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Stonebridge Operating Co., LLC v. Antero Resources Corp: On the Importance of Contracts and Pleading

*Stonebridge Operating Co., LLC v. Antero Resources Corp.*¹ is a reminder on the importance of careful contract drafting and being specific about the assets to be sold.

In 2012, during the early days of the Utica Shale leasing/buying boom, Stonebridge and Antero entered into a Purchase and Sale Agreement ("PSA") whereby Stonebridge agreed to sell to Antero approximately 4,159 leasehold acres in Monroe, Noble, and Guernsey Counties in eastern Ohio for \$20,795,000.² However, the asset list attached to the PSA as Exhibit A wasn't complete. Instead, the PSA provided that the parties would work out a more detailed listing of leases to be attached as "Exhibit A-1" within 10 business days of signing the PSA.³ In addition, the PSA also provided Antero a six-month option (via Article 1 of the PSA) to add acreage to the deal and pay \$5,000/acre for each additional net acre.⁴ The parties closed on about 364 net acres on December 28, 2012, but after this, things went awry.⁵

In early 2013, after this first closing, Antero attempted to renegotiate the PSA because of an apparent disconnect regarding Exhibit A-1, but Stonebridge was unwilling.⁶ Antero thereafter sent Stonebridge a letter terminating the PSA. On May 1, 2019, Stonebridge filed suit alleging not only that Antero breached the PSA for failure to close on all 1,398 acres that were to be included in the initial 2012 closing, but for failing to close on an additional 26,474.21 acres included on proposed Exhibit A-1 for a total contract value of \$131,381,050.00,⁹ nearly six times the original asset package value. Antero filed a counterclaim for a declaration that the PSA was invalid in its entirety or that the PSA was limited to 4,159 acres (not the nearly 30,000 acres Stonebridge argued was in the deal).¹⁰ Both parties filed motions for judgment on the pleadings relative to Antero's counterclaims and both parties, to an

extent, won.

The court first addressed the argument that the PSA was invalid because the parties couldn't agree on what leases were included in Exhibit A-1.¹¹ Here, the court disagreed with Antero's argument that Exhibit A-1 was the "core product" and, as such, its indefiniteness meant doom for the PSA. Instead, the court focused on the pleadings, the unambiguous terms of the PSA, and the fact that Antero partially performed under the PSA via the initial closing before seeking to renegotiate the PSA.¹² "The PSA unambiguously identified the execution date (August 29, 2012) the parties (Antero and Stonebridge), the subject matter (oil and gas leases in particular Ohio counties), the number of acres (4,159), the total cost amount to be exchanged (4,159 acres at \$5,000 per acre for a total of \$20,795,000), and an option for Antero to add more acreage."¹³ As such, the court granted Stonebridge's motion for judgment on the pleadings as this portion of Antero's counterclaim.¹⁴

Despite its victory, Stonebridge lost out on the big money. A one-sided provision exercisable *only* by Antero in writing, Antero's option to add leases/acreage was unambiguous and could not be changed by Stonebridge's emails and insistence that Antero elected to include this in the deal.¹⁵ As the court relates, options to purchase real property are "agreements wherein the legal titleholder grants another the privilege, *without* the obligation, to purchase [it] at a set price within a set time."¹⁶ Antero—not Stonebridge—had the right to include additional acreage within the six months after executing the PSA and this election had to be in writing.¹⁷ Thus, Stonebridge's averment that "Defendant Antero elected to include additional leases" was merely a legal conclusion not backed up by a factual allegation satisfying the PSA's requirement for exercise of the option: a writing by Antero electing to include the additional acreage.¹⁸ Without this, Stonebridge's claim for breach of contract as the additional 22,000 acres (beyond 4,159) was dead on arrival: "a plain reading of the PSA confirms that without a clear election by Antero under PSA § 1.3, the PSA is limited to 4,159 net mineral acres of Leases referred to in the PSA and depicted on Exhibit A."¹⁹

Stonebridge gives us a good look at how the court will analyze contractual provisions of a purchase and sale agreement under

Ohio law. It's also a good reminder of the importance of contract provisions. Too often parties are only focused on the positive outcome that may result from the deal. But courtship thinking can result in business-ending consequences when attention to detail is lacking. For Antero, the unambiguous requirements of the option eliminated the possibility that it would be liable to pay \$100 million *more* than what the PSA recited – careful drafting on that point saved Antero a lot of money.

Stonebridge also teaches the importance of asset specificity. The deal was entered without either side fully understanding the assets, and like two ships passing in the night, each side failed to communicate to the other as to what, exactly, was to be part of the deal. *Stonebridge* went bigger—way bigger—and Antero went the other direction—and everything ended up in court. It's true that in the heyday of the Utica Shale boom, speed, and agility in getting an acreage position were important to operators, but such speed often leaves specificity in its wake. After days or weeks of intense negotiations, parties are all too eager to just ink the deal and let their teams work out the details. This case is a good reminder of why it is so important to nail down asset schedules and exhibits before leaving the negotiating table.

Lastly, *Stonebridge* reminds litigators of the importance of pleading with specificity. Even if Antero did elect to include this additional 30,000 acres, *Stonebridge* did not plead it.²⁰ And where a dispositive motion is sought this early (motion for judgment on the pleadings) the facts alleged in the pleadings are the *only* facts that matter. Here, *Stonebridge* was not given another chance to plead the facts its complaint was missing, meaning its claim for breach of contract as to the additional 22,000 acres—and more than \$100MM—is gone.

For more information, contact [Mike Brewster](#) or [Christopher Rogers](#) of Frost Brown Todd's [Oil & Gas](#) industry team.

¹*Stonebridge Operating Co., LLC v. Antero Resources Corp.*, 510 F.Supp.3d 567 (S.D. Ohio, 2020)

²*Id.* at 5. Note: all page number citations are based upon the pages

of the linked opinion.

³*Id.* at 4–5.

⁴*Id.* at 5.

⁵*Id.* at 7.

⁶*Id.* at 7–8.

⁷*Id.* at 8.

⁸Although the original deal was for 4,159 net acres, the first closing was, apparently, to encompass 1,398 net acres of leasehold. See *Stonebridge Operating Co., LLC* at 7.

⁹*Id.* at 8.

¹⁰*Id.*

¹¹*Id.* at 10–17.

¹²*Id.* at 13–15.

¹³*Id.* at 17.

¹⁴*Id.*

¹⁵*Stone Bridge Operating Co., LLC* at 17–25.

¹⁶*Id.* at 19.

¹⁷*Id.* at 22.

¹⁸*Id.*

¹⁹*Id.* at 24.

²⁰The authors are not suggesting that Stonebridge had such evidence. This is merely to illustrate this last point about the importance in being specific in pleading.

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