THE AMERICAN ARBITRATION ASSOCIATION

EDWARD M. OSTROSKI
KATHLEEN M. OSTROSKI
On Behalf of Themselves and
Others Similarly Situated

Arbitration Case No.

Plaintiffs,

vs.

CHESAPEAKE APPALACHIA, L.L.C.

Defendant.

CLASS ARBITRATION DEMAND AND COMPLAINT

The Plaintiffs, on behalf of themselves and others similarly situated, demand non-binding class arbitration under the rules of the American Arbitration Association against Chesapeake Appalachia, L.L.C. for breach of contract for the underpayment of oil and gas royalties.

SUMMARY OF CLAIMS

1. Plaintiffs and the other Class Members are owners of natural gas royalties under oil and gas leases with Defendant Chesapeake Appalachia, L.L.C. ("Chesapeake Appalachia").

2. The royalties owned by Plaintiffs and the other Class Members are a portion (usually one-eighth) of the revenue realized from the sale of the gas each month.

3. Defendant breached its leases with Plaintiffs and the other Class Members by allowing its parent, Chesapeake Energy Corporation ("Chesapeake Energy"), and its affiliate, Chesapeake Operating, L.L.C. ("Chesapeake Operating"), to underpay natural gas royalties due Plaintiffs and the other Class Members.

4. These affiliates (1) paid the royalties on less than the revenue paid by the buyer, (2) paid no royalty on the proceeds of derivative contracts, (3) deducted costs incurred after Defendant

no longer held title to the gas, (4) deducted gathering costs that were inflated through collusion and self-dealing with Access Midstream Partners, L.P., (5) deducted transportation costs that were fraudulent in their amounts, (6) deducted marketing fees that were never incurred, and (7) calculated the royalties on some of the gas without determining either the price paid or the costs deducted.

5. The breach of contract claims in this Complaint are actionable by all of Defendant's Pennsylvania royalty owners, regardless of the form of lease.

6. For relief, Plaintiffs seek compensatory damages, along with pre-award and post-award interest, for themselves and for the other Class Members.

THE PARTIES

A. The Plaintiffs

7. Plaintiffs Edward M. Ostroski and Kathleen M. Ostroski reside at 457 Ben West Road, Athens, Pennsylvania 18810. On September 15, 2007, Mr. and Mrs. Ostroski entered into an oil and gas lease with Defendant pursuant to which they leased it oil and gas rights to real property in Bradford County, Pennsylvania. A copy of this lease is attached as Exhibit 1.

B. The Defendant

8. Defendant Chesapeake Appalachia is a corporation incorporated under the laws of Oklahoma with its principal place of business at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.

JURISDICTION

9. This matter is properly before the American Arbitration Association because the subject oil and gas leases contain arbitration clauses identical to or similar to the following arbitration clause in the lease of Mr. and Mrs. Ostroski:

ARBITRATION: In the event of a disagreement between Lessor and Lessee concerning the Lease, performance thereunder or damages caused by Lessee's operations, the resolution of such dispute shall be determined by arbitration in accordance with the rules of the American Arbitration Association. All fees and costs associated with the arbitration shall be borne equally by Lessor and Lessee.

FACTS

I. BACKGROUND

A. The Production and Sale of Natural Gas

10. Gas producers produce natural gas from wells and sell the gas either at the well or at points downstream of the well in units of a thousand cubic feet ("mcf").

11. After the gas leaves the well, it flows through a series of three transportation systems: a "gathering" system of small diameter pipes that feed into the interstate pipeline system, the interstate pipeline system, and a local distribution system.

12. When gas is bought at the well, the buyer can resell the gas either at the point where the gas enters the interstate pipeline system (the pipeline "pool") or at any one of thousands of receipt/deliver points on the interstate pipeline system.

13. Some receipt/deliver points on the interstate pipeline system are referred to as "city gates." These are points at which the gas exits the interstate system and enters a local distribution system.

B. Oil and Gas Leasing

14. To drill wells and produce gas, natural gas producers enter into oil and gas leases with the owners of the gas rights.

15. Under such leases, the owner of the gas rights (the lessor) conveys those rights to the producer (the lessee) in exchange for a royalty on the gas produced and sold each month.

16. Gas royalties traditionally have been one-eighth of the revenue realized from the sale of the gas.

17. If a lease so provides, the producer may deduct "post production costs" when calculating the royalties.

18. "Post production costs" are costs incurred between the well and the point at which the producer/lessee transfers title to gas to the buyer. *Kilmer v. Elexco Land Services, Inc.*, 990 A.2d 1147, 1149 n.2 (Pa. 2010) (defining post production costs as "those expenditures from when the gas exits the ground until it is sold.").

19. Costs incurred after the lessee has passed title to an affiliate are not "post production costs" under *Kilmer* and are not deductible from gas royalties. *Pollock v. Energy Corporation of America*, No. 10-1553, 2013 WL 275327 at *1-2 (W. D. Pa. Jan. 24, 2013).

C. <u>Defendant's Production of Natural Gas in Pennsylvania</u>

20. Chesapeake Energy Corporation ("Chesapeake Energy") produces gas in Pennsylvania through Defendant.

21. Defendant sells the gas to Chesapeake Energy Marketing, L.L.C. ("CEMI"), a gas marketing subsidiary of Defendant Chesapeake Energy and thus an affiliate of Defendant.

22. CEMI takes title to the gas at the well.

23. CEMI transports the gas to the interstate pipeline system.

24. CEMI then transports the gas through the interstate pipeline system and resells it to unaffiliated third-party buyers at receipt/delivery points on the interstate system.

D. <u>Calculation and Payment of the Gas Royalties</u>

25. Chesapeake Energy and Chesapeake Operating calculate the royalties and mail royalty checks with royalty statements to Plaintiffs and the other Class Members.

26. An example of the royalty statements is the statement below mailed to Mr. and Mrs. Ostroski for gas production in July 2014 from the two gas wells in which Mr. and Mrs. Ostroski have a royalty interest, Feusner 2H and Feusner 5H.

Chesapeake Operating LLC
P O Box 18496
Oklahoma City, OK 73154
(877) 245-1427

PAGE: 1

Retain this statement for tax purposes. No duplicates furnished. State taxes have been deducted and paid where required. When writing, refer to lease number and owner number.

PROD DATE	PC	PRICE	IT	PY GP	LEASE VOLUME	LEASE TAX	LEASE DEDUCT	LEASE NET VALUE	PAYMENT DECIMAL	OWNER VOLUME	OWNER GROSS VALUE	OWNER TAX	OWNER DEDUCT	OWNER NET	BTU

Gross Value refers to the sales price received by the operator/Lessee before deduction of taxes. It may reflect the price received from an affiliated purchaser.

