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Smith v. Steckman Ridge, LP.
No. 3:09-268; 2010 WL 3905071 (W.D. Pa. Sept. 29, 2010)

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By lease dated May 18, 2000, William Smith (“Smith”) granted Pennsylvania General Energy Company (“PGE”) the right to harvest/produce all oil and gas underneath Smith’s property in a five year lease with the option to renew for an additional five years. The lease also contained a provision allowing PGE to convert the leasehold for use as gas storage rather than production in exchange for payment of the estimated value of the remaining recoverable gas and a delay rental payment.

On March 5, 2007, Smith was notified that Steckman Ridge, LP (“Ridge”) had purchased the lease held by PGE. Ridge sent three checks to Smith, who claimed two were “offers” that he declined, and one that he deemed a “payment” and cashed. Smith petitioned for an appointment of viewers, requesting a determination that a de facto taking had occurred. Ridge then filed a motion for partial summary judgment, alleging the lease was valid and in effect. Smith also moved for partial summary judgment claiming Ridge was required but failed to file a preliminary objection to the petition.

With respect to Smith’s motion for partial summary judgment, the court agreed with Ridge’s argument that the Federal Rules of Civil Procedure apply, and not the

Pennsylvania Rules. Ridge removed to federal court before a dispositive determination was made. Generally, once a case is removed to federal court the Federal Rules of Civil Procedure apply. Under the federal rules, an answer is all that is required for cases involving condemnation of real property by eminent domain, unlike the Pennsylvania Rules, which require preliminary objections. Accordingly, Smith's motion for partial summary judgment was denied.

The court then addressed Ridge's motion for partial summary judgment. Ridge claimed the lease was valid and took effect when it began to store natural gas, Smith disagreed. Ridge argued it was not required to notify Smith the lease was being converted from production to storage; the cessation of production clause was not triggered; and that it met all payment requirements under the lease. Smith argued that no delay rental or storage payments were made in a timely fashion, causing the lease to expire; and that production ceased in December of 2007 by the actions of PGE. The court ruled a reasonable trier of fact might conclude the terms of the lease breached by defendant. Accordingly, the dispute was not appropriate to be decided by summary judgment.



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