IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
_____ DIVISION

CHERIE VANOVEN On Behalf Of Herself And All Others Similarly Situated **PLAINTIFF**

v. **No.** 4:10-CV-158 BSM

CHESAPEAKE ENERGY CORPORATION; CHESAPEAKE ENERGY MARKETING, INC.; CHESAPEAKE EXPLORATION, L.L.C.; CHESAPEAKE MIDSTREAM GAS SERVICES, L.L.C.; CHESAPEAKE MIDSTREAM OPERATING, L.L.C.; CHESAPEAKE OPERATING, INC.; BP AMERICA, INC.; BP AMERICA PRODUCTION COMPANY; BP ENERGY COMPANY; BP, INC.; VERNON L. SMITH AND ASSOCIATES, INC. **DEFENDANTS**

This case assigned to District Judge Miller and to Magistrate Judge Cavaneau

CLASS ACTION COMPLAINT AND DEMAND FOR JURY TRIAL

Comes now the Plaintiff herein, Cherie Vanoven, on her behalf and on behalf of all others similarly situated, through her attorneys, Grayson & Grayson, P.A. and Hicks Law Firm, and in support of her claims alleges and states as follows:

NATURE OF THE ACTION

1. The Plaintiff seeks certification of two classes. In Class I, Plaintiff and class members bring claims that owners' mineral interest leased by Vernon L. Smith and Associates, Inc. from March 12, 2005 through the present that were obtained on behalf of, assigned to, sold to, or otherwise conveyed to any Chesapeake or BP Defendant on grounds that such leases are voidable because they are unconscionable and negotiated, drafted and explained by third party landmen engaged in the unauthorized practice of law. Therefore, Plaintiff and class members

seek a Declaratory Judgment that such leases are void or to be reformed in a consistent and fair manner.

2. In Class II, Plaintiff and class members bring claims based upon the Defendants' underpayment of royalties on natural gas from wells in Arkansas through improper accounting methods (such as starting with a price that is too low and taking improper deductions) and by failing to account for and pay royalties, all as more fully described below. Accordingly, Plaintiff and class members are entitled to an Accounting, Damages for Breach of Good Faith and Fair Dealing, Breach of the Prudent Operator Standard, for Violation of the Arkansas Deceptive Practices Act, for Unjust Enrichment and Treble Damages. Class II consists of all royalty owners who meet the following conditions: (1) were integrated on or after March 12, 2005; (2) failed to make an election in a section or sections operated by the Chesapeake or BP Defendants; and (3) were "deemed integrated" by the terms of the integration order, and ordered to be paid a cash bonus and royalty. Excluded from this class are Exxon Mobil Corporation; XTO Energy, Inc.; Southwestern Energy Company; Southwestern Energy Production Company; Seeco, Inc. as well as all subsidiaries and closely held affiliates.

VENUE AND JURISDICTION

3. This Court has subject matter and *in personam* jurisdiction. Upon information and belief the aggregate claims of the classes will exceed Five Million Dollars ($5,000,000.00) and governed by the Class Action Fairness Act of 2005.

4. This Court has jurisdiction over all of the Defendants in that its wrongful acts occurred and caused damages to class members in Arkansas and the gas well royalties are all produced in Arkansas.

5. Venue is proper in this Court for one or more of the following reasons:

(i) The wells are located in Arkansas;

(ii) Many class members reside in Arkansas; and

(iii) More than one of the Defendants have a substantial business in Arkansas.

6. Therefore venue is proper in this court.

PARTIES

7. Plaintiff, Cherie Vanoven, is a citizen of White County, Arkansas. She has several royalty interests in wells located in Arkansas, and operated by one or more of the Defendants. Plaintiff obtained one royalty interest by virtue of the lease attached as Exhibit "1" incorporated by reference word for word. Plaintiff obtained other royalty interests by virtue of the integration order attached as Exhibit "2" incorporated herein by reference word for word.

8. Defendant Chesapeake Energy Corporation (including predecessors, successors, and affiliates) is an Oklahoma corporation with its principal executive offices located at 6100 Northwestern Avenue, Oklahoma City, Oklahoma 73118. Upon information and belief, and according to Chesapeake Energy Corporation's Form 10-Q filed with the Securities Exchange Commission, Chesapeake Energy Corporation is the parent company of Chesapeake Energy Marketing, Inc., Chesapeake Exploration, L.L.C., Chesapeake Midstream Gas Services, L.L.C., Chesapeake Midstream Operating, L.L.C. Upon information and belief Chesapeake Operating, Inc. is a wholly owned subsidiary of Chesapeake Energy Corporation. Hereinafter Chesapeake Energy Corporation, its subsidiaries and affiliates may be collectively referred to simply as the "Chesapeake Defendants."

9. Chesapeake Energy Marketing, Inc. lists its president as Chesapeake Energy Corporation having an address of 6100 Northwestern Avenue, Oklahoma City, Oklahoma 73118. Furthermore, the registered agent for service of process for Chesapeake Energy Marketing, Inc.

is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

10. Chesapeake Exploration, L.L.C. lists Chesapeake Energy Corporation as one of its officers and its address as 6100 Northwestern Avenue, Oklahoma City, Oklahoma 73118. Furthermore, the registered agent for service of process for Chesapeake Exploration, L.L.C. is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

11. Chesapeake Midstream Gas Services, L.L.C. lists Chesapeake Midstream Operating, L.L.C. as one of its officers and its address as 6100 Northwestern Avenue, Oklahoma City, Oklahoma 73118. Chesapeake Midstream Gas Services, L.L.C. is The Corporation Company 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

12. Chesapeake Midstream Operating, L.L.C. lists Chesapeake Midstream Management, L.L.C. as one of its managers with its address at 6100 Northwestern Avenue, Oklahoma City, Oklahoma 73118. The registered agent for service of process for Chesapeake Midstream Operating, L.L.C. is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas, 72201.

13. Chesapeake Operating, Inc. lists Chesapeake Energy Corporation as its president and its address located at 6104 Northwestern, Oklahoma City, Oklahoma 73118. The registered agent for service of process for Chesapeake Operating, Inc. is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

14. BP, Inc. is organized under the laws of Delaware. The registered agent for BP, Inc. is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

15. BP America, Inc. is organized under the laws of the State of Delaware and registered as a foreign profit organization with the Arkansas Secretary of State's office. The address for BP America, Inc. is 200 East Randolph Drive, Chicago, Illinois. The registered agent for service of process for BP America, Inc. is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

16. BP America Production Company and BP Energy Company is organized under the laws of the State of Delaware. The agent for service of process for BP America Production Company and BP Energy Company is The Corporation Company, 124 West Capitol Avenue, Suite 1900, Little Rock, Arkansas 72201.

17. Vernon L. Smith and Associates, Inc. is organized under the laws of Oklahoma and has its primary place of business at 2424 Springer Drive, #302 Norman, Oklahoma 73069 with a registered agent known as Business Filings Incorporated, 124 West Capitol Ave., Ste. 1900, Little Rock, AR 72201.

18. Vernon L. Smith and Associates, Inc. (hereinafter sometimes referred to as the "Landmen") obtained leases from thousands of Arkansas mineral owners for the Chesapeake Defendants.

19. BP America Production Company, BP Energy Company, BP, Inc. and BP America, Inc. may be collectively referred to hereinafter as the "BP Defendants". The Chesapeake Defendants and BP Defendants are in the business of producing and marketing gas and constituent products from the wells in which Class members hold royalty interests subject leases between Class members and the Defendants.

20. On September 2, 2008, Chesapeake Energy Corporation and BP America announced the execution of a letter of intent for a joint venture whereby BP America acquired a

twenty-five percent (25%) in Chesapeake Energy Corporation's Fayetteville shale assets in Arkansas for One Billion Nine Hundred Million Dollars ($1,900,000,000.00). Subsequently, the proposed joint venture was consummated and Chesapeake Energy Corporation, individually, and by and through its affiliates, and subsidiaries is actively engaged with BP America, and its subsidiaries and affiliates, in the exploration, drilling, production, marketing, and transportation of natural gas in Arkansas.

21. The Chesapeake Defendants, BP Defendants and Landmen, their predecessors and current and past employees, agents, representatives, subsidiaries, affiliates, or others acting on their behalf and all those whose prior leasehold interest it has succeeded and legally liable, whether by merger, assignment or otherwise shall herein collectively be known as the "Defendants".

22. The acts charged in this Class Action Complaint and Demand for Jury Trial as having been done by the Defendants were authorized, ordered or done by officers, agents affiliates, employees, or representatives, while actively engaged in the conduct or management of Defendants' business or affairs, and within the scope of their employment or agency with the Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff has been paid royalties by the Chesapeake and BP Defendants pursuant to the terms of a lease attached as exhibit number one (1) and pursuant to an Integration Order attached as exhibit number two (2), both of which are incorporated by reference word for word. Plaintiff brings this action individually and, pursuant to Federal Rules of Civil Procedure, Rule 23(a)(b)(3), as representative of classes defined as follows:

CLASS I:

All mineral interest owners who leased minerals located in Arkansas to Vernon L. Smith and Associates, Inc. from March 12, 2005 through the present and such leases were obtained on behalf of, assigned to, sold or otherwise conveyed to, any Chesapeake or BP Defendant. Excluded from this class are Exxon Mobil Corporation; XTO Energy, Inc.; Southwestern Energy Company; Southwestern Energy Production Company; Seeco, Inc. as well as all subsidiaries and affiliates.

24. The members of the class are so numerous and geographically disbursed that joinder of all members is impractical. For instance, the Chesapeake and BP Defendants operate a large number of gas wells in Arkansas, with at least one, and usually many more, royalty owners for each well. While some royalty owners remain in Arkansas many others reside in other states, and perhaps countries. The Chesapeake and BP Defendants have within their possession or control records that identify all persons to whom it (included predecessors and those for whom it is legally responsible) have paid royalties from wells located within Arkansas from March 12, 2005 to the present.

25. The claims of Plaintiff are typical and common of the claims of the other members of the class because, for instance, (without limitation):

(a) Landmen drafted, negotiated, presented and executed mineral leases on behalf of the Chesapeake and BP Defendants. The Landmen are not law firms and not licensed to practice law in Arkansas.

(b) The terms of the leases are ambiguous and not drafted by the Plaintiff or class members.

26. Plaintiff will fairly and adequately protect the interests of the members of the class. Plaintiff is a royalty owner paid by Defendants and understands her duties as a class representative. Plaintiff has retained counsel competent and experienced in complex litigation.