Deduct refers to the deductions identified in the Deduct Code below and are generally limited to taxes or deductions made by the operator/lessee. Deductions made by the purchaser (affiliated or non-affiliated) may or may not be shown.

Volume of gas is the volume (mcf) of gas produced which may or may not be equal to the volume of gas sold depending on fuel use.

532117-FEUSNER 2H STATE: PA COUNTY: BRADFORD LEGAL: 643.465613 ACRES; LITCHFIELD T

PROD DATE	PC	PRICE	IT	PY GP	LEASE VOLUME	LEASE TAX	LEASE DEDUCT	LEASE NET VALUE	PAYMENT DECIMAL	OWNER VOLUME	OWNER GROSS VALUE	OWNER TAX	OWNER DEDUCT	OWNER NET	BTU
714	2	2.879	2	01	21930.05	.00	.00	63051.36	.02838083	621.54	1789.45	.00	.00	1789.45	1024
714	2	0.000	2	01	.00	.00	.00 GA	.00	.02838083	.00	.00	.00	869.09	-869.09	
714	2	0.000	2	01	.00	.00	.00 TX	.00	.02838083	.00	.00	.00	401.96	-401.96	
									LEASE TOTAL		1789.45	0.00	1271.05	518.40	

532118-FEUSNER 5H STATE: PA COUNTY: BRADFORD LEGAL: 643.465613 ACRES; LITCHFIELD T

PROD DATE	PC	PRICE	IT	PY GP	LEASE VOLUME	LEASE TAX	LEASE DEDUCT	LEASE NET VALUE	PAYMENT DECIMAL	OWNER VOLUME	OWNER GROSS VALUE	OWNER TAX	OWNER DEDUCT	OWNER NET	BTU
714	2	2.878	2	01	19894.77	.00	.00	57253.43	.02838083	564.63	1624.90	.00	.00	1624.90	1024
714	2	0.000	2	01	.00	.00	.00 GA	.00	.02838083	.00	.00	.00	789.09	-789.09	
714	2	0.000	2	01	.00	.00	.00 TX	.00	.02838083	.00	.00	.00	364.96	-364.96	
									LEASE TOTAL		1624.90	0.00	1154.05	470.85	

OWNER TOTAL 3414.35
.00
1658.18 GA
766.92 TX
989.25

INTEREST TYPES (IT)	PRODUCT CODE (PC)	DEDUCT CODE	
2-ROYALTY	2-GAS(MCF)	BW - BACKUP WITHHOLDING	NE - NETTING EXPENSE
		GA - GATHERING	RJ - ROY ADJUSTMENT
		MK - MARKETING	TX - TRANSPORTATION
		PC - PROCESSING	FL - FUEL
		TG - TREATING	MS - MISCELLANEOUS
		CP - COMPRESSION	PD - OTH PIPELINE DEDUCT
		IT - INTEREST	SW - ST WITHHOLDING

CHECK TOTAL $989.25

OWNER NUMBER	944058	CHECK NUMBER	10702774	CHECK DATE	9/30/2014

CHESAPEAKE OPERATING, LLC
REVENUE DISTRIBUTION ACCOUNT
P O Box 18496 Oklahoma City OK 73154
877) 245-1427

Owner No.	Check No.
944058	10702774

Date	Amount
9/30/2014	*********$989.25

Nine hundred eighty-nine and 25/100 Dollars**********

Pay To The Order Of EDWARD M & KATHLEEN M OSTROSKI

Non-Negotiable

E. The Gas Royalty Clause in the Lease of the Named Plaintiffs

27. The gas royalty clause in Mr. and Mrs. Ostroski's lease provides for a royalty of:

> An amount equal to one-eighth (1/8) of the revenue realized by Lessee for all gas and the constituents thereof produced and marketed from the Leasehold, less the cost to transport, treat and process the gas and any losses in volumes to point of measurement that determines the revenue realized by Lessee.

II. THE PAYMENT OF THE ROYALTIES ON LESS THAN THE FULL REVENUE REALIZED FROM THE SALE OF THE GAS

28. Chesapeake Energy describes how it markets gas in letters it mails to royalty owners who inquire about their royalties.

29. On June 20, 2013, Jason P. Blose, Associate Division Counsel of Chesapeake Energy's Eastern Division, mailed one of these letters to Mr. and Mrs. Ostroski. The letter states, in pertinent part:

> By way of background, gas produced from the Lease is in marketable form at the well, and is sold by Chesapeake to Chesapeake Energy Marketing, Inc. ("CEMI") at this point. CEMI is a marketing company, which takes title to and possession of gas at the well, and aggregates it with gas from multiple other wells into a downstream pool, typically on an interstate pipeline. The volume of natural gas aggregated in this pool is then sold to many different buyers, at different prices. On a monthly basis, CEMI determines a weighted average sales price for the gas sold from the pool at the downstream, value-added points of sale. The weighted average sales price is calculated by averaging the price received from the individual sales from this pool across the entire volume contained in the pool. CEMI pays Chesapeake 97% of this weighted average sales price (CEMI retains a 3 percent marketing fee which is borne solely by Chesapeake and is not passed on to the lessor), less the costs CEMI incurs between the point of sale at the well and the downstream points of sale. The costs incurred by CEMI are itemized in your royalty statement.

30. The gas royalty clause in the leases of Plaintiffs and the other Class Members requires payment of a royalty on the "revenue realized" from the sale of the gas.

31. The revenue realized from the sale of the gas consists of (1) the revenue paid by the third-party buyer and (2) the revenue from derivative contracts.

32. Defendant, through its affiliates, breached the leases by (1) not paying a royalty on the revenue paid by the third-party buyer and (2) paying no royalty on the revenue from derivative contracts.

A. The Revenue Paid By the Third Party Buyers

33. CEMI acts as Defendant's agent when it resells the gas because Defendant has a 100% contingent interest in 100% of the gas, less CEMI's 3% commission.

34. The proceeds received from the third-party buyer are the revenue on which the royalties must be calculated because those proceeds are the only "revenue realized" from the sale of the gas, other than the proceeds of the derivative contracts.

35. Mr. Blose states in his June 20, 2013 letter that the price on the royalty statements is the "price received by CEMI at the downstream, value-added points of sale."

36. The "downstream, value-added points of sale" referred to by Mr. Blose are points on the interstate pipeline system, not the pipeline pool, because the royalty statements show charges for interstate transportation.

37. Gas transported through the interstate pipeline system is usually, although not always, sold at the city gate.

38. The U.S. Energy Information Agency ("E.I.A.") publishes the average monthly city gate price for each state and for the country as a whole.

39. The Table on the next page shows the average monthly city gate prices published by EIA for the three years which Mr. and Mrs. Ostroski have received royalties, along with the prices on the royalty statements for Feusner 2H.

