

# There is a Proposed Settlement in a class action brought against Chesapeake Appalachia, L.L.C. on behalf of certain royalty owners.

## You may be able to obtain benefits

*A court authorized this notice. This is NOT a solicitation from a lawyer.*

A Proposed Settlement has been reached in a lawsuit against Chesapeake Appalachia, L.L.C. (“Chesapeake”). The lawsuit is about the alleged incomplete reporting and underpayment of royalty payments made by Chesapeake on the production of natural gas in Pennsylvania. Chesapeake denies the Plaintiffs’ allegations and intends to oppose such allegations in the absence of this settlement. Chesapeake enters into this settlement in an effort to further its relationship with its lessors and resolve the claims alleged.

You are a member of the Settlement Class if you fall within the class definition described under Question 3, below.

A SUMMARY OF YOUR RIGHTS AND CHOICES	
<b>REMAIN A SETTLEMENT CLASS MEMBER</b>	<p>To remain a member of the Settlement Class, you do not need to take any action. Class Members will be able to get money from the Proposed Settlement as outlined in Question 5.</p> <p><b>Due Date:</b> <u>Automatic Distribution</u></p>
<b>EXCLUDE YOURSELF FROM THE PROPOSED SETTLEMENT</b>	<p>You can exclude yourself from (opt out of) the Proposed Settlement and not be bound by the Court’s rulings. You will also not share in the distribution of monetary relief. See Questions 7 and 8.</p> <p><b>Due Date:</b> <u>Post-marked on or before December 17, 2015</u></p>
<b>OBJECT OR COMMENT ON THE PROPOSED SETTLEMENT</b>	<p>If you are a Settlement Class Member, you can appear and object to or comment on the Proposed Settlement in the lawsuit on your own or through your own lawyer. See Question 13.</p> <p><b>Due Date:</b> <u>Post-marked on or before December 17, 2015</u></p>

## 1. Why did I receive this notice?

Records show that you (or someone in your family) have received, currently receive, or potentially will receive royalty payments from Chesapeake from current or future wells in Pennsylvania.

The Court sent you this notice to inform you of a proposed settlement of a class action lawsuit styled *Demchak Partners Limited Partnership, et al. v. Chesapeake Appalachia, L.L.C.*, Civil Action No. 3:13-cv-2289, United States District Court for the Middle District of Pennsylvania. This notice outlines the terms of the proposed Settlement, who is a Settlement Class Member, your right to remain a member of the Settlement Class, how Settlement funds will be paid, how to comment on or object to the Proposed Settlement, and how to exclude yourself from the Settlement Class.

Judge Mannion of the United States District Court for the Middle District of Pennsylvania is overseeing this class action.

The people who brought the Lawsuit are the “Plaintiffs,” the people who intervened in the Lawsuit are the “Plaintiffs-Intervenors,” and the party being sued is the “Defendant.”

The term “Chesapeake” in this notice means Chesapeake Appalachia, L.L.C.

The term “royalties” in this notice means lessor royalty payments. The term “royalties” does not include overriding royalty interest payments.

## 2. What is this lawsuit about?

Plaintiffs and Plaintiffs-Intervenors claim that Chesapeake underpays royalties relating to gas produced from wells located in Pennsylvania pursuant to certain provisions of oil and gas leases. The Lawsuit alleges that Chesapeake inappropriately deducted from royalties certain costs that Chesapeake was not permitted to deduct under its leases pursuant to royalty clauses often referred to as “Market Enhancement Clauses” and sold gas at prices that were less than true market value prices. Plaintiffs asked Chesapeake to pay monetary damages and prejudgment interest.

Chesapeake contends that it correctly calculated its royalty payments. Chesapeake denies Plaintiffs’ and Plaintiffs-Intervenors’ claims but has agreed to settle the class action based on the time and expense of continuing the lawsuit and in the interest of furthering its relationship with the lessors.

A more complete description of the Lawsuit is available in the file for the Lawsuit maintained by the United States District Court for the Middle District of Pennsylvania. See Question 17, below. Additionally, should you have questions regarding the Lawsuit, such questions can be submitted in writing to Class Counsel at the addresses provided under Question 13 of this Notice.

## 3. How do I know if I am part of the Settlement Class?

The Settlement Class is defined as: all individuals and entities, including their predecessors and successors-in-interest, who are lessor parties to a Pennsylvania Lease. A “Pennsylvania Lease” is an oil and gas lease that (a) covers a leasehold located in Pennsylvania, (b) contains a Market Enhancement Clause, and (c) is or has been owned, in whole or in part, by Chesapeake as a lessee, according to the business records maintained by Chesapeake. Examples of Market Enhancement Clauses are set forth in response to Question 4.

