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ROBERT H. GATTI, SR., MARCIA JEAN WESTBROOK GATTI, RANDA DURHAM, CAVE FAMILY TRUST, REPRESENTED BY ITS TRUSTEE, STEPHANIE F. CAVE, ROBERTH. GATTI, JR. AND JENNIFER TURNER GATTI

NUMBER _____ DIV. _____

19th JUDICIAL DISTRICT COURT

VS.

PARISH OF EAST BATON ROUGE

THE STATE OF LOUISIANA THROUGH THE DEPARTMENT OF CONSERVATION, JAMES H. WELCH, CHESAPEAKE OPERATING, INC., J-W OPERATING, ENCANA OIL & GAS (USA), INC., EXCO OPERATING, LP, JAG OPERATING, LLC, CONOCO PHILLIPS COMPANY, PETRO HAWK OPERATING COMPANY, SWEPI LP, COMSTOCK OIL & GAS-LOUISIANA LLC, EOG RESOURCES, QUESTAR EXPLORATION & PRODUCTION COMPANY, FOREST OIL PERMIAN CORPORATION, BEUSA ENERGY, INC., ARK-LA-TEX ENERGY, LLC, EL PASO E&P COMPANY, LP, GOODRICH PETROLEUM COMPANY, LLC, XTO ENERGY, INC., and CORONADO ENERGY E&P COMPANY, LLC,

STATE OF LOUISIANA

PETITION FOR DECLARATORY JUDGMENT AND FOR DAMAGES- CLASS ACTION

The petition of Robert H. Gatti, Sr., Marcia Jean Westbrook Gatti, Randa

Durham, Cave Family Trust, represented by trustee, Stephanie F. Cave, Robert H. Gatti, Jr., and Jennifer Turner Gatti, all residents of the State of Louisiana, respectfully

represents that:

1.

Made defendants herein are:

A. The State of Louisiana through the Office of Conservation, James H. Welch,

Commissioner of Conservation with his principal office situated in the Parish of East

Baton Rouge, State of Louisiana, and

B. Chesapeake Operating, Inc., a business corporation organized under the laws of the

State of Oklahoma that is qualified to do and doing business in the State of Louisiana,

with a principal business establishment in Louisiana at 5615 Corporate Blvd., Suite 400

B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for

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19th JUDICIAL DISTRICT
EAST BATON ROUGE PARISH, LA
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CLERK OF COURT FOR PARISH OF EAST BATON ROUGE

service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

C. J-W OPERATING, a business corporation organized under the laws of the State of Texas that is qualified to do and doing business in the State of Louisiana with a principal business establishment at 2601 Stonewall-Frierson Road, Frierson, Louisiana in the Parish of Caddo, and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

D. ENCANA OIL & GAS (USA), INC. a business corporation organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

E. EXCO OPERATING, LP, a limited partnership organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

F. JAG OPERATING, LLC, a Louisiana Limited Liability Company, organized under the laws of the State of Louisiana that is qualified to do and doing business in the State of Louisiana with a principal business establishment in the Parish of Caddo at 416 Travis Street Suite 910, Shreveport, Louisiana 71101 with is agent for service of process, Jack D. Farnham, Jr. 416 Travis Street Suite 910, Shreveport, Louisiana 71101; and

G. CONOCO PHILLIPS COMPANY, a business corporation organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana at 320 Somerulos Street, Baton Rouge, Louisiana 70802-6129 in the Parish of East Baton Rouge and its agent for service of process being United States Corporation Company, 320 Somerulos Street,

Baton Rouge, Louisiana 70802-6129; and

H. **PETROHAWK OPERATING COMPANY**, a business corporation organized under the laws of the State of Texas that is qualified to do and doing business in the State of Louisiana with a principal business establishment in the Parish of St. Tammany at 1011 N. Causeway Blvd., Suite 3, Mandeville, Louisiana 70471 and its agent for service of process being National Registered Agents, Inc. 1011 N. Causeway Blvd., Suite 3, Mandeville, Louisiana 70471; and