City Gate Price v. Royalty Statement Price					
Month	**U.S. City Gate**	**Penn. City Gate**	**Royalty Statements Feusner 2H**	**% Penn. City Gate**	**% Short**
06/2012	4.63	6.38	2.290	35.89 %	64.11 %
07	4.88	6.16	2.550	41.39 %	58.61 %
08	5.13	6.61	2.780	54.19 %	45.81 %
09	4.76	6.84	2.390	42.05 %	57.95 %
10	4.65	6.13	2.790	34.94 %	65.06 %
11	4.79	4.90	3.490	71.22 %	28.78 %
12	4.79	5.33	3.710	69.60 %	30.40 %
01/2013	4.52	4.70	3.267	69.51 %	30.49 %
02	4.56	4.72	3.154	66.82 %	33.18 %
03	4.75	5.04	3.440	68.25 %	31.75 %
04	5.16	6.14	3.938	64.13 %	35.87 %
05	5.55	7.58	4.100	54.08 %	45.92 %
06	5.74	8.34	3.898	46.73 %	53.27 %
07	5.51	7.51	3.350	44.60 %	55.40 %
08	5.24	7.34	2.920	39.78 %	60.22 %
09	5.21	6.26	3.090	49.36 %	50.64 %
10	4.88	5.58	2.980	53.40 %	46.60 %
11	4.78	4.99	2.290	45.89 %	54.11 %
12	4.93	5.16	3.605	69.86 %	30.14 %
01/2014	5.56	5.31	6.477	121.97 %	(21.97 %)
02	6.41	5.83	6.079	104.27 %	(4.27 %)
03	6.57	6.13	4.406	71.87 %	28.13 %
04	5.64	6.15	3.695	60.08 %	39.92 %
05	5.90	6.77	3.555	52.51 %	47.49 %
06	6.05	6.84	3.134	45.81 %	54.19 %
07	5.99	6.36	2.880	45.28 %	54.72 %
08	5.49	6.87	2.440	35.51%	54.69 %
09	5.51	6.04	2.158	35.72 %	64.28 %
10	5.16	4.58	2.156	47.07 %	52.93 %
11	4.91	4.67	2.499	53.51 %	46.49 %
12	5.15	5.10	3.181	62.37 %	37.63 %
01/2015	4.48	4.32	3.213	74.37 %	25.63 %
02	4.55	4.22	5.064	120.00 %	(20.00%)
03	4.34	4.05	2.585	63.82 %	36.18 %
04	3.92	3.93	1.451	36.92	63.08 %
05	4.21	5.47	1.374	25.11	74.89 %
06	4.43	6.04	1.388	22.98	77.02 %
Average	**5.10**	**5.79**	**3.182**	**54.95**	**45.05**

40. As the pricing Table on the preceding page shows, the average Pennsylvania city gate price for period shown was $5.79 whereas the average price on the royalty statements for the same period was $3.18, only 55% of the city gate price.

41. It is inconceivable that Defendant transported gas through the interstate pipeline system only to sell it at 55% of the Pennsylvania city gate price.

42. Defendant, through its affiliates, breached the leases by not paying a royalty on the revenue actually paid by the third-party buyer.

B. <u>The Proceeds of Derivative Contracts</u>

43. Defendant, through its affiliates, also failed to make upward adjustments to the gas royalties from the proceeds of derivative contracts.

44. Chesapeake Energy admits in its annual and quarterly reports filed with the U.S. Securities Exchange Commission ("S.E.C.") that the proceeds of derivative contracts are revenue from the "sale" of the gas. These reports state the aggregate "gas sales" of all of Chesapeake Energy's gas production subsidiaries, including Defendant Chesapeake Appalachia.

45. The Table below collects the "gas sales" reported by Chesapeake Energy in its filings with the S.E.C. using the same tabular format and section headings used in the reports.

Natural Gas Sales ($ in millions)												
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**1Q-15**	**2Q-15**	**3Q-15**
Gas Sales	3,343	4,117	6,003	2,635	3,169	3,133	2,004	2,430	2,777	425	206	228
Gas Derivatives - Realized Gains /Losses	1,269	1,214	267	2,313	1,982	1,656	328	9	(191)	200	71	70
Gas Derivatives - Unrealized Gains/Losses	467	(139)	521	(492)	425	(669)	(331)	(52)	535	(164)	(67)	33
Total Gas Sales	**5,079**	**5,192**	**6,791**	**4,456**	**5,576**	**4,120**	**2,001**	**2,387**	**3,121**	**461**	**210**	**331**

46. The dollar amounts paid by the third-party buyers during the nine and three quarter years shown on the Table above were approximately $30.470 billion. The "Total Natural Gas Sales" were approximately $39.725 billion. Thus, $9.255 billion of the "gas sales" were the proceeds of derivative contracts.

47. Defendant, through its affiliates, breached the leases by paying no royalties on the proceeds of derivative contracts.

III. THE DEDUCTION OF COSTS INCURRED AFTER DEFENDANT NO LONGER HELD TITLE TO THE GAS

48. The royalty statements identify the costs deducted by code.

49. The royalty statements issued to Mr. and Mrs. Ostroski for the months of June 2012 through October 2013 show cost deductions referenced by the following codes:

2* Gathering
9* Third-Party Transportation
UA Line Variance

50. "Gathering" costs are costs incurred to aggregate the gas of many wells and deliver the aggregated gas to the interstate pipeline system.

51. "Third-Party Transportation" is the charge invoiced by interstate pipeline companies to transport the gas through the interstate pipeline system.

52. "Line Variance" is the dollar value of gas lost or used as fuel between the well and the point of sale, usually referred to in the industry as "unaccounted for gas" (hence the code "UA").

53. The royalty statements issued to Mr. and Mrs. Ostroski since January of 2014 show cost deductions referenced by the following codes:

GA Gathering
TX Transportation
FL Fuel

54. "Gathering" and "Transportation" are the same costs shown on the prior royalty statements, only with new codes.

55. "Fuel" is the cost of purchasing gas to operate compressors on the gathering system.

56. Defendant uses "fuel" and "line variance" interchangeably because, as explained on the royalty statements, line variance is the result of fuel use.

57. All of the costs deducted from the royalties were incurred after Defendant transferred title to the gas to CEMI at the well.

58. Defendant, through its affiliates, breached the leases by deducting costs for gathering, transportation, line variance and fuel that were incurred after Defendant no longer held title to the gas.

IV. THE DEDUCTION OF GROSSLY INFLATED, ABOVE MARKET COSTS FOR GATHERING AND TRANSPORTATION

59. Even if Defendant had the right to deduct costs incurred after it transferred title (and they had no right), the costs deducted for gathering and interstate transportation were grossly inflated and above market.