27. Common questions of law or fact exists as to all members of the class and those common questions predominate over any questions solely effecting individual members of such

class. There is no need for individual class members to testify in order to establish Defendants' liability or even damages to the class. Among the questions of law or fact that are common to Plaintiff and other members of the class, and which will predominate are, without limitation, the following:

(a) Whether the Landmen were and are engaged in the unauthorized practice of law and if so the remedy for the same.

28. Class action treatment is appropriate in this matter and is superior to the alternative of numerous individual lawsuits by members of the class. Class action treatment will allow a large number of similarly situated individuals to prosecute their common claims in a single form, simultaneously, efficiently, and without duplication of time, expense and effort on part of those individuals, witnesses, the Courts and/or Defendants. Likewise, class action treatment will avoid the possibility of inconsistent and/or varying results in this matter arising out of the same facts. No difficulties are likely to be encountered in the management of this class action that would preclude its maintenance as a class action and no superior alternative form exists for the fair and efficient adjudication of the claims of all class members.

29. Class action treatment in this matter is further superior to the alternative of numerous individual lawsuits by the members of the class because joinder of all members of those classes would be either highly impractical or impossible and because the amounts at stake for individual class members, while significant in the aggregate, are not great enough to enable them to enlist the assistance of competent legal counsel to pursue their claims individually.

30. In the absence of a class action in this matter Defendants will likely retain the benefit of their wrongdoing.

CLASS II:
All unleased mineral interest owners who meet the following conditions: (1) were integrated on or after March 12, 2005; (2) failed to make an election in a section

or sections operated by the Chesapeake or BP Defendants; and (3) were "deemed integrated" by the terms of the integration order, and ordered to be paid a cash bonus and royalty. Excluded from this class are Exxon Mobil Corporation; XTO Energy, Inc.; Southwestern Energy Company; Southwestern Energy Production Company; Seeco, Inc. as well as all subsidiaries and closely held affiliates.

31. The members of the class are so numerous and geographically disbursed that joinder of all members is impractical. For instance, the Chesapeake and BP Defendants operate a large number of gas wells in Arkansas, with at least one, and usually many more, royalty owners for each well. While some royalty owners remain in Arkansas many others reside in other states, and perhaps countries. The Chesapeake and BP Defendants have within their possession or control records that identify all persons to whom it (included predecessors and those for whom it is legally responsible) have paid royalties from wells located within Arkansas from March 12, 2005 to the present.

32. The claims of Plaintiff are typical and common of the claims of the other members of the class because, for instance, (without limitation):

(a) Plaintiff and the class members are beneficiaries of an implied covenant obligating the Chesapeake and BP Defendants to place the gas and all constituent parts from wells in marketable condition;

(b) Plaintiff and the class members have been charged deductions (in cash or in kind) for placing the gas and its constituent parts into marketable condition when such was the duty of the Chesapeake and BP Defendants at their sole cost;

(c) Plaintiff and the class members received a starting price that was below what the Chesapeake and BP Defendants (including its subsidiaries, parent, sister companies and affiliates) received in an arms length-sale transaction;

(d) Plaintiff and the class members had their royalty interest calculated solely according to the internal accounting, royalty payment formulas, and record keeping operations of the Chesapeake and BP Defendants which are not known to the members of the class;

(e) Plaintiff and the class members were paid based on representations made by the Chesapeake and BP Defendants on the same checkstub forms which were misleading and fraudulent by both omission and commission;

(f) Plaintiff and the class members have the same legal claim to recover these underpayments; and

(g) Whether the Chesapeake and BP Defendants have paid Plaintiff and Class Members accurately for volume and BTU content of the natural gas.

33. Plaintiff will fairly and adequately protect the interests of the members of the class. Plaintiff is a royalty owner paid by Defendants and understands her duties as a class representative. Plaintiff has retained counsel competent and experienced in complex litigation.

34. Common questions of law or fact exist as to all members of the class and those common questions predominate over any questions solely effecting individual members of such class. There is no need for individual class members to testify in order to establish Defendants' liability or even damages to the class. Among the questions of law or fact that are common to Plaintiff and other members of the class, and which will predominate are, without limitation, the following:

(a) Whether class members are beneficiaries of an implied covenant obligating the Chesapeake and BP Defendants to place the gas and all constituent parts from such wells in marketable condition at the Chesapeake and BP Defendants' sole expense;

(b) Whether marketable conditions for gas and its constituent parts occur at the transmission pipeline as Plaintiff contends or before that;

(c) Whether royalty interests were calculated solely according to the internal accounting, royalty payment formulas, and record-keeping operations of the Chesapeake and BP Defendants;

(d) Whether royalty interests were underpaid due to a deduction for severance tax greater than provided under Arkansas law;

(e) Whether the Chesapeake and BP Defendants have failed to properly pay for all constituent parts of the gas stream;

(f) Whether the Chesapeake and BP Defendants should have paid for gas at arms length prices not affiliate's sale prices; and

(g) Whether the Chesapeake and BP Defendants have paid Plaintiff and Class Members accurately for volume and BTU content of the natural gas.

35. Class action treatment is appropriate in this matter and is superior to the alternative of numerous individual lawsuits by members of the class. Class action treatment will allow a large number of similarly situated individuals to prosecute their common claims in a single form, simultaneously, efficiently, and without duplication of time, expense and effort on part of those individuals, witnesses, the Courts and/or Defendants. Likewise, class action treatment will avoid the possibility of inconsistent and/or varying results in this matter arising out of the same facts. No difficulties are likely to be encountered in the management of this class action that would preclude its maintenance as a class action and no superior alternative form exists for the fair and efficient adjudication of the claims of all class members.

36. Class action treatment in this matter is further superior to the alternative of numerous individual lawsuits by the members of the class because joinder of all members of those classes would be either highly impractical or impossible and because the amounts at stake for individual class members, while significant in the aggregate, are not great enough to enable them to enlist the assistance of competent legal counsel to pursue their claims individually.

37. In the absence of a class action in this matter Defendants will likely retain the benefit of their wrongdoing.

GAS INDUSTRY BACKGROUND

38. Plaintiff and members of the class own interests in wells whose production is subject to the uniform accounting methods.

39. In ***Hannah Oil v. Taylor***, 297 Ark. 80 (1988) the Arkansas Supreme Court held that post production costs, such as compression costs were not deductible from the royalty owner's share of revenue.

40. The Chesapeake and BP Defendants have the duty to make gas marketable and to pay the royalty owner a percentage of the revenue from the well after the gas is in "marketable condition". This issue then becomes what is meant by "well head"? This is important in that the gas may require further processing before it is in "marketable condition." The Chesapeake and BP Defendants in this case have the obligation to conduct the exploration of the well, drill the well, extract the gas and place it in marketable condition and then pay a royalty to the royalty owner. Upon information and belief the Chesapeake and BP Defendants are either deducting post production expenses that are necessary to make the gas marketable and thereby reducing the amount paid to the royalty owner or selling the gas to affiliate companies at a price less than fair market value which reflects the unprocessed value of the gas.

41. The lessee under an oil and gas lease has the duty to produce marketable products, and the lessee alone bears the expense in making all products marketable. Gas and its constituent part are marketable only when in the physical condition and location to be bought and sold in a commercial market place.

42. Only after a given product is marketable does a royalty owner have to pay its proportionate share of the reasonable cost to get a higher enhanced value or price for that particular product.

43. As of August, 2009 Chesapeake Energy Corporation reported that they were the second largest leaseholder in the Fayetteville shale play having approximately four hundred and forty thousand (440,000) acres under lease. According to press releases previously discussed BP

America holds approximately twenty-five percent (25%) stake in Chesapeake's Fayetteville shale leases.

44. Fayetteville shale deposit extends through these Arkansas counties: Franklin, Johnson, Pope, Yell, Conway, Van Buren, Faulkner, Cleburne, Crawford, Sebastian, Logan, White, Jackson, Woodruff, Prairie, Monroe, Lee, Phillips, St. Francis and Lonoke. Although the great majority of leasing and production activity is in Conway, Faulkner, Van Buren, Cleburne, White and Independence counties. A recent University of Arkansas study showed that the Fayetteville shale play could generate in excess of Seventeen Billion Dollars ($17,000,000.00), and provide approximately 11,000 jobs going into 2012.

45. Royalty owners are supposed to receive a properly calculated percentage of total gas revenue. A typical royalty interest is between one-eighth (12 ½ %) and one-fifth (20%).

ARKANSAS'S HISTORY OF CLASS ACTIONS FOR ROYALTY OWNERS

46. Royalty owners in Arkansas have successfully prosecuted class actions against natural gas companies in the recent past. See generally, ***Seeco, Inc. v. Hales,*** 341 Ark. 673 (2000).

HISTORY OF GAS LESSOR/LESSEE RELATIONSHIP

47. Fifty years ago, when the lessor/lessee relationship was formed, oil gas drilling was more speculative. There were no known fields and no 3-D seismograph libraries to determine what was under the ground. The lessee received a higher risk/reward as a result, so that the usual revenue split was one-eighth to the lessor (royalty owner) and seven-eighths to the lessee (the driller or operator). As the risk of finding oil and gas has diminished over time, due to the prevalence of wells delineating the field, better seismic technology to find oil and gas, and drilling rigs becoming more efficient, royalty owners on more recent leases have received 3/16

or even ¼. Oil and gas companies through legislation or creative accounting practices have tried to keep as much as possible. These accounting practices are the heart of every oil and gas royalty owner case. Arkansas law requires that the unleased royalty owner receive a minimum of one-eighth royalty interest. A.C.A. § 15-72-304(d) and § 15-72-305 (a)(6).

48. Like Defendants, lessees have historically shrouded the production and accounting processes in secrecy, depriving the royalty owners of critical information, have developed a myriad of entities to manipulate the selling price so that the lessees (through third parties sweetheart contracts or affiliates) receive a higher price for products than the royalty owners, have "nickel-and-dimed" the royalty owners by taking numerous deductions so that the royalty owners pay some of the lessee's expenses in producing a marketable product, and have hired legions of talented lawyers and experts to try to justify dubious practices, all the while generating record industry profits. As a result, the royalty owner is at the mercy of the lessee who may breach the oil and gas lease with impunity. Amazingly, these one-sided, half-century long deals can never (as a practical matter) be breached by the royalty owner. In fact it is the practice of Vernon L. Smith and Associates, Inc. to only have the lessors sign mineral leases, not the lessee. So the lessee can breach, and if caught, can bludgeon a settlement between what it should have paid and zero, thus making the breach worthwhile.

