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### ***Rodriguez v. Anadarko E & P Co., L.P.*** ***No. 3:08-CV-2068; 2010 WL 4962825 (M.D. Pa. Dec. 1, 2010)***

(August 17, 2011)

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Between March and June of 2006, Marlene Rodriguez and Olin Canfield (collectively, “Plaintiffs”) entered leases with Anadarko E & P Co., L.P. and Chesapeake Appalachia, L.L.C. (collectively, “Defendants”). The leases provided Plaintiffs with five (5) dollars per acre as a signing bonus and 1/8 royalties of all natural gas extracted from the wells using a “net-back” calculation method. After learning that similar mineral rights were being leased for as much as \$2,500 per acre in signing bonuses, Plaintiffs sought to have the leases declared void. Defendants moved for summary judgment and the court consolidated the cases.

With respect to the royalty provisions contained in the leases, Plaintiffs argued the net back method violated Pennsylvania’s Guaranteed Minimum Royalty Act (“GMRA”), 58 PA. STAT. § 33. Under a net-back method, costs of transportation, processing, and manufacturing are deducted from proceeds received for the gas prior to calculating the lessor’s 1/8 royalty share. The court cited a recently decided Pennsylvania Supreme Court case, *Kilmer v. Elexco Land Services, Inc.* as binding precedent. In *Kilmer*, the Court found the net-back method was in compliance with the GMRA, as the calculation details can be bargained for and negotiated prior

to signing the lease. Accordingly, the court granted Defendants' motion to dismiss this claim with respect to both Plaintiffs.

Plaintiffs' remaining claims included fraudulent inducement, misrepresentation, undue influence, and tortious interference with contractual relationship. Normally, the parol evidence rule would bar much of the evidence used to support such claims as the negotiations containing the statements all occurred prior to executing the contracts. However, the court noted that when a party alleges a deficiency in the formation of a contract, the parol evidence rule is suspended. Accordingly, all the statements alleged in the complaint are admissible, and deemed true for purposes of the summary judgment ruling. Accepting all allegations as true and in the light most favorable to Plaintiffs, the court denied Defendants' motions with respect to the remaining claims.



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