A. The Gathering Deduction

60. To date, the gathering deduction on Feusner 2H and 5H has averaged $1.78 per mcf and consumed 50% of the royalty.

61. This gathering deduction greatly exceeds the industry norm.

62. The Pennsylvania Independent Oil and Gas Association ("PIOGA") published a report in 2015 in which it stated, in lobbying against severance taxes, that gas producers in

Pennsylvania pay an average $1.05 for the gathering and transportation of Marcellus gas. Ref. "PIOGA Gas Pricing and Economics Sheet" at www.huntleyinc.com.

63. The grossly inflated, above market gathering fees are the result of collusion and self-dealing with Access Midstream Partners, L.P.

64. Until the end of 2010, the gas produced by Defendant was gathered by Chesapeake Midstream Partners, L.P. ("Chesapeake Midstream"), a subsidiary of Chesapeake Energy that owned and operated midstream systems in many states, including Pennsylvania.

65. In 2010, Chesapeake Energy needed almost $5 billion in cash for operations and to service its debt.

66. To obtain this liquidity, Chesapeake Energy and Chesapeake operating devised a scheme to obtain an upfront payment of $4.76 billion from private equity investors to be repaid through grossly inflated, above market gathering fees.

67. With the financial backing of the investors, Chesapeake Energy and Chesapeake Operating structured the creation of an unaffiliated midstream services company, Access Midstream Partners, L.P. ("Access Midstream").

68. Chesapeake Energy then sold its midstream pipeline assets in various states, including Pennsylvania, to Access Midstream for $4.76 billion, thereby resolving its urgent need for cash.

69. Chesapeake Energy simultaneously entered into non-public agreements with Access Midstream in which it agreed to pay Access Midstream exorbitant gathering fees in an amount that would guarantee Access Midstream recoupment of its $4.76 billion investment over ten years with a 15% return. To pay Access Midstream these exorbitant fees, Chesapeake Energy and Chesapeake Operating deducted grossly inflated gathering fees from the gas royalties.

70. The Chesapeake-Access Midstream scheme was reported in an investigative report by Pro Publica, a public interest group, on March 13, 2014. The report, titled "Chesapeake Energy's $5 Billion Shuffle," can be accessed at www.propublica.org. The report reads in part as follows:

> Federal rules limit the tolls that can be charged on inter-state pipelines to prevent gouging. But drilling companies like Chesapeake can levy any fees they want for moving gas through local pipelines, known in the industry as gathering lines, that link backwoods wells to the nation's interstate pipelines. Property owners have no alternative but to pay up. There's no other practical way to transport natural gas to market.
>
> Chesapeake took full advantage of this. In a series of deals, it sold off the network of local pipelines it had built in Pennsylvania, Ohio, Louisiana, Texas and the Midwest to a newly formed company that had evolved out of Chesapeake itself, raising $4.76 billion in cash.
>
> In exchange, Chesapeake promised the new company, Access Midstream, that it would send much of the gas it discovered for at least the next decade through those pipes. Chesapeake pledged to pay Access enough in fees to repay the $5 billion plus a 15% return on its pipelines.
>
> That much profit was possible only if Access charged Chesapeake significantly more for its services. And that's exactly what appears to have happened: While the precise details of Access's pricing remain private, immediately after the transactions Access said that gathering fees are its predominant source of income, and that Chesapeake accounts for 84 percent of the company's business.
>
> * * * * * * * * * *
>
> According to ProPublica projections based on figures disclosed by the companies in late 2013, Chesapeake commitments would have it paying Access a whopping $800 million each year. Over ten years, the contracts would generate nearly twice as much money as Access paid Chesapeake for its business in the first place.
>
> In plain words, Chesapeake and a company made up of its old subsidiaries were passing money back-and-forth between each other in a deal that added little productive capacity but allowed both sides of the transaction to rake in billions of dollars.

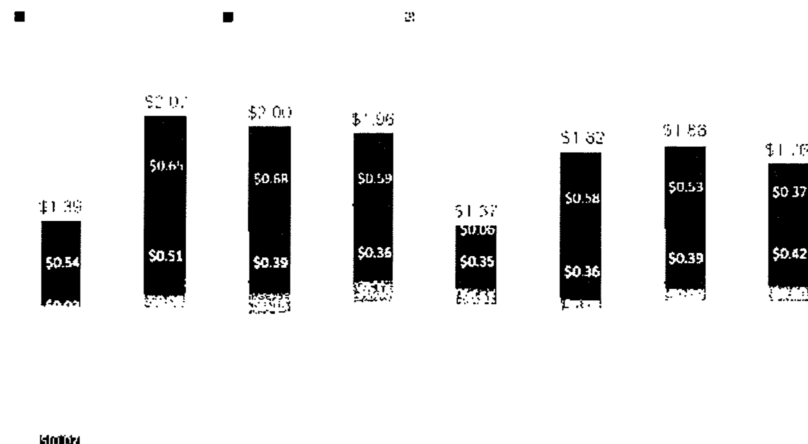
71. The Pro Publica report was summarized on the Oil and Gas Lawyers Blog by John B. McFarland on October 27, 2014, as follows:

> A recent investigative report by *Pro Publica* describes how Chesapeake

> spun off its subsidiary, Chesapeake Midstream Partners (which became Access Midstream), in the process raising $4.76 billion. According to the report, Chesapeake sold its network of gathering lines in Pennsylvania, Ohio, Louisiana, Texas and the Midwest to Access, and entered into an agreement with Access for Access to gather and transport Chesapeake's gas. Over a ten-year period, Chesapeake pledged by this contract to pay Access enough in fees to repay Access's purchase price plus a 15 percent return on the investment. According to the report, the result of these transactions was to greatly increase Chesapeake's cost of gathering its gas, to an average of 85 cents per mcf. That gathering cost greatly increased the deductions on Chesapeake's royalty owners' checks. In effect, it could be argued that Chesapeake has monetized some of its gas reserves by locking itself into a long-term gathering agreement with Access, in exchange for a $4.76 billion payment from Access, and in the process created an inflated gathering charge which can be passed on to its royalty owners.

72. On August 5, 2015, Chesapeake Energy published a chart "CHK Gas Differentials By Component" ("Differentials Chart") that shows its actual costs for 1Q14 through 2Q15 and its estimated costs for 3Q15 and 4Q15.