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Excluded from the Settlement Class are:

- (a) Chesapeake and its affiliates and their respective predecessors and successors;
- (b) any person or entity who owns a working interest in or operates a gas well in Pennsylvania;
- (c) any person or entity who receives royalty in kind pursuant to a Pennsylvania Lease;
- (d) any person (i) whose lease contains a Market Enhancement Clause, (ii) to whom Chesapeake has made no Royalty payments as of the date of the Settlement Agreement, and (iii) whose lease has been sold, transferred, and/or assigned by Chesapeake in its entirety as of the date of the Settlement Agreement;
- (e) any persons or entities who have previously released Chesapeake from liability concerning or encompassing any or all claims that are the subject of the Lawsuit;
- (f) the federal government;
- (g) the Commonwealth of Pennsylvania;
- (h) legally-recognized Indian Tribes; and
- (i) any person who serves as a judge in this civil action and his/her spouse.

Some persons included in the Class definition may be deceased (“Deceased Class Members”). In order to assist the Settlement Administrator in the allocation and distribution of monies attributable to the interests of Deceased Settlement Class Members, this Notice is accompanied by an Heirship/Beneficiary Information Form (“Heirship Form”). If a Settlement Class Member believes that he or she is entitled to receive all or some portion of the Settlement funds allocable to a Deceased Settlement Class Member, then the Settlement Class Member is requested, but not required, to mail to the Settlement Administrator a completed Heirship Form.

Some corporations, partnerships, or other entities included in the Class definition may now be dissolved. If you have succeeded to the interest of such a dissolved corporation, partnership, or other entity, you should immediately contact the Settlement Administrator at [ChesapeakeSettlement@angeiongroup.com](mailto:ChesapeakeSettlement@angeiongroup.com) or write the following address:

**Chesapeake MEC Royalties Settlement Administrator**  
**Attn: Beneficiary Claims**  
**1801 Market Street, Suite 660**  
**Philadelphia, PA 19103**

**If you are a Settlement Class Member and the Judge approves the Proposed Settlement, you will be bound by all orders and judgments of the Court and by the Court’s final resolution of the Settlement Class claims in the Lawsuit. See Question 13 for your right to comment on or object to the Proposed Settlement.**

#### **4. How do I know if my well or lease is included in the Proposed Settlement?**

You are included in the proposed Settlement if you fall within the Settlement Class definition described under Question 3, above, and you are not excluded from the Settlement Class for any of the reasons described under Question 3, above.

Examples of a typical “Market Enhancement Clause” are:

It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction, directly or indirectly, for the cost of producing, gathering, storing,

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separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no such event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

-or-

Royalties shall be paid without deductions for the costs of producing, gathering, storing, separating, treating, dehydrating, compressing, transporting, or otherwise making the oil and/or gas produced from the leased premises ready for sale or use. All oil and/or gas royalty shall be delivered free of cost into the tank or pipeline (for oil) and into the pipeline (for gas), with the exception of Lessor's prorated share of any taxes, measured by volume, on the oil and/or gas royalty.

If you have any questions about whether you are part of the Settlement Class, please visit [www.ChesapeakePAGasRoyaltySettlement.com](http://www.ChesapeakePAGasRoyaltySettlement.com), email [ChesapeakeSettlement@angeiongroup.com](mailto:ChesapeakeSettlement@angeiongroup.com) or call (toll-free) 1-855-465-0343. You may also contact the following Class Counsel: Larry Moffett, (662) 232-8979, [lmoffett@danielcoker.com](mailto:lmoffett@danielcoker.com); or Michelle O'Brien, (570) 209-7901, [mobrien@theobrienlawgroup.com](mailto:mobrien@theobrienlawgroup.com).

**Please do not contact the Court.**

#### **5. What does the Proposed Settlement provide?**

The proposed Settlement provides monetary relief for Settlement Class Members relating to the deduction of "Post-Production Costs" pursuant to Chesapeake's "Pennsylvania Leases." Under the Settlement, "Post-Production Costs" means costs for gathering, compressing, transporting, or dehydrating gas which are incurred before the interconnect point of a transmission pipeline (such as Tennessee Gas Pipeline Company's interstate transmission pipeline); and "Pennsylvania Leases" means each and every oil and gas lease that (a) covers a leasehold located in Pennsylvania, (b) contains a Market Enhancement Clause; and (c) is or has been owned, in whole or in part, by Chesapeake as a lessee, according to the business records maintained by Chesapeake, subject to the exceptions identified in response to Question 3.

Under the Settlement, Chesapeake will make a payment to the Settlement Class in an amount equal to 55% of all Post-Production Costs reflected as deductions from Gas Royalty Payments made by Chesapeake to Settlement Class Members under the Pennsylvania Leases prior to June 1, 2014, plus 34% of all Post-Production Costs reflected as deductions from Gas Royalty payments made by Chesapeake to Settlement Class Members under the Pennsylvania Leases from June 1, 2014, through the Effective Date of the Settlement. Class Counsel estimate Chesapeake's total payment will be in excess of \$17,000,000.00. The payment will be distributed among the Class Members on a pro-rata basis, net of Court-awarded attorneys' fees and expenses and class representative incentive award payments, and in accordance with the Settlement Agreement's Plan of Distribution.