I. **SWEPI LP**, a business corporation organized under the laws of the State of Texas that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

J. **COMSTOCK OIL & GAS-LOUISIANA LLC**, a Louisiana Limited Liability Company, organized under the laws of the State of Louisiana that is qualified to do and doing business in the State of Louisiana with a principal business establishment in the Parish of Bienville at 2318 Myrtle Street, Arcadia, Louisiana 71001 and its agent for service of process being National Registered Agents, Inc. 1011 N. Causeway Blvd., Suite 3, Mandeville, Louisiana 70471; and

K. **EOG RESOURCES**, a business corporation organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in the Parish of East Baton Rouge at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

L. **QUESTAR EXPLORATION & PRODUCTION COMPANY**, a Louisiana Limited Liability Company, organized under the laws of the State of Louisiana that is qualified to do and doing business in the State of Louisiana with a principal business establishment in the Parish of East Baton Rouge at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for

service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

M. FOREST OIL PERMIAN CORPORATION, a business corporation organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana in the Parish of East Baton Rouge at 320 Somerulos Street, Baton Rouge, Louisiana 70802-6129 in the Parish of East Baton Rouge and its agent for service of process being United States Corporation Company, 320 Somerulos Street, Baton Rouge, Louisiana 70802-6129; and

N. BEUSA ENERGY, INC., a business corporation organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana in the Parish of East Baton Rouge at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

O. ARK-LA-TEX ENERGY, LLC, a Louisiana Limited Company, organized under the laws of the State of Louisiana that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana in the Parish of Caddo at 415 Texas Street, Ste 210, Shreveport, Louisiana 71101 and its agent for service of process being Bobby D. Matthews, 812 Brook Hollow Dr. Shreveport, Louisiana 71105; and

P. EL PASO E&P COMPANY, LP, a foreign Limited Partnership, organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana in the Parish of East Baton Rouge at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

Q. GOODRICH PETROLEUM COMPANY, LLC, a Louisiana Limited Company, organized under the laws of the State of Louisiana that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana in the Parish of Caddo at 333 Texas Street, Ste 1375, Shreveport, Louisiana 71101 and

its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808; and

R. XTO ENERGY, INC., a business corporation organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in the Parish of East Baton Rouge that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana at 320 Somerulos Street, Baton Rouge, Louisiana 70802-6129 in the Parish of East Baton Rouge and its agent for service of process being United States Corporation Company, 320 Somerulos Street, Baton Rouge, Louisiana 70802-6129; and

S. CORONADO ENERGY E&P COMPANY, LLC, a foreign Limited Liability Company, organized under the laws of the State of Delaware that is qualified to do and doing business in the State of Louisiana with a principal business establishment in Louisiana in the Parish of East Baton Rouge at 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808 in the Parish of East Baton Rouge and its agent for service of process being C T Corporation System, 5615 Corporate Blvd., Suite 400 B, Baton Rouge, Louisiana 70808.

2.

The named Plaintiffs and others similarly situated are persons who are owners of mineral rights (other than mineral leaseholds) in Fields in the Haynesville Zone as recognized by the Commissioner, hereinafter referred to as the "Plaintiff Class", who have sustained damages as hereinafter set forth. The Fields are shown on the attached Exhibit "A".

3.

The Plaintiff Class is entitled to a declaratory judgment and a judgment for damages as hereinafter set forth.

4.

The named Plaintiff brings this class action on behalf of themselves and all others similarly situated. Although damages sustained by individual members of the Plaintiff Class may vary in amount, the nature of the causes of loss depend on differing

5

circumstances that indicate the Plaintiff Class should be divided into subclasses as hereinafter set forth. The named Plaintiffs shall fully and adequately protect the interests of the other members of the Plaintiff Class. There are approximately 50,000 members of the Plaintiff Class such that the class members are too numerous to be named individually and to individually appear in these proceedings.

5.