49. The lessee can pay a lower price or make a deduction, and the royalty owner has no way of knowing. If after years one or more of the royalty owners learn of the "breach", the royalty owner has only three options: (1) confront the lessee and maybe get paid while the lessee continues to steal from thousands of other unknowing royalty owners; (2) do nothing since it only results in a modest yearly loss to them and individual litigation is too expensive to pursue for that; or (3) file a class action lawsuit which will last for years and may not recover the full

loss. In short, if lessee breaches, it may never get caught and if lessee does get caught, lessee will still come out ahead since cases rarely conclude in a manner that requires repayment of royalty owners of 100% of all underpayments plus what lessee earned in the interim by keeping and using the money that had not been paid when owing. The class action is the best of the options, hence this suit.

THE ACQUISITION OF MINERAL LEASES

50. Starting in early 2005 there was a land rush in Arkansas where natural gas exploration companies, speculators, landmen, and others blanketed the central Arkansas hills and enticed uninformed mineral owners to sign mineral leases with a $50.00 per acre bonus and one-eighth (12 ½%) royalty income. As the intensity of the land grab increased so did the price. At its peak of activity in late 2008 it was not uncommon for mineral owners to receive in excess of $2,000.00 per acre for a lease bonus and in excess of one-fifth (20%) royalty. In January 2010 a newspaper reported lease bonus paid of $3,700.00 per acre with a 25% royalty.

51. The term "Lease Bonus" refers to the amount paid per acre as an incentive for the owner to lease their mineral acres to the exploration company. The term "Net Royalty" refers to a royalty amount from which post production costs are deducted. "Gross Royalty" generally means royalty free of post production costs. Post production costs include but are not limited to compression, dehydration, marketing and transportation to market. Not all natural gas is of the same quality. Some natural gas has a higher BTU content that other natural gas. Likewise, some natural gas may have too much moisture and must be dehydrated before it is placed in the pipeline. Once the gas comes out of the ground it must be transported for compression, dehydration and other processes by gathering lines.

PIPELINES AND PROCESSING

52. Gathering pipelines are made of metal that could be corroded by any remaining water vapor in the gaseous mixture, so a glycol dehydrator is used to remove the water vapor ("dehydrator cost"). Of course, gas cannot move unless it is pressurized, so large gas compressors are installed to compress the gas down the gathering line. The gas must be pressurized high enough to overcome the back pressure in the line and friction. These compressors are expensive and require fuel to operate (together, "gathering or field compression costs"). The gathering pipelines themselves cost money to lay and maintain ("gathering cost"). Gas condensate (gas condensed into liquid as it cools) is collected at points along the gathering line as a result of cleaning or "pigging the line" ("condensate"), and is captured for later fractionation. Finally, gathering lines leak, especially as they age, resulting in lost and unaccounted for gas ("lug").

53. Once the gas mixture is gathered from a sufficient number of wells, it enters the inlet of the processing plant. Sometimes the processing plant is owned by an unrelated third party and sometimes it is not. Sometimes other impurities in the mixture must be removed such as carbon dioxide, nitrogen, or sulfur ("treatment costs"). Methane gas (sometimes called "residue gas") must meet the quality standards for long-haul pipeline transmission set by the Federal Energy Regulatory Commission (FERC) which is called "pipeline quality gas." This total processing system involves expensive equipment and requires fuel to operate (collectively, the "processing charge").

SALE OF PRODUCTS - PRICE MANIPULATION

54. To turn the gas products into money the producer sells them. One would expect that such sales would occur in the commercial marketplace in arms-length transactions. But

many producers do something other than that in an effort to improperly skim revenue from royalty owners by selling the gas stream to an affiliate for less than fair market value.

Affiliated service companies may be used before the products are placed in marketable condition.

55. Some lessees contract with affiliated gathering companies or other affiliated gas service providers before the products are in marketable condition in an effort to artificially, and improperly, create a commercial market where none exist in order to justify the deducting cost from, or paying less for natural gas and its by products.

Affiliated marketing companies may be used after the products are placed in marketable condition.

56. Lessees also use affiliated marketing companies in order to get a higher price for the gas but not share that higher price with their royalty owners. Often affiliated marketing companies charge a "brokerage fee" and in other instances they buy the gas at the index price or lower and sell it at a higher price. When gas is sold to an affiliate the gas used in the royalty accounting is less than the fair market price that the affiliate eventually receives for sale of gas to a third party in an arms-length sales price. Because an improper lower price is used as the starting point, the royalty payments are lower than they would have been in an arms-length transaction. Upon information and belief, the Chesapeake and BP Defendants sold Plaintiff's gas and that of other class members to one or more of its affiliates. Upon information and belief, Defendants priced gas for royalty calculations through formulas that include both prices received from unrelated third parties (which may also have price reduction clauses for other "services" that should not be deducted from royalty owners) and also prices received from sales to affiliates, so that the price paid to royalty owners is improperly low.

Pricing mechanisms

57. The starting price for gas products is most often established by the lessee through a "weighted average sales price" or an "index price". Both of these mechanisms can be manipulated to the benefit of the lessee and to the detriment of the royalty owner.

Weighted average sales prices

58. The "weighted average sales price" involves a pool of sales transactions to third parties and or affiliates and combines the price paid by those third parties to arrive at a "weighted average sales price". Lessees manipulate this process by using affiliate sales transactions to create a defacto lower price for royalty owners and by selling volumes of lessee owned gas for prices included in the pool. The problem with affiliate sales used in the pool is no different than just using a single affiliate sale to establish the price used for royalty interest; it lowers the average price. The problem with the lessees mixing sales of their own gas (even if the sales are to third parties) with gas covered by leases operated by the lessee is that the lessee uses different sales pools, then arrange and rearrange the source of participate prices, at lessee's discretion. Lessees assign their own gas to a pool with a higher combination of prices (so they get higher prices with no royalty owner payment due) and royalty owner gas is assigned to pools with lower prices (so the lessee pays a royalty on a lower price to the royalty owner). Liability attaches to the lessee when the lessee manipulates the participants, composition, timing and weighting of the pool to its advantage and royalty owner's detriment. It is presently unclear, without discovery, whether the Chesapeake and BP Defendants manipulate the pool pricing to the detriment of royalty owners; however, it is clear that affiliate sales prices are used by the Chesapeake and BP Defendants, along with non-affiliate prices, to calculate royalty pricing and this results in improperly low prices as discussed above.

Index pricing

59. There are multiple sources of published index prices. Those index prices do not shield lessee from liability where the actual first third party sales prices enjoyed by the lessee is above the index price. Those index prices also provide no relief from liability where lessee manipulates the selection from among various index prices to achieve an artificially low price, colludes on prices submitted to an index, or when the lessee creates a pool of index prices and manipulates the use of pools in the same fashion described for the "weighted average sales price".

Delayed Volume Exchanges (barrel-back deals)

60. Lessees will engage in multiple simultaneous or closely timed transactions to effectively lower the "starting price" used to pay royalty interest. Under one scheme, lessee will take one sales price from a third party at a point closer to processing, and simultaneously agree that the lessee can purchase the same volume for the same price (or slightly altered to reflect transportation cost after processing) at a distant point where a commercial market exists. Lessee then sells the "exchanged volume" at the commercial market for a higher price and the royalty owner is none-the-wiser. In the oil production business this has been dubbed the "barrel-back deal" --- sell a barrel in one place and get a barrel back in another.

DIFFERENT WAYS CHESAPEAKE AND BP DEFENDANTS (LESSEES) UNDERPAY ROYALTY OWNERS

61. The extraordinary large dollars at stake and the one-sided nature of the gas lessor-lessee relationship are constant temptations to lessees to cheat. All payment formulas, affiliate and non-affiliate contractual relationships, and all calculations are exclusively in the control of lessees, and they involve secret accounting and operational practices. As a result, there are many ways royalty owners are underpaid on their royalty interest and they are non-the wiser. The

common thread through all these schemes is that they are typically buried in the internal lessee accounting systems or royalty-payment formulas.

62. The Chesapeake and BP Defendants pay for gas and its constituents by representing on the common checkstub form sent to Plaintiff and class members certain information to all royalty owners, such as each royalty owner's interest (which is not in dispute here), and the following accounting entries which are disputed for each gas stream constituent: (Volume x quality) x (price) - (deductions, including taxes).

63. Upon information and belief, the Chesapeake and BP Defendants underpaid Plaintiff and the class in one or more of the following ways without limitation:

a) Improperly deduct processing fees related to obtaining marketable natural gas. Natural gas royalties should be paid only on arms-length sales. The Chesapeake and BP Defendants should account for any differences between what proper pricing would yield and pricing actually used.

b) Plaintiff and class members wells produced heavy hydrocarbons that condense in the pipeline and are recovered but the Chesapeake and BP Defendants failed to pay any royalty for that condensate.

c) The starting price paid for natural gas is too low because of, among other things, self dealing sales prices to affiliates being included among the prices used for royalty calculation purposes;

d) The volume paid to royalty owners and reflected on their checkstubs is less than is produced from the wells because of, among other things, the Chesapeake and BP Defendants improperly deduct in-kind gas used in the gathering and processing, and lost gas in the gathering line; and

e) Deducting (in-kind) costs for placing the gas in marketable condition, such as gathering, treating, conditioning, dehydrating, compressing, processing, or other deductions is improper;

FRAUDULENT CONCEALMENT, LACK OF DISCOVERY, ESTOPPEL AND CONTINUOUS CONDUCT

64. Plaintiff and the class incorporate by reference the allegations in paragraphs 1 through 63 hereinabove.

65. The Chesapeake and BP Defendants represented to Plaintiff and class members on their checkstubs that a proper accounting had been made, but through a series of common omissions and misrepresentations, in fact, Plaintiff and the class did not receive a proper accounting.

66. The Chesapeake and BP Defendants also secretly carried out their scheme to underpay Plaintiff and the class members an amount less than the full and appropriate royalty payments.

67. Because of the Chesapeake and BP Defendants misrepresentations, omissions, and general scheme to conceal its underpayments, Plaintiff and the class did not become aware, and could not have become aware through the exercise of reasonable diligence, that such schemes were in existence. Therefore, Plaintiff and class are entitled to toll the applicable statutes of limitations, whether contractual, statutory or common law, based upon the doctrines of fraudulent concealment, discovery rule, continuing conduct, and estoppel.

COUNT I - ALTER EGO (CLASS I AND II)

68. Paragraphs 1 through 67 are incorporated by reference herein word for word.

69. Plaintiff and the class seek to have a judicial determination that Chesapeake Energy Corporation; Chesapeake Energy Marketing, Inc.; Chesapeake Exploration, L.L.C.; Chesapeake Midstream Gas Services, L.L.C.; Chesapeake Midstream Operating, L.L.C.; Chesapeake Exploration Limited Partnership and Chesapeake Operating, Inc. are in fact the alter ego of one another. The Chesapeake Defendants have interlocking officers and directors. Furthermore, all of the Chesapeake Entities roll up into Chesapeake Energy Corporation, the parent of all of the other Chesapeake Defendants. Upon information and belief one of the reasons for having multiple entities is to thwart discovery, shield liability, and provide an

additional layer of secrecy and complexity to deter royalty owners from obtaining full compensation.

