

Natural Gas Case Law Brief

Cabot Oil & Gas Corp. v. Jordan

No. 3:09-cv-2143; 2010 U.S. Dist. LEXIS 36988 (M.D. Pa. Feb. 12, 2010)

Summary prepared by Michael Magee on June 3, 2010

Cabot Oil & Gas Corporation (Cabot), the plaintiff, filed for declaratory judgment against the defendant landowner, Carol Manning Jordan. This case concerned an oil and gas lease between Jordan and Cabot for Jordan's 221 acres in Susquehanna County, PA. Jordan claimed that the lease was not binding for three reasons: (1) the agent who notarized the lease was an agent of Cabot Oil whose fee was contingent upon the signing of the lease, (2) Cabot Oil's representatives fraudulently induced Jordan into signing the lease, and (3) the bonus payment due to Jordan for signing the lease was not paid in full nor paid in a timely manner. Jordan claimed that Cabot Oil's representatives fraudulently stated that Cabot Oil would not pay more than one-eighth in royalties even though they sometimes do. Likewise, Cabot Oil's representatives allegedly told Jordan falsely that no landowner would receive more than \$500/acre as a signing bonus. Lastly, Jordan alleged that she was pressured into entering the lease after Cabot Oil's representatives instructed Jordan on the rule of capture, which would allow Cabot Oil to potentially seize the natural gas underneath Jordan's land by entering into a lease agreement with neighboring landowners. Cabot Oil argued that Jordan's claim for fraud could not be supported due to the parol evidence rule.

The issues before the Court were as follows: (1) *what is Pennsylvania's parol evidence rule?*, and (2) *should the Court exercise its jurisdiction over this matter?*

The Court could not conclusively define Pennsylvania's parol evidence rule. Consequently, *the Court declined to exercise its jurisdiction over Cabot Oil's lawsuit.* In *Bardwell v. Willis Co., Inc.*, 100 A.2d 102 (Pa. 1953), the Pennsylvania Supreme Court

disallowed parol evidence relating to a contract because the contract was fully integrated and specifically dealt with the subject the parol evidence was intended to address. But in *Berger v. Pittsburgh Auto Equip. Co.*, 127 A.2d 334 (Pa. 1956), the Pennsylvania Supreme Court provided a seemingly contradictory standard: “A misrepresentation of a material fact, even though innocently made, if relied upon by the other party as intended that it should be, confers upon the latter the right to rescind the contract when the falsity of the representation is discovered.” *Berger*, 127 A.2d at 335.

The District Court for the Middle District of Pennsylvania declined to exercise its jurisdiction, leaving the parol evidence rule’s applicability to be determined by state courts.



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