The Plaintiff Class is entitled to class action treatment under LA C.C.P. art. 591, et seq., on behalf of all lessors and other interested owners who sustained damages as the result of Defendants' respective individual failure, while serving as unit operator of one or more units in the Fields under appointment by the Commissioner, to provide the Commissioner with geological, engineering and other appropriate information indicating a required change or revision of unit boundaries, in violation of express orders of the Commissioner and the legal duties incumbent on unit operators.

6.

The common issue to be certified herein is the legal effect of the failure of Defendants to protect the mineral rights of members of the Plaintiff Class in the Fields.

7.

There is a well defined community of interest in questions of law and the facts affecting both the named plaintiffs and the parties to be represented, hereinafter referred to as "Represented Parties". The claims or defenses of the Represented Parties are typical of the claims or defenses applicable to the entire class. The questions of law and facts applicable to the entire class predominate over questions which may affect individual members rights to recover for the causes of action set forth herein.

8.

The named Plaintiffs will fairly and adequately represent and protect the interests of the Represented Parties and have no interests which are antagonistic to the Represented Parties. The named Plaintiffs are represented by experienced and capable counsel who have previously litigated numerous class action cases and/or mineral law cases.

9.

The Plaintiff Class can be defined objectively in terms of ascertainable criteria, such that the court may determine the constituency of the class for purposes of the conclusiveness of any judgment that may be rendered in this case.

10.

The prosecution by individual class members would create a serious risk of inconsistency or varying adjudications which may prejudicially affect the claims of other class members in subsequent litigation. The prosecution of individual actions presents a risk that adjudications respecting individual claimants would be entirely dispositive of the interests of class members not parties to the litigation or would otherwise substantially impair or impede the ability of class members to protect their interests. The class action is a superior procedural device for this litigation because the primary objective of the class action, the economies of time, efforts and expense, would be achieved.

11.

While the presence of natural gas in shale formations has long been known, the low porosity and permeability of shale as compared to sand formations have precluded economic development of shale until improvements in technology in recent years, principally "fracturing" operations and horizontal well bores have greatly increased porosity and permeability, providing sufficient quantity and flow rates for profitable natural gas operations.

12.

On information and belief, the first well completed in the Haynesville Zone, the SRLT 29-1 on March 22, 2007 was vertically drilled by defendant Chesapeake Operating, Inc. in the Johnson Branch Field, Section 29, Township 15 North, Range 13 West, Caddo Parish, and was named the unit well, for the subsequently formed 640 acre HA RA SUA, established by Office of Conservation Order No. 994-D, effective July 10, 2007, with Chesapeake Operating, Inc., designated as unit operator. The well was completed with tests of only 231,000 cubic feet of gas per day, no condensate, and had a flowing tube pressure of 125 pounds on a 48/64" choke.

13.

Due to the low porosity and permeability of the shale, the vertically drilled SRLT 29-1 was able to drain gas from only a small area around the borehole and the remainder of the gas in the Haynesville Zone remained locked in as it had been for millions of years, totally beyond the reach of the SRLT 29-1 well. Consequently, if a unit were not limited in size to accord with the true drainage area of the unit well, the Plaintiff Class members owning mineral rights within the true drainage area of the unit well faced an enormous dilution of their share of unit well production. For example, if the true drainage area of the SRLT 29-1 is 20 acres and the unit had been reduced in size accordingly, the mineral owners in the revised unit would have received their fair and equitable share of unit production of 1/20th per mineral acre owned. With no revision of the unit, however, the same owners would receive only 1/640th per mineral acre owned, a reduction of 32 times what they should have received.

14.

La. R.S. 30: 9 B. provides that *a drilling unit, as contemplated herein, means the maximum area which may be efficiently and economically drained by one well.* The legislature foresaw the possibility of inequitable allocation of unit production in some situations due to inadequate advance data, and included the following among the powers and authority granted the Commissioner in La. R.S. 30: 4 C. (13): "to regulate the spacing of wells and establish drilling units, including temporary or tentative spacing rules and drilling units in new fields". Upon successful completion of the historical SRLT 29-1 well, the duty of Chesapeake Operating, Inc. was to apply for a unit boundary to accord with that data was clear and well recognized in the industry and the Department of Conservation.