70. BP America, Inc., BP, Inc. and BP America Production Company as well as BP Energy Company all either share common ownership or sister companies, parent or subsidiary companies that share officers, directors and resources. Accordingly, for purposes of this litigation the Plaintiff class members seek a judicial determination that BP America, Inc.; BP America Production Company and BP Energy Company are the alter ego of one another.

COUNT II - JOINT VENTURE (CLASS I AND II)

71. Paragraphs one (1) through seventy (70) are incorporated herein by reference word for word.

72. The Chesapeake and the BP Defendants are engaged in joint venture with respect to at least twenty-five percent (25%) of the Chesapeake Defendants' mineral leases, gas wells and other assets in what is known as the Fayetteville Shale Play.

73. Upon information and belief the BP Defendants conducted due diligence inquiry and had knowledge of the facts alleged herein prior to consummating the joint venture with the Chesapeake Defendants.

74. The Chesapeake Defendants and the Landmen were and are now engaged in a business relationship whereby the Landmen act in a joint venture or agency capacity.

75. All Defendants herein should be jointly and severally liable for any and all damages awarded in this case.

COUNT III - UNAUTHORIZED PRACTICE OF LAW (CLASS I)

76. Paragraphs one (1) through seventy-five (75) are incorporated herein by reference word for word.

77. Vernon L. Smith and Associates, Inc. engaged in the unauthorized practice of law in the State of Arkansas by drafting, negotiating, explaining, encouraging and otherwise facilitating the acquisition of Arkansas mineral leases.

78. Upon information and belief Vernon L. Smith and Associates, Inc. is not a law firm engaged in the private practice of law in Arkansas. Vernon L. Smith and Associates, Inc. acted as an agent of the Chesapeake Defendants.

79. Upon information and belief the Chesapeake and BP Defendants are not engaged in the private practice of law in Arkansas.

80. As an alternative to all other relief requested herein, Plaintiff and class members request rescission of the mineral leases obtained by Vernon L. Smith and Associates, Inc.

COUNT IV - UNCONSCIONABLE CONTRACTS (CLASS I)

81. Plaintiff and the class members incorporate by reference the allegations contained in paragraphs one (1) through eighty (80) hereinabove.

82. Plaintiff and members of the class enter into written gas leases with the Chesapeake and BP Defendants and those leases include implied covenants requiring the Chesapeake and BP Defendants to place the gas and its constituent parts into "marketable condition". The leases also place upon the Chesapeake and BP Defendants the obligation to properly account for and pay royalty interest to royalty owners. A true and correct mineral lease between the Plaintiff and Chesapeake Exploration Limited Partnership is attached hereto as Exhibit "1" and incorporated word for word herein. It is the Defendants practice to have the mineral owner sign the lease but the Defendants do not sign leases.

83. Separate Defendant herein, Chesapeake Operating, Inc. provides a checkstub to the Plaintiff and the class in a form similar to that attached as Exhibit "3" and incorporated herein

by reference word for word. The checkstub provided by Chesapeake Operating, Inc. contains a statement as follows:

> Gross value refers to the sales prices received by the operator/lessee before deduction of taxes. It may reflect the price received from an affiliate purchaser. Deduct refers to the deductions identified in the deduct code below and are limited to taxes or deductions made by the operator/lessee. Deductions made by the purchaser/transporter are not shown.

The Chesapeake Operating, Inc. checkstub dated October 29, 2009 does not show any "deducts".

84. Plaintiff received a checkstub from BP America (or one of its sister companies, affiliates or subsidiaries) on or about October 20, 2009 for the same wells reflected on the Chesapeake Operating, Inc. statement of October 29, 2009. The BP checkstub is attached hereto as Exhibit "4" and incorporated herein by reference word for word. The checkstub from BP America, Inc. indicates that mainline transportation expenses and post production and processing costs are being deducted from Plaintiff's royalty revenue. In fact, approximately 26 % of Plaintiff's royalty revenue is taken by mainline transportation and post production processing costs.

85. The Defendants have superior knowledge of the gas industry and presented Plaintiff and class members with mineral leases that are adhesion contracts with conflicting ambiguous terms.

86. The mineral leases failed to disclose any details of deductions from the royalties and selling price manipulation.

87. As a result, Plaintiff and the class members have been damaged through underpayment by the amount of such deductions and selling price manipulation.

COUNT V (CLASS II)

VIOLATION OF THE ARKANSAS DECEPTIVE TRADE PRACTICES ACT (A.C.A.§4-88-107(a)(1), (8), (10) AND (b), et al

88. Paragraphs one (1) through eighty-seven (87) are incorporated by reference herein word for word.

89. Plaintiff and class members affirmatively plead a count of violation of the Arkansas Deceptive Trade Practices Act more particularly described as A.C.A.§4-88-101, et seq. Plaintiff and class members particularly direct Defendants to A.C.A.§4-88-107 as follows:

> (a) Deceptive and unconscionable trade practices made unlawful and prohibited by this chapter including, but are not limited to, the following:
> (1) Knowingly making a false representation as the characteristics, ingredients, uses, benefits, alterations, source, sponsorship, approval, or certification of goods or services, or as to whether goods are original or new, or of a particular standard, quality, grade, style or model;
> (8) Knowingly taking advantage of a consumer who is reasonably unable to protect his or her interest because of physical infirmity, ignorance, illiteracy, inability to understand the language of the agreement, or a similar factor;
> (10) Engaging in any other unconscionable, false or deceptive act or practice in business, commerce, or trade.
> (b) The deceptive and unconscionable trade practices listed in this section are in addition to an do not limit the types of unfair trade practices actionable at common law or under other statutes of this state.

90. All Defendants herein have allegedly violated the Arkansas Deceptive Practices Act for the reasons set forth hereinabove. Attached hereto as Exhibit "5" is Plaintiff's check-stub for the well for which she receives royalties as a result of being integrated.

91. A.C.A. §4-88-113, et al sets forth the civil enforcement for violations of the Arkansas Deceptive Practices Act and Plaintiff and class members request the maximum amount allowable by law for damages herein, as well as reasonable attorneys fees.

COUNT VI - BREACH OF STATUTORY DUTY OF GOOD FAITH PRUDENT OPERATOR STANDARD, A.C.A. § 15-73-207 (CLASS II)

92. Paragraphs one (1) through ninety-one (91) are incorporated herein word for word.

93. The Chesapeake and BP Defendants have a statutory duty to the Plaintiff and class members to accurately pay royalties associated with the production of natural gas and its constituent parts, pursuant to A.C.A. § 15-73-207.

94. Upon information and belief the acts and omissions referred to herein constituted breaches of statutory duty of good faith prudent operator standard by the Chesapeake and BP Defendants.

COUNT VII- BREACH OF THE IMPLIED COVENANTS OF GOOD FAITH AND FAIR DEALING (CLASS I AND II)

95. Paragraphs one (1) through ninety-four (94) are incorporated herein word for word.

96. All Defendants herein are bound by Arkansas law to act in good faith and deal fairly with Plaintiff and class members.

97. Upon information and belief the acts and omissions referred to herein constitute breaches of the implied covenants of good faith and fair dealing.

COUNT VIII - UNJUST ENRICHMENT (CLASS I AND II)

98. Plaintiff and the class incorporate by reference all of the allegations contained in paragraphs one (1) through ninety-seven (97) hereinabove.

99. Defendants received or retained monies due and owing to Plaintiff and the class.

100. The existence and ongoing retention of these monies by the Defendants affected an immediate and measureable increase in the Defendants' cash, revenue and profits.

101. The Defendants' retention of such monies is unjust and unwarranted for all the reasons set forth herein and damaged Plaintiff and the class.

COUNT IX - ACCOUNTING (CLASS II)

102. Plaintiff and the class incorporate paragraphs one (1) through one hundred one (101) hereinabove by reference word for word.

103. Plaintiff and the class seek an equitable accounting of such monies paid and all deductions therefrom and disgorgement of such monies underpaid and for excessive deductions, including recovery for monies wrongfully retained at the highest interest allowed by law whether that be at Defendants' internal rate of return or some other rate under applicable case law or equitable principals.

COUNT X (CLASS II)

TREBLE DAMAGES AND ATTORNEYS FEES FOR UNDERPAYMENT

104. Paragraphs one (1) through one hundred three (103) are incorporated herein by reference word for word.

105. A.C.A. § 15-74-708 states as follows:

> (a) Any leaseholder or operator who contracts for the sale of gas or oil to any pipeline company or other purchaser, under and by virtue of the terms of which the lessee receives a greater amount than the royalty owners in proportion to interest therein, or receives a bonus or by any other means conspires with a purchaser to receive from the sale of the oil and gas more than his just proportionate share therefrom shall forfeit his rights in and to the leasehold premises.
>
> (b) And any pipeline company or other purchaser of oil and gas who contracts with any lessee as above set out to the injury of the royalty owners shall forfeit to the royalty owners treble value of the amount of oil or gas runs thus wrongfully taken from the royalty interest.

106. In addition, or as an alternative to all other damages alleged herein, Plaintiff and the class members are entitled to treble damages on all underpayments of royalties herein.

DEMAND FOR JURY TRIAL

107. Plaintiff and the class pray for a jury trial on all issues in this case.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff and the class members pray for an order and judgment against the Defendants jointly and severally in amounts greater than required for federal court jurisdiction in diversity of citizenship cases as follows:

a) Certifying this action pursuant to Fed.R.Civ.Pro.23., as a class action with reasonable notice to be given to members of both classes;

b) As to Class I, declaring that the Vernon L. Smith leases are void or voidable, or award Plaintiff and the class reformation of the mineral leases.

c) As to Class II, award damages from Defendants' Breaches of Good Faith or Fair Dealings, violation of the Arkansas Deceptive Practices Act, Unjust Enrichment, Breach of the Statutory Duty of Good Faith Prudent Operator Standard, including but not limited to, disgorgement, interest at the highest allowable rate (such as lawful, equitable, or internal rate of return), and compensatory damages; for treble damages; for an accounting of underpayments, non-payments, and wrongful deductions regarding Plaintiff and the class, and permanently enjoining the Defendants from continuing to engage in the unlawful conduct described herein;

d) Granting Plaintiff and the class the cost of prosecuting this action together with reasonable attorneys fees out of the recovery; and

f) Granting such other relief this Court may deem just, equitable and proper under the circumstances.

