

SUPREME COURT OF VIRGINIA

Standard Banner Coal Corp. v. Rapoca Energy Co., 265 Va. 320

576 S.E.2d 435 (2003) · No. Record No. 021075 · Decided February 28, 2003

SUMMARY

The Supreme Court of Virginia interpreted amendments to a 50-year coal lease and determined that the lessee could not exercise a 20-year extension option without satisfying the original requirement to mine at least 75% of the specified coal within the lease term. The court held that the later supplements did not eliminate or modify that requirement, reversed the trial court's summary judgment for the lessee, and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Donald W. Lemons, Justice; Hassell, C.J.; Lacy, J.; Keenan, J.; Koontz, J.; Lemons, J.; Compton, S.J.; Whiting, R.J.
JURISDICTION	Virginia
DECIDED	February 28, 2003
DOCKET	Record No. 021075
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Standard Banner appealed the trial court's final order granting Rapoca's motion for summary judgment, denying Standard Banner's motion for partial summary judgment, and declaring Rapoca's notice of lease extension valid and effective.
STANDARD OF REVIEW	De novo review of the trial court's construction of the contract; the Supreme Court of Virginia had an equal opportunity to consider the words within the four corners of the disputed provisions.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Virginia
PARTIES	Standard Banner Coal Corporation v. Rapoca Energy Company, LP

TOPICS

- contract interpretation
- contracts
- mineral rights
- commercial litigation
- appellate procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the 1969 and 1984 supplements eliminated the 1949 lease's requirement that the lessee mine at least 75 percent of the specified coal before extending the lease.
2. Whether Rapoca's notice exercising the twenty-year lease extension was valid despite its failure to satisfy the 75-percent mining requirement.

HOLDINGS

1. The 1969 and 1984 supplements did not eliminate or alter the 1949 lease's requirement that the lessee mine at least 75 percent of the mineable and merchantable coal 34 inches thick and above within the original fifty-year term.
2. Rapoca could not extend the lease because the extension was unavailable unless the 75-percent mining requirement had been satisfied.

KEY QUOTATIONS

“Simply stated, it is clear that no extension under the lease may occur unless the seventy-five percent (75%) mining requirement has been met.” (438)

“It is the function of the court to construe the contract made by the parties, not to make a contract for them.” (437)

FACTUAL BACKGROUND

In 1949, Standard Banner leased approximately 5,480 acres of coal-bearing property to Banner Splashdam Coal Company, Rapoca's predecessor, for a fifty-year term. The lease required the lessee to mine at least 75 percent of all mineable and merchantable coal 34 inches thick and above within the lease term. A 1969 supplement added a twenty-year extension option conditioned on compliance with all lease terms, and a 1984 supplement restated the extension option without expressly deleting the 75-percent mining requirement. Rapoca exercised the option in 1999, but Standard Banner rejected the extension because Rapoca had not mined 75 percent of the specified coal.

PROCEDURAL HISTORY

Rapoca filed a bill of complaint seeking a declaration that amendments to a 1949 coal lease eliminated or extended the requirement to mine 75 percent of specified coal before exercising a twenty-year extension option. The trial court granted Rapoca summary judgment and ruled that the lease extension was valid and remained in full force and effect. Standard Banner appealed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for further proceedings not inconsistent with the opinion.

CASES CITED

- T.M. Delmarva Power, L.L.C. v. NCP of Virginia, L.L.C., 263 Va. 116, 119, 557 S.E.2d 199, 200 (2002)
- Wilson v. Holyfield, 227 Va. 184, 187-188, 313 S.E.2d 396, 398 (1984)
- Bridgestone/Firestone, Inc. v. Prince William Square Assoc., 250 Va. 402, 407, 463 S.E.2d 661, 664 (1995)
- D.C. McClain, Inc. v. Arlington County, 249 Va. 131, 135-136, 452 S.E.2d 659, 662 (1995)

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