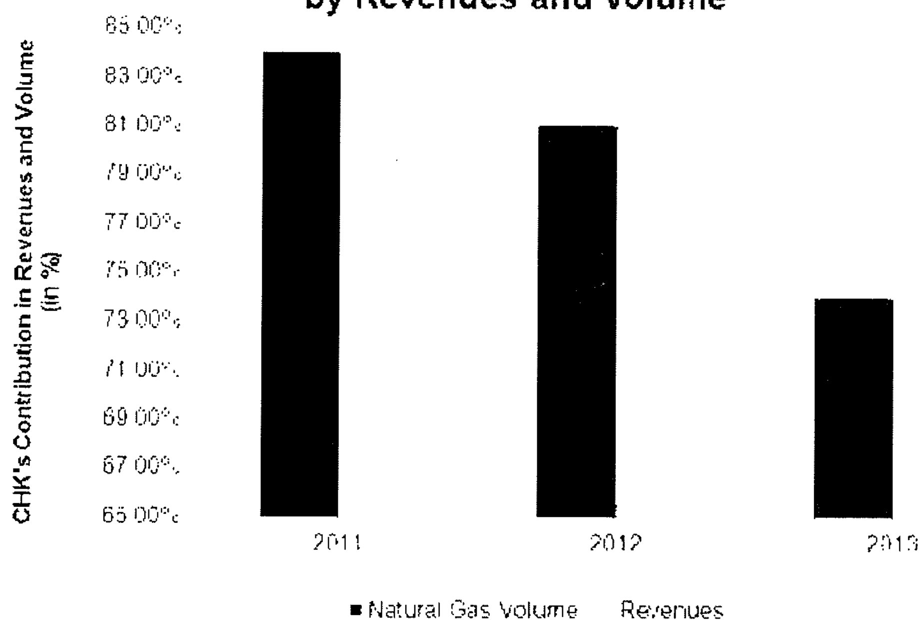
73. The chart, reproduced on the next page, confirms that by the beginning of 2014 the Chesapeake-Access Midstream scheme had caused the gathering fees to inflate to the mid-eighties.



73. The Table below shows the gathering costs in the Differentials Chart in a more readable format.

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15E	4Q15E	**Ave.**
Gathering, Treating & Compression	0.83	0.83	0.78	0.86	0.85	0.81	0.87	0.88	**0.84**

74. The grossly inflated nature of the gathering fees is seen in the Access Midstream chart on the next page, posted online by the financial research firm, Market Realist.



75. This chart shows the percentage of Access Midstream's overall business that comes from Chesapeake Energy in terms of gas volumes and revenue.

76. Chesapeake Energy's percentage of Access Midstream's revenues steadily increases over its percentage of Access Midstream's volumes, meaning that the gathering fees paid by Chesapeake Energy greatly exceed those paid by Access Midstream's other customers.

77. Chesapeake Energy and Chesapeake Operating deducted the inflated gathering fee of approximately $0.85 per mcf until the end of of 2012. They then greatly increased this already inflated gathering deduction such that the average deduction from the royalties on Feusner 2H and 5H over the past three years is now an astonishing $1.78 per mcf, as shown on the Tables on the next two pages.

Gathering Deduction – Feusner 2H					
	Lessor Vol.	**Gross Royalty**	**Gath. Deduct**	**Gath. /mcf**	**Gath. % Gross**
6/12	1,697.30	3,893.22	1,503.86	0.89	38.6276 %
07	1,097.16	2,801.48	961.03	0.88	34.3043 %
08	887.25	2,465.95	774.46	0.87	31.4061 %
09	915.60	2,187.25	779.84	0.87	35.6539 %
10	866.29	2,412.74	752.35	0.87	31.1823 %
11	794.29	2,772.76	694.51	0.87	25.0476 %
12	633.36	2,352.30	565.77	0.89	24.0517 %
1/13	497.84	1,626.57	1,420.35	2.85	87.3217 %
02	43.59	1,083.85	1,019.58	2.97	94.0702 %
03	439.58	1,510.10	1,255.57	2.86	83.1448 %
04	302.25	1,190.37	859.97	2.85	72.2439 %
05	274.04	1,123.15	761.85	2.78	67.8315 %
06	601.55	2,344.57	1,672.41	2.78	71.3312 %
07	479.17	1,602.95	1,329.82	2.78	82.9607 %
08	382.23	1,117.19	1,073.54	2.81	96.0928 %
09	353.48	1,090.56	984.03	2.78	90.2316 %
10	360.70	1,074.90	1,009.58	2.80	93.9231 %
11	600.67	1,976.06	1,653.58	2.75	83.6806 %
12	675.11	2,433.85	936.61	1.39	38.4826 %
1/14	551.49	3,572.08	759.21	1.38	21.2540 %
02	429.52	2,610.91	596.29	1.39	22.8383 %
03	383.38	1,689.02	549.05	1.43	32.5070 %
04	504.92	1,865.48	719.68	1.43	38.5788 %
05	616.63	2,192.01	881.53	1.43	40.2156 %
06	572.87	1,795.12	817.37	1.43	45.5328 %
07	621.54	1,789.45	869.09	1.40	48.5674 %
08	648.19	1,582.14	922.80	1.42	58.3260 %
09	538.02	1,161.22	768.80	1.43	66.2062 %
10	467.63	1,008.42	666.60	1.43	66.1034 %
11	415.62	1,038.60	603.12	1.45	58.0704 %
12	405.12	1,288.83	579.47	1.43	44.9609 %
1/15	340.99	1,095.65	479.30	1.41	43.7457 %
02	34.20	173.17	111.79	3.27	64.5550 %
03	81.69	211.16	113.71	1.39	53.8501 %
04	542.08	786.51	781.46	1.45	99.3579 %
05	256.80	352.94	360.06	1.40	102.0173 %
06	58.02	80.56	83.73	1.44	103.9349 %
TOTAL	**19,370.17**	**61,353.09**	**30,671.77**	**1.78**	**49.9922 %**