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In addition, the Settlement sets forth a Future Royalty Calculation Method under which Settlement Class Members will no longer bear 100% of Post-Production Costs, but will, after the Effective Date, only bear 66% of those costs. Settlement Class Members will continue to bear 100%, on a pro rata basis, of the transportation costs that are incurred after gas has entered the interconnect point of a transmission pipeline.

In exchange for the benefits received by the Class, Chesapeake and its affiliates will be released from any and all claims the Settlement Class Members may have against Chesapeake or its affiliates based on the calculation, payment, and/or reporting of royalties pursuant to a Pennsylvania Lease, in accordance with the Settlement Agreement.

The Settlement affects only Chesapeake and/or its Affiliates and does not affect how any other entity calculates and/or pays Royalties.

## 6. What do I need to do to remain a Settlement Class Member?

If you want to remain a Settlement Class Member, **you do not need to take any action whatsoever.** Class Counsel will represent your interests as a member of the Settlement Class.

## 7. Can I get out of the Settlement Class?

If you don't want to be in the Settlement Class and you want to keep the right to sue Chesapeake or its affiliates about the same claims on your own, you must take steps to get out of the Settlement Class. This is called excluding yourself from or "opting out of" the Settlement Class. By excluding yourself, you keep the right to file your own lawsuit. If you exclude yourself from the Settlement Class, you will not receive any benefits from the Proposed Settlement.

## 8. How do I get out of the Proposed Settlement?

To exclude yourself from ("opt out of") the Settlement Class, you must send a letter personally signed by you that includes all of the following: Your name, address, and telephone number; Your Chesapeake owner number (if you know it); The following Civil Action Number: 3:13-cv-2289; A statement that you want to be excluded from the Settlement Class.

Your request for exclusion letter must be mailed first class, postage pre-paid, **postmarked on or before December 17, 2015** to:

**Chesapeake MEC Royalties Settlement Administrator  
Attn: Exclusion Requests  
1801 Market Street, Suite 660  
Philadelphia, PA 19103**

You cannot exclude yourself from only part of the Settlement or Settlement Class. You must either remain a Settlement Class Member or exclude yourself from the entire Settlement. Also, please remember that you can't exclude yourself by phone or by sending an email.

**QUESTIONS? CALL 1-855-465-0343**

## 9. Do I have lawyers representing my interests in the case?

The Court has appointed the following law firms to represent the Class:

Michelle R. O'Brien  
The O'Brien Law Group  
LLC  
4099 Birney Avenue  
Moosic, PA 18507

Larry D. Moffett  
Daniel Coker Horton & Bell, P.A.  
P. O. Box 1396  
Oxford, MS 38655-1396

Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut Street, Suite 500  
Philadelphia, PA 19106

John W. ("Don") Barrett  
Barrett Law Group  
Post Office Drawer 927  
Lexington, MS 39095

Charles J. LaDuca  
Cuneo Gilbert & LaDuca, LLP  
8120 Woodmont Avenue  
Suite 810  
Bethesda, MD 20814

David S. Stellings  
Lief, Cabraser, Heimann  
& Bernstein, LLP  
250 Hudson St., 8<sup>th</sup> Floor  
New York, NY 10013

These lawyers are called "Class Counsel." You do not have to directly pay Class Counsel. If you want your own lawyer, and to have that lawyer appear in court, you may hire one at your own expense.

## 10. How will the lawyers be compensated?

Class Counsel will request that the Court award attorneys' fees and expenses in an amount not exceeding one-third of the Settlement Funds and one-third of the future economic benefits that Settlement Class Members realize under the Future Royalty Calculation Method for a period of time not exceeding five years. The Court, at its own discretion, may award less than these requested amounts without further notice to the Settlement Class Members. Any attorneys' fees and expenses awarded by the Court will be paid from the Settlement Funds and/or from the future economic benefits that Settlement Class Members realize under the Future Royalty Calculation Method. Again, if you choose to hire your own attorney, you will be responsible for that attorney's fees and expenses.

## 11. Should I get my own lawyer?

You don't need to hire your own lawyer but you may elect to do so. If you want your own lawyer to speak for you or to appear in Court, you or your lawyer must file a Notice of Appearance. (See question 16 to find out how to submit a Notice of Appearance). If you hire a lawyer to appear for you in the lawsuit, you will have to pay that lawyer on your own.

