

# Fifth Circuit Decision Clarifies Application of Highly Compensated Employee Overtime Exemption

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## Takeaways

- A recent decision by the Fifth Circuit Court of Appeals clarifies how courts should apply the highly compensated employee exemption under the Fair Labor Standards Act.
- For the exemption to apply, an employee must perform at least one exempt duty set forth in the standard executive, administrative, or professional exemptions — a simpler duties test to meet.
- The court’s analysis provides practical guidance for employers evaluating overtime exemptions for technical and field-based roles.

## Related link

- [\*Gilchrist v. Schlumberger Technology Corp.\*](#)

## Article

A recent decision by the U.S. Court of Appeals for the Fifth Circuit clarifies how courts should apply the Fair Labor Standards Act’s (FLSA’s) highly compensated employee (HCE) exemption and distinguishes the exemption from the more stringent “duties” requirements of the standard administrative exemption. [\*Gilchrist v. Schlumberger Technology Corp.\*](#), No. 22-50257 (5th Cir. July 14, 2025).

The Fifth Circuit explained that employers classifying high earners as exempt under the HCE exemption are not required to meet the same duties test as those relying on the “standalone” administrative exemption. Instead, they must establish that employees perform only *one* of the duties required by of the standard administrative exemption. Employers need not prove that the employees performed work related to the general business operations of the employer or its clients *and* that they exercised independent discretion and judgment with respect to matters of significance. Employers need only prove the employees performed one of these duties.

The Fifth Circuit’s analysis provides practical guidance for employers evaluating overtime exemptions for technical and field-based roles. The Fifth Circuit has jurisdiction over the federal courts in Texas, Louisiana, and Mississippi.

## Facts

The plaintiffs worked as “Measurements While Drilling Field Specialists” (MWDs) for Schlumberger Technology Corporation, a company that provides oilfield services to clients engaged in the exploration and development of oil and natural gas. As MWDs, the

plaintiffs monitored and interpreted downhole data, such as pressure, temperature, and well trajectory, that helped guide drilling decisions in real time. Their work involved setting up data equipment, analyzing survey results, identifying anomalies, and preparing reports to ensure data quality.

The MWDs spent most of their 12-hour shifts in trailers monitoring continuous data streams, often taking 15 surveys to 50 surveys per hour. If the data appeared outside of preset parameters, they would rerun surveys or flag issues to the directional driller. Before transmitting data to the client, they also conducted end-of-job quality checks and removed errors from data sets. Although they had limited direct interaction with clients, their work shaped critical drilling decisions and played a key role in ensuring safe and accurate well development.

A year after their employment ended, the plaintiffs sued their former employer for unpaid overtime wages, arguing they were not overtime exempt. Both workers earned more than \$200,000 annually but neither received overtime pay during their employment. After a bench trial, the district court found that the employer had not established that the plaintiffs qualified as exempt under various FLSA overtime exemptions, including the HCE exemption.

On appeal, the Fifth Circuit reversed the lower court, finding the plaintiffs met the HCE exemption and, thus, were exempt from the FLSA's overtime pay requirement.

### HCE Exemption

To qualify as exempt under the HCE exemption under 29 C.F.R. § 541.601, an employee must:

1. Earn a total annual salary above a regulatory threshold specified in the regulation (currently, \$107,432);
2. Customarily and regularly perform any one or more of the exempt duties of an executive, administrative, or professional employee; and
3. Have within his or her primary duties the performance of office or non-manual work.

In contrast, under the standard administrative exemption, an employee's *primary duty* must involve office or non-manual work directly related to the management or general business operations of the employer *and* the employee must exercise discretion and independent judgment with respect to matters of significance.

The HCE exemption, thus, sets the bar lower. It requires only that the employee customarily and regularly performs (not primarily performs) exempt duties and requires that the employee performs only any *one or more* of the qualifying administrative (or executive/professional) exempt duties.

### Court's Analysis

Ruling the plaintiffs met the HCE exemption, the Fifth Circuit found the plaintiffs routinely performed administrative duties related to management or general business operations of the employer in two distinct ways.

First, the plaintiffs performed quality control duties, which the federal regulations list as an example of administrative duties related to the management or general business operations of the employer. 29 C.F.R. § 541.201(b). The MWDs were responsible for controlling the quality of the data they submitted to the company's clients. They

validated real-time drilling data, identified errors, and ensured the accuracy of survey reports they submitted to the company's clients. The Fifth Circuit emphasized that this was not merely a data collection exercise; it involved thoughtful review and analysis to ensure the product (accurate, usable data) met the employer's quality standards. Because the MWDs performed this function consistently across every shift, the appeals court held it qualified as an administrative duty was performed "customarily and regularly," as required to satisfy the HCE exemption.

Second, the MWDs acted as advisers to the company's clients, another recognized administrative function under the federal regulations. 29 C.F.R. § 541.201(c). Although the plaintiffs did not interact directly with client representatives, their data and real-time analysis directly informed the directional drilling process, helping the client avoid costly or dangerous drilling errors. The court analogized the MWDs' role to that of advisers in other oilfield exemption cases, where providing data and guidance to client operations, even indirectly, was sufficient to qualify as administrative-exempt work. Because this advisory function was part of the MWDs' regular responsibilities, it too satisfied the duty requirement of the HCE exemption.

The Fifth Circuit panel held that, together, these findings meant the plaintiffs performed at least one administrative duty on a routine basis, meeting the duties requirement of the HCE exemption and exempting them from overtime pay under the FLSA.

If you have questions about FLSA classifications or how this decision may affect your business, please contact the Jackson Lewis attorney(s) with whom you regularly work.

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