Gathering Deduction – Feusner 5H					
	Lessor Vol.	**Gross Royalty**	**Gath. Deduct**	**Gath. /mcf**	**Gath. % Gross**
6/12	1,635.47	3,748.08	1,449.07	0.89	30.6575 %
07	959.07	2,446.69	839.32	0.88	34.3043 %
08	747.64	2,076.16	652.04	0.87	31.4060 %
09	756.22	1,805.20	660.14	0.87	36.5688 %
10	739.01	2,056.79	641.36	0.87	31.1825 %
11	711.62	2,482.48	621.86	0.87	25.0499 %
12	608.58	2,258.57	543.26	0.89	24.0532 %
1/13	566.23	1,848.65	1,614.16	2.85	87.3156 %
02	365.88	1,153.34	1,085.09	2.97	94.0824 %
03	307.89	1,056.87	879.03	2.86	83.1729 %
04	287.96	1,133.22	818.76	2.84	72.2507 %
05	372.15	1,524.22	1,034.21	2.78	67.8517 %
06	554.21	2,158.39	1,539.68	2.78	71.3346 %
07	473.77	1,583.69	1,313.77	2.77	82.9562 %
08	467.39	1,365.13	1,311.73	2.81	96.0882 %
09	402.87	1,242.07	1,120.51	2.78	90.2131 %
10	454.59	1,354.09	1,271.76	2.80	93.9199 %
11	355.29	1,168.41	977.80	2.75	83.6863 %
12	648.64	2,337.92	899.62	1.39	38.4795 %
1/14	558.40	3,614.22	768.20	1.38	21.2549 %
02	390.53	2,373.02	541.88	1.39	22.8350 %
03	483.71	2,131.23	692.80	1.43	32.5070 %
04	419.35	1,548.76	597.57	1.42	38.5837 %
05	532.78	1,892.90	761.21	1.43	40.2139 %
06	557.77	1,746.96	795.44	1.43	45.5328 %
07	564.63	1,624.90	789.09	1.40	48.5623 %
08	561.35	1,369.67	789.92	1.42	57.6722 %
09	490.86	1,059.28	701.31	1.43	66.2062 %
10	424.60	914.79	604.67	1.42	66.0993 %
11	397.73	933.11	576.80	1.45	61.8147 %
12	371.09	1,179.81	530.40	1.43	44.9563 %
1/15	321.08	1,031.41	451.25	1.41	43.7507 %
02	38.97	197.47	127.40	3.27	64.5161 %
03	86.92	224.60	120.99	1.39	53.8691 %
04	537.83	780.41	775.59	1.44	99.3823 %
05	239.32	328.77	335.53	1.40	102.0561 %
06	115.96	160.91	167.11	1.44	103.8530 %
TOTAL	**18,507.36**	**57,912.19**	**29,400.33**	**1.78**	**50.7671 %**

78. The gathering costs deducted from the royalties appear to be greater than the gathering fees charged by Access Midstream, suggesting that Defendant, through its affiliates, may have padded those charges when deducting them from the royalties. The Table below compares the gathering charges paid to Access Midstream (as reported on the Differentials Chart) with the costs deducted from the royalties on Feusner 2H and 5H (as reported on the Ostroski royalty statements).

Gathering, Treating & Compression		
	Differentials Chart	Feusner 2H and 5H Royalty Statements
1Q 14	0.83	1.40
2Q 14	0.83	1.43
3Q 14	0.78	1.42
4Q 14	0.86	1.44
1Q 15	0.85	2.02
Average	**0.83**	**1.54**

79. On November 24, 2015, Seeking Alpha, a firm providing financial analysis, published a report that discusses these out-sized gathering fees. An excerpt of that report is reproduced below.

> **Sweetheart Pipeline Deal with Access Midstream Continues to Haunt Chesapeake**
>
> In 2011, Chesapeake Energy spun-out its pipeline division to Access Midstream (ALPM) for $4.76B, a price considered at the time to be well above market value. Terms of deal saddled Chesapeake with a fixed fee gathering and transport fee arrangement which continually burdens Chesapeake Energy's profitability. Based on my analysis, the estimated cost to transport gas based on the deal is fixed at approximately $1.60 per mcf, but may in fact be higher since I base it on the on-going reported results of the CHKR Trust. It is subject to some adjustments through time, but currently remains well above realistic economic market levels.
>
> * * * * * * * *

The high contractual cost to gather and transport Chesapeake's gas production is accounted for as an *off-balance sheet* contingent liability. A large portion of the liability is based on a contract with Williams Partners because Access Midstream was acquired by Williams Partners in early 2015. Chesapeake explains the financial arrangement, and estimates the size of the contingent liability to be $14.3B in Note 4 of its financial statements.

* * * * * * * *

It is questionable accounting in my opinion to leave something this large in size off a company's balance sheet from a liability perspective. Even though the asset base is being marked to market with the embedded fixed fee arrangement in the product price, the liability embedded in the revenue stream is not visible to investors without major deciphering of contractual arrangements.

B. <u>The Transportation Deduction</u>

80. Defendant, through its affiliates, also deducted transportation costs that were grossly inflated and above market. The transportation deductions, like the gathering deductions, exceeded the costs in the Chesapeake Differentials Chart and were more than twice the industry norm.

81. During the five quarters on Chesapeake Energy's Differential Chart for which Mr. and Mrs. Ostroski have royalty statements, the actual cost of transportation was only $0.43 per mcf. During that time period, however, Defendant, through its affiliates, deducted $0.61 per mcf from the royalties, as shown in the Table below.

Transportation		
	Differentials Chart	Feusner 2H & 5H Royalty Statements
1Q 14	0.54	0.48
2Q 14	0.51	0.59
3Q 14	0.39	0.62
4Q 14	0.36	0.50
1Q 15	0.35	0.84
Average	**0.43**	**0.61**

82. A charge of $0.61 per mcf for transportation is is far above the industry norm. Another large producer of Marcellus gas in Pennsylvania, Range Resources, spends on average only $0.28 per mcf for transportation.

83. Range transports gas to local Appalachian markets, as well as more distant markets. The two charts that follow page show Range's transportation costs. The first chart was published on December 15, 2014 and the second on October 28, 2015.

Appalachia Gas Transportation Arrangements

	Projected 2014		Projected 2016		Projected 2018	
Regional Direction	**Mmbtu/day (Gross)**	**Transport Cost per Mmbtu**	**Mmbtu/day (Gross)**	**Transport Cost per Mmbtu**	**Mmbtu/day (Gross)**	**Transport Cost per Mmbtu**
Firm Transportation						
Appalachia/Local	325,000	$ 0.21	330,000	$ 0.22	430,000	$ 0.30
Gulf Coast	260,000	$ 0.31	485,000	$ 0.43	935,000	$ 0.51
Midwest/Canada	70,000	$ 0.20	270,000	$ 0.26	470,000	$ 0.41
Northeast	185,000	$ 0.60	185,000	$ 0.60	185,000	$ 0.60
Southeast	100,000	$ 0.39	100,000	$ 0.39	100,000	$ 0.39
Firm Sales/Released Capacity	175,000	--	380,000	--	270,000	--
Total Take-Away Capacity	**1,115,000**	**$ 0.28**	**1,750,000**	**$ 0.28**	**2,390,000**	**$ 0.39**

Capacity listed above reflects actual amounts of production that can flow under these arrangements. We believe these firm arrangements provide adequate capacity to meet our growth projections through 2018

Range net production would be approximately 83% of the gross amounts shown. Does not include current intermediary pipeline capacity of >800.000 Mmbtu/day. and assumes full utilization. Cost associated with Firm Sales/Released Capacity is assumed as a deduction to price. Based on anticipated project start dates.