## 12. Who are the Class Representatives and how are they compensated?

The Court has appointed the Plaintiffs as Class Representatives. The Class Representatives work with Class Counsel on behalf of all Settlement Class Members to present the views of typical Settlement Class Members to Class Counsel and the Court. The Class Representatives may each be entitled to an Incentive Payment Award not to exceed \$5,000.

### 13. Can I object or comment on the Proposed Settlement?

If you have comments about, or disagree with, any aspect of the Proposed Settlement, including the requested attorneys' fees, you may express your views to the Court through a written response to the Proposed Settlement. Only Settlement Class Members who have not opted out can object or comment. The written comment or objection should include your name, address, telephone number, and Chesapeake owner number(s) (if known). In addition, any objection must include (a) a written statement of your objection, (b) a written statement of the grounds or reasons for your objection, and (c) copies of any papers, briefs, or other documents supporting your objection. The document must be signed to ensure the Court's review. In order to be considered by the Court, your comment or objection must be postmarked on or before **December 17, 2015** and mailed to:

Clerk of the Court  
United States District Court, Middle District of Pennsylvania  
United States Courthouse  
235 N. Washington Ave.  
Scranton, PA 18503

Your comment or objection must clearly state that it relates to the following Civil Action Number: 3:13-cv-2289

The comment or objection must also be mailed to the following attorneys:

Counsel for the Class:

Larry D. Moffett  
Daniel Coker Horton & Bell, P.A.  
P.O. Box 1396  
Oxford, MS 38655-1396

Counsel for Chesapeake:

Daniel T. Donovan  
Kirkland & Ellis, LLP  
655 15th Street, N.W., Ste 1200  
Washington DC 20005-5793

### 14. Will there be a Hearing on the Proposed Settlement?

The Court will hold a Final Approval Hearing on **February 2, 2016** to consider whether the Proposed Settlement is fair, reasonable, and adequate. The Hearing will be at the United States Courthouse, Middle District of Pennsylvania, 235 N. Washington Ave., Scranton, PA 18503 at **9:30 a.m.** At the Hearing, the Court will decide whether to approve the Proposed Settlement and the motion for attorneys' fees and expenses. If comments or objections have been received, the Court will consider them at this time.

Note: The Hearing may be postponed to a different date without additional notice.

## 15. Must I attend the hearing?

Attendance is not required, even if you properly mailed a written objection or comment. Class Counsel is prepared to answer the Court's questions on your behalf. If you or your lawyer still want to attend the Hearing, you are welcome to come at your own expense. However, it is not necessary that you attend. If you filed an objection to the Settlement, as long as the objection was postmarked before the deadline, the Court will consider it, regardless of whether you or your privately-retained attorney appear at the Hearing.

## 16. May I speak at the Hearing?

If you want to speak or have your own lawyer speak at the Final Approval Hearing, you must give the Court a paper that is called a "Notice of Appearance." The Notice of Appearance must refer to *Demchak Partners Limited Partnership, et al. v. Chesapeake Appalachia, L.L.C.*, Civil Action No. 3:13-cv-2289, United States District Court for the Middle District of Pennsylvania, and state that you or your lawyer wish to enter an appearance at the Final Approval Hearing. It must also include your name, address, telephone number, and signature. Your "Notice of Appearance" must be postmarked no later than **January 18, 2016**. You cannot speak at the Hearing if you asked to be excluded from the Proposed Settlement Class.

The Notice of Appearance must be filed with the Court at the address provided under Section 13 above and also mailed to the attorneys listed in Section 13 above.

In addition, your document must clearly state that it relates to the following Civil Action Number: 3:13-cv-2289.

## 17. How do I get more information about the Proposed Settlement?

This notice summarizes the Proposed Settlement and your rights and options as a Settlement Class Member. To find out more information, please visit [www.ChesapeakePAGasRoyaltySettlement.com](http://www.ChesapeakePAGasRoyaltySettlement.com), call toll free 1-855-465-0343 or write to:

**Chesapeake MEC Royalties Settlement Administrator**  
**Attn: Beneficiary Claims**  
**1801 Market Street, Suite 660**  
**Philadelphia, PA 19103**

If you have a question about whether or not you are in the Settlement Class, or about your rights and options as a Settlement Class Member, you may contact the Class Counsel at:

Larry Moffett, (662) 232-8979, [lmoffett@danielcoker.com](mailto:lmoffett@danielcoker.com) or Michelle O'Brien, (570) 209-7901, [mobrien@theobrienlawgroup.com](mailto:mobrien@theobrienlawgroup.com).

All court records, including the Settlement Agreement and other documents for the Lawsuit, may be examined in person and copied at the United States District Court, Middle District of Pennsylvania, United States Courthouse, 235 N. Washington Ave., Scranton, PA 18503.

**PLEASE DO NOT TELEPHONE THE COURT, THE CLERK OF THE COURT, OR CHESAPEAKE.**

**QUESTIONS? CALL 1-855-465-0343**