Respectfully submitted,

Grayson & Grayson, P.A.
P. O. Box 1447
Heber Springs, AR 72534
501-206-0905

By: _____
Keith L. Grayson, AB#91014

Hicks Law Firm
111 Center St., Suite 1200
Little Rock, AR 72201
501-371-0068

By: _____
Charles R. Hicks, ABA #79087

1530A

2006 05256

CERTIFICATE OF RECORD
STATE OF ARKANSAS COUNTY OF WHITE
I CERTIFY THAT THIS INSTRUMENT WAS FILED FOR RECORD
AND IS RECORDED AS STAMPED HEREON.
DATE 3-22-06 TIME 11:15 AM
BOOK PAGE
TAMMY KING, WHITE COUNTY CIRCUIT CLERK
Martha Crusher D.C.

OIL AND GAS LEASE
(Arkansas — Paid-up)

This instrument was prepared by:
Vernon L. Smith and Associates, Inc.
P.O. Box 720053
Norman, OK 73070

THIS AGREEMENT made and entered into this 6th day of January, 20 06, by and between.

Travis B. Vanoven and Cherie L. Vanoven, husband and wife

436 Foster Chapel Road

Searcy, AR 72143

hereinafter called Lessor and **Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership, P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496,** hereinafter called Lessee.

WITNESSETH, that Lessor, for and in consideration of the sum of Ten and more Dollars ($10.00 & more) in hand paid, and of the covenants and agreements hereinafter contained to be performed by the Lessee, does hereby grant, demise, lease and let unto said Lessee exclusively the hereinafter described land, for the purpose of carrying on geological, geophysical, seismic, and other exploration work, and drilling and operating for, producing and saving all of the oil, gas, (including casinghead gas, coal seam gas, coal bed methane gas, helium and all other constituents) and other hydrocarbons, all that certain tract of land, together with any reversionary rights therein situated in the County of White State of Arkansas, and described as follows:

Part of SE/4 SW/4, less outsales

of Section 29, Township 8 North, Range 7 West, and containing 1.00 acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by Lessor, all of the foregoing land being hereinafter referred to as leased premises. It is the intention of the Lessor herein that the leased premises cover and include all lands owned or claimed by Lessor in the above numbered governmental section or sections together with any and all accretions thereto whether or not herein accurately and completely described.

1. This lease shall remain in force for a primary term of Five (5) years and as long thereafter as oil, gas or other hydrocarbons are produced from said leased premises or from lands pooled therewith.

2. Lessee shall deliver, free of cost, to Lessor at the wells, or to the credit of Lessor in the pipeline to which the wells may be connected, the equal 15% part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or at Lessee's option, to pay Lessor for such 15% royalty the market price at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.

3. Lessee shall pay or, if required by law, contribute to be paid to Lessor 15% of the net proceeds realized by Lessee for all gas (including all substances contained in such gas) produced from the leased premises and sold by Lessee, less Lessor's proportionate share of taxes and all costs incurred by Lessee in delivering, processing, compressing or otherwise making such gas or other substances merchantable or enhancing the marketing thereof. If such gas is used by Lessee off the leased premises or used by Lessee for the manufacture of casinghead gasoline or other products, Lessee shall pay Lessor 15% of the prevailing market value at the well for the gas so used.

4. If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate therefrom, is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this Lease will continue in force during all of the time or times while such shut-in well is so shut in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor within 45 days after the expiration of each period of one year length (annual period) during which such well is so shut in, a royalty of One Dollar ($1.00) per net royalty acre retained hereunder as of the end of such annual period; provided that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if, at the end of any such annual period, this Lease is being maintained in force and effect otherwise than by reason of such shut-in well, Lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this Lease. Lessee's failure to pay or tender such payment, for any reason, shall render Lessee liable for the amount due, but shall not operate to terminate this lease. Such payment shall be made or tendered to Lessor at the above address or to their successors. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall govern the determination of the party or parties entitled to receive such payment.

5. Lessee hereby is given the right at its option, at any time and whether before or after production, to pool for development and operation purposes all or any part or parts of the leased premises or rights therein with any other land in the vicinity thereof, or with any leasehold, operating or other rights or interests in such other land so as to create units of such size and surface acreage as Lessee may desire but containing not more than forty-five (45) acres; provided, however, a unit may be established hereunder containing not more than 640 acres plus 10% acreage tolerance if unitized only as to gas rights or only as to gas and gas-condensate, except that units pooled for oil or oil and gas for or in conjunction with repressuring, pressure maintenance, cycling and secondary recovery operations or any one or more of same, may be formed to include no more than 320 acres. If at any time larger units are required under any then applicable law, rule, regulations or order of any governmental authority for the drilling, completion or operation of a well, or for obtaining maximum allowable for any contemplated, drilling or completed well, any such unit may be established or enlarged to conform to the size specified by such law, rule, regulation or order.

Operations on any part of any lands so pooled shall, except for the payment of royalties, be considered operations on leased premises under this Lease, and, notwithstanding the status of a well at the time of pooling, such operations shall be deemed to be in connection with a well which is commenced on leased premises under this Lease. The term "operations" as used herein shall include, without limitation, the following: Commencing, construction of roadways, preparation of drillsite, drilling, testing, completing, reworking, recompleting, deepening, plugging back, repressuring, pressuring maintenance, cycling, secondary recovery operations, or the production of oil or gas, or the existence of a shut-in well capable of producing oil or gas.

There shall be allocated to the portion of leased premises included in any such pooling such proportion of the actual production from all lands so pooled as such portion as leased premises, computed on an acreage basis, bears to the entire acreage of the lands so pooled. The production so allocated shall be considered for the purpose of payment or delivery or royalty to be the entire production for the portion of leased premises included in such pooling in the same manner as though produced from such portion of leased premises under the terms of this Lease.

6. If the Lessor owns a lesser interest in the above-described land than the entire and undivided mineral estate therein, then the royalties herein provided for shall be paid the said Lessor only in the proportion which his interest bears the whole and undivided mineral estate.

7. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is hereby expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or the minerals in and under the same or assignment of royalties shall be binding on Lessee unless Lessee shall have been furnished ninety (90) days before payment hereunder of such royalties, with certified copies of recorded instruments showing evidence of title.

[redacted]

8. Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations, except water from the wells of the Lessor. When required by the Lessor, the Lessee shall bury its pipelines below plow depth and shall pay reasonable damages for injury by reason of its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to any house or barn or other structure on said premises as of the date of this Lease without the written consent of the Lessor. Lessee shall have the right at any time during, or after the expiration of this Lease to enter upon the property and to remove all machinery, fixtures, and other structures placed on said premises, including the right to draw and move all casing, but the Lessee shall be under no obligation to do so.

9. Notwithstanding anything contained in this Lease to the contrary, it is expressly agreed that if the Lessee shall commence operations as provided herein at any time while this Lease is in force, this Lease shall remain in force and its terms shall continue so long as such operations are prosecuted, and if production results therefrom, then as long as production is maintained.

10. If, after the expiration of the primary term of this Lease, production on the leased premises should cease from any cause, this Lease shall not terminate provided Lessee commences operations for additional drilling or reworking within sixty (60) days from such cessation, and this Lease shall remain in force during the prosecution of such operations and if production results therefrom, then as long as production is maintained.

11. Lessee may at any time surrender or cancel this Lease in whole or in part by delivering or mailing such release to the Lessor, or by placing such release of record in the proper County. In case this Lease is surrendered or cancelled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of this Lease as to the portion cancelled shall cease. As to the portion of the acreage not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

12. All provisions hereof, express or implied, shall be subject to all Federal and State Laws and the orders, rules, and regulations of all governmental agencies administering the same, and this Lease shall not in any way be terminated wholly or partially, nor shall the Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure accords with any such laws, orders, rules or regulations. Should the Lessee be prevented during the last year of the primary term hereof from drilling a well hereunder by the order of any constituted authority having jurisdiction, or if Lessee shall be unable during said period to drill a well hereunder due to the equipment necessary in the drilling thereof not being available for any cause, the primary term of this Lease shall continue until one year after said order is suspended or said equipment is available.

13. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee, at its option, may pay or discharge in whole or in part any taxes, encumbrances, or other liens existing, levied or assessed against the above-described lands, and in the event Lessee exercises such option it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying any royalty accruing hereunder to the amount of any such encumbrance, tax or other lien paid by Lessee.

14. Lessee hereby is given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in leased premises which Lessee or any other party contends is outstanding and not covered hereby and even though such outstanding interest or claim be invalid or adverse to Lessor. In the event the validity of this Lease be disputed by Lessor or by any other person, then, for the period such dispute remain undisposed of, Lessee shall be relieved of all obligations hereunder to explore or develop leased premises; all royalties or other payments which would otherwise accrue shall be suspended for such period; and this Lease automatically shall be extended for an additional period equal to the duration of such period.

15. If at any time within the primary term of this Lease and while the same remains in force and effect, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional Lease (top lease) covering all or part of the afore-described lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must be set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such Lease, and include a copy of the Lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt, from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election into an oil and gas Lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer.

16. It is specifically understood that each wife and husband named herein and executing this Lease, for the consideration above set out, and the covenants and agreements contained in this Lease to be performed by the Lessee, does hereby release and relinquish unto said Lessee, all right of dower, curtesy and homestead in and to the lands covered hereby for the purpose of this Lease.

17. This Lease and all its terms, conditions and stipulations shall extend to and be binding on all successors in title of said Lessor or Lessee.

18. It is the intent of the Lessor to lease all of Lessor's interest in and to the Section described herein, whether or not the tracts recited hereon are properly described, and further it is understood that this lease includes all rights owned by the Lessor in this section whether or not correctly described and any other properties owned by the Lessor in the drilling and spacing unit for this well. Including without limitation, strips, gores, alleyways, roadways, accretions and avulsions.

See Exhibit "A" attached hereto and made a part hereof.

IN WITNESS WHEREOF, this Lease is executed as of date first set out herein above.

Travis B Vanoven
Lessor: **Travis B. Vanoven**

Tax ID/SS#:

Cherie L. VanOven
Lessor: **Cherie L. Vanoven**

Tax ID/SS#:

ACKNOWLEDGEMENT

STATE OF Arkansas

COUNTY OF Perry

Before me, the undersigned Notary Public in and for the above county and state, on this day personally appeared **Travis B. Vanoven and Cherie L. Vanoven, husband and wife,** known to me to be the person(s) whose name (s) is/are subscribed to the foregoing instrument, and acknowledged that he/she/they executed the same as his/her/their free and voluntary act and deed for the purposes and consideration therein expressed, including the relinquishment of curtesy, dower, and homestead.