RANGE RESOURCES

Appalachia Gas Transportation Arrangements

Regional Direction	Projected YE 2015		Projected YE 2016		Projected YE 2018	
	Mmbtu/day (Gross)	Transport Cost per Mmbtu	Mmbtu/day (Gross)	Transport Cost per Mmbtu	Mmbtu/day (Gross)	Transport Cost per Mmbtu
Firm Transportation						
Appalachia/Local	360,000	$ 0.22	360,000	$ 0.18	360,000	$ 0.18
Gulf Coast	270,000	$ 0.30	420,000	$ 0.41	945,000	$ 0.48
Midwest/Canada	285,000	$ 0.26	285,000	$ 0.26	585,000	$ 0.50
Northeast	210,000	$ 0.57	210,000	$ 0.57	210,000	$ 0.57
Southeast	100,000	$ 0.39	100,000	$ 0.39	100,000	$ 0.39
Firm Sales/Released Capacity	175,000	--	270,000	--	300,000	--
Total Takeaway Capacity	1,400,000	$ 0.28	1,645,000	$ 0.28	2,500,000	$ 0.39

Capacity listed above reflects actual amounts of production that can flow under these arrangements. We believe these firm arrangements provide adequate capacity to meet our growth projections through 2018

Range net production would be approximately 83% of the gross amounts shown. Does not include current intermediary pipeline capacity of > 850,000 Mmbtu/day, and assumes full utilization. Cost associated with Firm Sales/Released Capacity is assumed as a deduction to price. Based on anticipated project start dates.

84. As these charts show, in 2014 Range spent an average $0.21 per mcf to transport gas to Pennsylvania markets and an average of $0.28 per mcf to transport gas to all markets.

85. In the current year, Range is spending approximately $0.22 per mcf to transport gas to Pennsylvania markets and an average of $0.28 per mcf to transport gas to all markets.

86. In contrast, Defendant, through its subsidiaries, deducted an average of $0.59 per mcf for transportation from the royalties on Feusner 2H during the first half of this year, as shown in the Tables below.

Transportation - Feusner 2H					
	Lessor Volume	**Gross Royalty**	**Trans.**	**Trans. /mcf**	**Trans. % Gross**
01/2015	340.99	1,095.65	209.76	0.62	19.14 %
02	34.20	173.17	47.19	1.38	27.25 %
03	81.69	211.16	42.86	0.52	20.29%
04	542.08	786.51	305.87	0.56	38.88%
05	256.80	352.94	138.17	0.54	39.14 %
06	58.02	80.56	22.66	0.44	28.12 %
TOTAL	**1,313.78**	**2,699.99**	**766.51**	**0.58**	**28.38 %**

Transportation - Feusner 5H					
	Lessor Volume	**Gross Royalty**	**Trans.**	**Trans. /mcf**	**Trans. % Gross**
01/2015	321.08	1,031.41	197.48	0.62	19.14 %
02	8.97	197.47	53.78	1.38	27.23 %
03	86.92	224.60	45.61	0.52	20.30 %
04	537.83	780.41	303.57	0.56	38.89 %
05	239.32	328.77	128.76	0.54	39.16 %
06	115.96	160.91	51.21	0.44	31.82 %
TOTAL	**1,310.08**	**2,723.57**	**780.41**	**0.60**	**28.65**

87. It is inconceivable that Defendant pays double what Range pays for transportation.

88. Defendant, through its subsidiaries, breached the leases by deducting transportation costs that were greater than the costs incurred.

C. <u>The Marketing Deduction</u>

89. As stated in the letter from Jason Blose of Chesapeake Energy dated June 20, 2013 and quoted at paragraph 29 of this Complaint, Defendant, through its affiliates, deducted a 3% marketing fee from the price paid by the third-party buyer.

90. Defendant incurred no marketing fees, however, because it sold all of its gas to CEMI at the well under a single long-term contract.

91. The marketing costs were incurred by CEMI after Defendant no longer held title to the gas.

92. Defendant, through its affiliates, breached the leases by deducting the 3% marketing fee.

D. The Calculation of the Royalties on a Portion of the Gas Without Determining the Price Paid or the Costs Deducted.

93. Defendant has assigned a 32.5% working interest in its Pennsylvania oil and gas leases to Statoil and the royalty owners receive separate royalty checks from Statoil for its share of the gas production.

94. Defendant's 67.5% share of the gas is marketed not only by CEMI, but also by four other gas marketers.

95. In a letter to Mr. and Mrs. Ostroski dated July 24, 2013, Mr. Blose stated:

> You also asked what other oil and gas companies market production from the Feusner 2H and 5H wells. Currently those companies are Chief Oil and Gas LLC, Enerplus Resources (USA) Corp., Radler 2000 Limited Partnership and Talisman Energy USA Inc. Chesapeake is not responsible for and does not know how those companies market their gas, what price they receive, or what post-production costs they might incur. As you and I discussed, Chesapeake and Statoil are paying you 100% of the royalties due under your Lease. Chesapeake is selling and paying you royalties for 67.5% of the gas produced from your Lease, and Statoil is selling and paying you royalties for 32.5% of the gas produced from your Lease.

96. Prior to that, on June 11, 2013, Jeffrey Lenocker of Chesapeake Energy sent an email to Plaintiff Kathleen Ostroski in which he explained that of the 67.5% share of the gas marketed by the "CHK marketing group," CEMI marketed 60% and the other four marketers in the CHK marketing group marketed the other 7.5%. Mr. Lenocker explained:

> There are 5 different working interest owner groups that market their gas separately. You "burden" the Stat marketing group and the CHK marketing group as this is who you are leased with, so both companies will pay you a royalty. Your total interest is .02590225. Of this total burden, CHK is

responsible for paying 67.5%, and 37.5% burdens Stat, so the burden percentage owed by CHK is .02590225 x .675 = .17484.

CHK is entitled to sell .60028374 of the wellhead production. For March [2013], that was 15,092.22 Mcf. For all owners to receive 100% of their proportion of this 15,092.22, we have to "inflate" everyone's net decimal by the percentage of production our marketing group is entitled to: So your net decimal of .017484/ .60028374 = .02912626, which is the pay decimal you will see on your CHK check.

Here is why we inflate: Let's assume the well produced 20,000 Mcf. From CHK's standpoint, you are entitled to .017484 of 20,000 Mcf or 350 Mcf. CHK is entitled to .60028374 of the volume, or 12,006 Mcf. If CHK paid you your uninflated decimals, you would get: .017484 x 12,006 = 236 Mcf, which is well short of the Mcf volume you are due from CHK. However, when we properly inflate the decimal, you get: .017484/.60028374 = .02912626 x 12,006 = 350 Mcf.

97. Defendant, through its affiliates, calculated and paid the royalties on 7.5% of the gas marketed by the other for members of the CHK marketing group without knowing the price those members received or the costs deducted.

98. These calculations incorrectly assume that the other four members of the CHK marketing group received the same price for the gas they marketed as Defendant received for the 60% it marketed.

99. Likewise, these calculations incorrectly assume that the other four members of the CHK marketing group took the same deductions that Defendant took.

