimed and sought to terminate the agreement several years before it was set to expire. What was at stake was not just the loss of storage fees—which

were substantial—but also the potential loss of a major tenant.

How did this assignment come to you and the firm?

Porter: I was contacted by the client’s former general counsel. His wife and I had previously been co-counsel on an unrelated matter and we developed a good working relationship. So she told him about me and we ended up being retained for this matter.

Who was on your team and how did you divide the work?

Silpa Maruri: Chris, Mark, and I were the core team, along with a very talented associate: **Dominic Pody**. For the vast majority of the case we were leanly staffed, with just us and an associate or two for support, though by trial we had a larger team of associates and others who were fantastic in every respect. Broadly speaking, we divided the work by having different segments of the team focus on different aspects of terminal operations. But we made sure that we were in constant communication and that we were all knowledgeable about the issues in dispute.

What were your trial themes and how did you drive them home with the arbitration panel?

Maruri: Our main theme was contract-focused: Unipec received the benefit of the bargain that it struck. That bargain included three core features: capacity to store a certain amount of product, compliance with API standards, and retention of product within a certain threshold. During this matter, we had multiple claims of alleged breach to contend with, and in response, we worked to demonstrate that our client is a very well-run facility that performed in accordance with the contractual requirements. That theme was supported by a story—the story of the employees who work day-in and day-out at the terminal to provide top-notch, expert service.

Unipec had identified some issues at your client’s facility that to a lay person like me seem pretty significant—cracked foundations below tanks and the like. How did you address those issues before the panel?

Mark McNeill: It started with in-depth consultations with our two engineering experts and their teams. Our engineers both take their professional ethical obligations very seriously, and there is an engineering canon similar to the Hippocratic “do no harm” maxim, so they gave these allegations rigorous and truly independent expert analysis. Fortunately, they found the tanks and their foundations to be structurally sound. At that point we just had to convey our experts’ credibility and sound engineering judgment to the panel.

The panel’s decision notes that Unipec’s counterclaim seeking termination of the lease agreement received the majority of the attention during the arbitration and it deals with that claim first in its decision. Was the win on that issue the biggest deal here?

Porter: Absolutely. As noted, this was a major tenant for our client, and the agreement still has over nine-figures’ worth of lease fees remaining on it. So we needed to do everything within our power to help ensure that termination would not occur here. The damages award was certainly nice as well, but preventing termination was our biggest goal, and fortunately one we achieved for our client.

What can others that find themselves in your client’s position take from this decision?

McNeill: Get your counsel on board as early as possible, ideally before the litigation has been commenced, to develop a consistent case strategy. Failing to do so, a party can risk taking certain actions or making statements that can compromise its entire legal case.

What will you remember most about this matter?

Porter: Definitely the site visit to the terminal in St. Croix. It was great to meet the amazing employees at the terminal and to have the chance to see firsthand just how much they care about the work they are doing. For me, it really took this case from being just about a commercial contract, and made it about the people. And we are very happy for them that this was the ultimate result.