Given under my hand and seal of office this 17th day of Jan, 2006.

My Commission Expires:
10-20-15

James G Bynum
Notary Public

SEAL

JAMES G. BYNUM
Perry County
My Commission Expires
October 20, 2015

2006 05258

Exhibit "A"

Exhibit "A" attached hereto and made a part of that certain Oil and Gas Lease dated January 6, 2006, by and between Travis B. Vanoven and Cherie L. Vanoven, husband and wife, as Lessor, and Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership, as Lessee.

Lessee is hereby given the exclusive right and option to extend the primary term of this lease as to all or any portion of the land covered hereby for an additional five (5) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the original primary term hereof by paying the sum **$350.00** per net mineral acre to Lessor and other parties designated by Lessor. Payment shall be considered made and option exercised by mailing payment to last known address of Lessor and or assigns. If this option is exercised as to just a portion of the acreage, Lessee shall execute and place of record an instrument identifying the land as to which the option has been exercised. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of ten (10) years.

Signed for Identification: Travis B. Vanoven
Travis B. Vanoven

Signed for Identification: Cherie L. Vanoven
Cherie L. Vanoven

C-O-R-R-E-C-T-I-O-N
ARKANSAS OIL AND GAS COMMISSION
2215 WEST HILLSBORO
P.O. BOX 1472
EL DORADO, ARKANSAS 71731-1472

ORDER NO. 212-2007-05 (Correction) **May 30, 2007**

General Rule B-43 Well Spacing Area
White County, Arkansas

INTEGRATION OF A DRILLING UNIT

After due notice and public hearing in Fort Smith, Arkansas, on May 22, 2007, the Arkansas Oil and Gas Commission, in order to prevent waste, carry out an orderly program of development and protect the correlative rights of each owner in the common source(s) of supply in this drilling unit, has found the following facts and issued the following Order.

STATEMENT OF THE CASE

Chesapeake Energy Corporation (the "Applicant") filed its application for an Order pooling and integrating the unleased mineral interest(s) and/or uncommitted leasehold working interest(s) of certain parties named therein who have failed to voluntarily integrate their interest(s) for the development of the unit comprising of Section 29, Township 8 North, Range 7 West, White County, Arkansas.

The Applicant presented proof that they had attempted unsuccessfully to acquire voluntary leases and/or other agreements for consideration or on terms equal to that otherwise offered and paid for similar leases or leasehold interest(s) in this drilling unit.

At the request of the Applicant, the following parties were dismissed by the Commission, regardless of whether the party or parties are listed as unleased mineral interest(s) or uncommitted leasehold working interest(s) to be integrated:

> Willie F. Stowe & Martha J. Stowe; Kathleen Davis; Benita Gail Light; Estate of Frieda Meharg; Robin R. Douglas;Jason McInturff; Stephanie McInturff

FINDINGS OF FACT

From the evidence introduced at said hearing, the Commission finds:

1. That the Applicant has proposed to drill a well within a drilling unit (Unit) that the Commission has previously established, consisting of Section 29, Township 8 North, Range 7 West, White County, Arkansas containing 640 acres, more or

less.

2. The Applicant plans to drill such well (the "initial well") to an estimated depth of 9112 feet to test the Formation and any intervening formations for the production of hydrocarbons.

3. The requested Model Form Joint Operating Agreement employed by the Applicant and proposed to the owners set out in Finding Nos. 5 and 6 (if any) below, is in the form of A.A.P.L. Form 610-1982 Model Form Operating Agreement (JOA), completed, amended, and modified as adopted by the Commission on October 24, 2006.

4. The requested one-year term oil and gas lease (Lease) employed by the Applicant is in the form of Exhibit "B" of the JOA.

5. The unleased mineral interest(s) to be integrated are:

> The Estate of Nannie Simpson George; Willie F. Stowe & Martha J. Stowe; Bruce G. Wheeler & Debbie K. Wheller; Byron M. Harrison & Amber L. Harrison; Merlean Smith; Minnie E. Venhaus c/o Larry Thomoas or Susan Thomas; Kathleen Davis; Cindy Rainwater; Charles W. Greene & Mary Jane Green, Trustees of the Green Family Living Trust dated June 17,1998; Eugene Kennedy & Betty Jo Kennedy; Thomas Woodruff; The Estate of Afton French; Cecil E. McDaniel; Thomas McDaniel; Benita Gail Light; The Estate of Frieda Meharg; William M. Cariker; Robin R. Douglas; Russel D. Pike & Ashley D. Pike; Jason McInturff & Stephanie McIntruff; Billy Gene Carter; Mark S. Wright & Julie Wright; Joshua Reynolds; Dennis Wade Holden & Dayna S. Holden; Robert L. Gibbs; Bert Leland Timm & Cynthia Renee Timm; Roger D. Henry & Jean A. Henry; James R. Richardson; Beth A. Richardson, Richard C. Drummer, The Estate of Ed Stockton, Gerald D. Pruett and Inelta J. Pruett, Royce Free and Polly Free, Reba Light, The Estate of Pearl Meredith, Jeff Tinsley, and John Hollman.

and any unknown spouse, heir, devisee, personal representative, successor or assigns of said owners of unleased interests.

6. The uncommitted leasehold working interest(s) to be integrated are:

> Ark-Tex Energy Corporation; Antero Resources Corporation; Arkansas Energy Group, LLC; SEECO, Inc.

and any unknown spouse, heir, devisee, personal representative, successor or assigns of said owners of uncommitted leasehold interests.

7. The Applicant requests that any parties listed in Findings Nos. 5 and/or 6 (unless dismissed at the request of the Applicant in the Statement of the Case above) be integrated.

8. The alternatives for integrated parties are:

A. Unleased Mineral Interest(s) Alternatives:

1. Lease

Execute a lease covering the unleased mineral interest(s) with any party upon mutually agreed terms, provided that Applicant receives notice prior to the close of the "Election Period" provided in Paragraph No. 4 of the Order below (lessee would then be bound by he terms of this order as an uncommitted working interest owner, regardless of whether such owner is listed in Finding No. 6 above); or execute and deliver to the Applicant a Lease as identified in Finding No. 4 covering their unleased mineral interest(s) in the aforementioned Unit, for a cash bonus of $500.00 per net mineral acre as fair and reasonable compensation in lieu of the election to participate with a working interest in said Unit and that said-Lease(s) provide for a 1/5 royalty, and that each such owner thereafter be bound by the terms of said Lease, including for purposes of subsequent operations, (whether or not such owner actually executes such Lease) for so long as there is production of hydrocarbons from within the Unit. Applicant must tender said lease bonus within thirty (30) days of the date an election is made; if such payment cannot be made due to issues regarding marketability of title, then the Applicant shall pay said bonus into one or more identifiable trust accounts (which shall be accounts in a bank, savings bank, trust company, savings and loan association, credit union, or federally regulated investment company, and the institution shall be insured by an agency of the federal government); or if payment cannot be made for any other reason, then the Applicant may appear before the Commission to request an extension of time and the Commission may condition the granting of such extension upon payment of a reasonable sum which shall be paid as an additional bonus to the unleased mineral owner.

2. Participate in the initial well

Participate by paying their proportionate share in the costs of drilling, completing, equipping and operating the initial well, subject to the terms of the JOA, and that each such owner thereafter be bound by the terms of such JOA (whether or not such owner actually executes such agreement), including for purposes of subsequent operations, for so long as there is production of hydrocarbons from within the Unit; or

3. Elect "Non-Consent"

Neither execute a lease nor participate in said costs and become a "Non-Consenting Party" under the JOA with respect to the initial well, and be subject to all of the non-consent provisions thereunder, until the proceeds realized from the sale of such owner's share of production from the initial well, except 1/8th thereof, shall equal the total recoupment amount described in subparagraphs (a) and (b) of Article VI.B.2 of the JOA, with the non-consent penalty under Article VI.B.2(b) being 400% for the initial well and/or 400% for each subsequent well drilled on the Unit. Each such owner shall be bound by the terms of the JOA both before and after recovery of such recoupment amount and also for purposes of proposals for and the conduct of any and all subsequent operations within the Unit, for so long as there is hydrocarbon production from within the Unit. One-eighth (1/8th) of the revenue realized from the sale of such owner's share of production from the initial well, and any subsequent well proposed under the terms of the JOA in which such owner elects not to participate, shall be paid to such mineral interest owner from the date of first production at the times and in the manner prescribed by law for the payment of royalty; or

4. Failure to Make an Election.

Unleased mineral owners who fail to affirmatively elect one of the options listed in 8A above, shall be deemed integrated into the Unit and shall be compensated for the removal of hydrocarbons by the payment of a cash bonus of $500.00 per net mineral acre, and a 1/5 royalty.

B. Uncommitted Leasehold Working Interest(s) Alternatives:

1. Participate in the well

   Participate by paying their proportionate share in the costs of drilling, completing, equipping and operating the initial well, subject to the terms of the JOA, and that each such owner thereafter be bound by the terms of such JOA (whether or not such owner actually executes such agreement), including for purposes of subsequent operations, for so long as there is production of hydrocarbons from within the Unit; or

2. Elect "Non-Consent"

   Not participate and become a "Non-Consenting Party" under the JOA with respect to the initial well, and be subject to all of the non-consent provisions thereunder, until the proceeds realized from the sale of hydrocarbons allocable to the mineral interest subject to said parties' leasehold interest(s) in the initial well, exclusive of reasonable leasehold royalty, shall equal the total recoupment amount described in subparagraphs (a) and (b) of Article VI.B.2 of the JOA, with the non-consent penalty under Article VI.B.2(b) being 400% for the initial well, and/or 400% for each subsequent well drilled on the Unit; or

3. Failure to Make an Election

   Uncommitted leasehold working interest(s) owners who fail to timely elect either alternative shall be deemed to have elected Alternative (B2), above.

9. Applicant requests that all parties listed in Finding Nos. 5 and/or 6 (unless dismissed at the request of the Applicant in the Statement of the Case above) be required to elect within **fifteen (15) days** after the effective date of the Order, unless, for cause shown, a shorter or longer period is approved. **ALL INTEGRATED PARTIES SHALL NOTIFY CHESAPEAKE ENERGY CORPORATION, P. O. BOX 18496 OKLAHOMA CITY, OK 73154-0496, IN WRITING, OF THE ALTERNATIVE ELECTED.**

10. That the Applicant should be designated to be the operator of the Unit described above.

11. That no objections were filed.

CONCLUSIONS OF LAW

1. That due notice of public hearing was given as required by law and that this Commission has jurisdiction over said parties and the matter herein considered.