100. In view of the below market prices and above market costs used to calculate the royalties on the 60% of the gas marketed by Defendant, the royalties earned on the 7.5% of the gas marketed by the other members of the CHK marketing group are undoubtedly much higher than the royalties paid on that 7.5% portion of the gas.

101. Defendant, through its affiliates, breached the leases by paying less than the full royalties earned on the 7.5% of the gas marketed by the others.

CLASS ARBITRATION ALLEGATIONS

102. Plaintiffs restate and incorporate by reference the allegations contained in paragraphs 101 of this Complaint.

103. Plaintiffs bring this action on behalf of themselves and the following Class:

> Every person except governmental entities who is, or has been, a royalty owner under an oil and gas lease in which Chesapeake Appalachia, L.L.C., is the present lessee, either because it is named as the lessee or because the lease has been assigned to it, and (i) the lease conveys rights to natural gas in Pennsylvania, (ii) natural gas has been produced under the lease, and the lease includes a provision requiring the arbitration of disputes.

104. The Class Members exceed 2,000 in number, making joinder impracticable. Plaintiffs do not presently know the exact number and identities of the Class Members, but they are known to Defendant and can be ascertained through its business records.

105. The claims set forth in this Complaint are common to all Class Members because Defendant underpaid the gas royalties of all Class Members in the same ways.

106. Plaintiffs are adequate representatives of all Class Members because the claims they assert are typical of the claims of all Class Members, Plaintiffs are not subject to any unique defenses, the interests of Plaintiffs do not conflict with those of the Class Members and Plaintiffs will fairly and adequately protect the interests of all Class Members.

107. Counsel to the Plaintiffs have extensive experience in complex litigation. This includes litigating cases in all state and federal courts in Ohio, in the U.S. Courts of Appeals for the Third, Fourth, Sixth and D.C. Circuits and in the United States Supreme Court. Counsel are trial counsel in four natural gas royalty class actions pending in the Appalachian Basin, three of which have been certified as class actions and one of which resulted in a jury verdict for the plaintiff class earlier this year.

108. The claims set forth in this Complaint are proper for certification as a class arbitration because questions of law and fact common to the class predominate over any issues affecting individual Class Members. The common questions of law include (1) whether costs can be deducted from natural royalties if the costs are incurred after the lessee on the oil and gas lease has sold the gas and transferred title and (2) whether revenues received under natural gas derivative contracts are revenues realized from the sale of the gas and therefore subject to royalty. The common questions of fact include (1) whether in reselling the gas CEMI functioned as the Defendant's agent such that the proceeds paid by the third-party buyers are the revenues on which the royalties must be paid and (2) whether the conduct alleged breached the leases in each of the seven ways alleged.

109. No other class action or class arbitration asserts the claims asserted here.

110. A class action for breach of contract and breach of implied duties for the underpayment of natural gas royalties captioned *Demchak Partners Limited Partnership, et al., v. Chesapeake Appalachia, L.L.C.*, Case No. 3:13-cv-02289-MEM (M.D. Pa.) ("*Demchak*") was filed on August 30, 2013. The instant arbitration action is different from *Demchak* because (1) claims in this arbitration are actionable under all Chesapeake Appalachia, L.L.C. leases whereas *Demchak* is limited to oil and gas leases with "market enhancement clauses," (2) this arbitration asserts claims not asserted in *Demchak.* These include the claims that Defendant, through its affiliates, breached the leases by (1) paying the royalties on less than the revenue paid by the buyer, (2) paying no royalty on the proceeds of derivative contracts, (3) deducting costs incurred after Defendant no longer held title to the gas, (4) deducting gathering costs that were inflated through collusion and self-dealing with Access Midstream Partners, L.P., (5) deducting transportation costs that were fraudulent in their amounts, (6) deducting marketing fees that were never incurred, and

(7) calculating the royalties on a portion of the gas without determining either the price paid or the costs deducted.

111. Yesterday, Plaintiffs Edward M. Ostroski and Kathleen M. Ostroski filed a Class Action Complaint against Chesapeake Energy and Chesapeake Operating for the conversion of their natural gas royalties. This arbitration action is different from class action because (1) it is a tort action, (2) it seeks no recovery from the Defendant in this arbitration.

112. A class arbitration is superior to other available methods for the fair and efficient adjudication of the claims asserted because there are thousands of Class Members and individual discovery and litigation of the common issues by each lessor would be a needless waste of resources. The interest of Class Members in individually controlling the prosecution of separate arbitrations does not outweigh the benefits of a class arbitration. It is desirable to concentrate the litigation of these claims in one forum. Any difficulties in managing this case as a class arbitration are outweighed by the benefits a class arbitration in disposing of common issues of law and fact.

113. The prosecution of separate arbitrations by each Class Member would create a risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for Defendant, could be dispositive of interests of persons not parties to the individual arbitrations, and could substantially impair or impede the ability of those persons to protect their interests. Further, Defendant acted, or refused to act, on grounds generally applicable to all Class Members.

114. A class arbitration is superior to all other methods for the fair and efficient adjudication of the claims in this case. The class is readily definable and the prosecution of a class arbitration would eliminate the possibility of repetitious litigation and provide redress for persons unable to bring their claims individually. Maintenance of separate arbitrations could result in

inconsistent adjudications. In contrast, a class arbitration would determine the rights of all Class Members with judicial economy.

COUNT I

BREACH OF CONTRACT

115. Plaintiffs re-allege and incorporate by reference paragraphs 1-114 of this Complaint.

116. Natural gas was produced under each of the leases subject to this action.

117. Plaintiffs and the other Class Members are or were entitled to natural gas royalty payments under to one or more of the leases with Defendant or a predecessor lessee of Defendant.

118. Defendant made periodic royalty payments to each Plaintiff and other Class Member pursuant to one or more of the leases subject to this action

119. Defendant breached the leases subject to this action by (1) paying the royalties on less than the revenue paid by the buyer, (2) paying no royalty on the proceeds of derivative contracts, (3) deducting costs incurred after Defendant no longer held title to the gas, (4) deducting gathering costs that were inflated through collusion and self-dealing with Access Midstream Partners, L.P., (5) deducting transportation costs that were fraudulent in their amounts, (6) deducting marketing fees that were never incurred, and (7) calculating the royalties on some of the gas without determining either the price paid or the costs deducted.

120. Defendant's breaches of the leases proximately caused damages to Plaintiffs and the other Class Members because, as a direct and proximate result of the breaches, Defendant paid Plaintiffs and the other Class Members gas royalties that were less than the royalties due them.

WHEREFORE, the Plaintiffs, on behalf of themselves and the other Class Members, request an award in their favor for breach of contract, compensatory damages, pre-award interest and post-award interest.

Respectfully submitted,

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