15.

However, instead of applying for a unit limited to the small drainage area of the SRLT 29-1 well, in fulfillment of its duty as unit operator, Chesapeake Operating, Inc. at that same hearing established by Office of Conservation Order No. 994-D, effective July 10, 2007 applied for a permit to drill an "alternate unit well", the SRLT 29-2 Alt., thus seeking a clearly forbidden two-well unit. The Commissioner granted the requested

permit for the horizontally drilled SRLT 29-2 as a second well for the HA RA SUA a further compounding the illegalities and resulting inequities and damages to Plaintiff Class members in the HA RA SUA. Chesapeake Operating, Inc. again applied to the Commissioner for a third well, drilled horizontal, the SRLT 29-3 Alt. at a hearing established by Office of Conservation Order No. 994-D-4, effective July 15, 2008. The testimony offered in support of the third well was that the proposed well was necessary to efficiently and economically drain a "portion" of the Haynesville Zone underlying this unit which could not be drained by the two existing wells in the unit. The permit was granted thus exceeding once more the explicit limited statutory authority mandating one-well units. On information and belief production from all three wells is distributed to all mineral owners in the unit on a unit acreage basis of 640 acres.

16.

The term "alternate unit well" used as a descriptive term for the additional unit wells permitted in the Haynesville Zone refer to a practice in existence for many years whereby wells were permitted to be drilled to previously unitized sands for reasons and under circumstances totally irrelevant and inapplicable to shale units, regardless of whether such "alternate unit wells" were legally authorized when originally permitted as a euphemism in unique situations.

17.

A step in the right direction was taken however, when the Commissioner included in effectuation of the Commissioner's unitization authority, the following provision in Order No.994-D, effective, July 10, 2007 as part of the Johnson Branch Field series of Orders:

("When there is obtained additional geological, engineering or other appropriate information which would indicate a required change or revision of the unit boundaries as adopted herein, or which would indicate a required change or revision of other provisions of this Order, the party or parties in possession of such additional information shall petition the Commissioner of Conservation for a public hearing for the purpose of considering appropriate changes.") emphasis supplied.

The same or similar provisions are included in many other Orders of the Commissioner of Conservation for the Fields.

18.

On information and belief, Plaintiffs aver that contrary to Orders of the

Commissioner requiring submission of information warranting revision of units to meet statutory standards, no unit operator has complied with and all continue not to comply with such Orders, causing damage to class members.

19.

Further, defendant operators were well aware at all relevant times that horizontal shale wells drained a somewhat cylindrically shaped limited portion of the shale reservoir underlying a surface area of approximately 80 acres extending out from the drill site, and that approximately *eight wells, not one*, would be required to drain the 640 acres prescribed in the original unit order. Nevertheless, despite the enormous damage sustained from the resulting inequities, operators continued to apply for and the Commissioner continued to order 640 acre units in clear violation of the statutory standard, and no revision of the units have occurred to meet the statutory requirement of a one-well unit nor have they been ordered or applied for and natural gas production from the Fields continues to be distributed according to the 640 acre drilling units.

20.

Properly administered, the statutory one-well unit provides for a fair and equitable share of production based on the surface area underlain by the productive portion of the reservoir, and in the case of the Fields no harm would be done if the units were revised upon completion of the unit well to fit the approximately 80 acre cylindrical area overlying the "fracked" portion of the shale formation.

21.

As a result of the actions described above different circumstances caused different damages to class members and class members should be divided into sub-classes sharing the same type of damage, as hereinafter set forth:

(1) Sub-Class A: Lessor class members owning mineral rights within the drainage area of a well drilled in the productive area of a Haynesville Zone 640-acre unit whose share of production would be substantially greater had the unit been legally established or timely revised.