2. That the land described in Finding No. 1 has been previously established as a drilling unit.

3. That this Commission has authority to grant said application and force pool and integrate the unleased mineral interest(s) and uncommitted leasehold working interest(s) of said parties under the provisions of Act No. 105 of 1939, as amended.

ORDER

Now, therefore, it is Ordered that:

1. INTEGRATION

   All of the unleased mineral interest(s) and/or uncommitted leasehold working interest(s) described in Finding Nos. 5 and/or 6 (unless dismissed at the request of the Applicant in the Statement of the Case above) within the Unit described in Finding No. 1 be and are hereby integrated into one unit for drilling and production purposes.

2. ALLOCATION OF PRODUCTION

   The hydrocarbons that are produced and saved from the well or wells assigned to the above described Unit shall be allocated to each separately owned tract embraced therein in the proportion that the acreage of such tract bears to the total acreage in the Unit and shall be considered as if produced from each such tract.

3. OPERATOR TO CHARGE COSTS

   The designated operator of the Unit shall have the right to charge to each participating party its proportionate share of the actual expenditures required for the costs of developing and operating the well in the manner set forth in Exhibit "C" of the JOA.

4. ELECTION OF ALTERNATIVES

Unleased mineral owners Beth A. Richardson, Richard C. Drummer, The Estate of Ed Stockton, Gerald D. Pruett and Inelta J. Pruett, Royce Free and Polly Free, Reba Light, The Estate of Pearl Meredith, Jeff Tinsley, and John Hollman shall have **15 days from June 6, 2006** (the "Election Period") to elect one of the alternatives as described in Finding No. 8 above; and all other owners of the unleased mineral and/or uncommitted leasehold working interests designated in Finding Nos. 5 and/or 6 above (unless dismissed at the request of the Applicant in the Statement of the Case above), in the aforementioned Unit shall have **fifteen (15) days** from the effective date of this order (the "Election Period") to elect one of the alternatives as described in Finding No 8 above. If no such election is made within the Election Period, the owners of unleased mineral interest(s) shall be deemed to have elected under Alternative A4 and uncommitted leasehold working interest(s) owners shall be deemed to have elected under Alternative B3, as described in Finding No 8. Any party choosing to participate or go non-consent or, who by the terms of this Order are deemed non-consent, shall be subject to the election period set forth in the JOA with respect to all subsequent wells drilled on the Unit.

5. RECEIPT OF VALUE OF PRODUCTION

A. Unleased Mineral Interest Owner(s)

In the event the owners of the unleased mineral interest(s) elect Alternative No. A3 (Non-Consent) described in Finding No. 8 above, then the value of the production proceeds attributable to such unleased mineral interest shall be subdivided and paid in accordance with the provisions of Order No. 6 as hereinafter set forth. The value of hydrocarbons produced shall be equal to the proceeds realized from the sale thereof at the well. Upon recoupment by the "Consenting Parties" (as defined in the JOA) of the total recoupment amount described in Finding No. 8A3 above, the production due the interest(s) of said parties shall be paid to them, their heirs, successors or assigns.

B. Uncommitted Leasehold Working Interest Owner(s)

In the event an uncommitted leasehold working interest owner under one or more valid lease(s) elects Alternative No. B2 (Non-Consent) described in Finding No. 8 above, the Consenting Parties shall have the right to receive the hydrocarbon production which would otherwise be delivered or paid to such uncommitted leasehold working interest owner under such lease(s) until such time as the proceeds realized from the sale of such production equals the total recoupment amount

described in Finding No. 8B2 above.

The leasehold royalty payable during the recoupment period shall be calculated on the basis of the rate or rates provided in each of the leases creating the rights temporarily transferred pending recoupment.

6. SUBDIVISION OF TRACT ALLOCATION

The revenue realized by the Consenting Parties from the sale of hydrocarbons shall be allocated among the separately owned tracts within the integrated unit and, pending recoupment of the costs and additional sum described at Paragraph No. 5 of this Order, shall be paid to the integrated parties as follows:

A. Unleased Mineral Interest Owner(s)

Unleased mineral interest owners who have elected under Alternative No. A3 (Non-Consent) described in Finding No. 8 above shall have the total allocation given to the tract subdivided into the working interest and royalty interest portions on the basis of seven-eighths (7/8th) of the total allocation being assigned to the working interest portion and one-eighth (1/8th) of the total allocation being assigned to the royalty interest portion.

B. Uncommitted Leasehold Working Interest Owner(s)

Leasehold royalty shall be paid according to the provisions of the valid lease(s) existing for each separately owned tract, except where the Commission finds that such lease(s) provide for an excessive, unreasonably high, rate of royalty, as compared with the royalty determined by the Commission to be reasonable and consistent with the royalty negotiated for lease(s) made at arm's length in the general area where the Unit is located, in which case the royalty stipulated in the second paragraph of Paragraph 5B of this Order shall be payable with respect to such lease(s).

7. RECORDS OF UNIT OPERATION

The designated Operator shall, upon request and at least monthly, furnish to the other parties any and all information pertaining to wells drilled, production secured and hydrocarbons marketed from the Unit. The books, records and vouchers relating to the operation of the Unit shall be kept open to the non-operators for inspection at reasonable times.

8. PAYMENT FOR PRODUCTION

During the period of recoupment, the revenue allocable to those owners of the integrated unleased mineral interest(s) who elect Alternative No. A3 (Non-Consent) and to the mineral interest(s) subject to and covered by the integrated uncommitted leasehold working interest(s) whose owners elect or shall be deemed to have elected Alternative No. B2 (Non-Consent), both described in Finding No. 8 above (collectively, the "non-consent interests"), shall be paid to those Consenting Parties that elect to acquire their proportionate share of such non-consent interests pursuant to Paragraph 9 of this Order.

9. SHARING OF NON-CONSENT INTERESTS

The designated Operator shall offer each Consenting Party in the initial well who executes the JOA, or who elects to participate under this Order, prior to the expiration of the Election Period an opportunity to acquire its proportionate share of all non-consent interests in the initial well pursuant to the terms of Article VI.B.2. of the JOA. The designated Operator shall likewise offer each Consenting Party in the initial well the opportunity to acquire its proportionate share of any leasehold interest acquired by the Applicant as the result of any unleased mineral owner's deemed election under Alternative A4 of Finding No. 8 (collectively, the "A4 Interests"); provided, however, this Paragraph 9 shall not apply to:

(i) any A4 Interest that is not marketable; or

(ii) any A4 Interest that is less than a perpetual interest in the mineral estate (i.e. a term interest, life estate or remainder interest) and which must be integrated in order to make perpetual an existing leasehold interest in the Unit.

Any A4 Interest described in subpart (ii) of the immediately preceding sentence shall be retained by the Applicant if the Applicant is the owner of the existing leasehold interest which is made perpetual by such A4 Interest. If the Applicant is not the owner of such existing leasehold interest, the Applicant shall tender such A4 Interest to the owner(s) of the existing leasehold interest that is made perpetual by such A4 Interest.

Any Consenting Party electing to acquire a share of any A4 Interests, pursuant to this paragraph, shall notify the Applicant within five business days after receiving an offer from the Applicant indicating the amount of interest available and the cost of that interest, and immediately reimburse the Applicant for such Consenting Party's proportionate share of the lease bonus payable with respect to such A4 Interests.

10. UNIT OPERATION

The Unit described above shall be operated in accordance with the terms of the JOA and existing rules and regulations and any amendments thereto, of the Arkansas Oil and Gas Commission.

11. DESIGNATED OPERATOR

The Applicant is hereby designated as operator of and authorized to operate the Unit described above.

12. SIGNED JOA

The Applicant shall provide all parties, except those parties who elect to lease under Alternative A1 or who are deemed to have elected under Alternative A4, both described in Finding No. 8 above, with signed copies of the JOA as adopted by the Commission which shall include an Exhibit "A" showing a before payout and after payout decimal interest for the effected parties, within 30 days from the end of the election period.

This Order shall be effective from and after May 30, 2007; and the Commission shall have continuing jurisdiction for the purposes of enforcement, and/or modifications or amendments to the provisions of this Order. This Order will automatically terminate under any of the following conditions: well drilling operations have not been commenced within one year after the effective date; or one year following cessation of drilling operations if no production is established; or, within one year from the cessation of production from the unit hereby created.

ARKANSAS OIL AND GAS COMMISSION

Lawrence E. Bengal
Director of
Production and Conservation

It is so Ordered by the Commission:

Chad White, Vice-Chairman
W. Frank Morledge
Charles Wohlford
Mike Davis
Kenneth Williams
Carolyn Pollan
William L. Dawkins, Jr.

The following Commissioner(s)were voluntarily disqualified:

Bill Poynter

The following Commissioner(s)were absent:

Chris Weiser, Chairman

Chesapeake Operating Inc
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	P C	PRICE	I T	PY GP	LEASE VOLUME	LEASE TAX	LEASE DEDUCT	LEASE NET VALUE	PAYMENT DECIMAL	OWNER VOLUME	OWNER GRS VALUE	OWNER TAX	OWNER DEDUCT	OWNER NET	OWNER BTU
611415-MUCE 8-7 1-30H					**STATE: AR**	**COUNTY: WHITE**				**LEGAL: SECTION 30-8N-7W**					
309	2	3.04	2	01	19952.00	1148.91SV	.00	59548.51	.00033465	6.68	20.31	.38	.00	19.93	991
309	2	3.04	2	BP	6384.00	365.62SV	.00	19054.28	.00033465	2.14	6.50	.12	.00	6.38	991
309	2	3.04	7	01	19952.00	1148.91SV	.00	59548.51	.00016717	3.33	10.15	.20	.00	9.95	991
309	2	3.04	7	BP	6384.00	365.62SV	.00	19054.28	.00016824	1.07	3.27	.06	.00	3.21	991
									LEASE TOTAL		40.23	.76	.00	39.47	
616399-FOWLER 8-7 1-30H					**STATE: AR**	**COUNTY: WHITE**				**LEGAL: SECTION 30-8N-7W**					
309	2	3.04	2	01	16464.00	946.72SV	.00	49051.21	.00033465	5.51	16.73	.32	.00	16.41	989
309	2	3.04	2	BP	4392.00	251.22SV	.00	13087.84	.00033465	1.47	4.46	.08	.00	4.38	989
309	2	3.04	7	01	16464.00	946.72SV	.00	49051.21	.00016063	2.64	8.03	.16	.00	7.87	989
309	2	3.04	7	BP	4392.00	251.22SV	.00	13087.84	.00019240	.84	2.57	.05	.00	2.52	989
									LEASE TOTAL		31.79	.61	.00	31.18	
618405-FOWLER 8-7 2-30H					**STATE: AR**	**COUNTY: WHITE**				**LEGAL: SECTION 30-8N-7W**					
309	2	3.04	2	01	22255.00	1282.10SV	.00	66460.41	.00033465	7.45	22.67	.43	.00	22.24	991
309	2	3.04	2	BP	6086.00	348.71SV	.00	18175.72	.00033465	2.03	6.20	.12	.00	6.08	991
309	2	3.04	7	01	22255.00	1282.10SV	.00	66460.41	.00016063	3.57	10.88	.21	.00	10.67	991
309	2	3.04	7	BP	6086.00	348.71SV	.00	18175.72	.00019240	1.18	3.56	.07	.00	3.49	991
									LEASE TOTAL		43.31	.83	.00	42.48	
									OWNER TOTAL		115.33	2.20	.00 .00IT		
		CHECK TOTAL												113.13	

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 limited to taxes or deductions made by the operator/lessee. Deductions made by the purchaser/transporter are not shown.

