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***Shafer v. Range Resources-Appalachia, LLC***  
***No. 2:10-cv-1142; 2011 WL 677479 (W.D. Pa. Feb. 16, 2011)***

(August 17, 2011)

Prepared by Steven P. Trialonas, Research Fellow

In June 2008, a representative of Range Resources-Appalachia, LLC (“Range Resources”) contacted Kenton Shafer and his family (collectively, “Plaintiffs”) regarding their 53 acre property sitting above the Marcellus Shale rock formation. After negotiations took place, Plaintiffs executed a five-year lease on August 30, 2008. In addition to the lease, Plaintiffs signed a side agreement in which Range Resources was to pay a total bonus of \$130,747.50. This letter was signed by Plaintiffs on August 30, 2008 and returned to Range Resources along with the lease. A provision of the letter stated that payment of the bonus was to be made after “management approves the lease” and within 90 days from lease execution date. Range Resources failed to make the bonus payment within 90 days, and Plaintiffs filed suit in breach of contract for failure to pay the bonus.

Range Resources filed a motion to dismiss Plaintiffs suit, arguing that the lease and bonus payment were subject to management approval, and because this condition precedent was not satisfied, a binding contract was never formed. The court noted at the outset that in Pennsylvania contract formation requires mutual assent, measured by the

parties' outward manifestation to be bound. Further, the court conceded that the bonus letter explicitly requires management approval before Range Resources could be bound.

Nevertheless, the court noted that "management approval" was not defined in either the lease or the bonus letter, and it was thus unclear how such approval was to be obtained. Additionally, the case law Range Resources relied on in its favor differ in one important respect. In *Hollingsworth v. Range Resources-Appalachia, LLC*, and *Lycobetter Homes, Inc. v. Range Resources-Appalachia, LLC*, both with very similar fact patterns, Range Resources returned the lease and bonus letter marked "Void." Range Resources mailed no such letter to Plaintiffs in this instance. Accordingly, the court dismissed Range Resources motion to dismiss in order to allow the record to be more fully developed, as more facts are necessary to decide the issue.



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