INTEREST TYPE (IT)

2-ROYALTY
7-EX ROY

PRODUCT CODE (PC)

2-GAS(MCF)

DEDUCT CODE

BW-BACKUP WITHHOLDING
IT-INTEREST
KR-KS WITHHOLDING
MT-MT WITHHOLDING
NE-NETTING EXPENSE
NM-NM WITHHOLDING
SB-OK WITHHOLDING
UT-UT WITHHOLDING

Total for check **$113.13**

OWNER NUMBER	573475	CHECK NUMBER	5730945	CHECK DATE	05/28/2009

bp

Statement of Oil and Gas Purchased/Sold
(Federal and State Taxes have been deducted where required)
Keep for tax purposes. Duplicates cannot be furnished.

Owner's Name:

Check Date: 10/20/09

WHEN INQUIRING PLEASE REFER TO YOUR BUSINESS ASSOCIATE NO. 603078 65

PROPERTY NUMBER	DOI NUMBER	PURCHASED/SOLD MO	PURCHASED/SOLD YR	PRODUCT CODE	LC*	QUANTITY	BTU FACTOR	AVERAGE UNIT PRICE $	TOTAL VALUE $	PRODUCTION TAXES $	TOTAL VALUE AFTER TAX $	TYPE INTEREST	DECIMAL	PAYMENT GROSS VALUE $	PAYMENT NET VALUE $
MUCE 8-7 1-30H						WHITE			AR						
00408684	00001	04	2009	203		5,894.00	0.992	3.382	$ 19,931.85	$ 277.69	$ 19,654.16	RI	0.00016824	$ 3.35	$ 3.30
00408684	00001	04	2009	203	19				$ 1,156.30-		$ 1,156.30-		0.00016824		$ 0.19-
00408684	00001	04	2009	203	20				$ 3,799.77-		$ 3,799.77-		0.00016824		$ 0.64-
00408684	00001	05	2009	203		5,845.00	0.993	3.160	$ 18,472.55	$ 255.74	$ 18,216.81	RI	0.00016824	$ 3.11	$ 3.07
00408684	00001	05	2009	203	19				$ 1,157.87-		$ 1,157.87-		0.00016824		$ 0.19-
00408684	00001	05	2009	203	20				$ 3,772.51-		$ 3,772.51-		0.00016824		$ 0.63-
00408684	00001	06	2009	203		5,312.00	0.991	3.434	$ 18,238.90	$ 253.30	$ 17,985.60	RI	0.00016824	$ 3.07	$ 3.03
00408684	00001	06	2009	203	19				$ 1,116.24-		$ 1,116.24-		0.00016824		$ 0.19-
00408684	00001	06	2009	203	20				$ 3,422.43-		$ 3,422.43-		0.00016824		$ 0.58-
00408684	00001	07	2009	203		5,455.00	0.989	3.561	$ 19,425.69	$ 269.67	$ 19,156.02	RI	0.00016824	$ 3.27	$ 3.22
00408684	00001	07	2009	203	19				$ 1,212.79-		$ 1,212.79-		0.00016824		$ 0.20-
00408684	00001	07	2009	203	20				$ 3,508.29-		$ 3,508.29-		0.00016824		$ 0.59-
00408684	00001	08	2009	203		5,317.00	0.992	3.390	$ 18,023.05	$ 250.68	$ 17,772.37	RI	0.00016824	$ 3.03	$ 2.99
00408684	00001	08	2009	203	19				$ 1,073.92-		$ 1,073.92-		0.00016824		$ 0.18-
00408684	00001	08	2009	203	20				$ 3,426.84-		$ 3,426.84-		0.00016824		$ 0.58-
FOWLER 8-7 1 & 2-30H						WHITE			AR						
00408684	00002	04	2009	203		9,686.00	0.991	3.381	$ 32,744.30	$ 456.22	$ 32,288.08	RI	0.00019240	$ 6.30	$ 6.21
00408684	00002	04	2009	203	19				$ 1,899.59-		$ 1,899.59-		0.00019240		$ 0.36-
00408684	00002	04	2009	203	20				$ 6,242.31-		$ 6,242.31-		0.00019240		$ 1.20-
00408684	00002	05	2009	203		9,567.00	0.994	3.163	$ 30,264.43	$ 418.92	$ 29,845.51	RI	0.00019240	$ 5.83	$ 5.74
00408684	00002	05	2009	203	19				$ 1,896.99-		$ 1,896.99-		0.00019240		$ 0.37-
00408684	00002	05	2009	203	20				$ 6,180.69-		$ 6,180.69-		0.00019240		$ 1.19-
00408684	00002	06	2009	203		8,560.00	0.992	3.437	$ 29,420.47	$ 408.53	$ 29,011.94	RI	0.00019240	$ 5.66	$ 5.57
00408684	00002	06	2009	203	19				$ 1,800.56-		$ 1,800.56-		0.00019240		$ 0.35-
00408684	00002	06	2009	203	20				$ 5,520.58-		$ 5,520.58-		0.00019240		$ 1.06-
00408684	00002	07	2009	203		8,807.00	0.989	3.561	$ 31,359.86	$ 435.33	$ 30,924.53	RI	0.00019240	$ 6.03	$ 5.94
00408684	00002	07	2009	203	19				$ 1,957.86-		$ 1,957.86-		0.00019240		$ 0.37-
00408684	00002	07	2009	203	20				$ 5,663.61-		$ 5,663.61-		0.00019240		$ 1.09-
00408684	00002	08	2009	203		8,536.00	0.992	3.390	$ 28,935.25	$ 402.47	$ 28,532.78	RI	0.00019240	$ 5.57	$ 5.48
00408684	00002	08	2009	203	19				$ 1,724.13-		$ 1,724.13-		0.00019240		$ 0.33-
00408684	00002	08	2009	203	20				$ 5,501.64-		$ 5,501.64-		0.00019240		$ 1.06-
													TOTALS	$45.22	$33.20

[redacted]

LC: 01 - NON-RESIDENT ALIEN 02 - AD VALOREM DIRECT RECOVERY 04 - UTAH STATE TAX 05 - COLORADO STATE TAX 06 - INTEREST PAID
08 - MISC. 09 - OKLAHOMA ALIEN TAX 10 - BACKUP WITHHOLDING TAX 12 - NON-RESIDENT INCOME TAX 17 - SETTLEMENT DIFFERENCES
19 - MAINLINE TRANSPORTATION 20 - POST PRODUCTION & PROCESSING COSTS PR - PRODUCTION TAXES EX - EXTRACTION TAXES

PRODUCT CODES: 1XX - OIL (BBLS) 2XX - GAS (MCF) 3XX - CONDENSATE (BBLS) 4XX - PLANT PRODUCTS (BBLS/GALS)
7XX - SULFUR (TONS) 9XX - INJECTANTS (BBLS)

Chesapeake Operating Inc
P.O. Box 18496
Oklahoma City, OK 73154
(405) 879-9333

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	P C	PRICE	I T	PY GP	LEASE VOLUME	LEASE TAX	LEASE DEDUCT	LEASE NET VALUE	PAYMENT DECIMAL	OWNER VOLUME	OWNER GRS VALUE	OWNER TAX	OWNER DEDUCT	OWNER NET	OWNER 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 limited to taxes or deductions made by the operator/lessee. Deductions made by the purchaser/transporter are not shown.															
615808-THOMAS MOORE 8-7 1-29H							STATE: AR	COUNTY: WHITE		LEGAL: SECTION 29-8N-7W					
908	2	7.17	2	01	24552.00	335.12	.00	175824.04	.00019531	4.80	34.41	.07	.00	34.34	1003
908	2	7.18	2	BP	5354.00	71.45	.00	38344.80	.00019531	1.04	7.50	.01	.00	7.49	1003
908	2	7.17	7	01	24552.00	335.12	.00	175824.04	.00003609	.88	6.35	.01	.00	6.34	1003
908	2	7.18	7	BP	5354.00	71.45	.00	38344.80	.00005278	.28	2.03	.00	.00	2.03	1003
1008	2	6.14	2	01	24008.00	332.90	.00	147082.90	.00019531	4.69	28.79	.07	.00	28.72	988
1008	2	6.14	2	BP	5236.00	70.95	.00	32077.04	.00019531	1.02	6.28	.01	.00	6.27	988
1008	2	6.14	7	01	24008.00	332.90	.00	147082.90	.00003609	.87	5.32	.01	.00	5.31	988
1008	2	6.14	7	BP	5236.00	70.95	.00	32077.04	.00005278	.28	1.70	.00	.00	1.70	988
1108	2	5.22	2	01	22165.00	313.31	.00	115471.13	.00019531	4.33	22.61	.06	.00	22.55	973
1108	2	5.22	2	BP	4834.00	66.74	.00	25183.18	.00019531	.94	4.93	.01	.00	4.92	973
1108	2	5.22	7	01	22165.00	313.31	.00	115471.13	.00003609	.80	4.18	.01	.00	4.17	973
1108	2	5.22	7	BP	4834.00	66.74	.00	25183.18	.00005278	.26	1.33	.00	.00	1.33	973
									LEASE TOTAL		125.43	.26	.00	125.17	
									OWNER TOTAL		125.43	.26			
													.00IT		

INTEREST TYPE (IT)

2-ROYALTY
7-EX ROY

PRODUCT CODE (PC)

2-GAS(MCF)

DEDUCT CODE

BW-BACKUP WITHHOLDING
IT-INTEREST
KR-KS WITHHOLDING
MT-MT WITHHOLDING
NE-NETTING EXPENSE
NM-NM WITHHOLDING
SB-OK WITHHOLDI NG
UT-UT WITHHOLDI NG

CHECK TOTAL **125.17**

OWNER NUMBER	582809	CHECK NUMBER	5558146	CHECK DATE	01/29/2009